

NEW ISSUE/REFUNDING

In the opinion of Co-Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the 2009 C Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the 2009 C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the 2009 C Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2009 C Bonds. See "TAX EXEMPTION" herein.

\$115,835,000
State of Connecticut
State Revolving Fund Refunding General Revenue Bonds
2009 Series C

Dated: Date of Delivery

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

The proceeds of the State Revolving Fund General Revenue Bonds, 2009 Series C (the "2009 C Bonds") will be used by the State of Connecticut (the "State") to refund certain Outstanding Bonds issued under the State's SRF Program (as defined herein). The 2009 C Bonds are payable solely from all moneys in the Revolving Fund, as defined herein, legally available for application to payments due under the Resolution ("Available Moneys"), ratably with any other Bonds issued pursuant to the State Revolving Fund General Revenue Bond Program General Bond Resolution adopted December 17, 2002, as supplemented (the "Resolution"). The 2009 C Bonds and all other Bonds issued under the Resolution are referred to collectively as the "Bonds." The Bond Proceeds Fund, the Debt Service Fund and the Support Fund, the investments thereof and the proceeds of such investments, if any, are pledged for the payment of all Bonds issued under the Resolution in accordance with the terms and provisions of the Resolution. See "SECURITY FOR THE BONDS" herein.

The 2009 C Bonds are special obligations of the State payable solely from Available Moneys in the Revolving Fund, as hereinafter defined, in accordance with the terms and provisions of the Resolution. The issuance of the 2009 C 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 2009 C 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 2009 C Bonds will be payable on April 1 and October 1 of each year, commencing on October 1, 2009. The 2009 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 2009 C 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 2009 C BONDS - Book-Entry-Only System."

The 2009 C Bonds will be subject to redemption prior to maturity as described herein.

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

The 2009 C 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 2009 Bonds by Edwards Angell Palmer & Dodge LLP, Hartford, Connecticut, and the Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Pullman & Comley, LLC, Hartford, Connecticut, Underwriters' Counsel. It is expected that the 2009 C Bonds will be available for delivery in book-entry-only form at DTC in New York, New York on or about July 30, 2009.

Honorable Denise L. Nappier
Treasurer of the State of Connecticut

M.R. Beal & Company
Cabrera Capital Markets, Inc.
Jackson Securities LLC
RBC Capital Markets
SBK-Brooks Investment Corp.

Goldman, Sachs & Co.
Merrill Lynch & Co.
Estrada Hinojosa & Company, Inc.
Morgan Keegan & Co., Inc.
Rice Financial Products Company
Siebert Brandford Shank & Co., LLC

Ramirez & Co., Inc.
J.P. Morgan
Raymond James & Associates
Roosevelt & Cross, Inc.
Wells Fargo Securities

\$115,835,000
State of Connecticut
State Revolving Fund Refunding General Revenue Bonds
2009 Series C

Base CUSIP Number: 207737

<u>Maturity</u> <u>October 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2010	\$7,855,000	1.50%	0.50%	GJ0
2011	3,485,000	2.00	0.95	GK7
2011	3,745,000	5.00	0.95	GL5
2012	2,750,000	2.00	1.22	GM3
2012	4,735,000	5.00	1.22	GN1
2013	4,085,000	2.50	1.65	GP6
2013	3,670,000	5.00	1.65	GQ4
2014	4,200,000	3.00	2.07	GR2
2014	3,840,000	5.00	2.07	GS0
2015	4,330,000	3.00	2.33	GT8
2015	4,030,000	5.00	2.33	GU5
2016	4,460,000	3.00	2.59	GV3
2016	4,230,000	5.00	2.59	GW1
2017	4,900,000	4.00	2.85	GX9
2017	4,135,000	5.00	2.85	GY7
2018	4,440,000	3.00	3.03	GZ4
2018	4,995,000	5.00	3.03	HA8
2019	4,835,000	4.00	3.20	HB6
2019	4,985,000	5.00	3.20	HC4
2020	10,260,000	5.00	3.37 ^C	HD2
2021	10,775,000	5.00	3.52 ^C	HE0
2022	11,095,000	5.00	3.65 ^C	HF7

^CYield calculated to first optional call date.

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the 2009 C Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. All quotations from and summaries and explanations of provisions of laws of the State contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the 2009 C Bonds and the resolutions and proceedings of the State Bond Commission relating thereto are qualified in their entirety by reference to the definitive forms of the 2009 C Bonds and such resolutions. This Official Statement is submitted only in connection with the sale of the 2009 C Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the State. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2009 C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2009 C BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY

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

- Issuer: State of Connecticut (the “State”)
- Issue: \$115,835,000 State of Connecticut State Revolving Fund Refunding General Revenue Bonds, 2009 Series C (the “2009 C Bonds”)
- Dated Date: Date of Issuance
- Interest Date: April 1 and October 1, commencing October 1, 2009
- Principal Due: As detailed on the inside front page of this Official Statement.
- Redemption: The 2009 C Bonds maturing on or after October 1, 2020, or portions thereof may be called for optional redemption and payment prior to maturity on October 1, 2019, and thereafter, in whole or in part at any time at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. See “DESCRIPTION OF THE 2009 C BONDS – Redemption” herein.
- See “DESCRIPTION OF THE 2009 C BONDS – Redemption” herein.
- Authorization: The State will issue the 2009 C Bonds pursuant to Connecticut General Statutes Sections 22a-475 to 22a-483 (the “State Act”) and the Resolution. Under the terms of the State Act, the State Bond Commission (established pursuant to Section 3-20 of the General Statutes of Connecticut, as amended) is empowered to authorize revenue bonds in accordance with the permitted uses of the SRF Programs including the Wastewater Program and the Drinking Water Program, subject to the legislative authorizations of additional Bonds, and to authorize the execution of the Resolution as a contract of the State with the holders of the Bonds. See “AUTHORIZATION FOR THE BONDS.”
- Security: The 2009 C Bonds are special obligations of the State payable solely from Available Moneys in the Revolving Fund, as defined herein, in accordance with the terms and provisions of the Resolution. Available Moneys include all funds in the Revolving Fund legally available therefor and can be used for any lawful purpose. The Bond Proceeds Fund, the Debt Service Fund and the Support Fund, the investments thereof and the proceeds of such investments, if any, are pledged for the payment of all Bonds issued under the Resolution in accordance with the terms and provisions of the Resolution. The issuance of the 2009 C Bonds shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. See “SECURITY FOR THE BONDS” for additional information relating to the security for the Bonds.
- Credit Rating: The Bonds have received ratings of “AAA” from Standard & Poor’s, “Aaa” from Moody’s Investors Service and “AAA” from Fitch, Inc. See “RATINGS” herein.

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

Purpose: The 2009 C Bonds will be issued (i) to refund on a current basis the State's outstanding State Revolving Fund Refunding General Revenue Bonds (Auction Rate Securities), 2003 Series C (the "2003 C Bonds"), (ii) to pay the termination payment payable by the State in connection with the termination of an interest rate swap agreement related to the 2003 C Bonds, and (iii) to pay costs of issuance of the 2009 C Bonds.

Tax Matters: In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the State described herein, interest on the 2009 C 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, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel is further of the opinion that interest on the 2009 C Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "TAX EXEMPTION" herein regarding certain other tax considerations.

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

Book-Entry Form: The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Bonds. See "DESCRIPTION OF THE 2009 C BONDS--Book-Entry-Only System."

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

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION	1	DESCRIPTION OF THE 2009 C BONDS.....	18
Purpose of Official Statement.....	1	2009 C Bonds.....	18
General Bond Resolution.....	1	Redemption.....	19
Purpose of 2009 C Bonds	1	Book-Entry-Only System	20
Additional Information	2	SCHEDULE OF DEBT SERVICE ON PROGRAM	
STATE OF CONNECTICUT CLEAN WATER		BONDS AND 2009 C BONDS	23
FUND	2	ABSENCE OF LITIGATION	23
Federal Statutory Framework	3	LEGALITY FOR INVESTMENT.....	24
State’s SRF Programs	4	CERTAIN LEGAL MATTERS	24
Program Bonds Authorized and Issued.....	5	TAX EXEMPTION.....	25
Repayment of the Bonds Including 2009		CONTINUING DISCLOSURE AGREEMENTS ...	27
Bonds.....	6	UNDERWRITING	28
PLAN OF FINANCE	6	RATINGS.....	28
STATE OF CONNECTICUT OFFICE OF THE		VERIFICATION OF ARITHMETICAL AND	
TREASURER.....	7	MATHEMATICAL COMPUTATIONS	28
STATE OF CONNECTICUT DEPARTMENT OF		FINANCIAL ADVISORS	29
ENVIRONMENTAL PROTECTION	7	INDEPENDENT AUDITORS.....	29
STATE OF CONNECTICUT DEPARTMENT OF		ADDITIONAL INFORMATION.....	29
PUBLIC HEALTH.....	8		
THE LOANS	8	APPENDIX A -- Borrower Information	
Loan Application Process	8	Part I: General Information	
Loan Agreements.....	9	Part II: Specific Borrower	
Loan Repayments	9	Information	
Security for the Loans.....	9	APPENDIX B -- State Revolving Fund General	
THE BORROWERS.....	10	Revenue Program--State Revolving	
ASSETS AND DEBT IN REVOLVING		Fund Financial Statements Clean	
FUND	14	Water Fund and Drinking Water	
SOURCES AND USES OF FUNDS.....	15	Fund	
SECURITY FOR THE BONDS.....	15	APPENDIX C -- Summary of Certain Provisions of	
Special Obligation.....	15	the General Bond Resolution	
Flow of Funds	16	APPENDIX D -- Summary of Certain Provisions of	
Cross-Collateralization.....	16	each Project Loan and Project Grant	
Investment of Funds.....	17	Agreement	
Additional Bonds	17	APPENDIX E -- Definitions of Certain Terms	
Bond Anticipation Notes.....	17	APPENDIX F -- Form of Continuing Disclosure	
State General Taxing Power Not Pledged.....	17	Agreements of the State and	
AUTHORIZATION FOR THE BONDS.....	17	Municipalities	
Legal Authority--State Bond Commission.....	17	APPENDIX G -- Proposed Form of Bond Counsel	
Agreement of the State	18	Opinion	

OFFICIAL STATEMENT

\$115,835,000
State of Connecticut
State Revolving Fund Refunding General Revenue Bonds
2009 Series C

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 2009 C 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 \$115,835,000 aggregate principal amount of State Revolving Fund Refunding General Revenue Bonds, 2009 Series C (the “**2009 C Bonds**”) being issued by the State of Connecticut (the “**State**”). The 2009 C 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 2009 C Bonds represent the ninth series of Bonds issued by the State pursuant to its State Revolving Fund General Revenue Bond Program General Bond Resolution adopted by the State Bond Commission on December 17, 2002, as supplemented (the “**Resolution**”). Under the Resolution, the Revolving Fund includes the state water pollution control federal revolving loan account within the Clean Water Fund and the state drinking water federal revolving loan account within the Clean Water Fund, each established by the State Act in accordance with the Federal Act, as defined herein, and any similar account related to any expansion of the SRF Programs (the “**Revolving Fund**”). Debt service on the Bonds, including the 2009 C Bonds, will be payable ratably under the Resolution. The State agrees to apply all moneys in the Revolving Fund legally available for payments due under the Resolution (“**Available Moneys**”) to the timely payment of the Bonds and any Other Financial Assistance and any Related Program Obligations. (See “**Appendix E -- DEFINITIONS OF CERTAIN TERMS**” for definitions.) The State has pledged amounts in the Bond Proceeds Fund, the Support Fund and the Debt Service Fund pursuant to the Resolution to the payment of the Bonds. (See “**SECURITY FOR THE BONDS – Flow of Funds**” for definitions of and additional information on funds established under the Resolution.)

Purpose of 2009 C Bonds

The 2009 C Bonds will be issued (i) to refund on a current basis the 2003 C Bonds, (ii) to pay the termination payment payable by the State in connection with the termination of an interest rate swap agreement related to the 2003 C Bonds, and (iii) to pay costs of issuance of the 2009 C Bonds. See “**PLAN OF FINANCE**” herein. Upon the issuance of the 2009 C Bonds, Bonds issued under the Resolution will be outstanding in the aggregate principal amount of \$879,660,000.

Additional Information

There follows in this Official Statement brief descriptions of the State Revolving Fund Program, including the Wastewater Program and the Drinking Water Program, the 2009 C Bonds, the Loans and the Borrower whose Loans, including current and anticipated Loan commitments through June 30, 2010, are expected to exceed 10% of the aggregate outstanding principal amount of the Bonds, including the 2009 C Bonds. Attached hereto as **Appendix A** is certain limited information about such Borrower. Such information was provided by such Borrower 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 Borrower should be read in conjunction with the information contained in **Appendix A**.

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

Appendix B to this Official Statement contains the SRF Programs’ Financial Statements for the fiscal years ended June 30, 2007, and June 30, 2008. **Appendices C** and **D**, respectively, contain descriptions of certain provisions of the Resolution and the Project Loan and Project Grant Agreement between the State and each Borrower. **Appendix E** contains definitions of certain terms. **Appendix F** contains the form of Continuing Disclosure Agreement to be entered into by the State in connection with issuance of the 2009 C 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 2009 C Bonds. **Appendix G** contains the proposed form of opinion of Co-Bond Counsel to be rendered in connection with the issuance and delivery of the 2009 C Bonds.

STATE OF CONNECTICUT CLEAN WATER FUND

The State Clean Water Fund was created by the State pursuant to the Connecticut General Statutes Sections 22a-475 to 22a-483 (the “State Act”). It is jointly managed by the State Department of Environmental Protection (“**DEP**”), the Office of the Treasurer (the “**Treasurer**”) and the State Department of Public Health (“**DPH**”). The Clean Water Fund is divided into the following six accounts: (1) the water pollution control federal revolving loan account; (2) the water pollution control state account; (3) the Long Island Sound clean-up account; (4) the rivers restoration account; (5) the drinking water federal revolving loan account; and (6) the drinking water state account. The water pollution control federal revolving loan account and the drinking water federal revolving loan account collectively constitute the Revolving Fund, which is established pursuant to the Federal Act to fund the State’s SRF Programs.

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

Federal Statutory Framework

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

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

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

The Federal Act places certain legal constraints and provides authorized uses of amounts in the State’s Revolving Fund. Federal regulations limit the uses of program equity to making loans, making loan guarantees, purchasing insurance, refinancing prior debt, providing a source of revenue or security for payment of debt service, investing to earn interest on moneys in such account or paying administrative expenses associated with qualified projects. Federal capitalization grants and State matching funds in the State’s Revolving Fund cannot be used to make grants and must be maintained by the Revolving Fund in perpetuity. Available Moneys may be applied to any uses permissible under the Federal Act and the State Act.

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

ARRA contains direct subsidies to the State of \$48 million for the Clean Water Program and \$19.5 million for the Drinking Water Program. The State is required to use a minimum of 50% of these funds as direct subsidies and anticipates awarding these subsidies by February 2010.

State's SRF Programs

The State's participation in the federal programs pursuant to the CWA and the SDWA is implemented through its SRF Programs. The purpose of the State's SRF Program is to provide a source of low interest loans and other types of financial assistance (other than direct grants) to local entities for the construction, rehabilitation, expansion or improvement of wastewater treatment or drinking water facilities in accordance with the State Act. To make such loans and financial assistance, the State uses proceeds of Bonds, State contributions of moneys (the "**State Contributions**") and federal capitalization grants. With respect to federal capitalization grants the State makes periodic cash draws under the Federal Transfer Payment System based on the amount of costs incurred for eligible projects or activities by either all or a specified group of projects receiving Loans, as determined by the State from time to time. The State has elected to base its cash draws on the costs incurred by a specified group of projects on a dollar-for-dollar basis. See **Appendix C** -- "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION."

Wastewater Program

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

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

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

Federal wastewater capitalization grants for federal fiscal years 1987 through 2008 in the amount of \$376,510,120 have been awarded by the EPA to the State. During that same time period, in furtherance of the State's Wastewater Program, the State has made State Contributions in the amount of approximately \$100.07 million in the form of taxable State general obligation bonds and direct loans to Borrowers. The federal wastewater capitalization grants and State Contributions have been used to make Loans, to fund reserves and to pay administrative costs. Capitalization grants are also available to fund any authorized purposes under federal and State law.

Drinking Water Program

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

Under the Drinking Water Program, the State provides Loans at an interest rate equal to 50% of the most recent rate paid on State of Connecticut General Obligation Bonds (the “**Market Rate**”). Under the Drinking Water Program, there is no grant component and 100% of eligible drinking water projects are funded with Loans. Loans must be repaid over a period not to exceed 20 years from the completion date of the project. Up to 31% of the federal drinking water capitalization grant for each fiscal year is used for all federally permitted set-aside activities including payments of administrative costs, Small Systems Technical Assistance, State Program Management, Local Assistance and other State drinking-water-related programs.

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

Federal drinking water capitalization grants for federal fiscal years 1997 through 2008 in the amount of \$108,788,900 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’s outstanding Program Bonds consist only of Bonds issued under the new State Revolving Fund General Revenue Bond Resolution, including the 2009 C Bonds. Through Fiscal Year 2009, the State General Assembly has authorized the issuance of \$1,238,400,000 of revenue bonds for State Revolving Fund purposes. Upon the issuance of the 2009 C Bonds, the State will have issued \$1,287,155,000 of Program Bonds, including \$311.56 million of refunding bonds issued under the Resolution. (Refunding bonds do not count against the authorization amount.) Upon the issuance of the 2009 C Bonds, approximately 879,660,000 of Bonds will be outstanding.

State General Obligation Bonds

Through Fiscal Year 2009, the State General Assembly has authorized the issuance of \$961,030,000 of general obligation bonds for SRF Program purposes. The proceeds of those bonds have been used to make grants and Loans to Borrowers and deposits to the funds held under the Resolution. The State expects that additional grants and Loans to Borrowers, as well as deposits to the Support Fund, will be funded from State general obligation bonds or other Available Moneys in the SRF Programs.

Repayment of the Bonds including 2009 C Bonds

Debt service on the Bonds, including the 2009 C 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 2009 C Bonds are special obligations of the State payable solely from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution. The issuance of the 2009 C 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 2009 C 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 2009 C Bonds. See “SECURITY FOR THE BONDS” for additional information relating to the security for the Bonds.

PLAN OF FINANCE

The 2009 C Bonds will be issued (i) to refund on a current basis the State’s outstanding 2003 C Bonds, (ii) to pay the termination payment payable by the State in connection with the termination of an interest rate swap agreement related to the 2003 C Bonds, and (iii) to pay costs of issuance of the 2009 C Bonds.

Deposit to Support Fund. Upon issuance of the 2009 C Bonds, approximately \$22.3 million will be deposited into the Support Fund from Available Moneys in the Revolving Fund. See “SOURCES AND USES OF FUNDS” herein. Amounts deposited in the Support Fund in connection with the issuance of the 2009 C Bonds are expected to be invested in Investment Obligations. See “SECURITY FOR THE BONDS - Investment of Funds.”

**STATE OF CONNECTICUT
OFFICE OF THE TREASURER**

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

The Treasurer and DEP have entered into a Memorandum of Agreement pertaining to the management of the SRF Programs. The Memorandum of Agreement delegates to the Treasurer certain responsibilities with respect to the implementation and management of the SRF Programs. A Financial Administrator has been appointed by the Treasurer to manage and coordinate the various financial components of the SRF Programs on a day-to-day basis. The activities of the Financial Administrator are coordinated with those of DEP and the Office of Policy and Management (“OPM”) for the Wastewater Program. OPM manages the State’s capital budget and oversees the bond allocation process. An Amendment to the Memorandum of Agreement, which became effective January 1, 2009, includes roles and responsibilities related to use of both the statewide accounting, procurement and payroll system known as Core-CT and a new project management and accounting system.

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

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

**STATE OF CONNECTICUT
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

DEP was established as a State agency to carry out the environmental policy of the State, including conserving, improving and protecting the State's natural resources and environment and mitigating water, land and air pollution. The State Act gives DEP certain statutory responsibilities with respect to the SRF Program (“**DEP Priority List**”). DEP is also responsible for enforcement of, and compliance with, State and

federal laws, rules and regulations pertaining to pollution control in the State generally and supervising research related to restoring and rehabilitating the Long Island Sound.

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

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

STATE OF CONNECTICUT DEPARTMENT OF PUBLIC HEALTH

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

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

DPH determines the future needs and sets priorities for funding drinking water projects. Based on approved State and federal appropriations, DPH annually prepares the Priority List identifying drinking water projects that are eligible for assistance from the Drinking Water Program ("**DPH Priority List**"). DPH is responsible for reporting the details of these and other program activities to the EPA every year.

THE LOANS

Loan Application Process

While there are slight differences between the Wastewater Program and the Drinking Water Program, the Loan application processes are similar. In order to qualify for funding from a SRF Program, a project must be listed on DEP's Priority List of eligible water quality projects or DPH's Priority List of eligible drinking water projects (collectively, the "**Priority List**"), which sets forth the projects expected or proposed to receive financial assistance under the SRF Programs. As a condition to being placed on the Priority List for a wastewater treatment project, a borrower must have previously received an administrative abatement order from DEP directing the borrower to alleviate existing or potential wastewater disposal problems; for the Drinking Water Program no abatement order is required. Once a project is placed on the Priority List, the potential loan recipient must file an application for financial assistance for such project. The application must pass four levels of approval: (1) evaluation and enforcement, which determines if the proposed project addresses the needs cited by DEP/DPH and complies with regulatory and statutory requirements; (2) project administration, which determines if the project is eligible for funding in

accordance with State and federal regulations; (3) environmental review, which involves the preparation of an environmental assessment of the project; and (4) credit review, which analyzes an applicant's ability to repay the Loan. The Office of the Treasurer reviews the financial information submitted with each application. DEP and the Office of the Treasurer determine whether, and on what terms and conditions, financial assistance will be provided, including whether or not the State will issue revenue bonds for the benefit of the project. If DEP and the Office of the Treasurer determine that the State will not finance all or a portion of the cost of such project from the proceeds of revenue bonds, the State may provide a direct loan to assist an eligible project from moneys in the Revolving Fund that are not pledged to or otherwise required for the payment of the Bonds, any Other Financial Assistance and any Related Program Obligations. Grants to municipalities for qualified wastewater projects are funded solely from the Wastewater Program. The State funds Wastewater Program grants with State general obligation bonds only.

Loan Agreements

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

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

Loan Repayments

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

Security for the Loans

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

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

THE BORROWERS

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

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

Table 1 below lists, as of April 30, 2009 (i) Borrowers with outstanding Loans under the SRF Programs and (ii) Borrowers who have undrawn Loan commitments or are expected to receive Loan commitments through June 30, 2010, to be funded under the SRF Programs. Many of the Borrowers listed below have multiple Loans.

[Remainder of page intentionally left blank.]

**State of Connecticut State Revolving Fund Loans Outstanding as of April 30, 2009,
and Expected Additional Commitments through June 30, 2010**

Table 1

Loan	Total IFO/PLO as of 04/30/09 ⁽¹⁾	Undrawn Loan Commitments ⁽²⁾	Commitments Through 6/30/10 ⁽³⁾	Total Commitments ⁽⁴⁾
Ansonia	\$ 8,752,476	\$ 2,493,274	\$ -	\$ 41,245,750
Aquarion Water(BHC)	650,754	-	-	650,754
Bethel	2,061,296	-	500,000	2,561,296
Bolton Lake RWPCA	519,506	86,044	3,187,500	3,793,050
Branford	22,508,880	-	-	22,508,880
Bridgeport	35,931,929	2,784,061	18,627,753	57,343,743
Bristol	3,884,339	-	-	3,884,339
Brookfield	537,721	-	5,143,253	5,680,974
Brooklyn	51,822	-	-	51,822
Burlington	2,852,287	-	-	2,852,287
Canaan F.D.	38,436	-	-	38,436
Canton	1,444,100	500,067	-	1,944,167
Cheshire	8,854,658	-	-	8,854,658
Chester	1,123,477	1,523	-	1,125,000
Colchester	2,413,950	186,050	-	2,600,000
Cook Willow	424,069	-	-	424,069
Coventry	8,392,757	-	-	8,392,757
Crystal Lake	256,797	-	-	256,797
CTWC Gallup Water Service Inc	-	-	126,589	126,589
Danbury	13,378,486	-	5,600,000	18,978,486
Darien	559,474	-	-	559,474
Deep River	2,923,157	-	-	2,923,157
Derby	1,281,311	-	-	1,281,311
East Haddam	657,416	-	-	657,416
East Hampton	528,205	-	-	528,205
East Lyme	3,065,013	-	1,486,659	4,551,672
East Windsor	4,197,261	-	-	4,197,261
Enfield	-	-	6,800,000	6,800,000
Fairfield	22,648,972	-	-	22,648,972
Farmington	5,276,562	-	-	5,276,562
Glastonbury	13,828,604	9,872,940	-	23,701,544
Gr.New Haven WPCA	31,223,663	3,819,638	23,120,960	58,164,261
Greenwich	15,295,572	-	-	15,295,572
Groton	9,361,766	-	2,618,000	11,979,766
Harrybrook Park Condo	143,993	-	-	143,993
Hartford	1,759,380	-	-	1,759,380
Hebron	2,527,249	-	-	2,527,249
Hillside Water Corp	114,093	-	-	114,093
Jewett City	5,549,707	-	-	5,549,707
Ledyard	2,100,475	-	-	2,100,475
Meriden	24,523,511	9,608,281	1,540,000	35,671,792
MDC	70,374,953	30,081,887	84,481,520	184,938,359

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

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

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

(4) Total Commitments is the sum of Loans Outstanding as of April 30, 2009, Undrawn Loan Commitments and Expected Additional Loan Commitments through June 30, 2010. Total Commitments does not reflect projected amortization through June 30, 2010, of Loans Outstanding.

(5) Totals may not add due to rounding.

Loan	Total IFO/PLO as of 04/30/09 ⁽¹⁾	Undrawn Loan Commitments ⁽²⁾	Commitments Through 6/30/10 ⁽³⁾	Total Commitments ⁽⁴⁾
Middlebury	\$ 153,293	-	-	\$ 153,293
Middlefield	2,045,932	-	-	2,045,932
Middletown	8,983,591	-	5,229,000	14,212,591
Milford	40,204,502	7,224,533	-	47,429,035
Naugatuck	1,349,361	-	-	1,349,361
New Britain	30,006,144	-	-	30,006,144
New Canaan	6,827,155	-	-	6,827,155
New London	4,527,580	-	-	4,527,580
New Milford	1,748,069	-	26,026,000	27,774,069
Newtown	10,058,518	-	-	10,058,518
North Branford	1,593,214	-	-	1,593,214
North Haven	3,516,502	-	-	3,516,502
Norwalk	51,695,495	6,007,918	26,000,000	83,703,414
Norwich	4,089,993	-	11,144,990	15,234,983
Plainfield	1,176,312	-	-	1,176,312
Plainville	21,010,883	1,114,702	-	22,125,585
Plymouth	1,913,883	-	700,000	2,613,883
Point-O-Woods	2,553,332	5,220,665	-	7,773,998
Portland	4,017,623	-	1,542,500	5,560,123
Putnam WPCA	-	-	1,362,947	1,362,947
Redding	507,915	-	-	507,915
Ridgefield	2,298,642	-	-	2,298,642
Seymour	2,926,491	-	-	2,926,491
Sharon	1,688,875	-	-	1,688,875
Shelton	18,973,429	-	-	18,973,429
Simsbury	19,477,949	-	-	19,477,949
South Windsor	2,230,059	-	30,810,000	33,040,059
Southington	9,827,318	6,284,026	1,043,350	17,154,695
Sprague	50,775	-	-	50,775
Stafford	751,171	-	-	751,171
Stamford	64,848,385	-	-	64,848,385
Stonington	1,419,979	-	-	1,419,979
Stratford	44,747,097	5,574,446	-	50,321,544
Suffield	611,982	-	-	611,982
Thomaston	6,216,217	-	-	6,216,217
Tolland Water Department	-	-	126,589	126,589
Torrington	3,483,848	-	800,000	4,283,848
Twin Hills	120,752	-	-	120,752
Vernon	11,941,577	-	-	11,941,577
Wallingford	1,629,557	-	-	1,629,557
Waterbury	66,763,629	-	-	66,763,629
Watertown Fire District	866,268	-	-	866,268
West Haven	14,002,950	373,619	46,200,000	60,576,569
Westport	28,413,485	-	-	28,413,485
Winchester	578,747	-	-	578,747
Windham	3,916,202	12,508,740	-	16,424,942
Windsor Locks	1,187,025	-	-	1,187,025
Woodlake Tax District	375,029	-	209,147	584,176
Woodstock	575,304	-	-	575,304
Total⁽⁵⁾	\$ 849,514,718	\$ 135,794,610	\$ 309,584,257	\$1,294,893,586

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

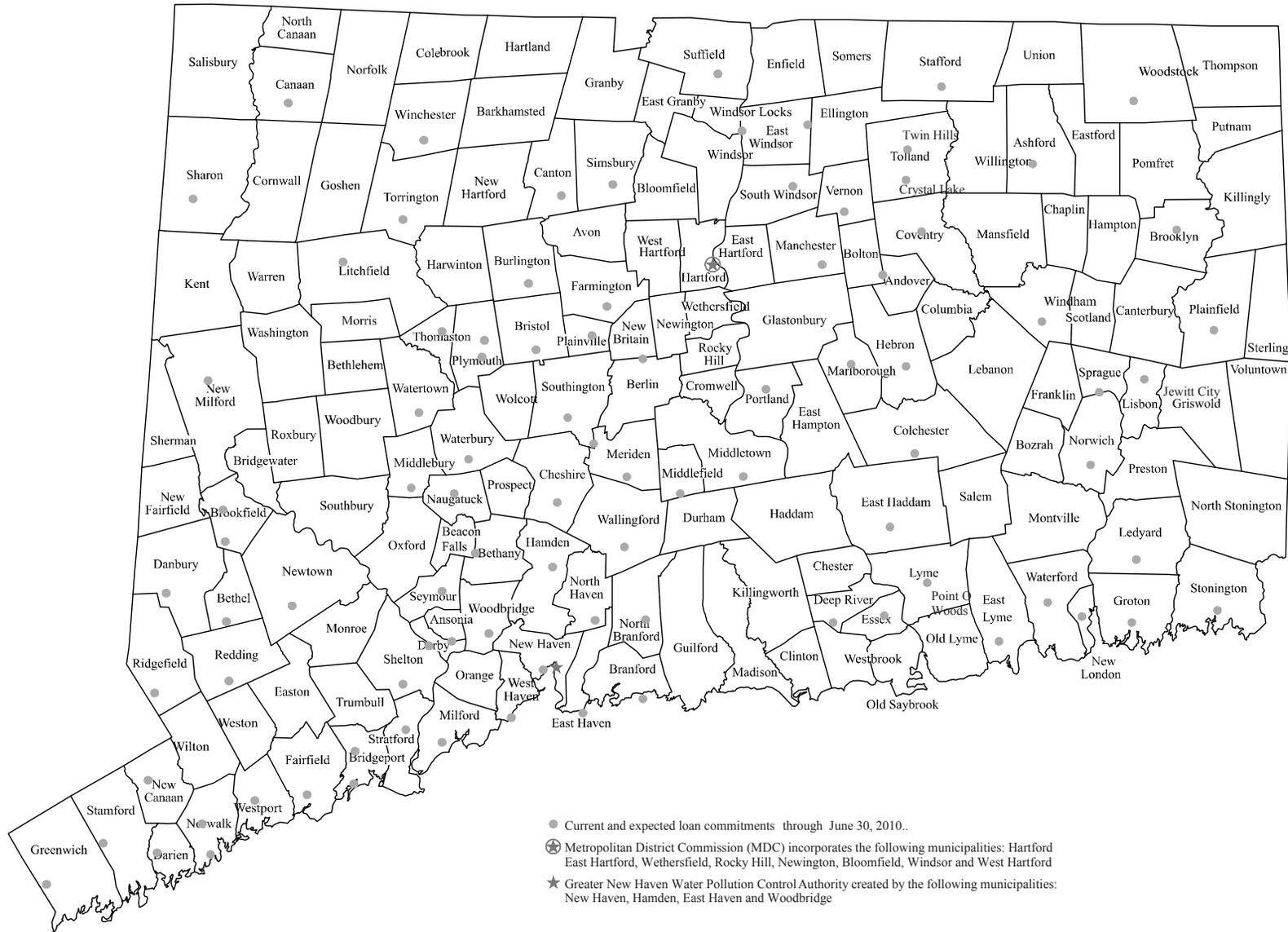
(2) Consists of undrawn amounts under executed Loan Agreements to be funded from State general obligation bond proceeds, the Bonds and, subject to legislative authorization, additional Bond proceeds.

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

(4) Total Commitments is the sum of Loans Outstanding as of April 30, 2009, Undrawn Loan Commitments and Expected Additional Loan Commitments through June 30, 2010. Total Commitments does not reflect projected amortization through June 30, 2010, of Loans Outstanding.

(5) 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 June 30, 2010, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2009 C Bonds. **Appendix A** of this Official Statement should be read in light of the fact that Loan amounts may change, other Borrowers may be substituted, and additional Borrowers may be added in the future. Further, an identified Borrower may fall below the 10% threshold and thereafter may be released from its obligations under its Continuing Disclosure Agreement. See “CONTINUING DISCLOSURE AGREEMENTS” and **Appendix F**. The specific amounts loaned to the Borrowers will generally depend upon the actual progress of construction of such Borrowers’ projects.

ASSETS AND DEBT IN REVOLVING FUND

The following table sets forth the assets as of April 30, 2009, adjusted to include the proceeds of the State Revolving Fund General Revenue Bonds, 2009 Series A (the “2009 A Bonds”) issued on June 25, 2009, and debt of the Revolving Fund on a cash basis as of the date of issuance of the 2009 C Bonds. See “STATE OF CONNECTICUT CLEAN WATER FUND” herein.

Assets and Debt in Revolving Fund

Table 2
(In Millions)

<u>Assets</u>	
Loans ¹	\$ 849.51
Cash and Investments ²	492.10 ³
2009 A Bond Proceeds	210.00
State General Obligation Bonds	<u>39.91</u>
Total Assets	\$1,591.52
<u>Debt</u>	
Bonds Outstanding under the Resolution	\$ 519.82 ⁴
2009 A Bonds	199.44 ⁵
2009 B Bonds	44.56 ⁵
2009 C Bonds	<u>115.84⁵</u>
Total Debt	\$ 879.66

¹ Loans include amounts loaned to Borrowers from Available Moneys in the Revolving Fund prior to the issuance of the 2009 A Bonds.

² The State currently invests a significant portion of its Revolving Fund assets in long-term investment agreements with financial institutions including AIG Matched Fund Corp., guaranteed by American International Group, Inc.; AIG Financial Products (Jersey) Limited, guaranteed by American International Group, Inc.; CDC Funding Corp., guaranteed by Caisse Des Dépôts et Consignation; Société Générale (New York Branch), payment obligations guaranteed by Financial Security Assurance, Inc., Trinity Plus Funding and Bank of America and the State Treasurer’s Short-Term Investment Fund.

³ Includes amounts in the Support Fund which are pledged to the Bonds and will be used to pay debt service on the Bonds. Does not include approximately \$46.6 million, currently being held in escrow which will become assets of the Program upon redemption of the State’s State Revenue Fund General Revenue Bonds, Series 1999, on July 15, 2009, from the proceeds of the 2009 B Bonds.

⁴ Excludes the 2003 C Bonds, which are being redeemed with the proceeds of the 2009 C Bonds.

⁵ Par amount without original issue premium.

SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the 2009 C Bonds will be used as follows:

Sources

Principal Amount of 2009 C Bonds	\$115,835,000.00
Net Original Issue Premium	11,024,552.90
Revolving Fund Available Moneys	<u>22,334,019.53</u>
Total Sources	\$149,193,572.43

Uses

Refunding of 2003 C Bonds ¹	\$121,375,000.00
Underwriters' Discount and Costs of Issuance	1,043,552.90
Swap Termination Payment	4,441,000.00
Deposit to Support Fund	<u>22,334,019.53</u>
Total Uses	\$149,193,572.43

(1) See "PLAN OF FINANCE."

SECURITY FOR THE BONDS

Special Obligation

Debt service on the 2009 C Bonds is expected to be paid from Available Moneys, including pledged amounts in the Support Fund, the Bond Proceeds Fund and the Debt Service Fund. Pursuant to the Resolution, the Available Moneys, all funds and accounts established in connection with the issuance of the Bonds (including the Bond Proceeds Fund, the Debt Service Fund and the Support Fund, but excluding the Rebate Fund), the investments thereof and the proceeds of such investments, if any, are available for the payment of the principal of, Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds in accordance with the terms and provisions of the Resolution. Although amounts attributable to each program will be tracked separately for the federal reporting purposes, all Available Moneys from both programs will be used to pay principal of and interest on all Bonds of the State's SRF Program. The Resolution does not restrict the use of Available Moneys for other programs and purposes authorized by federal and State law. See "STATE OF CONNECTICUT CLEAN WATER FUND – Federal Statutory Framework."

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

The pledge of the Resolution is valid and binding on the State and all other moneys and securities in the funds and accounts established by the Resolution and pledged thereunder are subject to the lien of such pledge without any physical delivery thereof or further act, and such lien is valid and binding as

against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

Flow of Funds

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

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

Bond Proceeds Fund. The proceeds of the Bonds issued to fund Loans are deposited into the Bond Proceeds Fund as specified and determined by the Supplemental Resolution authorizing such Bonds. Moneys in the Bond Proceeds Fund will be expended only for the purposes of the Wastewater Program or the Drinking Water Program, including the financing of Loans to Borrowers, and to the extent that other moneys are not available, for payments of principal of and interest on the Bonds when due and to redeem Bonds at the direction of the State.

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

Support Fund. The Support Fund, and accounts therein, shall be funded in the amounts and in the manner set forth in a Supplemental Resolution. Moneys in the Support Fund shall be transferred to the Debt Service Fund to pay the interest, principal and Sinking Fund Installments and Redemption Price due on Bonds, in accordance with the schedule set forth in the applicable Supplemental Resolution.

Cross-Collateralization

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

Investment of Funds

The State may invest moneys under the Resolution in any Investment Obligations as defined in the Resolution. Concurrently with the issuance and delivery of the 2009 C Bonds, the State will purchase Investment Obligations for the investment of the net proceeds of the 2009 C Bonds and amounts to be deposited in the Support Fund and the Debt Service Fund in connection with the issuance of the 2009 C Bonds. See “**Appendix C—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION.**”

Additional Bonds

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

Bond Anticipation Notes

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

State General Taxing Power Not Pledged

The 2009 C Bonds are special obligations of the State payable solely from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution. The issuance of the 2009 C 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 2009 C 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 2009 C 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 2009 C 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 2009 C 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 2009 C 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 2009 C BONDS

2009 C Bonds

Interest and Principal Payment Dates, Places and Payees. The 2009 C Bonds will be dated their date of delivery, and will bear interest therefrom, payable on April 1 and October 1 of each year, commencing October 1, 2009, and will mature on June 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 2009 C 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 2009 C 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 2009 C Bonds. As long as the 2009 C 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 2009 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 2009 C 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 2009 C Bonds. The 2009 C 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 2009 C 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 2009 C Bonds of the same series, maturity and rate of any other authorized denominations. For every exchange or transfer of the 2009 C 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 2009 C Bonds. The 2009 C Bonds maturing October 1, 2020, and thereafter, 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 October 1, 2019, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the redemption date.

Selection of Bonds to be Redeemed. If less than all of the 2009 C Bonds of a particular maturity are redeemed, the 2009 C Bonds of such maturity to be redeemed will be selected by lot by the Trustee. The 2009 C 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 2009 C Bonds are being held by DTC under the book-entry-only system and less than all of such 2009 C 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 2009 C 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 2009 C Bonds, or portions thereof, so called, but the failure to mail such notice with respect to any particular 2009 C Bonds will not affect the validity of such call for redemption of any 2009 C Bonds with respect to which no such failure has occurred. All 2009 C Bonds called for redemption will cease to bear interest on the specified redemption date, provided that funds sufficient for the redemption of such 2009 C Bonds in accordance with the Resolution are on deposit with the Trustee. If such moneys are not available on the redemption date, the 2009 C 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 2009 C Bonds called for redemption at the place or places of payment, such 2009 C 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 2009 C 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 2009 C Bonds may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of each issue of the Bonds, each in the aggregate principal amount of such maturity of the Bonds and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “**Beneficial Owner**”) is in turn to be recorded on the Direct Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect

Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and redemption proceeds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant and not of DTC, the Trustee or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

THE STATE, THE TRUSTEE AND THE PAYING AGENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE 2009 C 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 2009 C 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 2009 C 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.

[Remainder of page intentionally left blank.]

SCHEDULE OF DEBT SERVICE ON PROGRAM BONDS AND 2009 C BONDS

The following table sets forth debt service on the Program Bonds and the 2009 C Bonds:

Fiscal Year Ending June 30	Debt Service on Outstanding Bonds	Principal on 2009 C Bonds	Interest on 2009 C Bonds	Total Debt Service
2010	\$ 90,199,760.26 ¹	--	\$ 3,201,082.50	\$93,400,842.76
2011	94,273,330.05	\$7,855,000.00	4,722,787.50	106,851,117.55
2012	90,718,751.28	7,230,000.00	4,535,400.00	102,484,151.28
2013	90,762,371.28	7,485,000.00	4,261,050.00	102,508,421.28
2014	82,495,663.78	7,755,000.00	3,972,362.50	94,223,026.28
2015	81,162,476.28	8,040,000.00	3,670,550.00	92,873,026.28
2016	77,454,018.15	8,360,000.00	3,345,850.00	89,159,868.15
2017	51,196,385.02	8,690,000.00	3,007,500.00	62,893,885.02
2018	50,329,481.27	9,035,000.00	2,633,475.00	61,997,956.27
2019	40,888,008.77	9,435,000.00	2,240,625.00	52,563,633.77
2020	42,032,967.52	9,820,000.00	1,827,825.00	53,680,792.52
2021	34,925,617.52	10,260,000.00	1,350,000.00	46,535,617.52
2022	36,945,427.52	10,775,000.00	824,125.00	48,544,552.52
2023	33,439,715.02	11,095,000.00	277,375.00	44,812,090.02
2024	39,611,428.77			39,611,428.77
2025	37,012,997.52			37,012,997.52
2026	32,129,607.51			32,129,607.51
2027	16,570,331.26			16,570,331.26
2028	6,321,475.00			6,321,475.00

¹ Includes interest on the 2003 C Bonds at the fixed payor interest rates provided in the swap agreements applicable to such bonds through the dates of their redemption.

2003 C Bonds. The 2003 C Bonds were issued on July 10, 2003, as auction rate securities with two interest rate reset modes (\$55,000,000 in daily mode and \$67,375,000 in 28-day mode). The proceeds of the 2009 C Bonds will be applied to redeem the 2003 C Bonds in full on their respective interest payment dates of July 31, 2009, and August 3, 2009.

ABSENCE OF LITIGATION

Upon delivery of the 2009 C Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2009 C 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 2009 C Bonds, or in any way contesting or affecting the validity or enforceability of the 2009 C 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 2009 C Bonds. In addition, such certificate will state that there is no controversy or litigation of any nature now pending or, to the best of his knowledge,

threatened, by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect the financial condition of the SRF Programs or the power of the State to collect and enforce the collection of the revenues, receipts, funds or moneys pledged for payment of the 2009 Bonds.

In connection with the issuance of the State's 2009 Series A Bonds and 2009 Series B Bonds on June 25, 2009, each Borrower's Town Attorney, City Attorney, General Counsel, Bond Counsel, other attorney, or other Borrower representative, as applicable, provided a certificate to the effect that there was no controversy or litigation of any nature, then 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 stated that there was no controversy or litigation of any nature then 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 Loan Agreements require each Borrower to submit no litigation certifications prior to the delivery of each interim funding obligation and upon conversion to the permanent Loan.

LEGALITY FOR INVESTMENT

Under the provisions of the State Act, the 2009 C 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 2009 C 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 2009 C Bonds and with regard to the status of the interest thereon, are subject to the legal opinion of Edwards Angell Palmer & Dodge LLP, Hartford Connecticut, and the Hardwick Law Firm LLC, Kansas City, Missouri, Co-Bond Counsel. The Hardwick Law Firm LLC has served as underwriters' counsel on other State bond issues. Signed copies of the opinion, dated and speaking only as of the date of original delivery of the 2009 C Bonds, will be delivered to the Underwriters at the time of such original delivery and the form of the opinion is set forth as **Appendix G** to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Pullman & Comley, LLC, Hartford, Connecticut, as Underwriters' Counsel.

Bond Counsel for each Borrower has rendered or will render to the State an opinion to the effect that (subject to certain exceptions for bankruptcy, insolvency and laws affecting creditors' rights and remedies), upon the disbursement of proceeds of a Loan, such Borrower's Obligation is a valid and legally binding obligation of such Borrower for which such Borrower has validly pledged its full faith

and credit and/or for which certain special revenues are validly pledged and creates a valid lien upon such revenues, and that (subject to the aforesaid exceptions) such Borrower's Loan Agreement is a valid and binding obligation of the Borrower, enforceable against it in accordance with its terms.

TAX EXEMPTION

In the opinion of Edwards Angell Palmer & Dodge LLP, Hartford, Connecticut, and the Hardwick Law Firm LLC, Kansas City, Missouri, Co-Bond Counsel to the State of Connecticut (“Co-Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2009 C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”).

On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) into law. The Recovery Act includes changes which modify the treatment under the alternative minimum tax of interest on certain bonds of state and local government entities. However, such alternative minimum tax modifications are not applicable to the 2009 C Bonds. Co-Bond Counsel is of the opinion that interest on the 2009 C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Other than as expressly stated herein, Co-Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the 2009 C Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2009 C Bonds. Failure to comply with these requirements may result in interest on the 2009 C Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2009 C Bonds. The State has covenanted to comply with such requirements to ensure that interest on the 2009 C Bonds will not be included in federal gross income. The opinion of Co-Bond Counsel assumes compliance with these covenants.

Co-Bond Counsel is also of the opinion that, under existing law, interest on the 2009 C Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other Connecticut tax consequences arising with respect to the 2009 C Bonds. Prospective Bondholders should be aware, however, that the interest on the 2009 C Bonds is included in gross income for purposes of the Connecticut corporation business tax. Co-Bond Counsel has not opined as to the taxability of the 2009 C Bonds or the income therefrom under the laws of any state other than Connecticut.

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

To the extent the issue price of any maturity of the 2009 C Bonds is less than the amount to be paid at maturity of such 2009 C Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2009 C Bonds), the difference constitutes “original issue discount,” the

accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2009 C Bonds which is excluded from gross income for federal income tax purposes and is exempt from Connecticut personal income taxes. For this purpose, the issue price of a particular maturity of the 2009 C Bonds is the first price at which a substantial amount of such maturity of the 2009 C Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2009 C Bonds accrues daily over the term to maturity of such 2009 C Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2009 C Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2009 C Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of 2009 C Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2009 C Bonds in the original offering to the public at the first price at which a substantial amount of such 2009 C Bonds is sold to the public.

2009 C Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such 2009 C Bonds, or, in some cases, at the earlier redemption date of such 2009 C Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Connecticut personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondholders should be aware that certain requirements and procedures contained or referred to in the Bond Resolution, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2009 C Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2009 C Bonds may adversely affect the value of, or the tax status of interest on, the 2009 C Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the 2009 C Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Co-Bond Counsel is of the opinion that interest on the 2009 C Bonds is excluded from gross income for federal income tax purposes and is exempt from Connecticut personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2009 C Bonds may otherwise affect a Bondholder’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder’s other items of income or deduction. Co-Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

CONTINUING DISCLOSURE AGREEMENTS

Sections 3-20 and 3-20e of the Connecticut General Statutes, as amended, give the State and political subdivisions of the State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the “**Rule**”). The State will enter into a Continuing Disclosure Agreement with respect to the 2009 C Bonds for the benefit of the beneficial owners of the 2009 C Bonds, substantially in the form included in **Appendix F** to this Official Statement (the “**State Continuing Disclosure Agreement**”), pursuant to which the State will agree to provide or cause to be provided, in accordance with the requirements of the Rule (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the 2009 C 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 Borrower identified in **Appendix A** also will enter into a separate Borrower Continuing Disclosure Agreement with respect to the 2009 C Bonds for the benefit of the beneficial owners of the 2009 C Bonds, substantially in the form included in **Appendix F** to this Official Statement (the “**Borrower Continuing Disclosure Agreements**”), pursuant to which each of such Borrower 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. The Borrower's obligation will terminate at such time as the State determines that the Borrower ceases to be an obligated person meeting the objective criteria set forth in its Borrower Continuing Disclosure Agreement. See **Appendix F**.

The State and 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 and certain operating data. While the State complied with its disclosure obligations for the Clean Water Fund financial statements, the State (i) failed to make a timely provision to the nationally recognized municipal securities information repositories (the “NRMSIRs”) by February 28, 2005 and February 28, 2006, of audits of its financial statements and certain operating data comparing operating results and unreserved fund balances on a budgetary and GAAP basis for the fiscal years ending June 30, 2004 and June 30, 2005, respectively, and (ii) failed to make a timely submission to the NRMSIRs by February 28, 2007, of the audit of its financial statements on a GAAP basis for the fiscal year ending June 30, 2006, as required under the State's various continuing disclosure agreement, in connection with certain of its prior bond issues. The State experienced delays in completing its financial statements due to implementation of a new financial management software system, which resulted in delays in completing its audits. On or prior to February 28, 2005, the State filed with the NRMSIRs its financial statements and certain other operating data for the fiscal year ending June 30, 2004, which had not been audited but which the State believed to be accurate in all material respects. Thereafter, the State filed with the NRMSIRs its audited financial statements and certain other operating data for the fiscal year ending June 30, 2004, promptly after they became available. On or prior to February 28, 2006, the State filed with the NRMSIRs the preliminary estimated financial statements, which had not been audited but which the State believed to be accurate in all material respects, and certain operating data, in each case for the fiscal year ending June 30, 2005. The

State filed with the NRMSIRs its audited financial statements and certain other operating data for the fiscal year ending June 30, 2005, as soon as they became available. On February 28, 2007, the State filed certain operating data, audited budgetary basis financial statements and unaudited GAAP basis financial statements, each for the fiscal year ending June 30, 2006. On May 4, 2007, the State filed its audited financial statements on a GAAP basis for the fiscal year ending June 30, 2006. The State complied with its annual information filing requirements for the fiscal years ended June 30, 2007 and June 30, 2008.

The Underwriters' obligation to purchase the 2009 C Bonds will be conditioned upon their receiving, at or prior to the delivery of the 2009 C Bonds, executed copies of the State Continuing Disclosure Agreement and the Borrower's Continuing Disclosure Agreement.

UNDERWRITING

The aggregate initial offering price of the 2009 C Bonds to the public is \$126,859,552.90, and Goldman, Sachs & Co., as representative of the Underwriters for the 2009 C Bonds, has agreed, subject to certain conditions precedent to closing, to purchase the 2009 C Bonds from the State at an aggregate purchase price of \$126,216,914.47 (consisting of \$115,835,000.00 par amount, plus net original issue premium of \$11,024,552.90 less the Underwriters' fee of \$642,638.43). The Underwriters will be obligated to purchase all of the 2009 C Bonds, if any 2009 C Bonds are purchased. The 2009 C 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 2009 C Bonds into investment trusts) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc. have assigned their municipal bond ratings of "Aaa," "AAA" and "AAA," respectively, to the 2009 C 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 2009 C Bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetical and mathematical computations (a) of the adequacy of the amounts deposited in escrow for the 2003 C Bonds, together with the interest income thereon, if any, and uninvested cash, if any, to pay, the principal of and interest and premium, if any, on the 2003 C Bonds, to and including their respective maturity date and the final redemption date and (b) the yields on the 2003 C Bonds and amounts deposited in escrow have been verified by Amtec Corporation. Such verification of arithmetical accuracy and mathematical computations has been based upon information and assumptions supplied by the State and the 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 First Southwest Company have served as the Financial Advisors to the State with respect to the sale of the 2009 C Bonds. The Financial Advisors have assisted in various matters relating to the planning, structuring and issuance of the 2009 C Bonds. The Financial Advisors have also assisted the State in certain matters relating to the State Revolving Fund General Revenue Bond Program.

INDEPENDENT AUDITORS

Included in Appendix B are the audited financial statements of the State's Clean Water Fund and the Drinking Water Fund as of June 30, 2008, and the reports thereon dated September 2, 2008, and September 10, 2008, respectively, of Seward & Monde, independent certified public accountants. Such audited financial statements have been included herein in reliance upon the reports of such firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the 2009 C Bonds.

STATE OF CONNECTICUT

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

Dated at Hartford, Connecticut
this 9th day of July, 2009

[This page left intentionally blank]

APPENDIX A

Borrower Information

Part I: General Information

Part II: Specific Borrower Information

[This page left intentionally blank]

APPENDIX A BORROWER INFORMATION

PART I - GENERAL INFORMATION

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

Forms of Municipal Government

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

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

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

Municipal Powers

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

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

Sewage Systems

Municipalities may designate a water pollution control authority (“WPCA”). The WPCA may be the municipality’s legislative body (other than a town meeting) or an existing or newly created board or commission. The WPCA may prepare and periodically update a water pollution control plan for the Municipality. Such plan shall designate: (i) areas served by any municipal sewage system; (ii) areas where municipal sewage facilities are planned and the schedule of design and construction anticipated or proposed; (iii) areas where sewers are to be avoided; (iv) areas served by any community sewage system not owned by a Municipality; (v) areas to be served by any proposed community sewage system not

owned by a Municipality; and (vi) areas to be designated as decentralized wastewater management districts. The WPCA must file copies of its water pollution control plan and any periodic updates with the State Commissioner of Environmental Protection. WPCAs, once authorized, may acquire, construct and operate sewage systems, take and hold real property to be used for sewage systems and establish rules and regulations for supervision and management of sewage systems. WPCAs may levy benefit assessments upon the land and buildings within a municipality that are especially benefited by a sewage system, so long as the assessment does not exceed the special benefit enjoyed by property. WPCAs may also establish and from time to time revise fair and reasonable charges for connection with and use of a sewage system. All benefit assessments and charges are determined after a public hearing.

Water Systems

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

Revenues

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

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

State Aid

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

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

Federal Aid

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

Assessment and Collection of Real and Personal Property Taxes

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

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

Assessment lists are prepared by the Municipality's assessor as of October 1 of each year, using lists of taxable property submitted by taxpayers and information from other sources. The lists are amended to add property omitted from the lists and to increase or decrease the valuation of property. Any taxpayer aggrieved by the actions of the assessor can appeal to the Municipality's board of tax review and to the superior court of the Municipality's judicial district. All property is assessed at a uniform rate of 70% of its fair market value as of October 1. Effective with October 1, 1997 grand lists, Municipalities must revalue all real estate every fifth year. Effective October 1, 2006, a field review of real property must be made at any time up to October 1, 2009, and thereafter no later than ten years from the preceding review. Special statutory procedures are available to relieve taxpayers of significant tax increases caused by revaluation. When the assessment list is complete, the tax is levied upon the list to determine the amount of tax due and payable to the tax collector. The tax is due and payable on the first day of the Municipality's fiscal year unless the Municipality has determined that installment payments will be allowed.

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

Debt Incurrence Procedures

Constitutional and Statutory Requirements

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

Purpose of Authorization and Pledge

Generally, a Municipality or District which has made appropriations for any purpose authorized by law, or which has incurred debts exceeding ten thousand dollars (\$10,000), may issue tax-exempt or

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

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

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

Debt Limit

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

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

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

Certain Legal Matters

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

APPENDIX A

PART II- SPECIFIC BORROWER INFORMATION

Set forth in this Part II of Appendix A is certain information regarding the Borrower whose Loans, including current and/or anticipated Loan commitments through June 30, 2010, are expected to exceed 10% of the aggregate outstanding principal amount of the Program Bonds, including the 2009 Bonds.

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

CONTENTS

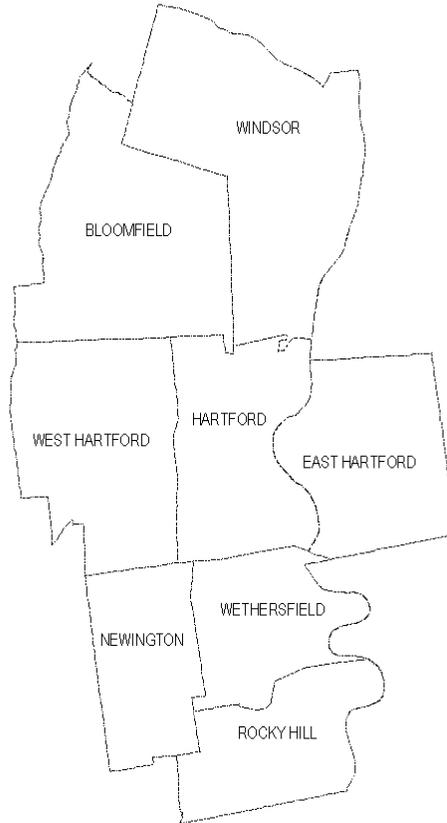
<u>Borrower</u>	<u>Page</u>
MDC	A-7

INFORMATION RELATING TO THE
METROPOLITAN DISTRICT
COMMISSION

TABLE OF CONTENTS

	Page		Page
I. The Issuer			
Description of the District	1	Pension Plan	31
Organizational Chart	2	Other Post Employment Benefits	32
The District Board	3	Investment Policies and Practices	32
Distribution of Commission Membership	3	District Cash Management Investment Policy	33
Powers and Responsibilities of the District Board	3	Risk Management	33
Administration	3	Compensated Absences	33
District Chairs and District Officials	4	Revenues and Appropriations	34
District Employees	4	Sources of Funds	35
District Employees Bargaining Units	4	General Fund Revenues and Expenditures-District	36
District Functions	5	Analysis of General Fund Equity - District	36
II. Water Pollution Control		History of Member Municipality's Taxation	37
Facilities for Sewer Service	6	Water Utility Fund Revenues and Expenditures	38
Sewer User Charge	7	Hydroelectric Fund Revenues and Expenditures	38
Special Sewer Service Surcharge	7	Mid-Connecticut Project Fund Revenues and Expenditures	39
III. Water Operations		General Fund Revenues and Expenditures – Member Municipalities	40
Facilities for Water Service	8	Analysis of General Equity – Member Municipalities	40
Number of Water Customers	8		
Average Daily Consumption	8	IV. Hydroelectric Development Program	10
Water Utility Charge	9	V. Economic and Demographic Information	
IV. Hydroelectric Development Program	10	Population Trends	11
V. Economic and Demographic Information		Age Distribution of the Population	11
Population Trends	11	Income Distribution	12
Age Distribution of the Population	11	Income Levels	13
Income Distribution	12	Educational Attainment	14
Income Levels	13	Major Employers within the District	15
Educational Attainment	14	Employment by Industry	16
Major Employers within the District	15	Employment Data	17
Employment by Industry	16	Age Distribution of Housing	18
Employment Data	17	Housing Inventory	19
Age Distribution of Housing	18	Owner-Occupied Housing Values	19
Housing Inventory	19	VI. Tax Base Data	
Owner-Occupied Housing Values	19	Tax Collection Procedure	21
VI. Tax Base Data		Comparative Assessed Valuations	21
Tax Collection Procedure	21	Property Tax Levies and Collections	22
Comparative Assessed Valuations	21	Ten Largest Taxpayers	25
Property Tax Levies and Collections	22	Equalized Net Grand List	28
Ten Largest Taxpayers	25	VII. Financial Information	
Equalized Net Grand List	28	Fiscal Year	30
VII. Financial Information		Basis of Accounting and Accounting Policies	30
Fiscal Year	30	Budgetary Procedures	30
Basis of Accounting and Accounting Policies	30	Debt Administration Policy	31
Budgetary Procedures	30	Annual Audit	31
Debt Administration Policy	31	VIII. Debt Summary	
Annual Audit	31	Principal Amount of Indebtedness	48
VIII. Debt Summary		Clean Water Fund Program	49
Principal Amount of Indebtedness	48	Drinking Water State Revolving Fund Program	49
Clean Water Fund Program	49	Annual Bonded Debt Maturity Schedule	50
Drinking Water State Revolving Fund Program	49	Overlapping and Underlying Net Debt	51
Annual Bonded Debt Maturity Schedule	50	Debt Statement	51
Overlapping and Underlying Net Debt	51	Current Debt Ratios	52
Debt Statement	51	Bond Authorization	58
Current Debt Ratios	52	Temporary Financing	58
Bond Authorization	58	Limitation on Indebtedness	58
Temporary Financing	58	Statement of Statutory Debt Limitation	59
Limitation on Indebtedness	58	Authorized But Unissued Debt	60
Statement of Statutory Debt Limitation	59	Principal Amount of Outstanding Debt	60
Authorized But Unissued Debt	60	Ratio of Direct Debt to Valuation and Population -The District	62
Principal Amount of Outstanding Debt	60	Ratio of Direct Debt to Valuation, Population, and Income – Member Municipalities	62
Ratio of Direct Debt to Valuation and Population -The District	62	Ratio of Annual Debt Service Expenditures to Total General Fund Expenditures	65
Ratio of Direct Debt to Valuation, Population, and Income – Member Municipalities	62	Capital Improvement Programs and Future Borrowings	67
Ratio of Annual Debt Service Expenditures to Total General Fund Expenditures	65	Funding Sources for Five-Year Capital Improvement Program	68
Capital Improvement Programs and Future Borrowings	67	IX. Legal and Other Information	
Funding Sources for Five-Year Capital Improvement Program	68	Litigation	69
Litigation	69		

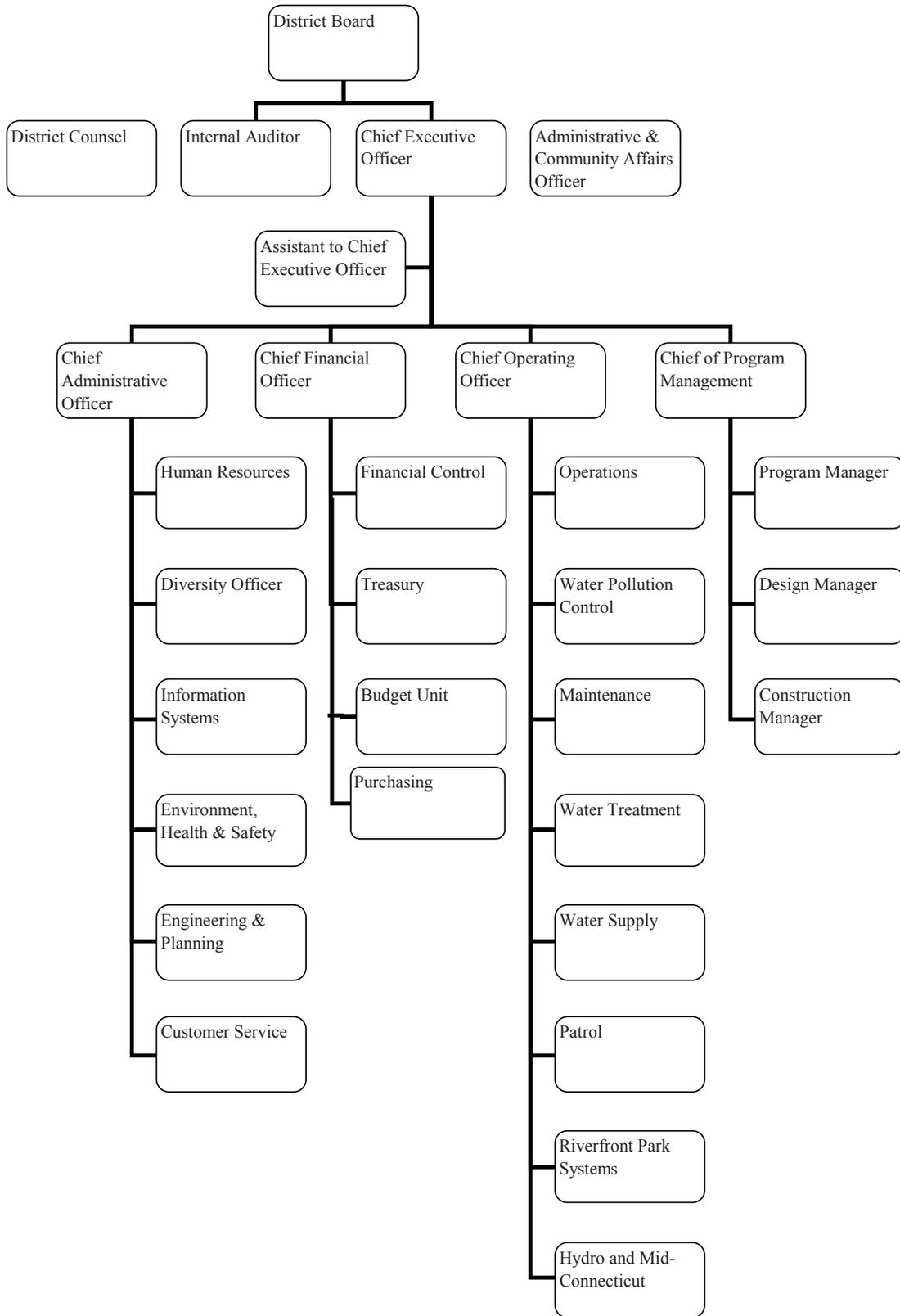
I. THE ISSUER



DESCRIPTION OF THE DISTRICT

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

ORGANIZATIONAL CHART



THE DISTRICT BOARD

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

DISTRIBUTION OF COMMISSION MEMBERSHIP

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

POWERS AND RESPONSIBILITIES OF THE DISTRICT BOARD

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

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

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

ADMINISTRATION

Responsibility for the overall administration and management of District policy, operations and services rests with the Chief Executive Officer. The Metropolitan District reorganized its internal structure to meet the ongoing demands of the District’s Clean Water Project and normal operations into four operating functions under the Chief Administrative Officer, Chief Operating Officer, Chief Financial Officer and Chief of Program Management: The Chief Administrative Officer is responsible for engineering and capital planning; environment, health and safety; human resources; information and technology. The Chief Financial Officer has responsibility for the District’s accounting, treasury, budget and purchasing functions. The Chief Operating Officer directs maintenance operations, solid waste, water pollution control, water treatment and supply, and customer service functions of the District. The Chief of Program Management has direct responsibility for the design and construction of the District’s Clean Water Project.

DISTRICT CHAIRS AND DISTRICT OFFICIALS

Function	Chair	Date Term Ends
District Board.....	William A. DiBella	2014
Water Bureau.....	Pasquale J. Salemi	2010
Bureau of Public Works.....	Richard V. Vicino	2009
Personnel, Pension & Insurance.....	Alvin E. Taylor	2010
Board of Finance.....	Ron Armstrong	2014

Position	District Officials
Chief Executive Officer.....	Charles Sheehan
District Clerk.....	Kristine Shaw
District Counsel.....	R. Bartley Halloran
Chief Operating Officer.....	Scott Jellison
Chief Administrative Officer.....	Robert Moore
Chief Financial Officer.....	John Zinzarella
Acting Chief of Program Management.....	Robert Moore
Director of Human Resources.....	Patricia Speicher-Werbner

Source: District Officials.

DISTRICT EMPLOYEES

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

Fiscal Year	2009	2008	2007	2006	2005
Total Employees.....	643	636	598	580	578

DISTRICT EMPLOYEES BARGAINING UNITS - 2008

Bargaining Groups	Positions Covered	Current Contract Expiration Date
Clerks, Technicians and Non-Supervisory Engineers - Local 3713....	148	December 31, 2010
Supervisors - Local 1026.....	59	December 31, 2010
Operational - Local 184.....	329	December 31, 2010
Total Union Employees.....	536	

Source: District Officials.

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

DISTRICT FUNCTIONS

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

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

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

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

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

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

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

II. WATER POLLUTION CONTROL

FACILITIES FOR SEWER SERVICE As of December 31

<u>Facilities for Sewer Service</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total General Fixed Assets ¹	\$485,702,577	\$435,091,398	\$408,506,593	\$371,378,043	\$357,040,073
Miles of Sewers:					
Sanitary.....	1,073	1,071	1,068	1,063	1,059
Combined.....	160	160	160	160	160
Storm.....	71	71	71	70	69
Estimated Sewer Connections.....	113,077	112,600	111,988	111,284	110,795
<u>Estimated Sewered</u>					
Population Units:					
Estimated Population.....	367,500	358,251	361,428	360,841	360,610
Estimated Family Units Sewered.....	149,390	145,630	146,922	146,683	146,590
Present Sewage Plant Capacity:					
Design Population.....	513,900	513,900	513,900	513,900	513,900
Design Flow (million gallons daily)...	105	105	105	105	105
Average Daily Flow (million gallons).	73	73	73	73	73

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

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

Regulatory Compliance: The Metropolitan District entered into consent order and a consent decree with the State Department of Environmental Protection, Department of Justice, and the US Environmental Protection Agency to address sanitary sewer overflow, nitrogen reduction, and combined sewer overflow issues. On November 6, 2006, the voters of The Metropolitan District approved an \$800,000,000 referendum, “Clean Water Project”, to implement components of the previously mentioned consent order and decree. See “Capital Improvement Programs and Future Borrowings” herein.

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

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

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

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

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

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

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

2009	2008	2007	2006	2005
\$2.08	\$2.08	\$1.96	\$1.84	\$1.70

Section 12 of the District’s Sewer Ordinances was amended on October 1, 2007 by the District Board to allow the implementation of a Special Sewer Service Surcharge on users of District water who also use the Districts sewer system in order to repay the indebtedness to be issued for the District’s Clean Water Project described below.

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

2009	2008
\$0.70	\$0.35

Source: District Officials.

CLEAN WATER PROJECT*

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

The Project will address approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways. The Project is in response to an EPA SSO federal consent decree and a Connecticut DEP CSO consent order to achieve the Federal Clean Water Act goals by 2020. The District’s goal is to fund 25-35% of the entire project with State and Federal grants; an additional 50% with State and Federal low-cost loans, and the remainder with open market debt. Project financing is expected to be repaid with a Special Sewer Service Surcharge to customers’ water bills as shown in the table above. In addition, federal stimulus funding may become available for portions of the Project or for its related components, such as expansion of the incinerator facility for processing of sludge. The Special Sewer Service Surcharge is expected to increase annually up to an estimated \$4.55 by Fiscal Year 2020.

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

III. WATER OPERATIONS

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

The District has sought and received legislative and voter approval for various water programs, all with the basic objective of providing a water supply and water distribution system sufficient in size to meet current and anticipated future needs. The District's average level of water production for 2008 was 52.79 million gallons per day.

FACILITIES FOR WATER SERVICE

As of December 31

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Utility Plant.....	\$287,468,564	\$270,879,022	\$255,320,534	\$233,484,991	\$226,545,838
Net Addition to Plant.....	16,589,542	15,558,488	21,835,543	6,939,153	11,218,764
Miles of Water Mains.....	1,536	1,534	1,530	1,520	1,512
Gross Miles Added During Year....	2	4	10	8	5
Number of Hydrants.....	11,311	11,362	11,324	11,207	11,433
Number of Services.....	101,124	100,598	99,881	99,764	99,673
Number of Meters.....	100,022	99,600	99,069	97,764	97,460
Estimated Population Served.....	400,088	398,400	396,276	391,056	389,840

Source: District Officials.

NUMBER OF WATER CUSTOMERS

As of December 31

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Domestic.....	93,068	92,960	92,853	91,657	91,146
Commercial.....	5,797	5,780	5,764	6,030	6,075
Industrial.....	612	612	613	655	671
Public & Other...	1,757	1,767	1,777	1,809	1,809
Total.....	101,234	101,119	101,007	100,151	99,701

Source: District Officials.

AVERAGE DAILY CONSUMPTION

As of December 31

(Million Gallons Per Day)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Domestic.....	30.19	31.67	31.68	31.02	32.03
Commercial.....	9.14	9.63	9.60	10.06	10.15
Industrial.....	1.69	1.73	1.78	1.78	2.34
Municipal & Other.....	3.62	3.95	3.82	4.03	3.78
Total Million Gallons Per Day¹.....	44.64	46.98	46.88	46.89	48.30
Maximum Day.....	75.22	78.38	80.49	87.79	76.19
Minimum Day.....	42.69	42.69	40.52	45.31	44.92

¹ Represents net consumption billed.

Source: District Officials.

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

2009	2008	2007	2006	2005
\$2.07	\$2.21	\$1.96	\$1.84	\$1.77

Source: District Officials.

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

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

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

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

Billing Cycles: The District currently has 101,566 quarterly and monthly customers; 99,816 of these accounts are billed quarterly, and the remaining 1,750 accounts are billed monthly.

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

IV. HYDROELECTRIC DEVELOPMENT PROGRAM

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

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

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

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

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

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

V. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

Town of Bloomfield				Town of East Hartford			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2007	20,693	5.6	790	2007	48,697	(1.8)	2,593
2000	19,587	0.5	748	2000	49,575	(1.7)	2,640
1990	19,483	4.7	744	1990	50,452	(4.0)	2,686
1980	18,608	1.7	711	1980	52,563	(8.7)	2,799
1970	18,301	34.4	699	1970	57,583	30.9	3,066
1960	13,613	-	520	1960	43,977	-	2,342

City of Hartford				Town of Newington			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2007	124,563	(0.0)	6,932	2007	29,619	1.1	2,247
2000	124,578	(10.8)	6,933	2000	29,306	0.3	2,224
1990	139,739	2.5	7,776	1990	29,208	1.3	2,216
1980	136,392	(13.7)	7,590	1980	28,841	10.8	2,188
1970	158,017	(2.6)	8,793	1970	26,037	47.4	1,975
1960	162,178	-	9,025	1960	17,664	-	1,340

Town of Rocky Hill				Town of West Hartford			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2007	18,808	4.7	1,363	2007	60,486	(4.9)	2,705
2000	17,966	8.5	1,302	2000	63,589	5.8	2,844
1990	16,554	13.7	1,200	1990	60,110	(1.9)	2,688
1980	14,559	31.1	1,055	1980	61,301	(9.9)	2,742
1970	11,103	50.0	805	1970	68,031	9.1	3,043
1960	7,404	-	537	1960	62,382	-	2,790

Town of Wethersfield				Town of Windsor			
Year	Population ¹	% Increase	Density ²	Year	Population ¹	% Increase	Density ²
2007	25,781	(1.9)	1,967	2007	28,754	1.8	971
2000	26,271	2.4	2,004	2000	28,237	1.5	954
1990	25,651	(1.4)	1,957	1990	27,817	10.4	940
1980	26,013	(2.4)	1,984	1980	25,204	12.0	851
1970	26,662	29.7	2,034	1970	22,502	15.6	760
1960	20,561	-	1,568	1960	19,467	-	658

¹ Connecticut Department of Health Services, Estimate 2007.

1960-2000 – U.S. Department of Commerce, Bureau of Census.

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

AGE DISTRIBUTION OF THE POPULATION

	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Number	Percent	Number	Percent	Number	Percent
Under 5.....	1,012	5.2%	3,223	6.5%	10,116	8.3%
5 - 19.....	3,555	18.2%	9,749	19.7%	31,046	25.5%
20 - 44.....	5,549	28.3%	17,794	35.9%	46,888	38.6%
45 - 64.....	5,213	26.6%	11,076	22.3%	21,940	18.0%
65 - 84.....	3,515	17.9%	6,848	13.8%	9,950	8.2%
85 and over.....	743	3.8%	885	1.8%	1,638	1.4%
Totals.....	19,587	100.0%	49,575	100.0%	121,578	100.0%
Median Age (years)		43.9		37.4		29.7

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

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

INCOME LEVELS

	Town of Bloomfield	Town of East Hartford	City of Hartford	Town of Newington	Town of Rocky Hill
Per Capita Income, 1999.....	\$28,843	\$21,763	\$13,428	\$26,881	\$29,701
Per Capita Income, 1989	\$22,478	\$16,575	\$11,081	\$19,668	\$21,918
Per Capita Income, 1979	\$9,183	\$7,907	\$5,559	\$8,935	\$9,117
Median Family Income, 1999.....	\$64,892	\$50,540	\$27,051	\$67,085	\$72,726
Median Family Income, 1989.....	\$56,541	\$36,584	\$24,774	\$50,916	\$56,396
Median Family Income, 1979.....	\$26,628	\$21,939	\$14,032	\$25,160	\$24,735
Percent Below Poverty Level 1999.....	5.1%	8.1%	28.2%	2.2%	1.2%

	Town of West Hartford	Town of Wethersfield	Town of Windsor	State of Connecticut
Per Capita Income, 1999.....	\$33,468	\$28,930	\$27,633	\$28,766
Per Capita Income, 1989	\$26,943	\$22,246	\$19,592	\$20,189
Per Capita Income, 1979	\$12,033	\$9,527	\$8,653	\$8,598
Median Family Income, 1999.....	\$77,865	\$68,154	\$73,064	\$65,521
Median Family Income, 1989.....	\$60,518	\$53,111	\$55,400	\$49,199
Median Family Income, 1979.....	\$29,937	\$26,358	\$25,993	\$23,151
Percent Below Poverty Level 1999.....	2.9%	2.4%	2.2%	5.6%

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

EDUCATIONAL ATTAINMENT
Years of School Completed Age 25 and Over

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

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

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

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

MAJOR EMPLOYERS WITHIN THE DISTRICT

Employer	Product	Location	Estimated Number of Employees
United Technologies.....	Manufacturer	Hartford	26,400
The Hartford Financial Group.....	Insurance	Hartford	21,300
Pratt and Whitney Aircraft.....	Manufacturer	East Hartford	8,530
Aetna Inc.....	Insurance	Hartford	7,366
St. Paul Travelers Co.....	Insurance	Hartford	6,200
Hartford Hospital.....	Hospital	Hartford	5,028
CIGNA Corp.....	Insurance	Bloomfield	4,500
Northeast Utilities.....	Utility	Hartford	4,148
Saint Francis Hospital.....	Hospital	Hartford	3,466
United Health Care.....	Insurance	Hartford	2,300
Cianbro Corporation.....	Contractor	Bloomfield	2,200
ING Group.....	Financial Services	Hartford	2,050
MetLife.....	Insurance	Bloomfield	1,800
University of Hartford.....	University	West Hartford	1,500
Hartford Life.....	Insurance	Windsor	1,450
ABB, Inc.....	Power Generator	Windsor	1,400
Alstom Power Equipment.....	Power Generation Equipment	Windsor	1,350
CT Dept. of Transportation.....	State of CT	Newington	1,200
Kaman Corporation.....	Manufacturer	Bloomfield	924
Bank of America Headquarters....	Financial Services	East Hartford	800
Hebrew Home.....	Health Care	West Hartford	750
Wiremold Product, Inc.....	Manufacturer	West Hartford	720
Stanadyne.....	Manufacturer	Windsor	650
Coca Cola.....	Bottler	East Hartford	650
Northeast Utilities.....	Utility	Windsor	600
Homegoods Distribution.....	Wholesale Distribution	Bloomfield	570
American Airlines.....	Airline	Windsor	550
St. Joseph's College.....	University	West Hartford	540
Westinghouse Electric Company..	Manufacturer	Windsor	520
Colt Manufacturing.....	Manufacturer	West Hartford	520
Macy's.....	Retail	West Hartford	500
Data-Mail.....	Mail Services	Newington	500
Jacobs Vehicle Systems.....	Manufacturer	Bloomfield	475
Riverside Health.....	Health Care	East Hartford	472
United Technologies Research....	Research Lab	East Hartford	448
Bank of America.....	Financial Services	Windsor	420
Oakleaf Waste Management.....	Waste Management Service	East Hartford	403
Permasteelisa.....	Manufacturer	Windsor	400
Sunlife Financial Services.....	Financial Services	Windsor	400
Konica Minolta.....	Imaging & Print Processor	Windsor	400
St. Mary's Home.....	Health Care	West Hartford	400
Mediplex of Wethersfield.....	Health Care	Wethersfield	400
Loctite Corporation.....	Manufacturer	Rocky Hill	400
Seabury.....	Health Care	Bloomfield	400
CIGNA Corp.....	Insurance	Windsor	400
Northeast Utilities.....	Utility	Wethersfield	395
Cedarcrest Regional Hospital.....	Health Care/Hospital	Newington	380
CT Dept. of Info Technology.....	State of CT	East Hartford	376
Goodrich.....	Manufacturer	West Hartford	375
Sysco Food Services.....	Whole Food Distributor	Rocky Hill	354

Source: 2008 Audited Financial Statements of Member Towns; Preliminary Official Statement June, 2009, Town of Wethersfield.
Note: The information shown above was derived from information provided from various sources believed to be reliable as of the date provided. It should be noted the data does not reflect any consolidation or workforce reduction plans.

EMPLOYMENT BY INDUSTRY

Sector	Town of Bloomfield		Town of East Hartford		City of Hartford	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	15	0.2%	30	0.1%	227	0.5%
Construction.....	330	3.7%	1,362	5.8%	1,867	4.4%
Manufacturing.....	774	8.7%	3,571	15.1%	4,895	11.5%
Wholesale Trade.....	200	2.3%	868	3.7%	1,096	2.6%
Retail Trade.....	770	8.7%	3,065	13.0%	4,194	9.9%
Transportation and warehousing, and utilities....	333	3.8%	1,226	5.2%	2,113	5.0%
Information	336	3.8%	587	2.5%	1,090	2.6%
Finance, insurance, real estate, and rental and leasing.....	1,777	20.1%	2,970	12.6%	4,345	10.2%
Professional, scientific, management, administrative, and waste management svcs....	686	7.7%	1,939	8.2%	4,305	10.2%
Educational, health and social services.....	2,398	27.1%	3,975	16.8%	9,352	22.0%
Arts, entertainment, recreation, accommodation and food services.....	320	3.6%	1,682	7.1%	4,241	10.0%
Other services (except public administration)....	310	3.5%	1,136	4.8%	2,404	5.7%
Public Administration	607	6.8%	1,190	5.1%	2,273	5.4%
Total Labor Force, Employed.....	8,856	100.0%	23,601	100.0%	42,402	100.0%

Sector	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	19	0.1%	0	0.0%	53	0.2%
Construction.....	803	5.2%	397	4.1%	890	3.1%
Manufacturing.....	1,770	11.5%	1,271	13.1%	2,334	8.1%
Wholesale Trade.....	561	3.6%	199	2.1%	752	2.6%
Retail Trade.....	1,775	11.5%	1,028	10.6%	2,281	7.9%
Transportation and warehousing, and utilities....	611	4.0%	490	5.1%	739	2.6%
Information	378	2.4%	280	2.9%	898	3.1%
Finance, insurance, real estate, and rental and leasing.....	2,159	14.0%	1,516	15.7%	4,817	16.8%
Professional, scientific, management, administrative, and waste management svcs....	1,347	8.7%	968	10.0%	3,824	13.3%
Educational, health and social services.....	3,731	24.2%	1,935	20.0%	8,115	28.2%
Arts, entertainment, recreation, accommodation and food services.....	701	4.5%	503	5.2%	1,414	4.9%
Other services (except public administration)....	576	3.7%	414	4.3%	1,222	4.3%
Public Administration	1020	6.6%	664	6.9%	1,413	4.9%
Total Labor Force, Employed.....	15,451	100.0%	9,665	100.0%	28,752	100.0%

Sector	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	13	0.1%	34	0.2%	7,445	0.5%
Construction.....	637	5.0%	620	4.2%	99,913	6.0%
Manufacturing.....	1,098	8.7%	1,895	12.8%	246,607	14.8%
Wholesale Trade.....	406	3.2%	558	3.8%	53,231	3.2%
Retail Trade.....	1,156	9.2%	1,312	8.8%	185,633	11.2%
Transportation and warehousing, and utilities....	428	3.4%	997	6.7%	64,662	3.9%
Information	368	2.9%	348	2.3%	55,202	3.3%
Finance, insurance, real estate, and rental and leasing.....	2,356	18.7%	2,354	15.9%	163,568	9.8%
Professional, scientific, management, administrative, and waste management svcs....	1,219	9.7%	1,287	8.7%	168,334	10.1%
Educational, health and social services.....	2,629	20.9%	3,066	20.7%	366,568	22.0%
Arts, entertainment, recreation, accommodation and food services.....	668	5.3%	783	5.3%	111,424	6.7%
Other services (except public administration)....	617	4.9%	586	3.9%	74,499	4.5%
Public Administration	1009	8.0%	994	6.7%	67,354	4.0%
Total Labor Force, Employed.....	12,604	100.0%	14,834	100.0%	1,664,440	100.0%

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

EMPLOYMENT DATA

Period ¹	Percentage Unemployed				
	Town of Bloomfield	Town of East Hartford	City of Hartford	Town of Newington	Town of Rocky Hill
April 2009.....	7.9%	10.0%	13.1%	6.5%	6.3%
March 2009.....	8.0	10.3	13.6	6.7	6.3
January 2009.....	8.2	10.1	14.1	6.9	6.6
November 2008.....	7.6	8.1	11.9	5.4	5.6
September 2008....	7.2	7.6	11.3	5.0	5.1
Annual Average					
2008.....	6.5%	7.2%	10.9%	4.9%	4.8%
2007.....	5.2	6.0	8.9	4.1	3.9
2006.....	5.2	5.6	8.7	3.7	3.5
2005.....	5.8	6.4	9.6	4.3	4.0
2004.....	6.1	6.6	10.0	4.4	4.2
2003.....	6.8	7.3	11.2	4.9	4.8
2002.....	5.3	6.2	8.8	3.9	3.7
2001.....	3.4	4.2	7.0	2.6	2.2
2000.....	2.4	3.0	4.8	2.2	1.8
1999.....	3.2	4.0	6.4	2.6	2.3

Percentage Unemployed

<u>Period ¹</u>	<u>Town of West Hartford</u>	<u>Town of Wethersfield</u>	<u>Town of Windsor</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>
April 2009.....	6.5%	7.1%	6.9%	7.7%	7.8%
March 2009.....	6.2	7.0	6.9	7.8	7.8
January 2009.....	6.3	7.4	6.9	7.9	7.9
November 2008.....	5.4	5.9	6.1	6.4	6.4
September 2008....	5.5	5.6	5.8	6.0	5.9
Annual Average					
2008.....	5.0%	5.1%	5.3%	5.8%	5.7%
2007.....	4.1	4.1	4.2	4.7	4.6
2006.....	3.8	4.1	4.1	4.4	4.3
2005.....	4.3	4.6	4.6	5.0	4.9
2004.....	4.4	4.7	4.9	5.2	4.9
2003.....	4.8	5.0	5.6	5.7	5.5
2002.....	3.7	3.7	4.3	4.5	4.4
2001.....	2.2	2.5	3.0	3.3	3.3
2000.....	1.6	2.2	2.0	2.4	2.2
1999.....	2.3	2.7	3.0	3.3	3.2

¹ Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

AGE DISTRIBUTION OF HOUSING

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

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

HOUSING INVENTORY

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

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

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

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

OWNER-OCCUPIED HOUSING VALUES

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

Median Sales Price	\$134,000	\$112,800	\$93,900
Median Sales Price ¹	\$221,500	\$165,000	\$150,000

Specified Owner-Occupied Units	Town of Newington		Town of Rocky Hill		Town of West Hartford	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	27	0.3%	8	0.2%	53	0.3%
\$50,000 to \$99,000.....	1,099	12.8%	313	7.6%	1,031	6.5%
\$100,000 to \$149,999.....	3,698	42.9%	1,145	27.9%	4,305	26.9%
\$150,000 to \$199,000.....	2,659	30.9%	1,489	36.2%	4,532	28.4%
\$200,000 to \$299,999.....	1,016	11.8%	904	22.0%	3,854	24.1%
\$300,000 to \$499,999.....	93	1.1%	243	5.9%	1,669	10.5%
\$500,000 to \$999,999.....	17	0.2%	8	0.2%	500	3.1%
\$1,000,000 or more.....	0	0.0%	0	0.0%	35	0.2%
Totals.....	8,609	100.0%	4,110	100.0%	15,979	100.0%
Median Sales Price		\$144,800		\$165,400		\$176,400
Median Sales Price ¹		\$225,000		\$218,950		\$300,000

Specified Owner-Occupied Units	Town of Wethersfield		Town of Windsor		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000.....	13	0.2%	61	0.7%	5,996	0.8%
\$50,000 to \$99,000.....	678	8.4%	937	11.8%	85,221	11.7%
\$100,000 to \$149,999.....	2,871	35.7%	3,544	44.6%	212,010	29.1%
\$150,000 to \$199,000.....	2,161	26.8%	2,371	29.8%	156,397	21.5%
\$200,000 to \$299,999.....	1,981	24.6%	821	10.3%	137,499	18.9%
\$300,000 to \$499,999.....	307	3.8%	196	2.5%	79,047	10.9%
\$500,000 to \$999,999.....	25	0.3%	9	0.1%	38,168	5.2%
\$1,000,000 or more.....	16	0.2%	12	0.2%	13,906	1.9%
Totals.....	8,052	100.0%	7,951	100.0%	728,244	100.0%
Median Sales Price		\$159,300		\$142,200		\$166,900
Median Sales Price ¹		\$240,000		\$227,250		\$300,640

¹ Median Sales Price, The Warren Group, 2008.

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

VI. TAX BASE DATA

TAX COLLECTION PROCEDURE

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

COMPARATIVE ASSESSED VALUATIONS

Town of Bloomfield			Town of East Hartford		
Grand List of 10/1	Net Taxable Grand List	% Growth	Grand List of 10/1	Net Taxable Grand List	% Growth
2008	\$1,735,513,357	0.7%	2008	\$3,103,953,346	-1.4%
2007	1,723,152,789	1.6%	2007	3,146,966,625	16.8%
2006	1,695,764,929	-1.3%	2006 ²	2,694,830,705	15.3%
2005	1,717,320,856	3.6%	2005	2,336,874,270	0.2%
2004 ¹	1,657,459,741	45.3%	2004	2,332,474,885	-0.9%
2003	1,140,876,711	-2.2%	2003	2,352,765,590	0.5%
2002	1,166,346,561	4.1%	2002	2,342,001,572	2.1%
2001	1,120,231,522	-2.7%	2001 ¹	2,292,817,676	9.7%
2000 ¹	1,150,864,990	-21.1%	2000	2,090,960,743	1.0%
1999	1,458,494,204	1.8%	1999	2,071,069,610	7.3%

¹ Revaluation Year.

¹ Revaluation Year.

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

City of Hartford			Town of Newington		
Grand List of 10/1	Net Taxable Grand List	% Growth	Grand List of 10/1	Net Taxable Grand List	% Growth
2008	\$3,468,906,129	0.5%	2008	\$2,645,518,977	0.4%
2007	3,451,438,441	3.5%	2007	2,633,871,419	1.7%
2006 ²	3,334,666,569	-6.0%	2006	2,590,253,718	1.0%
2005	3,547,708,558	2.6%	2005 ¹	2,565,009,043	45.3%
2004	3,457,418,570	-1.3%	2004	1,765,120,445	1.1%
2003	3,501,381,134	-2.2%	2003	1,745,823,063	-1.8%
2002	3,579,222,711	0.7%	2002	1,778,118,394	2.7%
2001	3,553,165,224	-0.8%	2001	1,730,621,316	2.3%
2000	3,580,070,367	0.8%	2000 ¹	1,692,290,476	0.5%
1999 ¹	3,550,846,816	-38.2%	1999	1,684,667,425	3.3%

¹ Revaluation Year.

¹ Revaluation Year.

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

Town of Rocky Hill

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2008 ¹	\$2,207,626,980	33.2%
2007	1,656,796,317	1.3%
2006	1,635,894,255	2.0%
2005	1,603,291,244	1.7%
2004	1,575,853,180	2.8%
2003 ¹	1,533,366,840	24.3%
2002	1,233,515,550	2.8%
2001	1,199,484,300	2.3%
2000	1,172,736,610	2.8%
1999 ¹	1,140,262,870	-12.3%

¹ Revaluation Year.

Town of West Hartford

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2008	\$5,362,320,240	9.7%
2007	4,889,430,313	8.7%
2006 ¹	4,497,443,813	21.2%
2005	3,710,940,390	1.3%
2004	3,661,731,590	0.9%
2003	3,627,960,740	-0.3%
2002	3,638,855,000	0.7%
2001	3,614,778,748	1.1%
2000	3,575,645,530	0.5%
1999 ²	3,559,024,147	-8.2%

¹ Revaluation Year. The Town has implemented a phase-in for a period not to exceed five years.

² Revaluation Year.

Town of Wethersfield

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2008 ¹	\$2,313,608,900	15.5%
2007	2,003,032,473	0.6%
2006	1,991,317,830	0.0%
2005	1,991,573,140	0.9%
2004	1,974,466,840	1.0%
2003 ¹	1,954,539,220	33.9%
2002	1,460,138,000	0.5%
2001	1,452,892,840	1.0%
2000	1,439,091,830	1.0%
1999 ¹	1,424,141,865	-21.9%

¹ Revaluation year.

Town of Windsor

<u>Grand List of 10/1</u>	<u>Net Taxable Grand List</u>	<u>% Growth</u>
2008 ¹	\$2,653,336,173	2.4%
2007	2,590,683,323	7.9%
2006	2,401,738,783	4.3%
2005	2,303,733,056	0.9%
2004	2,283,464,552	1.8%
2003 ²	2,243,767,090	18.9%
2002	1,886,474,120	6.7%
2001	1,768,511,335	3.3%
2000	1,712,678,000	3.7%
1999	1,650,906,160	-19.2%

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

² Revaluation year.

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF BLOOMFIELD

<u>Grand List of 10/1</u>	<u>Fiscal Year Year Ending 6/30</u>	<u>Net Taxable Grand List</u>	<u>Mill Rate</u>	<u>Tax Levy</u>	<u>Percent Annual Levy Collected End of Fiscal Year</u>	<u>Percent Annual Levy Uncollected End of Fiscal Year</u>	<u>Percent Annual Levy Uncollected 6/30/2008</u>
2008	2010	\$1,735,513,357	36.29	\$62,984,380	- To Be Collected 7/09-1/10 -		
2007	2009	1,723,152,789	36.05	61,596,821	- In Process of Collection -		
2006	2008	1,695,764,929	34.33	57,873,253	98.2%	1.8%	1.8%
2005	2007	1,717,320,856	32.50	53,838,811	97.9%	2.1%	0.8%
2004	2006	1,657,459,741	31.03	50,367,798	97.9%	2.1%	0.5%
2003	2005	1,140,876,711	42.33	48,139,008	97.2%	2.8%	0.1%
2002	2004	1,166,346,561	39.80	45,019,634	97.9%	2.1%	0.1%
2001	2003	1,120,231,522	38.48	43,381,675	98.8%	1.2%	0.0%
2000	2002	1,150,864,990	36.79	41,099,820	98.1%	1.9%	0.0%
1999	2001	1,458,494,204	27.75	39,102,837	98.4%	1.6%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF EAST HARTFORD

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of	Percent Annual Levy Uncollected End of	Percent Annual Levy Uncollected
					Fiscal Year	Fiscal Year	6/30/2008
2008	2010	\$3,103,953,346	31.67	\$96,122,673	<i>- To Be Collected 7/09-1/10 -</i>		
2007	2009	3,146,966,625	31.67	98,309,540	<i>- In Process of Collection -</i>		
2006	2008	2,694,830,705	36.12	98,607,000	96.0%	4.0%	4.0%
2005	2007	2,336,874,270	43.62	102,173,000	97.5%	2.5%	1.0%
2004	2006	2,332,474,885	41.34	96,830,000	97.5%	2.5%	0.1%
2003	2005	2,352,765,590	40.33	94,983,000	97.8%	2.2%	0.0%
2002	2004	2,342,001,572	38.60	90,309,000	96.9%	3.1%	0.0%
2001	2003	2,292,817,676	37.90	86,604,000	96.5%	3.5%	0.0%
2000	2002	2,090,960,743	38.41	80,582,000	96.1%	3.9%	0.0%
1999	2001	2,071,069,610	37.62	78,235,500	96.2%	3.8%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – CITY OF HARTFORD

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of	Percent Annual Levy Uncollected End of	Percent Annual Levy Uncollected
					Fiscal Year	Fiscal Year	6/30/2008
2008	2010	\$3,468,906,129	Yet to Be Levied		<i>- To Be Collected 7/09-1/10 -</i>		
2007	2009	3,451,438,441	68.34	256,527,961	<i>- In Process of Collection -</i>		
2006	2008	3,334,666,569	63.39	221,445,000	96.3%	3.7%	3.7%
2005	2007	3,547,708,558	64.82	229,569,000	95.5%	4.5%	2.1%
2004	2006	3,457,418,570	60.82	210,325,000	94.6%	5.4%	1.4%
2003	2005	3,501,381,134	56.32	194,592,000	95.2%	4.8%	1.3%
2002	2004	3,579,222,711	52.92	185,277,000	94.5%	5.5%	0.0%
2001	2003	3,553,165,224	48.00	170,342,000	93.3%	6.7%	0.0%
2000	2002	3,580,070,367	48.00	169,964,000	95.1%	4.9%	0.0%
1999	2001	3,550,846,816	47.00	165,083,160	95.2%	4.8%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF NEWINGTON

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of	Percent Annual Levy Uncollected End of	Percent Annual Levy Uncollected
					Fiscal Year	Fiscal Year	6/30/2008
2008	2010	\$2,645,518,977	28.40	\$73,069,900	<i>- To Be Collected 7/09-1/10 -</i>		
2007	2009	2,633,871,419	27.68	70,897,801	<i>- In Process of Collection -</i>		
2006	2008	2,590,253,718	26.91	69,973,000	99.1%	0.9%	0.9%
2005	2007	2,565,009,043	25.76	66,006,000	99.2%	0.8%	0.1%
2004	2006	1,765,120,445	36.43	64,878,000	98.6%	1.4%	0.1%
2003	2005	1,745,823,063	34.24	59,689,000	99.0%	1.0%	0.1%
2002	2004	1,778,118,394	32.29	56,086,000	99.0%	1.0%	0.1%
2001	2003	1,730,621,316	30.44	53,019,000	98.9%	1.1%	0.1%
2000	2002	1,692,290,476	28.58	48,680,400	98.9%	1.1%	0.1%
1999	2001	1,684,667,425	27.75	46,864,940	98.8%	1.2%	0.1%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF ROCKY HILL

Grand List of 10/1	Fiscal Year Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2008
2008	2010	\$2,207,626,980	22.90	\$50,144,076	<i>- To Be Collected 7/09-1/10 -</i>		
2007	2009	1,656,796,317	29.20	47,936,914	<i>- In Process of Collection -</i>		
2006	2008	1,635,894,255	28.40	46,723,104	99.4%	0.6%	0.6%
2005	2007	1,603,291,244	28.00	45,313,396	99.4%	0.6%	0.3%
2004	2006	1,575,853,180	25.80	40,962,333	99.4%	0.6%	0.0%
2003	2005	1,533,366,840	25.80	39,864,975	99.4%	0.6%	0.0%
2002	2004	1,233,515,550	29.30	36,169,025	97.8%	2.2%	0.0%
2001	2003	1,199,484,300	29.30	35,463,030	98.7%	1.3%	0.0%
2000	2002	1,172,736,610	26.80	31,637,468	98.2%	1.8%	0.0%
1999	2001	1,140,262,870	26.80	30,876,807	99.2%	0.8%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF WEST HARTFORD

Grand List of 10/1	Fiscal Year Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2008
2008	2010	\$5,362,320,240	35.67	\$189,729,163	<i>- To Be Collected 7/09-1/10 -</i>		
2007	2009	4,889,430,313	36.97	179,219,708	<i>- In Process of Collection -</i>		
2006	2008	4,497,443,813	38.63	174,302,000	99.0%	1.0%	1.0%
2005	2007	3,710,940,390	46.19	172,700,000	99.2%	0.8%	0.3%
2004	2006	3,661,731,590	44.07	162,715,000	99.3%	0.7%	0.0%
2003	2005	3,627,960,740	42.12	153,918,000	99.3%	0.7%	0.0%
2002	2004	3,638,855,000	39.70	144,882,000	99.2%	0.8%	0.0%
2001	2003	3,614,778,748	37.65	136,908,000	99.1%	0.9%	0.0%
2000	2002	3,575,645,530	35.69	128,280,000	99.0%	1.0%	0.0%
1999	2001	3,559,024,147	34.36	122,520,000	99.0%	1.0%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF WETHERSFIELD

Grand List of 10/1	Fiscal Year Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2008
2008	2010	\$2,313,608,900	30.68	\$70,494,548	<i>- To Be Collected 7/09-1/10 -</i>		
2007	2009	2,003,032,473	34.71	68,846,803	<i>- In Process of Collection -</i>		
2006	2008	1,991,317,830	32.94	65,637,736	99.2%	0.8%	1.0%
2005	2007	1,991,573,140	32.43	64,626,417	99.0%	1.0%	0.3%
2004	2006	1,974,466,840	30.19	59,775,611	99.3%	0.7%	0.1%
2003	2005	1,954,539,220	28.35	55,410,583	99.3%	0.7%	0.1%
2002	2004	1,460,138,000	34.86	51,145,414	99.2%	0.8%	0.1%
2001	2003	1,452,892,840	33.80	49,340,093	98.8%	1.2%	0.1%
2000	2002	1,439,091,830	32.34	46,753,442	98.6%	1.4%	0.0%
1999	2001	1,424,141,865	30.81	43,888,573	98.8%	1.2%	0.0%

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

PROPERTY TAX LEVIES AND COLLECTIONS – TOWN OF WINDSOR

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent	Percent	Percent
					Annual Levy Collected End of Fiscal Year	Annual Levy Uncollected End of Fiscal Year	Annual Levy Uncollected 6/30/2008
2008	2010	\$2,653,336,173	28.34	\$74,132,534	- To Be Collected 7/09-1/10 -		
2007	2009	2,590,683,323	30.10	77,985,383	- In Process of Collection -		
2006	2008	2,401,738,783	29.30	70,937,721	98.8%	1.2%	1.2%
2005	2007	2,303,733,056	29.30	68,003,214	98.7%	1.3%	0.5%
2004	2006	2,283,464,552	28.73	66,125,430	98.8%	1.2%	0.0%
2003	2005	2,243,767,090	28.83	65,083,579	98.9%	1.1%	0.0%
2002	2004	1,886,474,120	33.57	62,034,181	98.8%	1.2%	0.0%
2001	2003	1,768,511,335	32.60	58,464,014	98.5%	1.5%	0.0%
2000	2002	1,712,678,000	31.20	53,896,626	98.7%	1.3%	0.0%
1999	2001	1,650,906,160	29.70	49,311,069	98.7%	1.3%	0.0%

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

TEN LARGEST TAXPAYERS – TOWN OF BLOOMFIELD

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
Connecticut General Life Insurance Co...	Insurance	\$67,127,290	3.87%
Metropolitan Tower Life Insurance Co...	Insurance	44,827,900	2.58%
Duncaster Inc.....	Retirement Community	30,797,590	1.77%
Connecticut Light & Power Company.....	Utility	25,729,850	1.48%
Pepperidge Farm Inc.....	Baked Goods	23,571,784	1.36%
AMCAP Copaco LLC.....	Real Estate	23,365,930	1.35%
Bouwfonds Hawthorne LP.....	Real Estate	21,585,200	1.24%
Jacobs Vehicle System, Inc.....	Manufacturing	21,464,918	1.24%
Church Home of Hartford Inc.....	Retirement Community	17,081,640	0.98%
FJS Family LLC.....	Real Estate	13,097,840	0.75%
Total.....		\$288,649,942	16.63%

¹ Based on a 10/1/08 Net Taxable Grand List of \$1,735,513,357.

Source: Assessor's Office, Town of Bloomfield.

TEN LARGEST TAXPAYERS – TOWN OF EAST HARTFORD

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
United Technologies Corp.....	Manufacturing	\$348,262,010	11.22%
Cabela's Inc.....	Retail	30,183,540	0.97%
Coca-Cola Bottling Co.....	Beverage Mfg./Distributor	26,433,620	0.85%
Fremont Riverview LLC.....	Offices	24,293,090	0.78%
Ansonia Acquisitions LLC.....	Apartments	23,716,230	0.76%
Connecticut Natural Gas Corp.....	Utility	22,011,140	0.71%
Connecticut Light and Power Company...	Utility	21,846,630	0.70%
Computer Sciences Corp.....	Leasing	20,720,500	0.67%
Merchant 99 111 Founders LLC.....	Offices	16,637,090	0.54%
East Hartford Founders LLC.....	Offices	15,207,610	0.49%
Total.....		\$549,311,460	17.70%

¹ Based on a 10/1/08 Net Taxable Grand List of \$3,103,953,346.

Source: Assessor's Office, Town of East Hartford.

TEN LARGEST TAXPAYERS – CITY OF HARTFORD

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Hartford Fire Insurance & Twin City Ins.	Insurance	\$142,713,228	4.11%
Travelers Indemnity Co. Affiliate.....	Insurance	134,634,540	3.88%
Connecticut Light and Power Company...	Utility	118,593,950	3.42%
Northland Properties.....	Real Estate	91,691,520	2.64%
Aetna Life Insurance Co. & Annuity.....	Insurance	84,402,300	2.43%
Mac-State Square LLC.....	Real Estate	60,720,840	1.75%
CityPlace I LTD Partnership.....	Real Estate	58,119,810	1.68%
Talcott II Gold, LLC.....	Real Estate	53,654,250	1.55%
Bank of Boston.....	Banking	47,567,500	1.37%
FGA Trubull LLC.....	Real Estate	41,055,640	1.18%
Total.....		\$833,153,578	24.02%

¹ Based on a 10/1/08 Net Taxable Grand List of \$3,468,906,129.
Source: Assessor's Office, City of Hartford.

TEN LARGEST TAXPAYERS – TOWN OF NEWINGTON

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Connecticut Light and Power Company...	Utility	\$27,809,310	1.05%
Newington VF LLC.....	Shopping Center	20,392,470	0.77%
Galileo Turnpike Plaza LLC.....	Shopping Center	19,703,670	0.74%
TLG Newington LLC.....	Shopping Center	18,826,360	0.71%
Newington Gross LLC.....	Shopping Center	18,777,850	0.71%
Hayes Kaufman Newington Assoc. LLC..	Real Estate	12,952,450	0.49%
Tilcon Connecticut Inc.....	Industrial	11,938,420	0.45%
Target Stores Corp.....	Department Store	11,640,290	0.44%
Lowes Home Centers Inc. #623.....	Home Improvement Center	11,516,330	0.44%
Newington-Berlin Retail LLC.....	Real Estate	11,422,910	0.43%
Total.....		\$164,980,060	6.24%

¹ Based on a 10/1/08 Net Taxable Grand List of \$2,645,518,977.
Source: Assessor's Office, Town of Newington.

TEN LARGEST TAXPAYERS – TOWN OF ROCKY HILL

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Gallery-Towers Apartments.....	Apartments	\$34,483,960	1.56%
Five Hundred Enterprise Nominee Tr.....	Real Estate	32,345,180	1.47%
Burris Logistics Inc.....	Real Estate	30,291,090	1.37%
EAT Glenbrook LLC.....	Warehouse	24,919,646	1.13%
Henkel Corporation.....	Manufacturer of Adhesives	23,068,500	1.04%
Sysco Food Services of CT.....	Distribution Warehouse	15,302,420	0.69%
Acadia Town Line LLC.....	Real Estate	14,229,950	0.64%
Rocky Hill Assoc LTD Partnership.....	Real Estate	13,371,120	0.61%
New Boston Fifty Five Capital LLC.....	Real Estate	13,230,000	0.60%
New Boston Flex LLC.....	Real Estate	13,035,680	0.59%
Total.....		\$214,277,546	9.71%

¹ Based on a 10/1/08 Net Taxable Grand List of \$2,207,626,980.
Source: Assessor's Office, Town of Rocky Hill.

TEN LARGEST TAXPAYERS – TOWN OF WEST HARTFORD

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Blue Back Square, LLC.....	Real Estate	\$65,341,100	1.22%
West Farms Associates.....	Shopping Mall	35,000,000	0.65%
Corbins Corner Shopping Center LLC....	Retail, Office	34,558,100	0.64%
Connecticut Light and Power Company...	Utility	28,266,870	0.53%
E & A Northeast LP.....	Retail, Office	27,932,870	0.52%
Town Center West Associates.....	Office	23,053,600	0.43%
Wiremold Company.....	Industrial	19,517,390	0.36%
Bishops Albany, LLC.....	Retail	17,038,800	0.32%
Sisters of Mercy/McAuley Center.....	Assisted Living	15,962,800	0.30%
Prospect Plaza Improvments, LLC.....	Retail	14,619,400	0.27%
Total.....		\$281,290,930	5.25%

¹ Based on a 10/1/08 Net Taxable Grand List of \$5,362,320,240.
Source: Assessor's Office, Town of West Hartford.

TEN LARGEST TAXPAYERS – TOWN OF WETHERSFIELD

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
Wethersfield Apartments Assoc. LLC.....	Apartments	\$20,315,200	0.88%
Cedar-Jordan Lane LLC.....	Shopping Center	15,535,400	0.67%
Crossstone Realty Associates.....	Convalescent Home	12,747,800	0.55%
100 Great Meadow Road.....	Real Estate	12,511,200	0.54%
Executive Square LTD Partnership.....	Apartments	11,001,300	0.48%
Wethersfield Shopping Center LLC.....	Shopping Center	9,982,200	0.43%
Connecticut Light and Power Company...	Utility	8,835,300	0.38%
Connecticut Natural Gas.....	Utility	7,314,400	0.32%
1290 Realty LLC.....	Real Estate	5,925,800	0.26%
Godwin Gardens LLC.....	Real Estate	5,810,800	0.25%
Total.....		\$109,979,400	4.75%

¹ Based on a 10/1/08 Net Taxable Grand List of \$2,313,608,900.
Source: Assessor's Office, Town of Wethersfield.

TEN LARGEST TAXPAYERS – TOWN OF WINDSOR

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Net Taxable Grand List</u>
IBM & Affiliates.....	Information Technology	\$67,773,044	2.55%
Walgreens.....	Pharmacy	63,005,731	2.37%
Griffin Land & Affiliates.....	Real Estate	62,161,123	2.34%
CIGNA.....	Insurance	42,874,165	1.62%
Hartford Financial Corporation.....	Finance	40,708,313	1.53%
Northeast Utilities.....	Utility	35,131,331	1.32%
ING.....	Finance	26,533,344	1.00%
Ferraina & Affiliates.....	Real Estate	22,983,195	0.87%
Valassis & Affiliates.....	Marketing Services	22,637,926	0.85%
Aetna Life Insurance.....	Insurance	22,626,602	0.85%
Total.....		\$406,434,774	15.32%

¹ Based on a 10/1/08 Net Taxable Grand List of \$2,653,336,173.
Source: Assessor's Office, Town of Windsor.

EQUALIZED NET GRAND LIST

Town of Bloomfield

Grand List of 10/1	Equalized Net Grand List	% Growth
2007	\$3,190,940,420	0.51%
2006	3,174,623,445	5.19%
2005	3,018,109,847	23.13%
2004	2,451,100,334	-3.37%
2003	2,536,505,711	12.62%
2002	2,252,300,627	9.25%
2001	2,061,653,818	20.70%
2000	1,708,087,873	-5.18%
1999	1,801,437,709	1.61%
1998	1,772,952,786	7.01%

Town of East Hartford

Grand List of 10/1	Equalized Net Grand List	% Growth
2007	\$4,904,766,424	21.05%
2006	¹ 4,051,722,914	-15.36%
2005	4,786,965,847	9.88%
2004	4,356,509,975	3.65%
2003	4,202,990,710	7.68%
2002	3,903,131,066	15.15%
2001	3,389,738,837	7.84%
2000	3,143,283,796	9.08%
1999	2,881,528,040	6.94%
1998	2,694,615,966	2.12%

¹ Revaluation phased- in.

City of Hartford

Grand List of 10/1	Equalized Net Grand List	% Growth
2007	\$8,029,737,495	42.94%
2006	¹ 5,617,517,672	-39.01%
2005	9,210,207,486	8.21%
2004	8,511,588,775	13.23%
2003	7,516,844,095	15.37%
2002	6,515,441,287	4.64%
2001	6,226,723,655	7.46%
2000	5,794,370,126	13.63%
1999	5,099,500,077	1.54%
1998	5,022,219,165	14.15%

Town of Newington

Grand List of 10/1	Equalized Net Grand List	% Growth
2007	\$4,076,961,126	-3.38%
2006	4,219,375,008	13.61%
2005	3,714,043,661	-8.34%
2004	4,051,823,902	15.60%
2003	3,505,059,414	6.65%
2002	3,286,385,834	14.57%
2001	2,868,380,207	16.27%
2000	2,467,004,166	3.00%
1999	2,395,229,897	9.56%
1998	2,186,286,234	5.73%

¹ Revaluation phased- in.

Town of Rocky Hill

Grand List of 10/1	Equalized Net Grand List	% Growth
2007	\$3,041,593,706	2.77%
2006	2,959,539,490	-0.98%
2005	2,988,857,920	9.97%
2004	2,717,981,445	23.36%
2003	2,203,211,200	-6.28%
2002	2,350,776,824	7.32%
2001	2,190,518,862	14.36%
2000	1,915,512,839	16.31%
1999	1,646,900,071	8.38%
1998	1,519,588,773	15.74%

Town of West Hartford

Grand List of 10/1	Equalized Net Grand List	% Growth
2007	\$7,332,637,978	13.73%
2006	¹ 6,447,326,690	-30.58%
2005	9,287,369,286	4.97%
2004	8,847,511,973	7.97%
2003	8,194,628,368	9.28%
2002	7,498,407,342	11.05%
2001	6,752,286,664	10.75%
2000	6,096,879,495	18.98%
1999	5,124,372,924	5.71%
1998	4,847,674,505	9.89%

¹ Revaluation phased- in.

Town of Wethersfield			Town of Windsor		
Grand List of 10/1	Equalized Net Grand List	% Growth	Grand List of 10/1	Equalized Net Grand List	% Growth
2007	\$3,637,100,135	0.18%	2007	\$4,533,063,159	-0.46%
2006	3,630,413,611	-2.64%	2006	4,553,843,709	9.66%
2005	3,728,964,091	5.31%	2005	4,152,615,879	10.89%
2004	3,541,097,244	26.68%	2004	3,744,909,821	14.72%
2003	2,795,283,343	-4.73%	2003	3,264,253,914	-4.07%
2002	2,934,207,370	12.87%	2002	3,402,721,292	9.48%
2001	2,599,590,018	7.42%	2001	3,108,204,837	11.09%
2000	2,420,108,052	18.44%	2000	2,797,870,646	15.65%
1999	2,043,398,264	-4.16%	1999	2,419,305,071	0.08%
1998	2,132,171,307	8.69%	1998	2,417,282,817	6.23%

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

VII. FINANCIAL INFORMATION

FISCAL YEAR

Financial information for the District for fiscal years ended December 31, 2004 through December 31, 2008 and for the Member Municipalities for fiscal years ended June 30, 2004 through June 30, 2008 was taken from audited financial statements. Budget and audited financial data for the Member Municipalities of the District was provided by Member Municipalities.

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

BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

The District's accounting system is organized and operated on a fund accounting basis, conforming to the Charter and Ordinances of the District, the Governmental Accounting Standards Board ("GASB"), Generally Accepted Accounting Principles ("GAAP") for municipalities, State of Connecticut Department of Public Utility Control requirements, and the American Institute of Certified Public Accountants industry audit guide, "Audits of State and Local Governmental Units". The District's proprietary funds apply all GASB pronouncements as well as follow pronouncements issued before November 30, 1989, unless they contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures. The District has changed its financial reporting to comply with GASB Statement No. 34 beginning with its financial report for Fiscal Year ended December 31, 2003. Please refer to Appendix A "Notes to the Financial Statements" herein for compliance and implementation details.

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

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

BUDGETARY PROCEDURES

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

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

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

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

DEBT ADMINISTRATION POLICY

Capital appropriations to be met from the authorization and issuance of general obligation bonds require approval by a two-thirds vote of the entire District Board and by a majority of the electors of the District at a referendum with the following exceptions:

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

With the exception of the \$800,000,000 appropriation and bond authorization for the District's Clean Water Project approved at a referendum in November, 2006 which is expected to be supported by a Special Sewer Service Surcharge (see "*Clean Water Project*" and "*Authorized but Unissued Debt – The District*" herein), the District has followed a policy of issuing general obligation bonds secured by unlimited taxes levied proportionately upon the Member Municipalities comprising the District (See "*Security and Remedies*" herein).

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

ANNUAL AUDIT

Pursuant to its Charter and Connecticut law, the District is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended December 31, 2008, the examination was conducted by the firm of Blum, Shapiro & Company, P.C., independent certified public accountants and business consultants, of West Hartford, Connecticut. The firm was appointed by the Board of Finance.

PENSION PLAN

The District has a defined benefit, single-employer plan that was adopted by the District Board on January 1, 1944 and amended February 2, 2004. Per Section 1-5 of the District Charter, the District Board shall have the power to adopt a pension plan for the employees of the District and shall have the power to provide the management and prudent investment of pension funds in accordance with Connecticut General Statutes. By ordinance, the Personnel, Pension and Insurance Committee is charged with the responsibility for administering the District's retirement plan.

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

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

Participation in the plan is immediate upon employment for anyone below the normal retirement age of 65. Employees are required to contribute 5% of their annual covered salary. The District is required to contribute an actuarially determined amount to the pension plan. Currently, the District's contribution is projected to be 16.80% of annual covered payroll. The District's recommended contribution for 2009 was \$7,066,074. The decline in the funded ratio from 2008 to 2009 was a direct result of the pension plan's 2008 investment performance.

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

OTHER POST EMPLOYMENT BENEFITS

The District provides health care and life insurance benefits for retired employees in accordance with union contracts. The District's personnel, pension and insurance committee established and empowered by the District's general ordinances establishes the benefit provisions and the employer's and employees' obligations. Substantially all of the District's employees qualify for retiree health care and life insurance benefits if they become eligible for retirement. Retiree health and life insurance benefits are provided through indemnity plans and health maintenance organizations and the District records the annual insurance premiums and claim costs in its expenditures or expenses as appropriate. The total District costs for health care and life insurance benefits for approximately 535 retirees for the years ended December 31, 2008 and December 31, 2007 respectively, were \$5,315,343 and \$4,035,877.

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

The District has engaged its actuary to perform the required calculations and has determined that the unfunded actuarial accrued liability based upon a valuation date of January 1, 2007 is \$146,467,950. Currently the District follows a pay as you go methodology with respect to funding. However, the District is currently evaluating several options for funding, one of which is to establish a fiduciary fund specifically for OPEB liability and fund annual contributions based upon actuarial calculations.

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

INVESTMENT POLICIES AND PRACTICES

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

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

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

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

DISTRICT CASH MANAGEMENT INVESTMENT POLICY

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

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

RISK MANAGEMENT

The District purchases commercial insurance for all risks of loss except as follows. The District is self insured for health care, workers’ compensation claims up to \$500,000 for each accident, deductibles for property damage up to \$100,000 for each location and general and automobile liability up to \$250,000 for each incident. Additionally, the District has provided for \$1.0 million of excess coverage for liability coverage with no limits for workers’ compensation excess coverage. The District established an internal service fund, the self-insurance fund, to account for and finance the retained risk of loss.

COMPENSATED ABSENCES

The District’s full liability for accumulated unpaid vacation, sick pay and other employee accounts is accrued in proprietary funds (using the accrual basis of accounting). Such amounts are also recorded for governmental funds. In accordance with GAAP, the amount of the liability expected to be liquidated with expendable available financial resources is accrued in the individual fund. Additional expenditures are accrued only to the extent that anticipated compensated absences will be used in excess of a normal year’s accumulation based on historical data. The remaining liability is recorded in the general long-term obligations account group. Accrued compensated absences as of December 31, 2008 were \$8,033,507.

**REVENUES AND APPROPRIATIONS
BUDGET FOR 2009**

Water Revenues	Budget 2009
Sale of Water & Other Operating Revenues.....	\$52,523,400
Non-Operating Revenue.....	4,716,300
Total Revenues and Other Financing Sources - Water...	\$57,239,700
Sewer Revenues	
Tax on Member Municipalities.....	30,967,000
Revenue From Other Governmental Agencies.....	8,333,000
Sewer User Charge Revenue.....	4,731,000
Other Sewer Revenues.....	1,209,800
Revenue Surplus Designated from Prior Year.....	2,946,000
Contributions From Other Funds.....	4,550,000
Total Revenues and Other Financing Sources - Sewer...	\$52,736,800
Hydroelectric Revenues.....	1,985,500
Mid-Connecticut Project Revenues.....	18,859,500
Total Revenues and Other Financing Sources.....	\$130,821,500

	2009		
	Water	Sewer	Total
Appropriations Water And Sewer Budgets			
District Board.....	\$ 133,000	\$ 127,800	\$ 260,800
Executive Office.....	442,700	425,400	868,100
Administrative Services.....	169,100	162,400	331,500
Legal.....	706,400	678,700	1,385,100
Human Resources.....	915,200	879,400	1,794,600
Chief Administrative Office.....	211,300	203,100	414,400
Information Technology.....	2,510,000	1,236,300	3,746,300
Finance.....	1,876,800	1,055,700	2,932,500
Environment, Health, Safety.....	632,800	608,000	1,240,800
Engineering and Planning.....	1,683,100	1,492,600	3,175,700
Customer Service.....	2,070,300	454,400	2,524,700
Operations.....	7,758,300	301,900	8,060,200
Chief Operating Office.....	290,100	2,586,000	2,876,100
Water Pollution Control.....	-	17,946,200	17,946,200
Maintenance.....	4,049,200	3,890,400	7,939,600
Water Treatment, Supply.....	7,017,300	-	7,017,300
Water Supply.....	3,179,600	-	3,179,600
Patrol.....	1,146,500	-	1,146,500
Debt Service.....	7,824,300	14,319,800	22,144,100
Employee Benefits.....	7,569,200	4,015,200	11,584,400
General Insurance.....	2,309,400	989,700	3,299,100
Taxes and Fees.....	2,166,900	-	2,166,900
Special Agreements, Programs.....	738,100	628,800	1,366,900
Contingencies.....	765,000	735,000	1,500,000
Riverfront Park Systems.....	1,075,100	-	1,075,100
Total Water and Sewer Budgets.....	\$ 57,239,700	\$ 52,736,800	\$ 109,976,500
Hydroelectric Budget.....			1,985,500
Mid-Connecticut Project Budget....			18,859,500
Total Appropriations.....	\$ 57,239,700	\$ 52,736,800	\$ 130,821,500

**SOURCES OF FUNDS
BUDGET FOR 2009**

<u>Sale of Water by User</u>	<u>Budget 2009</u>
Domestic.....	34.05%
Commercial.....	9.23
Industrial.....	1.83
Public Authority.....	2.65
Total	47.76%
<u>Sewer Revenues Paid By Member Municipality Tax</u>	
Hartford.....	7.78
West Hartford.....	6.04
East Hartford.....	3.53
Windsor.....	2.51
Newington.....	2.39
Wethersfield.....	2.27
Bloomfield.....	2.07
Rocky Hill.....	1.56
Total	28.15%
<u>Other Sources of Funds for Sewer & Water</u>	
Other Sewer & Water Revenues.....	24.09
Total Sources of Funds for Sewer & Water	100.00%
<u>Sources of Funds for All Projects</u>	
Water revenues.....	43.80
Sewer Revenues.....	40.31
Hydroelectric Revenues.....	1.52
Mid-Connecticut Revenues.....	14.37
Total	100.00%

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

	Adopted Budget 2009 ¹	Budget 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004
REVENUES:						
Taxation - Member Towns.....	\$30,967,000	\$32,670,177	\$30,966,992	\$29,214,143	\$26,991,288	\$25,684,985
Sewer User Fees.....	4,731,000	4,908,723	4,390,879	4,831,293	4,088,017	3,871,733
Intergovernmental.....	8,333,000	8,400,000	8,955,916	8,213,458	6,569,956	8,409,055
Investment Income.....	725,000	700,000	871,102	1,148,999	241,243	34,504
Other Revenues.....	1,034,800	1,157,000	1,283,323	377,682	725,231	484,333
Designated for Surplus.....	2,946,000					
Transfers In.....	4,000,000	3,250,000	3,250,000	3,700,000	20,668,827	10,630,123
Total Revenues and Transfers In.....	\$52,736,800	\$51,085,900	\$49,718,212	\$47,485,575	\$59,284,562	\$49,114,733
EXPENDITURES:						
General Government.....	\$4,768,800	\$4,275,970	\$4,322,023	\$3,777,892	\$4,335,901	\$4,546,257
Engineering & Planning.....	2,555,000	2,201,403	1,418,756	1,723,568	2,439,357	2,508,354
Operations.....	2,586,000	2,498,312	2,430,307	\$2,359,908	4,997,642	5,138,999
Plants & Maintenance.....	22,138,500	20,786,216	20,269,789	18,600,994	14,210,807	14,612,757
Employee Benefits & Other.....	4,015,200	5,999,877	6,798,102	8,488,057	13,001,065	12,843,986
Miscellaneous Expenses.....	2,353,500	2,873,793				
Transfers Out.....	14,319,800	12,450,329	11,091,640	10,100,121	10,867,449	11,160,686
Total Expenditures and Transfers Out.....	\$52,736,800	\$51,085,900	\$46,330,617	\$45,050,540	\$49,852,221	\$50,811,039
Results from Operations.....		(\$1)	\$3,387,594	\$2,435,035	\$9,432,341	(\$1,696,306)
Fund Balance, January 1.....		\$15,402,532	\$12,014,938	\$9,579,903	\$147,562	\$1,843,868
Fund Balance, December 31.....		\$15,402,531	\$15,402,532	\$12,014,938	\$9,579,903	\$147,562

¹ Budgetary Basis.

ANALYSIS OF GENERAL FUND EQUITY
The District
(GAAP BASIS)

	Adopted Budget 2008	Budget 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004
Reserved:						
Inventory.....	N/A	N/A	\$1,831,908	\$1,766,300	\$1,585,133	
Encumbrances.....			1,602,690	1,368,852	1,363,431	
CRRA Payments.....						
Unreserved:						
Designated for Infrastructure Improvements.....	N/A	N/A	11,967,934	8,879,786	6,631,339	
Designated for CRRA.....						147,562
Total Fund Balance	N/A	N/A	\$15,402,532	\$12,014,938	\$9,579,903	\$147,562

Source: Audit Reports 2004-2008; Budget 2009.

HISTORY OF MEMBER MUNICIPALITY'S TAXATION ¹

Member Municipality	Budget 2009	%	Budget 2008	%	Actual 2007	%
Bloomfield	\$ 2,276,400	7.35	\$ 2,368,120	7.25	\$ 2,226,432	7.19
East Hartford	3,880,800	12.53	4,279,675	13.10	4,130,459	13.34
Hartford	8,548,800	27.61	8,977,292	27.49	8,382,912	27.07
Newington	2,628,500	8.49	2,736,475	8.37	2,607,841	8.42
Rocky Hill	1,740,000	5.62	1,818,790	5.57	1,702,366	5.50
West Hartford	6,642,000	21.45	7,004,582	21.44	6,678,829	21.57
Wethersfield	2,493,500	8.05	2,578,602	7.89	2,406,436	7.77
Windsor	2,757,000	8.90	2,906,641	8.89	2,831,717	9.14
Total	\$30,967,000	100.0%	\$32,670,177	100.0%	\$30,966,992	100.0%

Member Municipality	Actual 2006	%	Actual 2005	%	Actual 2004	%
Bloomfield	\$ 2,068,769	7.08	\$ 1,904,048	7.05	\$ 1,828,344	7.12
East Hartford	3,967,005	13.58	3,621,203	13.42	3,446,828	13.42
Hartford	7,823,781	26.78	7,386,378	27.37	7,144,206	27.81
Newington	2,440,796	8.36	2,229,896	8.26	2,105,131	8.20
Rocky Hill	1,644,302	5.63	1,478,546	5.48	1,404,566	5.47
West Hartford	6,310,936	21.60	5,797,208	21.47	5,479,117	21.33
Wethersfield	2,253,697	7.71	2,090,500	7.75	1,980,519	7.71
Windsor	2,704,857	9.26	2,483,509	9.20	2,296,274	8.94
Total	\$29,214,143	100.0%	\$26,991,288	100.0%	\$25,684,985	100.0%

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

Source: District Officials.

**WATER UTILITY FUND REVENUES AND EXPENDITURES
The District**

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	<u>Budget 2009¹</u>	<u>Budget 2008¹</u>	<u>Actual 2007</u>	<u>Actual 2006</u>	<u>Actual 2005</u>	<u>Actual 2004</u>
Operating Revenues:						
Water Sales.....	\$52,523,400	\$55,509,075	\$52,679,339	\$48,524,938	\$48,374,331	\$41,716,535
Other Operating Revenues.....	0	2,741,000	0	0	0	0
Total Operating Revenue.....	\$52,523,400	\$58,250,075	\$52,679,339	\$48,524,938	\$48,374,331	\$41,716,535
Total Operating Expenses.....	57,239,700	60,276,075	52,984,997	49,363,037	47,158,863	45,268,255
Operating Income (Loss).....	(4,716,300)	(2,026,000)	(305,658)	(838,099)	1,215,468	(3,551,720)
Non-operating Revenues.....	1,646,000	2,026,000	1,651,843	2,189,254	1,976,233	7,397,714
Income (Loss) Before Interest & Fiscal Charges & Operating Transfers.....	0	0	1,346,185	1,351,155	3,191,701	3,845,994
Interest & Fiscal Charges.....	0	0	(1,116,179)	(1,048,398)	(1,188,545)	(939,317)
Income Before Operating Transfers.....	\$0	\$0	\$230,006	\$302,757	\$2,003,156	\$2,906,677
Net Operating Transfers.....	0	0	5,091,177	11,490,401	698,066	4,085,808
Net Income (Loss).....	\$0	\$0	\$5,321,183	\$11,793,158	\$2,701,222	\$6,992,485
Net Assets, January 1.....			\$237,837,183	\$226,044,025	\$223,342,803	\$216,350,318
Net Assets, December 31.....			\$243,158,366	\$237,837,183	\$226,044,025	\$223,342,803

¹ Budgetary Basis.

Source: Audit Reports 2004-2008; Budget 2009.

**HYDROELECTRIC FUND REVENUES AND EXPENDITURES
The District**

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	<u>Budget 2009¹</u>	<u>Budget 2008¹</u>	<u>Actual 2007</u>	<u>Actual 2006</u>	<u>Actual 2005</u>	<u>Actual 2004</u>
Operating Revenues:						
Power Sales.....	\$803,900	\$780,600	\$669,106	\$1,052,947	\$946,312	\$917,355
Miscellaneous.....	33,500	80,000				
Total Operating Revenue.....	\$837,400	\$860,600	\$669,106	\$1,052,947	\$946,312	\$917,355
Total Operating Expenses.....	\$435,500	\$360,100	\$433,989	\$365,649	\$352,962	\$419,802
Operating Income (Loss).....	\$401,900	\$500,500	\$235,117	\$687,298	\$593,350	\$497,553
Non-operating Revenues (Expenses).....	\$1,148,100	\$1,049,500	\$79,539	\$142,563	\$105,936	\$41,572
Income Before Operating Transfers.....	\$1,550,000	\$1,550,000	\$314,656	\$829,861	\$699,286	\$539,125
Net Operating Transfers.....	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)	(1,550,000)	(4,550,000)
Net Income (Loss).....	\$0	\$0	(\$1,235,344)	(\$720,139)	(\$850,714)	(\$4,010,875)
Net Assets, January 1.....			\$13,967,560	\$14,687,699	\$15,538,413	\$19,549,288
Net Assets, December 31.....			\$12,732,216	\$13,967,560	\$14,687,699	\$15,538,413

¹ Budgetary Basis.

Source: Audit Reports 2004-2008; Budget 2009.

MID-CONNECTICUT PROJECT FUND REVENUES AND EXPENDITURES

The District

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	<u>Budget 2009¹</u>	<u>Budget 2008¹</u>	<u>Actual 2007</u>	<u>Actual 2006</u>	<u>Actual 2005</u>	<u>Actual 2004</u>
Total Operating Revenue.....	\$18,859,500	\$16,530,400	\$18,165,810	\$18,729,932	\$15,936,659	\$17,700,660
Operating Expenses:						
General Administration.....	2,418,000	2,456,600	3,721,163	3,836,720	2,689,315	2,862,176
Operations.....	2,244,100	1,580,700	1,411,677	1,455,515	1,283,051	935,765
Maintenance.....	3,822,700	3,361,500	5,247,004	5,409,945	4,200,634	4,312,048
Capital Outlay.....						
Personnel Services.....	10,374,700	9,131,600	7,785,966	8,027,752	7,763,659	9,590,671
Total Operating Expenses.....	\$18,859,500	\$16,530,400	\$18,165,810	\$18,729,932	\$15,936,659	\$17,700,660
 Operating Income (Loss).....			\$0	\$0	\$0	\$0

¹ *Budgetary Basis.*

Source: Audit Reports 2004-2008; Budget 2009.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Bloomfield

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Approved						
	Budget	Budget	Actual	Actual	Actual	Actual	Actual
	2009-10 ¹	2008-09 ¹	2007-08	2006-07	2005-06	2004-05	2003-04
REVENUES:							
Taxes and Assessments.....	\$62,124,692	\$60,785,886	\$57,743,856	\$54,031,566	\$51,126,615	\$48,237,060	\$45,039,462
State and Federal Grants.....	8,519,883	8,631,277	16,966,207	9,118,469	9,076,926	7,438,761	6,072,098
Charges for Services.....	1,108,370	1,341,200	2,673,546	2,348,018	1,628,906	1,660,077	1,367,013
Investment Income.....	459,466	759,466	1,270,773	1,494,700	1,138,042	491,453	359,474
Licenses and Permits.....	289,700	506,800	0	981,858	550,593	461,286	574,526
Other.....	102,800	237,800	740,363	70,895	256,701	202,293	517,817
Transfers In.....	0	0	72,513	0	0	43,876	0
Total Revenues and Transfers In.....	\$72,604,911	\$72,262,429	\$79,467,258	\$68,045,506	\$63,777,783	\$58,534,806	\$53,930,390
EXPENDITURES:							
General Government.....	\$4,071,380	\$3,902,345	\$3,397,447	\$3,237,031	\$2,939,550	\$3,018,819	\$2,991,658
Public Safety.....	6,578,499	6,885,081	6,570,161	6,122,016	5,882,201	5,516,841	5,661,537
Public Works.....	2,316,176	2,386,932	2,335,729	1,980,319	2,173,395	1,874,612	1,950,092
Leisure Services.....	555,930	679,470	650,214	603,882	581,036	611,650	583,685
Public Libraries.....	1,373,034	1,350,024	1,299,620	1,281,751	1,200,951	1,137,802	1,147,132
Human Services.....	1,328,488	1,347,500	1,219,285	1,170,929	1,118,468	1,013,805	1,092,734
Facilities.....	1,868,672	1,631,272	1,477,987	1,535,303	1,508,706	1,243,011	1,329,326
Fixed Charges.....	11,425,262	11,031,530	10,409,040	9,339,966	8,623,998	8,561,077	6,517,942
Miscellaneous.....	321,000	396,000	258,069	1,385,738	167,909	145,064	224,471
Education.....	39,211,104	38,565,093	45,243,647	36,494,139	35,502,258	32,419,132	31,358,858
Debt Service.....	3,285,366	2,591,182	1,818,007	1,855,545	1,614,732	1,009,669	2,783,335
Transfers Out.....	270,000	1,500,000	2,274,135	1,764,135	1,875,000	2,161,061	1,021,943
Total Expenditures and Transfers Out.....	\$72,604,911	\$72,262,429	\$76,953,341	\$66,770,754	\$63,188,204	\$58,712,543	\$56,662,713
Results from Operations.....			\$2,513,917	\$1,274,752	\$589,579	(\$177,737)	(\$2,732,323)
Fund Balance, July 1.....			\$5,268,931	\$3,994,179	\$3,404,600	\$3,582,339	\$6,314,662
Fund Balance, June 30.....			\$7,782,848	\$5,268,931	\$3,994,179	\$3,404,600	\$3,582,339

¹ Budgetary Basis.

Note: For further information on the current year's general fund operations ending June 30, 2009, and a copy of the general fund operating budget for the upcoming Fiscal Year 2009-10, beginning July 1, 2009, please refer to documents available on the Town of Bloomfield's website.

ANALYSIS OF GENERAL FUND EQUITY

Town of Bloomfield

(GAAP BASIS)

	Approved						
	Budget	Budget	Actual	Actual	Actual	Actual	Actual
	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Reserved for Encumbrances.....	N/A	N/A	\$467,300	\$163,136	\$69,297		\$274,777
Unreserved:							
Designated for Projects.....							705,000
Unreserved/Undesignated.....	N/A	N/A	7,315,548	5,105,795	3,924,882	3,404,600	2,602,562
Total Fund Balance	N/A	N/A	\$7,782,848	\$5,268,931	\$3,994,179	\$3,404,600	\$3,582,339
Undesignated Fund Balance							
As % of Total Expenditures	N/A	N/A	¹	7.65%	6.21%	5.80%	4.59%

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

Source: Audit Reports 2004-2008; Budgets 2009 and 2010.

GENERAL FUND REVENUES AND EXPENDITURES

Town of East Hartford

Summary of Audited Revenues and Expenditures
(GAAP BASIS)

	Adopted Budget 2009-10 ¹	Budget 2008-09 ¹	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
REVENUES:							
Property Taxes.....	\$98,003,673	\$100,008,151	\$97,595,000	\$103,853,000	\$97,463,000	\$97,930,000	\$91,686,000
Intergovernmental.....	49,564,890	50,533,396	79,733,000	48,844,000	48,209,000	41,479,000	40,142,000
Other local revenues.....	3,739,866	5,288,885	8,749,000	6,702,000	5,269,000	4,500,000	4,665,000
Transfers In.....	0	0	655,000	298,000	1,501,000	734,000	301,000
Total Revenues and Transfers In.....	\$151,308,429	\$155,830,432	\$186,732,000	\$159,697,000	\$152,442,000	\$144,643,000	\$136,794,000
EXPENDITURES:							
General Government.....	\$25,204,212	\$25,936,045	\$24,033,000	\$26,098,000	\$24,815,000	\$23,489,000	\$20,862,000
Public Safety.....	23,419,822	24,266,927	23,878,000	22,873,000	22,204,000	21,077,000	20,999,000
Inspection/Permits.....	655,903	835,768	744,000	672,000	678,000	658,000	627,000
Public Works.....	12,557,085	8,936,713	8,978,000	8,609,000	8,161,000	8,163,000	7,293,000
Parks and Recreation.....	2,585,075	2,706,730	2,671,000	2,527,000	2,484,000	2,227,000	2,127,000
Health and Social Services.....	1,278,729	1,357,070	1,237,000	1,278,000	1,234,000	1,191,000	1,058,000
Debt Service.....	8,607,603	9,692,269	8,760,000	9,035,000	8,820,000	8,427,000	8,275,000
Education.....	77,000,000 ²	82,098,910 ²	114,773,000	84,427,000	82,195,000	77,390,000	73,438,000
Transfers Out.....	0	0	2,234,000	165,000	1,438,000	461,000	66,000
Total Expenditures and Transfers Out.....	\$151,308,429	\$155,830,432	\$187,308,000	\$155,684,000	\$152,029,000	\$143,083,000	\$134,745,000
Results from Operations.....			(\$576,000)	\$4,013,000	\$413,000	\$1,560,000	\$2,049,000
Fund Balance, July 1.....			\$15,785,000	\$11,772,000	\$11,359,000	\$9,799,000	\$7,750,000
Fund Balance, June 30.....			\$15,209,000	\$15,785,000	\$11,772,000	\$11,359,000	\$9,799,000

¹ Budgetary Basis.

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

Note: For further information on the current year's general fund operations ending June 30, 2009, and a copy of the general fund operating budget for the upcoming Fiscal Year 2009-10, beginning July 1, 2009, please refer to documents available on the Town of East Hartford's website.

ANALYSIS OF GENERAL FUND EQUITY

Town of East Hartford

(GAAP BASIS)

	Adopted Budget 2009-10	Budget 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
Reserved for Encumbrances.....	N/A	N/A	\$867,000	\$968,000	\$344,000	\$353,000	\$734,000
Unreserved:							
Designated.....	N/A	N/A	0	0	0	0	1,157,000
Undesignated.....			14,342,000	14,817,000	11,428,000	11,006,000	7,908,000
Total Fund Balance	N/A	N/A	\$15,209,000	\$15,785,000	\$11,772,000	\$11,359,000	\$9,799,000
Undesignated Fund Balance As % of Total Expenditures	N/A	N/A	¹	9.52%	7.52%	7.69%	5.87%

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

Source: Audit Reports 2004-2008; Budgets 2009 and 2010.

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

	Recommended Budget 2009-10 ¹	Budget 2008-09 ¹	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
REVENUES:							
Property Taxes.....	\$275,988,077	\$254,239,282	\$232,955,000	\$231,638,000	\$208,241,000	\$197,028,000	\$183,048,000
Licenses and Permits.....	7,803,660	8,910,092	9,850,000	8,594,000	10,058,000	9,681,000	10,307,000
Investment Income.....	4,436,389	5,074,500	1,714,000	3,510,000	4,085,000	5,828,000	5,079,000
Intergovernmental.....	247,269,696	247,334,898	341,042,000	250,108,000	242,112,000	225,628,000	221,690,000
Charges for Services.....	3,081,660	3,204,600	2,194,000	2,599,000	2,628,000	2,301,000	2,320,000
Reimbursements.....	3,456,450	5,358,868	0	0	2,661,000	0	0
Other Revenues.....	5,553,350	17,426,487	11,211,000	8,479,000	8,276,000 ⁵	6,439,000	2,728,000
Transfers In.....	0	6,040,555	14,715,000	9,952,000	7,039,000	23,955,000 ⁴	12,784,000
Total Revenues and Transfers In.....	\$547,589,282	\$547,589,282	\$613,681,000	\$514,880,000	\$485,100,000	\$470,860,000	\$437,956,000
EXPENDITURES:							
General Government.....	\$19,979,813	\$21,316,928	\$21,890,000	\$17,699,000	\$15,517,000	\$14,368,000	\$15,883,000
Public Safety.....	71,088,659	71,728,361	74,402,000	71,506,000	67,575,000	63,369,000	61,710,000
Public Works.....	12,545,090	13,415,583	11,825,000	14,158,000	13,873,000	13,355,000	21,927,000
Development and Community.....	4,344,957	4,846,458	2,541,000	2,194,000	1,917,000	1,708,000	944,000
Human Services.....	7,276,825	7,881,311	7,303,000	7,740,000	7,529,000	7,488,000	7,167,000
Library ²	7,790,000	8,191,580	0	0	6,374,000	0	0
Education.....	287,554,001	284,554,001	374,467,000	279,086,000	270,874,000	211,898,000	204,344,000
Benefits and Insurance.....	62,792,159	51,328,368	57,012,000	54,754,000	47,348,000 ³	100,791,000	89,470,000
Other.....	33,147,000	33,562,885	28,122,000	28,755,000	20,335,000	21,950,000	13,001,000
Transfers Out.....	41,070,778	50,763,807	42,686,000	37,736,000	31,462,000	26,486,000	27,831,000
Total Expenditures and Transfers Out.....	\$547,589,282	\$547,589,282	\$620,248,000	\$513,628,000	\$482,804,000	\$461,413,000	\$442,277,000
Results from Operations.....			(\$6,567,000)	\$1,252,000	\$2,296,000⁵	\$9,447,000	(\$4,321,000)
Fund Balance, July 1.....			\$34,467,000	\$33,215,000	\$30,919,000	\$21,472,000	\$25,793,000
Fund Balance, June 30.....			\$27,900,000	\$34,467,000	\$33,215,000	\$30,919,000	\$21,472,000

¹ Budgetary Basis.

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

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

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

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

Note: For further information on the current year's general fund operations ending June 30, 2009, and a copy of the general fund operating budget for the upcoming Fiscal Year 2009-10, beginning July 1, 2009, please refer to documents available on the City of Hartford's website.

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

	Recommended Budget 2009-10	Budget 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
Reserved for Encumbrances.....	N/A	N/A			\$246,000	\$143,000	\$379,000
Designated.....	N/A	N/A				300,000	700,000
Unreserved.....	N/A	N/A	27,900,000	34,467,000	32,969,000	30,476,000	20,393,000
Total Fund Balance	N/A	N/A	\$27,900,000	\$34,467,000	\$33,215,000	\$30,919,000	\$21,472,000
Undesignated Fund Balance							
As % of Total Expenditures	N/A	N/A	1	6.71%	6.83%	6.60%	4.61%

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

Source: Audit Reports 2004-2008; Budgets 2009 and 2010.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Newington

Summary of Audited Revenues and Expenditures (GAAP BASIS)

	Adopted Budget 2009-10 ¹	Budget 2008-09 ¹	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
REVENUES:							
Property Taxes.....	\$74,339,900	\$72,182,801	\$70,359,000	\$66,863,000	\$64,813,000	\$60,047,000	\$55,900,609
Payment in Lieu of Taxes.....	2,947,815	2,785,839	2,481,000	2,339,000	2,526,000	2,256,000	0
Licenses, Fees and Permits.....	205,700	385,700	724,000	749,000	509,000	511,000	540,442
Intergovernmental.....	14,240,720	14,053,081	32,993,000	15,453,000	14,505,000	12,580,000	14,344,566
Rental.....	127,420	136,700	86,000	83,000	127,000	97,000	0
Income on Investments.....	375,000	900,000	1,426,000	1,825,000	1,512,000	842,000	365,793
Fines.....	40,000	47,000	41,000	64,000	51,000	52,000	0
Charges for Services.....	296,550	505,750	868,000	885,000	808,000	974,000	888,565
Refunds and Reimbursements.....	18,000	18,000	23,000	185,000	14,000	38,000	0
Other.....	18,400	22,800	929,000	12,000	21,000	290,000	217,949
Transfers In ²	2,099,333	2,284,021	94,000	82,000	95,000	78,000	75,194
Total Revenues and Transfers In.....	\$94,708,838	\$93,321,692	\$110,024,000	\$88,540,000	\$84,981,000	\$77,765,000	\$72,333,118
EXPENDITURES:							
General Government.....	\$4,289,427	\$4,323,549	\$3,254,000	\$2,520,000	\$2,345,000	\$2,192,000	\$2,109,681
Public Safety.....	7,328,222	7,153,451	6,818,000	6,485,000	6,212,000	5,768,000	5,796,628
Public Works.....	4,818,822	5,056,907	4,563,000	4,906,000	4,666,000	4,407,000	4,155,433
Community Planning & Develop.....	497,226	542,594	503,000	520,000	466,000	503,000	490,847
Health and Human Services.....	1,149,121	121,760	1,149,000	1,119,000	1,190,000	1,157,000	1,184,913
Library.....	1,651,326	1,671,878	1,750,000	1,701,000	1,702,000	1,627,000	1,579,200
Parks and Recreation.....	1,557,727	1,692,389	1,575,000	1,487,000	1,414,000	1,345,000	1,353,481
Education.....	57,548,306	55,872,142	73,635,000	53,590,000	50,265,000	46,586,000	44,634,053
Miscellaneous.....	13,414,333	14,362,969	8,829,000	8,634,000	8,288,000	7,905,000	7,278,050
Debt Service.....	2,454,328	2,524,053	2,592,000	3,147,000	3,498,000	3,277,000	2,671,235
Transfers Out.....	0	0	4,418,000	3,133,000	3,287,000	1,801,000	1,487,927
Total Expenditures and Transfers Out.....	\$94,708,838	\$93,321,692	\$109,086,000	\$87,242,000	\$83,333,000	\$76,568,000	\$72,741,448
Results from Operations.....			\$938,000	\$1,298,000	\$1,648,000	\$1,197,000	(\$408,330)
Fund Balance, July 1.....			\$14,706,393	\$13,408,393	\$11,760,393	\$10,563,393	\$10,971,723
Fund Balance, June 30.....			\$15,644,393	\$14,706,393	\$13,408,393	\$11,760,393	\$10,563,393

¹ Budgetary Basis.

² Includes \$2,000,000 appropriated from prior years' surplus in Fiscal Years 2009 and 2010.

Note: For further information on the current year's general fund operations ending June 30, 2009, and a copy of the general fund operating budget for the upcoming Fiscal Year 2009-10, beginning July 1, 2009, please refer to documents available on the Town of Newington's website.

ANALYSIS OF GENERAL FUND EQUITY

Town of Newington

(GAAP BASIS)

	Adopted Budget 2009-10	Budget 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
Reserved for Encumbrances.....	N/A	N/A	\$1,572,000	\$1,763,000	\$1,721,000	\$1,286,000	\$1,423,000
Unreserved:							
Designated for Sub. Year.....	N/A	N/A	2,000,000	2,000,000	2,000,000	1,650,000	1,650,000
Undesignated.....	N/A	N/A	12,072,000	10,943,000	9,687,000	8,824,000	7,490,000
Total Fund Balance	N/A	N/A	\$15,644,000	\$14,706,000	\$13,408,000	\$11,760,000	\$10,563,000
Undesignated Fund Balance As % of Total Expenditures	N/A	N/A		12.54%	11.62%	11.52%	10.30%

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

Source: Audit Reports 2004-2008; Budgets 2009 and 2010.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Rocky Hill

Summary of Audited Revenues and Expenditures
(GAAP BASIS)

	Approved Budget 2009-10 ¹	Budget 2008-09 ¹	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
REVENUES:							
Taxes and Assessments.....	\$50,840,213	\$48,958,914	\$46,816,288	\$45,423,613	\$41,265,045	\$40,491,341	\$36,109,322
Intergovernmental.....	5,084,106	5,658,267	16,123,098	6,229,295	5,885,839	5,206,471	4,852,728
Charges for Services.....	485,100	600,600	1,527,511	1,353,740	1,613,334	1,147,140	1,497,405
Income on Investments.....	103,000	593,000	485,174	706,382	531,380	290,490	212,947
Miscellaneous.....	1,125,950	1,538,648	661,167	699,919	585,973	603,236	5,903,418
Transfers In ²	389,306	550,967	0	0	0	44,000	0
Total Revenues and Transfers In.....	\$58,027,675	\$57,900,396	\$65,613,238	\$54,412,949	\$49,881,571	\$47,782,678	\$48,575,820
EXPENDITURES:							
General Government.....	\$2,166,081	\$2,181,962	\$1,942,303	\$1,924,012	\$1,793,001	\$1,856,128	\$1,750,854
Public Safety.....	5,251,467	5,294,700	5,153,545	4,954,404	4,820,461	4,695,963	4,308,648
Public Works.....	5,040,042	5,152,683	4,970,210	4,795,218	4,544,185	4,362,598	4,037,212
Health and Human Services.....	510,974	503,682	487,942	455,415	444,189	412,940	407,630
Parks, Recreation and Facilities.....	5,579,282	5,822,186	5,646,646	5,212,992	4,946,674	4,501,832	4,226,465
Library Services.....	908,953	905,466	887,210	848,991	812,280	785,753	747,573
Education.....	27,771,659	27,192,227	36,640,268	26,080,002	24,761,249	22,615,897	21,683,854
Miscellaneous.....	6,741,312	6,877,250	6,191,227	5,643,154	4,837,020	4,683,012	9,298,988
Capital Outlays.....	1,266,321	1,103,243	1,082,172	758,058	331,494	278,007	261,664
Debt Service.....	2,791,584	2,866,997	2,827,933	2,807,051	2,659,288	2,210,822	2,283,836
Transfers Out.....	0	0	380,381	296,739	90,550	175,438	418,346
Total Expenditures and Transfers Out.....	\$58,027,675	\$57,900,396	\$66,209,837	\$53,776,036	\$50,040,391	\$46,578,390	\$49,425,070
Results from Operations.....			(\$596,599)	\$636,913	(\$158,820)	\$1,204,288	(\$849,250)
Fund Balance, July 1.....			\$4,792,746	\$4,155,833	\$4,314,653	\$3,110,365	\$3,959,615
Fund Balance, June 30.....			\$4,196,147	\$4,792,746	\$4,155,833	\$4,314,653	\$3,110,365

¹ Budgetary Basis

² Appropriated from prior years' surplus.

Note: For further information on the current year's general fund operations ending June 30, 2009, and a copy of the general fund operating budget for the upcoming Fiscal Year 2009-10, beginning July 1, 2009, please refer to documents available on the Town of Rocky Hill's website.

ANALYSIS OF GENERAL FUND EQUITY

Town of Rocky Hill

(GAAP BASIS)

	Approved Budget 2009-10	Budget 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
Reserved.....	N/A	N/A	\$201,398	\$313,096	\$158,148	\$135,512	\$77,977
Designated for subsequent year.....			550,967	1,079,256	306,013	1,546,302	0
Undesignated.....			3,443,782	3,400,394	3,691,672	2,632,839	3,032,388
Total Fund Balance	N/A	N/A	\$4,196,147	\$4,792,746	\$4,155,833	\$4,314,653	\$3,110,365
Undesignated Fund Balance As % of Total Expenditures	N/A	N/A	¹	6.32%	7.38%	5.65%	6.14%

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

Source: Audit Reports 2004-2008; Budgets 2009 and 2010.

GENERAL FUND REVENUES AND EXPENDITURES

Town of West Hartford

Summary of Audited Revenues and Expenditures
(BUDGETARY BASIS)¹

	Adopted Budget 2010	Budget 2009	Actual 2008 ³	Actual 2007 ²	Actual 2006	Actual 2005	Actual 2004
REVENUES:							
Property Taxes.....	\$185,372,046	\$180,404,216	\$173,318,000	\$172,564,726	\$162,738,800	\$154,636,482	\$145,257,528
Intergovernmental.....	20,169,649	21,324,835	20,461,000	16,726,200	16,622,863	15,727,205	13,848,191
Charges for Services.....	3,926,338	4,808,810	4,262,000	4,559,892	4,710,239	3,717,690	3,706,041
Income on Investments.....	0	2,370,000	2,536,000	3,342,393	2,933,603	1,538,762	666,402
Miscellaneous.....	2,108,000	1,469,800	1,170,000	471,008	549,244	507,320	536,414
Total Revenues.....	\$211,576,033	\$210,377,661	\$201,747,000	\$197,664,219	\$187,554,749	\$176,127,459	\$164,014,576
EXPENDITURES:							
General Government:							
Town Council/Town Clerk.....	\$659,791	\$697,687	\$757,000	\$757,263	\$739,136	\$697,259	\$719,327
Town Manager.....	249,283	315,651	322,000	322,831	330,590	288,160	315,625
Coproaction Counsel.....	451,786	713,671	568,000	535,911	499,120	451,370	482,391
Registrar of Voters.....	259,662	262,452	352,000	287,331	203,112	316,841	260,259
Financial Services.....	2,441,434	3,074,593	3,159,000	5,389,414	1,685,217	1,653,324	1,577,188
Assessors.....	538,907	735,729	762,000	883,092	747,717	643,520	711,500
Administrative Services.....					3,346,149	3,119,923	3,058,959
Employees Services.....	370,685	532,451	527,000	469,054	522,381	526,180	507,071
Public Safety:							
Fire Services.....	9,108,309	11,932,400	12,396,000	11,839,029	11,667,067	10,758,056	10,118,809
Police Services.....	13,062,149	17,628,882	17,887,000	17,068,931	16,414,596	15,576,772	14,350,216
Community Maintenance:							
Community Services.....	2,585,394	3,878,233	4,016,000	3,970,810	3,672,283	3,427,135	3,039,023
Public Works.....	11,016,491	12,351,360	12,135,000	11,251,738	16,943,086	16,137,546	15,201,547
Facilities Services.....	2,214,155	2,393,897	2,266,000				
Human & Cultural Resources:							
Human & Leisure Services.....	2,491,672	3,027,165	1,249,000	1,080,442	0	0	0
Library Services.....	2,918,418	3,652,247	3,684,000	3,604,688	3,460,628	3,303,309	3,127,433
Human Services.....					1,191,876	1,113,905	1,025,896
Debt and Sundry.....	40,897,229	26,571,683	22,610,000	22,048,763	15,863,913	14,331,466	13,173,959
Sub-Total Town.....	89,265,365	87,768,101	82,690,000	79,509,297	77,286,871	72,343,766	67,669,203
Board of Education.....	123,306,323	123,310,140	116,905,000	113,232,423	106,267,279	100,554,489	95,051,200
Total Expenditures.....	\$212,571,688	\$211,078,241	\$199,595,000	\$192,741,720	\$183,554,150	\$172,898,255	\$162,720,403
Excess of Revenues Over							
(Under) Expenditures.....	(\$995,655)	(\$700,580)	\$2,152,000	\$4,922,499	\$4,000,599	\$3,229,204	\$1,294,175
Other Financing Sources (Uses):							
Transfers In.....	995,655	1,742,331	970,000	920,090	1,540,052	1,712,312	1,648,185
Transfers Out.....	0	(1,822,936)	(2,481,000)	(4,115,527)	(4,232,801)	(3,011,413)	(2,803,079)
Total Other Financing Sources							
(Uses).....	\$995,655	(\$80,605)	(\$1,511,000)	(\$3,195,437)	(\$2,692,749)	(\$1,299,101)	(\$1,154,894)
Excess of Rev& Other Sources							
Over Exp and Other Uses.....	\$0	(\$781,185) ⁴	\$641,000	\$1,727,062	\$1,307,850	\$1,930,103	\$139,281
Fund Balance, July 1.....			\$15,412,136	\$14,466,259	\$13,158,409	\$11,228,306	\$11,089,025
Designated Fund Balance Yr End.....			0	781,185	0	0	0
Fund Balance, June 30.....			\$16,053,136	\$15,412,136	\$14,466,259	\$13,158,409	\$11,228,306

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

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

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

⁴Appropriated from prior years' surplus.

Source: Town of West Hartford, February 2008 Final Official Statement; Audit Report 2008; Budgets 2009 and 2010.

Note: For further information on the current year's general fund operations ending June 30, 2009, and a copy of the general fund operating budget for the upcoming Fiscal Year 2009-10, beginning July 1, 2009, please refer to documents available on the Town of West Hartford's website.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Wethersfield

Summary of Audited Revenues and Expenditures
(GAAP BASIS)

	Adopted Budget 2009-10 ¹	Budget 2008-09 ¹	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
REVENUES:							
Property Taxes.....	\$70,219,896	\$69,660,028	\$65,964,160	\$64,617,241	\$59,857,695	\$55,510,706	\$51,569,197
Intergovernmental.....	9,099,837	9,630,339	26,025,271	10,009,012	9,732,623	7,925,090	6,918,736
Other Local Revenues.....	2,418,765	2,358,547	3,499,256	3,418,816	3,447,702	2,034,336	1,813,377
Transfers In ²	700,000	1,281,000	0	0	0	0	0
Total Revenues and Transfers In.....	\$82,438,498	\$82,929,914	\$95,488,687	\$78,045,069	\$73,038,020	\$65,470,132	\$60,301,310
EXPENDITURES:							
Public Safety.....	\$8,777,425	\$8,129,269	\$7,719,496	\$7,718,911	\$6,819,986	\$6,380,766	\$6,240,838
Public Works.....	7,498,372	8,131,875	7,527,745	7,129,457	6,900,723	6,391,415	5,663,629
Recreation and Parks.....	1,479,952	1,617,460	1,497,924	1,442,244	1,325,718	1,271,127	1,287,489
Social Services.....	912,383	1,120,065	1,042,139	1,009,128	982,402	992,943	953,730
Library.....	1,609,508	1,704,585	1,560,342	1,422,872	1,378,996	1,144,215	1,093,641
General Government.....	9,063,584	7,825,285	6,747,319	6,154,978	6,042,277	5,172,214	4,791,127
Education.....	48,938,707	48,217,633	61,482,749	45,250,664	42,346,604	37,724,952	35,425,761
Debt Service.....	3,818,567	3,947,313	4,020,885	4,147,019	3,438,934	3,085,970	2,555,347
Contingency.....	340,000	0	0	0	0	0	0
Transfers Out.....	0	2,236,429	3,304,321	2,735,706	2,388,038	2,493,244	2,036,690
Total Expenditures and Transfers Out.....	\$82,438,498	\$82,929,914	\$94,902,920	\$77,010,979	\$71,623,678	\$64,656,846	\$60,048,252
Results from Operations.....			\$585,767	\$1,034,090	\$1,414,342	\$813,286	\$253,058
Fund Balance, July 1.....			\$8,266,833	\$7,232,743	\$5,818,401	\$5,005,115	\$4,752,057
Fund Balance, June 30.....			\$8,852,600	\$8,266,833	\$7,232,743	\$5,818,401	\$5,005,115

¹ Budgetary Basis.

² Includes \$1,281,000 and \$700,000 appropriated from prior years' surplus in Fiscal Years 2009 and 2010 respectively.

Note: For further information on the current year's general fund operations ending June 30, 2009, and a copy of the general fund operating budget for the upcoming Fiscal Year 2009-10, beginning July 1, 2009, please refer to documents available on the Town of Wethersfield's website.

ANALYSIS OF GENERAL FUND EQUITY

Town of Wethersfield

(GAAP BASIS)

	Adopted Budget 2009-10	Budget 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
Reserved:	N/A	N/A					
Encumbrances.....			\$311,496	\$291,495	\$334,672	\$208,200	\$190,775
Unreserved:	N/A	N/A					
Designated.....			1,281,000	700,000	700,000	500,000	500,000
General Fund.....			7,260,104	7,275,338	6,198,071	5,110,201	4,314,340
Total Fund Balance	N/A	N/A	8,852,600	8,266,833	7,232,743	\$5,818,401	\$5,005,115
Undesignated Fund Balance							
As % of Total Expenditures	N/A	N/A	¹	9.45%	8.65%	7.90%	7.18%

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

Source: Audit Reports 2004-2008; Budget 2009; Town of Wethersfield June 2009 Preliminary Official Statement.

GENERAL FUND REVENUES AND EXPENDITURES

Town of Windsor

Summary of Audited Revenues and Expenditures
(GAAP BASIS)

	Approved Budget 2009-10 ¹	Budget 2008-09 ¹	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
REVENUES:							
Property Taxes.....	\$75,596,634	\$76,456,028	\$71,336,266	\$68,138,291	\$66,518,496	\$65,305,954	\$62,484,349
State & Federal Governments.....	16,139,169	15,601,270	19,912,200	17,014,499	15,976,226	14,183,961	13,957,572
Charges for Services.....	1,709,167	1,824,642	3,037,786	4,914,403	3,162,515	3,079,993	3,146,693
Investment Income.....	550,000	1,425,000	1,753,149	2,380,276	1,853,283	841,653	417,409
Other.....	0	0	0	0	0	0	70,466
Transfers In ²	1,075,000	500,000	0	0	0	0	0
Total Revenues and Transfers In.....	\$95,069,970	\$95,806,940	\$96,039,401	\$92,447,469	\$87,510,520	\$83,411,561	\$80,076,489
EXPENDITURES:							
Education.....	\$65,043,210	\$63,907,980	\$61,406,479	\$57,431,966	\$55,393,395	\$52,661,871	\$50,267,028
General Government.....	8,678,320	10,032,030	9,850,885	9,527,818	9,067,545	8,410,570	6,518,188
Culture & Recreation.....	1,299,430	1,310,810	2,243,064	2,075,378	1,879,482	1,863,880	2,104,715
Human Services.....	780,620	926,540	1,182,827	1,114,448	1,253,026	1,308,975	683,705
Public Safety.....	8,197,050	8,224,460	7,900,906	7,453,284	7,366,144	6,593,190	6,107,630
Public Works.....	5,097,450	5,238,220	5,245,661	5,115,106	4,726,344	4,582,396	3,954,048
Capital Outlays.....	0	0	0	0	0	0	0
Transfers Out.....	5,973,890	6,166,900	7,949,387	7,142,489	6,325,757	6,186,848	9,603,560
Total Expenditures and Transfers Out.....	\$95,069,970	\$95,806,940	\$95,779,209	\$89,860,489	\$86,011,693	\$81,607,730	\$79,238,874
Results from Operations.....			\$260,192	\$2,586,980	\$1,498,827	\$1,803,831	\$837,615
Fund Balance, July 1.....			\$13,610,578	\$11,023,598	\$9,524,771	\$7,720,940	\$6,883,325
Fund Balance, June 30.....			\$13,870,770	\$13,610,578	\$11,023,598	\$9,524,771	\$7,720,940

¹ Budgetary Basis.

² Represents appropriation from prior years' surplus.

Note: For further information on the current year's general fund operations ending June 30, 2009, and a copy of the general fund operating budget for the upcoming Fiscal Year 2009-10, beginning July 1, 2009, please refer to documents available on the Town of Windsor's website.

ANALYSIS OF GENERAL FUND EQUITY

Town of Windsor

(GAAP BASIS)

	Approved Budget 2009-10	Budget 2008-09	Actual 2007-08	Actual 2006-07	Actual 2005-06	Actual 2004-05	Actual 2003-04
Reserved for:							
Encumbrances.....	N/A	N/A	\$160,497	\$688,169	\$726,819	\$503,304	\$284,233
Inventories.....			40,758	40,713	29,913	18,931	13,423
Loans.....							
Unreserved/Undesignated for:							
Future Appropriations.....	N/A	N/A	500,000	612,700			
Loans.....					150,000	150,000	196,983
General Fund.....			13,169,515	12,268,996	10,116,866	8,852,536	7,226,301
Total Fund Balance	N/A	N/A	\$13,870,770	\$13,610,578	\$11,023,598	\$9,524,771	\$7,720,940
Undesignated Fund Balance							
As % of Total Expenditures	N/A	N/A	13.75%	13.65%	11.76%	10.85%	9.12%

Source: Audit Reports 2004-2008; Budgets 2009 and 2010.

VIII. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS – THE DISTRICT

As of July 22, 2009

(Pro Forma)

Long-Term Debt			Original	Debt	Date of
Date	Purpose	Rate %	Issue	Outstanding As of 7/22/09	Fiscal Year Maturity
09/01/80	General Purpose, Issue of 1980.....	8.40-8.50	28,500,000	600,000	2010
10/01/89	General Purpose, Issue of 1989.....	6.50-6.70	5,000,000	250,000	2009
11/15/91	General Purpose, Issue of 1991.....	6.20-6.25	4,950,000	700,000	2011
12/01/92	CWF (105P).....	2.00	369,903	55,486	2012
12/01/93	General Purpose, Issue of 1993.....	5.20-6.13	12,000,000	3,000,000	2013
09/30/94	CWF (285D).....	2.00	875,983	186,146	2013
10/31/96	CWF (274C, 285C).....	2.00	24,237,340	7,675,158	2015
12/30/97	CWF (270C).....	2.00	6,690,902	2,509,088	2016
06/30/99	CWF (319C).....	2.00	1,691,005	803,227	2018
06/30/99	CWF (383C).....	2.00	4,241,334	1,906,729	2019
06/30/00	CWF (361C).....	2.00	2,635,079	1,383,416	2019
08/31/01	Drinking Water (SRF 9709C).....	2.60	206,898	115,519	2020
12/31/01	Drinking Water (SRF 9704C).....	2.60	860,842	494,984	2020
04/01/02	General Purpose, Issue of 2002.....	4.40-5.50	26,100,000	16,965,000	2022
06/30/02	Drinking Water (SRF 9710C).....	2.50	861,978	517,188	2021
06/30/02	CWF (405C).....	2.00	8,163,200	5,102,000	2021
03/30/03	CWF (267C).....	2.00	5,213,046	3,453,642	2022
06/30/03	CWF (494C).....	2.00	2,029,367	1,369,823	2022
11/01/03	General Purpose, Issue of 2003.....	2.40-4.52	10,426,072	3,675,000	2023
12/31/03	Drinking Water (DWSRF9709CD1)	2.10	956,990	641,184	2020
12/31/03	Drinking Water (9704DCD1).....	2.10	2,225,346	1,505,381	2020
12/31/03	Drinking Water (200105C).....	2.10	2,343,735	1,650,380	2023
11/01/04	General Purpose, Issue of 2004.....	3.00-4.75	40,487,009	24,720,000	2024
12/31/04	CWF (451C).....	2.00	3,987,009	2,986,743	2024
06/01/08	General Purpose, Issue of 2008.....	3.625-4.125	80,000,000	76,000,000	2028
09/30/08	CWF (521C).....	2.00	4,240,340	3,975,319	2028
10/31/08	CWF (508C).....	2.00	1,232,078	1,129,405	2027
12/30/08	CWF (160C).....	2.00	1,888,557	1,699,701	2027
12/31/08	CWF (578C).....	2.00	2,042,741	1,888,155	2029
02/28/09	CSL (142).....	2.00	6,200,000	5,786,667	2029
03/30/09	CSL (149).....	2.00	12,710,000	12,710,000	2028
03/30/09	CWF (520C).....	2.00	4,547,580	4,547,582	2028
Total Long-Term Debt.....			\$307,914,334	\$190,002,923	

Short-Term Debt:

The District currently has \$5,644,526 outstanding in Interim Funding Obligations ("IFO's") under the State of Connecticut's Clean Water Fund Program. See "Clean Water Fund Program" herein for details of the program. In addition, the District is issuing \$33,575,000 in Bond Anticipation Notes on July 22, 2009.

Other Long-Term Commitments:

None

Source: Audited Financial Statements; District Officials.

CLEAN WATER FUND PROGRAM

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

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

DRINKING WATER STATE REVOLVING FUND PROGRAM

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

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

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

ANNUAL BONDED DEBT MATURITY SCHEDULE - THE DISTRICT¹

As of July 22, 2009

(Pro Forma)

Fiscal Year Ending 12/31	Sewer Principal	Water Principal	Interest	Total	Cumulative Percent Retired
2009	4,030,921	778,245	3,299,658	8,108,824	2.53
2010	9,351,501	4,597,512	6,117,369	20,066,382	9.87
2011	9,289,583	4,339,430	5,667,475	19,296,488	17.05
2012	9,051,110	4,338,655	5,225,583	18,615,348	24.09
2013	9,035,136	4,339,430	4,787,472	18,162,038	31.13
2014	8,727,386	3,989,334	4,346,456	17,063,176	37.82
2015	8,521,082	3,988,658	3,947,585	16,457,325	44.41
2016	7,478,784	3,786,069	3,573,179	14,838,032	50.34
2017	7,131,367	3,783,939	3,175,850	14,091,156	56.08
2018	6,987,744	3,677,562	2,777,011	13,442,317	61.70
2019	6,807,858	3,677,562	2,410,070	12,895,490	67.21
2020	6,322,946	3,607,796	2,052,302	11,983,044	72.44
2021	5,726,450	3,273,621	1,717,034	10,717,105	77.18
2022	5,253,129	3,252,069	1,399,589	9,904,787	81.65
2023	3,889,372	2,965,041	1,119,556	7,973,969	85.26
2024	3,533,564	2,890,690	877,209	7,301,463	88.64
2025	3,215,735	2,430,090	666,501	6,312,326	91.61
2026	3,215,735	2,430,090	473,584	6,119,409	94.59
2027	3,105,805	2,430,090	278,592	5,814,487	97.50
2028	2,321,740	2,430,091	88,199	4,840,030	100.00
Totals	\$122,996,949	\$67,005,974	\$54,000,275	\$244,003,197	

¹ Excludes principal payments already made in Fiscal Year 2009.

Source: Audited Financial Statements, District Officials.

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

As of July 22, 2009
(Pro Forma)

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

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

Member Municipalities	Share of Net District Debt¹	Net Direct District Debt Applicable to Member Municipalities as of 7/22/09	Net Direct Debt of Member Municipalities	Underlying Debt Issued Since 6/30/2008	Underlying Net Debt Applicable to District
Bloomfield.....	7.35	\$10,308,496	\$31,177,396	\$0	\$31,177,396
East Hartford.....	12.53	17,573,531	51,170,000	0	51,170,000
Hartford.....	27.61	38,723,478	291,912,245	50,225,000	342,137,245
Newington.....	8.49	11,907,364	18,605,000	0	18,605,000
Rocky Hill.....	5.62	7,882,142	22,122,712	0	22,122,712
West Hartford.....	21.45	30,083,977	158,606,804	15,000,000	173,606,804
Wethersfield.....	8.05	11,290,257	30,492,441	6,855,000	37,347,441
Windsor.....	8.90	12,482,396	44,834,696	3,535,000	48,369,696
Totals.....	100.00%	\$140,251,641	\$648,921,293	\$75,615,000	\$724,536,293

¹ The Member Municipalities' share of the District's Net Direct Debt is based on the annual tax levy of each Member Municipalities as of Fiscal Year 2008-09.

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

DEBT STATEMENT - THE DISTRICT

As of July 22, 2009
(Pro Forma)

LONG TERM DEBT

Water (Self-Supporting).....	\$60,879,527
Sewer.....	115,044,762
Combined Funded CIP Projects ³	14,078,634

TOTAL LONG TERM DEBT **\$190,002,923**

SHORT TERM DEBT - Including Notes to be issued 7/22/09

Water (Self-Supporting).....	17,644,000
Sewer.....	11,570,000
Combined Funded CIP Projects ³	4,361,000
CWF - IFO.....	5,644,526

TOTAL DIRECT DEBT **\$229,222,449**

Less:

Debt Not Subject to Debt Limitation ¹..... 88,970,808

TOTAL DIRECT NET DEBT **\$140,251,641**

NET UNDERLYING DEBT - Member Municipalities ²..... 724,536,293

DIRECT NET DEBT PLUS NET UNDERLYING..... **\$864,787,934**

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

² Represents net direct debt of each Member Municipality.

³ Represents bonds funded by water and sewer sources.

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – THE DISTRICT

As of July 22, 2009

(Pro Forma)

Population ¹	357,401
Net Taxable Grand List - 10/1/08 @ 70% of full value ²	\$23,490,784,102
Estimated Full Value ³	\$33,558,263,003
Equalized Net Taxable Grand List - 2007 ⁴	\$38,746,800,443

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$229,222,449	\$140,251,641	\$864,787,934
Per Capita.....	\$641.36	\$392.42	\$2,419.66
Ratio to Net Taxable Grand List.....	0.98%	0.60%	3.68%
Ratio to Estimated Full Value.....	0.68%	0.42%	2.58%
Ratio to Equalized Grand List.....	0.59%	0.36%	2.23%

¹ Connecticut Department of Health Services, 2007, for Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

² Represents 2008 Net Taxable Grand Lists for the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

³ Represents estimated full values of 2008 Net Taxable Grand Lists of the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield, Windsor and the City of Hartford.

⁴ Office of Policy and Management, State of Connecticut.

DEBT STATEMENT – TOWN OF BLOOMFIELD

As of June 30, 2008

(Pro Forma)

LONG TERM DEBT	\$31,177,396
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$31,177,396
Less:	
School Construction Grants - State of Conn. ¹	<u>0</u>
TOTAL NET DIRECT INDEBTEDNESS	\$31,177,396
NET OVERLAPPING DEBT - MDC 7/22/09	10,308,496
NET UNDERLYING DEBT - Fire Districts 6/30/08	<u>1,346,560</u>
TOTAL OVERALL DIRECT NET DEBT	\$42,832,452

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF BLOOMFIELD

As of June 30, 2008

(Pro Forma)

Population ¹	20,693
Net Taxable Grand List - 10/1/08 @ 70% of full value	\$1,735,513,357
Estimated Full Value	\$2,479,304,796
Equalized Net Taxable Grand List - 2007 ²	\$3,190,940,420
Money Income per Capita - 2000 ³	\$28,843

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$31,177,396	\$31,177,396	\$42,832,452
Per Capita.....	\$1,506.66	\$1,506.66	\$2,069.90
Ratio to Net Taxable Grand List.....	1.80%	1.80%	2.47%
Ratio to Estimated Full Value.....	1.26%	1.26%	1.73%
Ratio to Equalized Grand List.....	0.98%	0.98%	1.34%
Debt per Capita to Money Income per Capita...	5.22%	5.22%	7.18%

¹ Connecticut Department of Health Services, 2007, for Town of Bloomfield.

² Office of Policy and Management, State of Connecticut.

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

DEBT STATEMENT – TOWN OF EAST HARTFORD

As of June 30, 2008

(Pro Forma)

LONG TERM DEBT	\$51,170,000
SHORT TERM DEBT	0
TOTAL DIRECT DEBT	\$51,170,000
Less:	
School Construction Grants - State of Conn. ¹	0
TOTAL NET DIRECT INDEBTEDNESS	\$51,170,000
NET OVERLAPPING DEBT - MDC 7/22/09	17,573,531
TOTAL OVERALL DIRECT NET DEBT	\$68,743,531

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF EAST HARTFORD

As of June 30, 2008

(Pro Forma)

Population ¹	48,697
Net Taxable Grand List - 10/1/08 @ 70% of full value	\$3,103,953,346
Estimated Full Value	\$4,434,219,066
Equalized Net Taxable Grand List - 2007 ²	\$4,904,766,424
Money Income per Capita - 2000 ³	\$21,763

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$51,170,000	\$51,170,000	\$68,743,531
Per Capita.....	\$1,050.78	\$1,050.78	\$1,411.66
Ratio to Net Taxable Grand List.....	1.65%	1.65%	2.21%
Ratio to Estimated Full Value.....	1.65%	1.65%	1.55%
Ratio to Equalized Grand List.....	1.04%	1.04%	1.40%
Debt per Capita to Money Income per Capita...	4.83%	4.83%	6.49%

¹ Connecticut Department of Health Services, 2007, for Town of East Hartford.

² Office of Policy and Management, State of Connecticut.

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

DEBT STATEMENT – CITY OF HARTFORD

As of June 30, 2008

(Pro Forma)

LONG TERM DEBT	\$308,105,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$308,105,000
Less:	
School Construction Grants - State of Conn. ¹	<u>16,192,755</u>
TOTAL NET DIRECT INDEBTEDNESS	\$291,912,245
NET OVERLAPPING DEBT - MDC 7/22/09	<u>38,723,478</u>
TOTAL OVERALL DIRECT NET DEBT	\$330,635,723

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – CITY OF HARTFORD

As of June 30, 2008

(Pro Forma)

Population ¹	124,563
Net Taxable Grand List - 10/1/08 @ 70% of full value	\$3,468,906,129
Estimated Full Value	\$4,955,580,184
Equalized Net Taxable Grand List - 2007 ²	\$8,029,737,495
Money Income per Capita - 2000 ³	\$13,428

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$308,105,000	\$291,912,245	\$330,635,723
Per Capita.....	\$2,473.49	\$2,343.49	\$2,654.37
Ratio to Net Taxable Grand List.....	8.88%	8.42%	9.53%
Ratio to Estimated Full Value.....	6.22%	5.89%	6.67%
Ratio to Equalized Grand List.....	3.84%	3.64%	4.12%
Debt per Capita to Money Income per Capita...	18.42%	17.45%	19.77%

¹ Connecticut Department of Health Services, 2007, for City of Hartford.

² Office of Policy and Management, State of Connecticut.

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

DEBT STATEMENT – TOWN OF NEWINGTON

As of June 30, 2008

(Pro Forma)

LONG TERM DEBT	\$18,605,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$18,605,000
Less:	
School Construction Grants - State of Conn. ¹	<u>0</u>
TOTAL NET DIRECT INDEBTEDNESS	\$18,605,000
NET OVERLAPPING DEBT - MDC 7/22/09	<u>11,907,364</u>
TOTAL OVERALL DIRECT NET DEBT	\$30,512,364

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF NEWINGTON

As of June 30, 2008

(Pro Forma)

Population ¹	29,619
Net Taxable Grand List - 10/1/08 @ 70% of full value	\$2,645,518,977
Estimated Full Value	\$3,779,312,824
Equalized Net Taxable Grand List - 2007 ²	\$4,076,961,126
Money Income per Capita - 2000 ³	\$26,881

	Total Direct Debt \$18,605,000	Total Net Direct Debt \$18,605,000	Total Overall Net Debt \$30,512,364
Per Capita.....	\$628.14	\$628.14	\$1,030.16
Ratio to Net Taxable Grand List.....	0.70%	0.70%	1.15%
Ratio to Estimated Full Value.....	0.49%	0.49%	0.81%
Ratio to Equalized Grand List.....	0.46%	0.46%	0.75%
Debt per Capita to Money Income per Capita...	2.34%	2.34%	3.83%

¹ Connecticut Department of Health Services, 2007, for Town of Newington.

² Office of Policy and Management, State of Connecticut.

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

DEBT STATEMENT – TOWN OF ROCKY HILL

As of June 30, 2008

(Pro Forma)

LONG TERM DEBT	\$22,510,000
SHORT TERM DEBT	0
TOTAL DIRECT DEBT	\$22,510,000
Less:	
School Construction Grants - State of Conn. ¹	387,288
TOTAL NET DIRECT INDEBTEDNESS	\$22,122,712
NET OVERLAPPING DEBT - MDC 7/22/09	7,882,142
TOTAL OVERALL DIRECT NET DEBT	\$30,004,854

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF ROCKY HILL

As of June 30, 2008

(Pro Forma)

Population ¹	18,808
Net Taxable Grand List - 10/1/08 @ 70% of full value	\$2,207,626,980
Estimated Full Value	\$3,153,752,829
Equalized Net Taxable Grand List - 2007 ²	\$3,041,593,706
Money Income per Capita - 2000 ³	\$29,701

	Total Direct Debt \$22,510,000	Total Net Direct Debt \$22,122,712	Total Overall Net Debt \$30,004,854
Per Capita.....	\$1,196.83	\$1,176.24	\$1,595.32
Ratio to Net Taxable Grand List.....	1.02%	1.00%	1.36%
Ratio to Estimated Full Value.....	0.71%	0.70%	0.95%
Ratio to Equalized Grand List.....	0.74%	0.73%	0.99%
Debt per Capita to Money Income per Capita...	4.03%	3.96%	5.37%

¹ Connecticut Department of Health Services, 2007, for Town of Rocky Hill.

² Office of Policy and Management, State of Connecticut.

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

DEBT STATEMENT – TOWN OF WEST HARTFORD

As of June 30, 2008

(Pro Forma)

LONG TERM DEBT	\$160,995,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$160,995,000
Less:	
School Construction Grants - State of Conn. ¹	<u>2,388,196</u>
TOTAL NET DIRECT INDEBTEDNESS	\$158,606,804
NET OVERLAPPING DEBT - MDC 7/22/09	<u>30,083,977</u>
TOTAL OVERALL DIRECT NET DEBT	\$188,690,781

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

CURRENT DEBT RATIOS – TOWN OF WEST HARTFORD

As of June 30, 2008

(Pro Forma)

Population ¹	60,486
Net Taxable Grand List - 10/1/08 @ 70% of full value	\$5,362,320,240
Estimated Full Value	\$7,660,457,486
Equalized Net Taxable Grand List - 2007 ²	\$7,332,637,978
Money Income per Capita - 2000 ³	\$33,468

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$160,995,000	\$158,606,804	\$188,690,781
Per Capita.....	\$2,661.69	\$2,622.21	\$3,119.58
Ratio to Net Taxable Grand List.....	3.00%	2.96%	3.52%
Ratio to Estimated Full Value.....	2.10%	2.07%	2.46%
Ratio to Equalized Grand List.....	2.20%	2.16%	2.57%
Debt per Capita to Money Income per Capita...	7.95%	7.83%	9.32%

¹ Connecticut Department of Health Services, 2007, for Town of West Hartford.

² Office of Policy and Management, State of Connecticut.

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

DEBT STATEMENT – TOWN OF WETHERSFIELD

As of June 30, 2008

(Pro Forma)

LONG TERM DEBT	\$31,105,000
SHORT TERM DEBT	<u>0</u>
TOTAL DIRECT DEBT	\$31,105,000
Less:	
School Construction Grants - State of Conn. ¹	<u>612,559</u>
TOTAL NET DIRECT INDEBTEDNESS	\$30,492,441
NET OVERLAPPING DEBT - MDC 7/22/09	<u>11,290,257</u>
TOTAL OVERALL DIRECT NET DEBT	\$41,782,698

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

CURRENT DEBT RATIOS – TOWN OF WETHERSFIELD

As of June 30, 2008

(Pro Forma)

Population ¹	25,781
Net Taxable Grand List - 10/1/08 @ 70% of full value	\$2,313,608,900
Estimated Full Value	\$3,305,155,571
Equalized Net Taxable Grand List - 2007 ²	\$3,637,100,135
Money Income per Capita - 2000 ³	\$28,930

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$31,105,000	\$30,492,441	\$41,782,698
Per Capita.....	\$1,206.51	\$1,182.75	\$1,620.68
Ratio to Net Taxable Grand List.....	1.34%	1.32%	1.81%
Ratio to Estimated Full Value.....	0.94%	0.92%	1.26%
Ratio to Equalized Grand List.....	0.86%	0.84%	1.15%
Debt per Capita to Money Income per Capita...	4.17%	4.09%	5.60%

¹ Connecticut Department of Health Services, 2007, for Town of Wethersfield.

² Office of Policy and Management, State of Connecticut.

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

DEBT STATEMENT – TOWN OF WINDSOR

As of June 30, 2008

(Pro Forma)

LONG TERM DEBT	\$43,743,000
SHORT TERM DEBT	2,345,000
TOTAL DIRECT DEBT	\$46,088,000
Less:	
School Construction Grants - State of Conn. ¹	1,253,304
TOTAL NET DIRECT INDEBTEDNESS	\$44,834,696
NET OVERLAPPING DEBT - MDC 7/22/09	12,482,396
NET UNDERLYING DEBT - Fire District 6/30/08	100,096
TOTAL OVERALL DIRECT NET DEBT	\$57,417,188

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

Note: Does not include authorized but unissued debt.

CURRENT DEBT RATIOS – TOWN OF WINDSOR

As of June 30, 2008

(Pro Forma)

Population ¹	28,754
Net Taxable Grand List - 10/1/08 @ 70% of full value	\$2,653,336,173
Estimated Full Value	\$3,790,480,247
Equalized Net Taxable Grand List - 2007 ²	\$4,533,063,159
Money Income per Capita - 2000 ³	\$27,633

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$46,088,000	\$44,834,696	\$57,417,188
Per Capita.....	\$1,602.84	\$1,559.25	\$1,996.84
Ratio to Net Taxable Grand List.....	1.74%	1.69%	2.16%
Ratio to Estimated Full Value.....	1.22%	1.18%	1.51%
Ratio to Equalized Grand List.....	1.02%	0.99%	1.27%
Debt per Capita to Money Income per Capita...	5.80%	5.64%	7.23%

¹ Connecticut Department of Health Services, 2007, for Town of Windsor.

² Office of Policy and Management, State of Connecticut.

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

BOND AUTHORIZATION

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

TEMPORARY FINANCING

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

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

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

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

LIMITATION ON INDEBTEDNESS

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

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

In accordance with the District's Charter Section 4-3, no bonds, notes or other certificates of debt, except such as are to mature in six months or less and to be paid from current taxes shall be issued if such issue shall bring the total outstanding indebtedness of the District to an amount in excess of five per centum of the combined grand lists of said District unless otherwise provided by special act. The grand lists for the purpose of this section shall be deemed to include the assessed value of all shares of capital stock the taxes on which are required by section 1205 of the Connecticut General Statutes, revision of 1918, as amended, to be remitted annually to the municipalities by the State. In computing the total outstanding indebtedness of the District there shall be deducted the amount of the District's sinking fund, the amount of bonds issued for the supply of water or for the construction of subways or underground conduits for cables, wires or pipes and of such other bonds of the District as may be issued under any act of the legislature, especially providing that the bonds issued thereunder shall be deducted in computing the total outstanding indebtedness of the District.

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

**STATEMENT OF STATUTORY DEBT LIMITATION
THE DISTRICT
As of July 22, 2009
(Pro Forma)**

COMBINED 2008 NET TAXABLE GRAND LISTS OF MEMBER MUNICIPALITIES	\$23,490,784,102
DEBT LIMIT - 5% of combined Grand Lists ¹	<u>\$1,174,539,205</u>
INDEBTEDNESS:	
Water Bonds.....	\$60,879,527
Sewer Bonds.....	115,044,762
Headquarters Bonds.....	4,563,500
Maxim Road Facility Bonds.....	1,479,928
Information System Bonds.....	5,196,500
Vehicle Maintenance Facility Bonds.....	1,005,206
Construction Inspection.....	0
Pump Station Assessment Bonds.....	190,000
Long Term Strategic Initiative Bonds.....	313,500
Emergency Generator Replacement Bonds.....	47,500
Capital Replacement Bonds.....	<u>1,282,500</u>
TOTAL DIRECT LONG-TERM INDEBTEDNESS	\$190,002,923
Notes to be issued 7/22/09.....	33,575,000
Sewer CWF Interim Funding Obligation.....	<u>5,644,526</u>
TOTAL DIRECT SHORT-TERM INDEBTEDNESS	39,219,526
TOTAL DIRECT INDEBTEDNESS	\$229,222,449
Less Outstanding Debt Not Subject to Debt Limitation	
Water Bonds.....	\$60,879,527
Water Portion July 22, 2008 Note Sale.....	20,087,570
Water's Share of Headquarters Bonds.....	2,144,845
Water's Share of Maxim Road Facility Bonds.....	991,552
Water's Share of Information System Bonds.....	3,481,655
Water's Share of Vehicle Maintenance Facility Bonds.....	432,239
Water's Share of Construction Inspection.....	0
Water's Share of Pump Station Assessment Bonds.....	98,800
Water's Share of Long Term Strategic Initiative Bonds.....	163,020
Water's Share of Emergency Generator Replacement Bonds.....	24,700
Water's Share of Capital Replacement Bonds.....	<u>666,900</u>
TOTAL DEBT NOT SUBJECT TO DEBT LIMITATION	\$88,970,808
TOTAL NET DIRECT INDEBTEDNESS	\$140,251,641
DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS	<u>\$1,034,287,564</u>

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

AUTHORIZED BUT UNISSUED DEBT - THE DISTRICT ¹

As of July 22, 2009

(Pro Forma)

Project	Debt Authorized but Unissued					
	Authorized	Previously Bonded	General Purpose	Water	Sewers	Total
Water Capital Improvements.....	\$184,751,000	\$64,902,498		\$119,848,502		\$119,848,502 ²
Sewer Capital Improvements.....	1,162,235,400	194,196,450			968,038,950	968,038,950 ^{1,2}
Combined Funding Capital Improvements...	26,051,000	12,051,000	14,000,000			14,000,000
Total.....	\$1,373,037,400	\$271,149,948	\$14,000,000	\$119,848,502	\$968,038,950	\$1,101,887,452 ³

¹ Includes an authorization for \$800 million approved by the Member Municipalities in November 2006 for the District's Clean Water Project. The \$800 million will cover the cost of Phase I of the Project which is expected to last six years; the overall cost is estimated at approximately \$1.6 billion. Approval for Phase II is planned for 2012. The Project will address approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways. The Project is in response to a federal consent decree and a Connecticut DEP consent order to achieve the Federal Clean Water Act goals by 2020. The District's goal is to fund 25-35% of the entire Project with State and Federal grants; an additional 50% with State and Federal low-cost loans, and the remainder with open market debt. The Project financing is expected to be repaid with a Special Sewer Service Surcharge based upon each customer's water use. To date, the District has received approvals for funding from the State totaling \$118,700,000. The total owed as of July 22, 2009 in the form of Interim Funding Obligation ("IFO") is \$5,644,526. (See "Clean Water Project" herein.)

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

³ The District expects that the debt limitation will be amended in the next session of the General Assembly to accommodate the additional authorization of \$800,000,000 which will be required by Phase II of the Clean Water Program. The debt limit may be increased or the Clean Water authorization may be excluded from the computation. The District may also issue bonds secured solely by revenues and/or sinking funds which would not be subject to the debt limitation.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – THE DISTRICT¹

Long-Term Debt	2009 Est.	2008	2007	2006	2005
Bonds.....	\$131,545,837	\$118,534,750	\$113,365,009	\$112,443,121	\$117,844,753
Short-Term Debt					
Bond Anticipation Notes.....	39,219,526	39,268,891	63,825,000	50,800,000	0
Total.....	\$170,765,363	\$157,803,641	\$177,190,009	\$163,243,121	\$117,844,753

¹ Does not include underlying debt and capital lease obligations.

Source: Annual Audited Financial Statements 2005-2008; Estimate 2009

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF BLOOMFIELD¹

Long-Term Debt	2008	2007	2006	2005	2004
Bonds.....	\$30,955,000	\$17,065,000	\$18,175,000	\$19,285,000	\$20,395,000
Short-Term Debt					
State of Ct DECD Note	222,396	237,397	251,811	267,915	280,487
Total.....	\$31,177,396	\$17,302,397	\$18,426,811	\$19,552,915	\$20,675,487

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

Source: Annual Audited Financial Statements 2004-2008

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF EAST HARTFORD¹

Long-Term Debt	2008	2007	2006	2005	2004
Bonds.....	\$51,170,000	\$43,000,000	\$48,895,000	\$39,355,000	\$44,850,000
Short-Term Debt					
Bond Anticipation Notes.....	0	0	0	0	0
Total.....	\$51,170,000	\$43,000,000	\$48,895,000	\$39,355,000	\$44,850,000

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

Source: Annual Audited Financial Statements 2004-2008.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – CITY OF HARTFORD¹

<u>Long-Term Debt</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Bonds.....	\$308,105,000	\$327,050,000	\$273,550,000	\$218,420,000	\$164,620,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	0
Total	\$308,105,000	\$327,050,000	\$273,550,000	\$218,420,000	\$164,620,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2004-2008.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF NEWINGTON¹

<u>Long-Term Debt</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Bonds.....	\$18,605,000	\$20,355,000	\$22,560,000	\$25,000,000	\$23,560,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	0
Total	\$18,605,000	\$20,355,000	\$22,560,000	\$25,000,000	\$23,560,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2004-2008.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF ROCKY HILL¹

<u>Long-Term Debt</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Bonds.....	\$22,510,000	\$24,525,000	\$26,320,000	\$27,685,000	\$18,215,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	7,315,000
Total	\$22,510,000	\$24,525,000	\$26,320,000	\$27,685,000	\$25,530,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2004-2008.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WEST HARTFORD¹

<u>Long-Term Debt</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Bonds.....	\$160,995,000	\$156,055,000	\$151,115,000	\$112,400,000	\$104,195,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	0
Total	\$160,995,000	\$156,055,000	\$151,115,000	\$112,400,000	\$104,195,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2004-2008.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WETHERSFIELD¹

<u>Long-Term Debt</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Bonds.....	\$31,105,000	\$33,840,000	\$36,580,000	\$38,535,000	\$25,470,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	0	0	0	0	5,500,000
Total	\$31,105,000	\$33,840,000	\$36,580,000	\$38,535,000	\$30,970,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2004-2008.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT – TOWN OF WINDSOR¹

<u>Long-Term Debt</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Bonds.....	\$43,743,000	\$44,225,000	\$46,475,000	\$48,140,000	\$45,515,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes.....	2,345,000	1,950,000	0	0	0
Total.....	\$46,088,000	\$46,175,000	\$46,475,000	\$48,140,000	\$45,515,000

¹ Does not include overlapping debt, capital lease obligations and other long-term commitments.
Source: Annual Audited Financial Statements 2004-2008.

RATIO OF DIRECT DEBT TO VALUATION AND POPULATION - THE DISTRICT

<u>Fiscal Year Ended 6/30</u>	<u>Net Assessed Value¹</u>	<u>Estimated Full Value²</u>	<u>Direct Debt³</u>	<u>Ratio of Direct Debt to Assessed Value (%)</u>	<u>Ratio of Direct Debt to Estimated Full Value (%)</u>	<u>Population⁴</u>	<u>Direct Debt per Capita</u>
2008	\$20,841,910,602	\$29,774,158,003	\$157,803,641	0.76%	0.53%	357,401	\$441.53
2007	19,776,450,557	28,252,072,224	177,190,009	0.90%	0.63%	357,401	495.77
2006	18,707,989,803	26,725,699,719	163,243,121	0.87%	0.61%	358,251	455.67
2005	18,100,480,388	25,857,829,126	117,844,753	0.65%	0.46%	358,758	328.48
2004	17,084,671,908	24,406,674,154	129,322,177	0.76%	0.53%	359,551	359.68

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

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

<u>Fiscal Year Ended 6/30</u>	<u>Net Assessed Value</u>	<u>Estimated Full Value</u>	<u>Direct Debt¹</u>	<u>Ratio of Direct Debt to Assessed Value (%)</u>	<u>Ratio of Direct Debt to Estimated Full Value (%)</u>	<u>Population²</u>	<u>Direct Debt per Capita</u>	<u>Ratio of Direct Debt per Capita to Per Capita Income (%)³</u>
2008	\$1,695,764,929	\$2,422,521,327	\$31,177,396	1.84%	1.29%	20,693	\$1,506.66	5.22%
2007	1,717,320,856	2,453,315,509	17,302,397	1.01%	0.71%	20,693	836.15	2.90%
2006	1,657,459,741	2,367,799,630	18,426,811	1.11%	0.78%	20,643	892.64	3.09%
2005	1,140,876,711	1,629,823,873	19,552,915	1.71%	1.20%	20,581	950.05	3.29%
2004	1,166,346,561	1,666,209,373	20,675,487	1.77%	1.24%	20,414	1,012.81	3.51%

¹ Does not include overlapping debt and capital lease obligations.
² State of Connecticut, Department of Health Services Estimates 2004-2007.
³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2004-2008.

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

<u>Fiscal Year Ended 6/30</u>	<u>Net Assessed Value</u>	<u>Estimated Full Value</u>	<u>Direct Debt¹</u>	<u>Ratio of Direct Debt to Assessed Value (%)</u>	<u>Ratio of Direct Debt to Estimated Full Value (%)</u>	<u>Population²</u>	<u>Direct Debt per Capita</u>	<u>Ratio of Direct Debt per Capita to Per Capita Income (%)³</u>
2008	\$2,694,830,705	\$3,849,758,150	\$51,170,000	1.90%	1.33%	48,697	\$1,050.78	4.83%
2007	2,336,874,270	3,338,391,814	43,000,000	1.84%	1.29%	48,697	883.01	4.06%
2006	2,332,474,885	3,332,106,979	48,895,000	2.10%	1.47%	48,934	999.20	4.59%
2005	2,352,765,590	3,361,093,700	39,355,000	1.67%	1.17%	49,173	800.34	3.68%
2004	2,342,001,572	3,345,716,531	44,850,000	1.92%	1.34%	49,416	907.60	4.17%

¹ Does not include overlapping debt and capital lease obligations.
² State of Connecticut, Department of Health Services Estimates 2004-2007.
³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2004-2008.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2008	\$3,334,666,569	\$4,763,809,384	\$308,105,000	9.24%	6.47%	124,563	\$2,473.49	18.42%
2007	3,547,708,558	5,068,155,083	327,050,000	9.22%	6.45%	124,563	2,625.58	19.55%
2006	3,457,418,570	4,939,169,386	273,550,000	7.91%	5.54%	124,699	2,193.68	16.34%
2005	3,501,381,134	5,001,973,049	218,420,000	6.24%	4.37%	124,397	1,755.83	13.08%
2004	3,579,222,711	5,113,175,301	164,620,000	4.60%	3.22%	125,053	1,316.40	9.80%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2004-2007.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2004-2008.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2008	\$2,590,253,718	\$3,700,362,454	\$18,605,000	0.72%	0.50%	29,619	\$628.14	2.34%
2007	2,565,009,043	3,664,298,633	20,355,000	0.79%	0.56%	29,619	687.23	2.56%
2006	1,765,120,445	2,521,600,636	22,560,000	1.28%	0.89%	29,586	762.52	2.84%
2005	1,745,823,063	2,494,032,947	25,000,000	1.43%	1.00%	29,676	842.43	3.13%
2004	1,778,118,394	2,540,169,134	23,560,000	1.32%	0.93%	29,646	794.71	2.96%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2004-2007.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2004-2008.

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2008	\$1,635,894,255	\$2,336,991,793	\$22,510,000	1.38%	0.96%	18,808	\$1,196.83	4.03%
2007	1,603,291,244	2,290,416,063	24,525,000	1.53%	1.07%	18,808	1,303.97	4.39%
2006	1,575,853,180	2,251,218,829	26,320,000	1.67%	1.17%	18,835	1,397.40	4.70%
2005	1,533,366,840	2,190,524,057	27,685,000	1.81%	1.26%	18,760	1,475.75	4.97%
2004	1,233,515,550	1,762,165,071	25,530,000	2.07%	1.45%	18,620	1,371.11	4.62%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2004-2007.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2004-2008.

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

Fiscal Year	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
Ended 6/30	Value	Full Value	Debt¹	Value (%)	Full Value (%)	Population²	Capita	Income (%)³
2008	\$4,497,443,813	\$6,424,919,733	\$160,995,000	3.58%	2.51%	60,486	\$2,661.69	7.95%
2007	3,710,940,390	5,301,343,414	156,055,000	4.21%	2.94%	60,486	2,580.02	7.71%
2006	3,661,731,590	5,231,045,129	151,115,000	4.13%	2.89%	60,794	2,485.69	7.43%
2005	3,627,960,740	5,182,801,057	112,400,000	3.10%	2.17%	61,173	1,837.41	5.49%
2004	3,638,855,000	5,198,364,286	104,195,000	2.86%	2.00%	61,392	1,697.21	5.07%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2004-2007.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2004-2008.

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

Fiscal Year	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
Ended 6/30	Value	Full Value	Debt¹	Value (%)	Full Value (%)	Population²	Capita	Income (%)³
2008	\$1,991,317,830	\$2,844,739,757	\$31,105,000	1.56%	1.09%	25,781	\$1,206.51	4.17%
2007	1,991,573,140	2,845,104,486	33,840,000	1.70%	1.19%	25,781	1,312.59	4.54%
2006	1,974,466,840	2,820,666,914	36,580,000	1.85%	1.30%	26,057	1,403.85	4.85%
2005	1,954,539,220	2,792,198,886	38,535,000	1.97%	1.38%	26,220	1,469.68	5.08%
2004	1,460,138,000	2,085,911,429	30,970,000	2.12%	1.48%	26,358	1,174.98	4.06%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2004-2007.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2004-2008.

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

Fiscal Year	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
Ended 6/30	Value	Full Value	Debt¹	Value (%)	Full Value (%)	Population²	Capita	Income (%)³
2008	\$2,401,738,783	\$3,431,055,404	\$46,088,000	1.92%	1.34%	28,754	\$1,602.84	5.80%
2007	2,303,733,056	3,291,047,223	46,175,000	2.00%	1.40%	28,754	1,605.86	5.81%
2006	2,283,464,552	3,262,092,217	46,475,000	2.04%	1.42%	28,703	1,619.17	5.86%
2005	2,243,767,090	3,205,381,557	48,140,000	2.15%	1.50%	28,778	1,672.81	6.05%
2004	1,886,474,120	2,694,963,029	45,515,000	2.41%	1.69%	28,652	1,588.55	5.75%

¹ Does not include overlapping debt and capital lease obligations.

² State of Connecticut, Department of Health Services Estimates 2004-2007.

³ Income per Capita: U.S. Department of Commerce, Bureau of Census, 2000 – F.Y. 2004-2008.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2008	\$1,818,007	\$68,274,938	2.66%
2007	1,855,545	66,770,754	2.78%
2006	1,614,732	63,188,204	2.56%
2005	1,009,669	58,712,543	1.72%
2004	2,783,335	56,662,713	4.91%

Source: Annual Audited Financial Statements 2004-2008.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2008	\$8,760,000	\$155,008,000	5.65%
2007	9,035,000	155,684,000	5.80%
2006	8,820,000	152,029,000	5.80%
2005	8,427,000	143,083,000	5.89%
2004	8,275,000	134,745,000	6.14%

Source: Annual Audited Financial Statements 2004-2008.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2008	\$32,841,000	\$517,448,000	6.35%
2007	27,530,000	513,628,000	5.36%
2006	25,899,000	482,804,000	5.36%
2005	20,147,000	461,413,000	4.37%
2004	21,215,000	442,277,000	4.80%

Source: Annual Audited Financial Statements 2004-2008.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2008	\$2,592,000	\$89,907,000	2.88%
2007	3,147,000	87,242,000	3.61%
2006	3,498,000	83,333,000	4.20%
2005	3,277,000	76,568,000	4.28%
2004	2,671,235	72,741,448	3.67%

Source: Annual Audited Financial Statements 2004-2008.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2008	\$2,827,933	\$55,319,340	5.11%
2007	2,807,051	53,776,036	5.22%
2006	2,659,288	50,040,391	5.31%
2005	2,210,822	46,578,390	4.75%
2004	2,283,836	49,425,070	4.62%

Source: Annual Audited Financial Statements 2004-2008.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Governmental Funds Expenditures %
2008	\$14,542,000	\$263,472,000	5.52%
2007	16,706,000	219,827,000	7.60%
2006	15,810,000	207,270,000	7.63%
2005	13,403,000	190,296,000	7.04%
2004	12,193,000	179,294,000	6.80%

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

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

Fiscal Year Ended 6/30	Annual Debt Service	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %
2008	\$4,020,885	\$78,202,000	5.14%
2007	4,147,019	77,010,979	5.38%
2006	3,438,934	71,623,678	4.80%
2005	3,085,970	64,656,846	4.77%
2004	2,555,347	60,048,252	4.26%

Source: Annual Audited Financial Statements 2004-2008.

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

Fiscal Year Ended 6/30	Annual Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to Governmental Funds Expenditures %
2008	\$6,048,015	\$95,779,209	6.31%
2007	5,652,399	91,190,424	6.20%
2006	5,603,336	87,179,138	6.43%
2005	5,715,158	82,013,043	6.97%
2004	5,626,939	75,936,400	7.41%

¹ Includes all Governmental Funds, excluding Capital Expenditures.
Source: Annual Audited Financial Statements 2004-2008.

CAPITAL IMPROVEMENT PROGRAMS AND FUTURE BORROWINGS

Each year the District adopts a Capital Improvement Program (“CIP”) to ensure it can meet its capital infrastructure and facility needs. The program requires a series of decisions about the amount, timing, purpose and structure of debt issuance. Annual capital project appropriations and the issuance of debt are approved in accordance with budgetary policies and procedures as presented under the Budget Procedure and Policy of Debt Administration. The Finance Department manages all District borrowings, paying particular attention to debt affordability and timing of borrowings to take advantage of favorable market conditions. The goal is to repay debt rapidly, maintain a conservative level of outstanding debt, and ensure the District’s continued positive financing standing in the bond market. For 2009, the CIP is focused on comprehensive management, maintenance, repair and replacement of the District’s water mains, sewers, pumping stations, treatment facilities, buildings and equipment necessary to ensure the continued safety and efficiency of these assets.

The District has also initiated a comprehensive Clean Water Project (“CWP”) CIP. The CWP combines the elimination of Sanitary Sewer Overflows (“SSO”), the design and construction of the Combined Sewer Overflow Long-Term Plan (“LTCP”) and the treatment and reduction of nitrogen from the water pollution control facilities. The CWP has a 2006 estimated cost of \$1.6 billion and a 15 year implementation requirement. Of the \$1.6 billion estimated cost, \$800,000,000 was authorized by the Member Municipalities at a referendum in November 2006. The CWP CIP projects are eligible for State of Connecticut Clean Water Fund (“CWF”) loans for all or a portion of each project. Funding is conditioned upon priority ranking and availability of State funds. The CWP, whether financed by the CWF or open market District debt, is expected to be supported by revenues generated from the Special Sewer Service Surcharge which was adopted in October 2007 and implemented in January 2008.

FUNDING SOURCES FOR FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

Funding Source	Budget Contribution	Clean Water		Total
		Funding	Bonding	
Wastewater Programs...	\$63,449,458	\$125,247,900	\$173,538,042	\$362,235,400
Water Programs.....	2,888,164	210,334	181,652,502	184,751,000
Combined.....		600,000,000	200,000,000	800,000,000
Clean Water Project ¹	250,000		25,801,000	26,051,000
Total.....	\$66,337,622	\$725,458,234	\$580,991,544	\$1,373,037,400

¹ The District has established a Special Sewer Service Surcharge to fund the debt service on loans under the State of Connecticut Clean Water Fund (“CWF”) Program and open market District debt to be issued. The monies generated by the Special Sewer Service Surcharge will be set aside and accumulated in a designated Sinking Fund to be applied towards debt service on these financings.

The adopted 2009 Capital Improvement Program (“CIP”) Budget is \$78,336,000. The CIP Budget will be funded with approximately \$70,442,000 of General Obligation Bonds and \$7,904,000 of Assessable Fund Contributions.

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

IX. LEGAL AND OTHER INFORMATION

LITIGATION

The District

The District is the defendant in a number of lawsuits. It is the opinion of the District Counsel that none of the lawsuits will have a material adverse affect on the financial position of the District.

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

June 29, 2009

[This page left intentionally blank]

APPENDIX B

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

[This page left intentionally blank]

**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, 2008 and 2007

**STATE OF CONNECTICUT CLEAN WATER FUND –
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2008 and 2007**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
FINANCIAL STATEMENTS	
Balance Sheets	9
Statements of Revenues, Expenses and Changes in Fund Net Assets	10
Statements of Cash Flows	11
Notes to Financial Statements	12 - 30
REPORTS AND SCHEDULES REQUIRED BY OMB CIRCULAR A-133	
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 <i>Government Auditing Standards</i>	31 - 32
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	33 - 35
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards	37
Schedule of Federal Findings and Questioned Costs	38 - 39

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

INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

Ms. Gina McCarthy, Commissioner,
Department of Environmental Protection,
State of Connecticut

We have audited the accompanying financial statements of the State of Connecticut Clean Water Fund – Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the years ended June 30, 2008 and 2007, 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, 2008 and 2007, 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, 2008 and 2007, and the changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2008 on our consideration of the State of Connecticut Clean Water Fund – Water Pollution Control Authority Federal Revolving Loan Account – SRF’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management’s discussion and analysis on pages 3 through 8, 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

September 2, 2008

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
CLEAN WATER FUND
FISCAL YEAR ENDED JUNE 30, 2008**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is a narrative overview and analysis of the financial performance and activities of the State of Connecticut Clean Water Fund for the fiscal year ended June 30, 2008. Readers are encouraged to review it in conjunction with the Fund's financial statements that follow.

Financial Highlights

Changes in Net Assets - Fund net assets under management in the Clean Water Fund at the close of the fiscal year 2008 were \$617,197,162 (including assets of \$1,107,299,814 offset by liabilities of \$490,102,652) compared to fiscal year 2007 Fund net assets of were \$591,237,030 (including assets of \$1,228,722,390 offset by liabilities of \$637,485,360). Fund net assets increased by \$25,960,132 or 4.4% primarily due to higher interest on loans resulting from increases in loans receivable and federal capitalization grants. The Statement also shows restricted fund net assets of \$569,248,101 at the close of fiscal year 2008, an increase of \$27,189,702 or 5.0% above the 2007 balance of \$542,058,399 at the close of fiscal year 2007.

Operating Revenues - the Fund's gross operating revenues increased by \$1,405,383 or 10.5% to \$14,834,833 from \$13,429,450 in 2007.

Statement of Cash Flows - The Statement of Cash Flows shows a decrease in cash for the year of \$3,658,016 as cash was used to defease revenue and refunding bonds.

Bonds Outstanding – During the year no new bonds were issued. The Fund's total debt outstanding decreased significantly during the fiscal year by \$147,545,946 to \$463,480,952 as a result of the cash defeasance in the amount of \$105,025,734 for revenue and refunding bonds issued prior to 2003 and scheduled principal payments of \$42,520,212.

Loans Receivable - Total loans receivable increased by \$68,138,069 from \$646,494,869 to \$714,632,938 due to the net of new loans and regular loan repayments. There were no significant prepayments during the year.

Capitalization Grants - During the year, \$10,737,073 was drawn from the EPA for projects, compared to \$12,736,950 drawn in 2007. To date, \$350,958,690 has been drawn of the \$351,151,290 in cumulative federal wastewater capitalization grants awarded to the State. It is anticipated that the 2007 year grant of \$12,931,758 and the 2008 year grant of \$8,320,600 will be awarded in September 2008.

Overview of the Financial Statements

The Clean Water Fund financial statements are reported by the Office of the Treasurer in conjunction with the Department of Environmental Protection (DEP). The Treasurer is responsible for the detailed financial information in the Clean Water Fund financial statements.

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

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

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

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

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

For the Waste Water Loan Program activities, the statements indicate the amount of loans financed during the past year. The statements indicate the amount of interest income generated by the investment of funds and describe the structure of the investments. For the Revenue Bond Program activities, these statements indicate the amount of bonds retired during the year and the remaining amount of bonds to be repaid in the future. Fund financial statements also provide information about activities of the Fund as a recipient of federal capitalization grants and the amount of capitalization grants remaining for future use. The Clean Water Fund issues revenue bonds and uses the proceeds to provide financing for Clean Water and Drinking Water projects. Where necessary, due to the issuance of bonds and investment activities for both the Clean Water Fund and Drinking Water Fund, bond proceeds, interest income and expenses may be allocated between the Clean Water Fund and the Drinking Water Fund.

Net Assets

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

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

Unrestricted - includes all net assets not restricted and available for any program purpose.

The Clean Water Fund has issued bonds under three bond resolutions since 1991. As of June 30, 2008, all bonds issued under the first two resolutions has either been paid, refunded or legally defeased. The current and future 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

The purpose of the State of Connecticut's State Revolving Fund Programs is to provide a source of low interest loans and other types of financial assistance (other than direct grants) to local entities for the construction, rehabilitation, expansion or improvement of wastewater treatment or drinking water facilities in accordance with the State Act. Loans are made 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 \$163,511,064, an increase of \$57,304,822 from 2007. Payments to municipalities for ongoing projects totaled \$117,939,366. Completed projects which were permanently financed during the year totaled \$60,444,232. There are no delinquent loans in the Wastewater loan program. Further details about the loans can be found in the notes to the financial statements.

There were 14 new construction loan commitments (excluding extensions under existing agreements) totaling \$137,025,700 made to municipalities during the year.

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

Non-Operating Activities

Investment of Funds

The federal capitalization grants and state matching funds are used to provide leveraged financing for eligible projects in the state. Federal capitalization grants are held by the Trustee in the form of either cash or permitted investments. State contributions are held by the Trustee in the form of cash, permitted investments or State general obligation bonds.

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

The Bond Program

The Connecticut Clean Water Fund has issued long-term debt obligations backed by the pledge of specific assets including loans, reserve funds and other program assets. There are three bond resolutions: the 1990 General Bond Resolution, the 1996 Subordinate Bond Resolution and the 2002 General Revenue Bond Resolution. As noted previously, there are only bonds outstanding under the 2002 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 Clean Water Fund borrowers. Further information about outstanding bonds can be found in the notes to the financial statements.

The program's advisors are:

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

Financial Advisors - Lamont Financial Services Corporation and First Southwest

Auditor - Seward & Monde CPAs

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Verification Agent – AMTEC

Arbitrage Rebate Calculation Services – AMTEC and Nixon Peabody

General Counsel - Attorney General of the State of Connecticut

Selected Financial Information

	2008	2007	Increase (Decrease)	% Change
Change in Net Assets	\$25,960,132	\$28,179,622	(\$2,219,490)	(7.9%)
Operating Revenues	\$14,834,833	\$13,429,450	\$ 1,405,383	10.5%
Federal Capitalization Grants	\$10,737,073	\$12,736,950	(\$1,999,877)	(15.7%)
Interest on Investments	\$23,421,790	\$27,591,415	(\$4,169,625)	(15.1%)
Operating Expenses	\$ 563,727	\$ 747,956	(\$ 184,229)	(24.6%)
Interest Expense	\$26,617,229	\$29,436,167	(\$2,818,938)	(9.6%)

Economic Conditions and Outlook

During fiscal year 2008, housing and financial weakness, and rising energy and food costs persisted throughout the country. While the U.S. is still facing war, repeated trade deficits, a weak dollar, a growing national debt, and depressed consumer confidence, there is increasing concern that slumping economic conditions abroad will significantly weaken US export growth. All of these trends point toward caution on capital spending in all sectors, and further pressure on the tax and revenue bases of the state's municipalities. During the year, the State's economic and financial situation remained relatively stable despite all of this turmoil, and the overall state budget showed a modest surplus by the end of June.

Leading indicators of future activity in Connecticut are mixed, and the State's economic growth is expected to slow modestly. Equity for homeowners across the state has eroded, impacting the ability of municipalities to meet tax collection revenue targets. Prospects for job growth in the major labor markets also seem dimmer, as the state's citizens face the effects of relatively high costs (health care, housing, taxes, electricity, and gas), traffic congestion, an aging population and a widening disparity in economic prosperity between our urban and suburban residents.

The major concern for the Clean Water Fund is its ability to keep up with spiraling construction costs as state and federal budget constraints mean less funding available for the initiation of water quality and pollution control projects across the state.

There is continued pressure on the Fund to provide critical financial assistance as municipalities embark on major projects in the near future. DEP and the Office of the Treasurer will continue to work together to identify needs, set priorities and assist municipalities in determining the most cost effective and efficient way to meet their water quality needs.

The Division continually monitored the impact of credit downgrades of bond insurers and conducted research and assisted in the preparation of comments on the rating agencies' proposed changes in their rating methodology and scales on municipal credit markets.

Required Supplementary Information

The Clean Water Fund does not separately report required supplementary information that contains budgetary comparison schedules; schedules presenting infrastructure assets or supplementary pension fund information because this information is recorded by the State of Connecticut. The State is in compliance with GASB Statement 34.

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

Contacts

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

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

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

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

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
BALANCE SHEETS
June 30, 2008 and 2007**

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 251	\$ 3,658,267
Interest receivable - investments	4,778,607	4,865,003
Interest receivable - loans	4,483,950	2,542,121
Grants receivable	192,600	45,578
Other receivable	765,000	-
Loans receivable	213,911,005	152,271,300
Total current assets	224,131,413	163,382,269
Noncurrent assets:		
Loans receivable	500,721,933	494,223,569
Revolving fund	69,541,573	149,023,716
Deferred losses on early retirement of bonds	27,473,636	27,397,624
Restricted assets:		
Loan fund	1,930	16,085,568
Debt service reserve fund	-	154,641,201
Revolving fund	140,207,330	-
Debt service fund	82,223,508	135,928,793
Senior sinking fund	-	19,059,382
Support fund	62,998,491	68,980,268
Total restricted assets	285,431,259	394,695,212
Total noncurrent assets	883,168,401	1,065,340,121
Total assets	\$ 1,107,299,814	\$ 1,228,722,390
LIABILITIES		
Current liabilities:		
Interest payable on revenue and refunding bonds	\$ 5,583,416	\$ 8,181,326
Revenue bonds payable	8,373,360	23,234,479
Refunding bonds payable	14,679,089	19,285,733
Due to other funds	6,031,997	-
Arbitrage liability	401,120	753,298
Total current liabilities	35,068,982	51,454,836
Noncurrent liabilities:		
Premiums on revenue and refunding bonds	14,605,167	17,523,838
Revenue bonds payable	219,583,575	273,562,669
Refunding bonds payable	220,844,928	294,944,017
Total noncurrent liabilities	455,033,670	586,030,524
Total liabilities	490,102,652	637,485,360
FUND NET ASSETS		
Unrestricted	47,949,061	49,178,631
Restricted for loans	569,248,101	542,058,399
Total fund net assets	617,197,162	591,237,030
Total liabilities and fund net assets	\$ 1,107,299,814	\$ 1,228,722,390

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, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Interest on loans	\$ 14,834,833	\$ 13,429,450
OPERATING EXPENSES		
Salaries	282,476	440,142
Employee benefits	156,600	250,311
Other	124,651	57,503
Total operating expenses	<u>563,727</u>	<u>747,956</u>
Operating income	<u>14,271,106</u>	<u>12,681,494</u>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	23,421,790	27,591,415
Amortization of bond premium	1,563,296	2,197,868
Interest expense	(26,617,229)	(29,436,167)
Total nonoperating revenues (expenses)	<u>(1,632,143)</u>	<u>353,116</u>
Income before federal capitalization grants and transfers	<u>12,638,963</u>	<u>13,034,610</u>
FEDERAL CAPITALIZATION GRANTS		
Project funds	10,295,724	12,044,233
Administrative set-asides	441,349	692,717
Total federal capitalization grants	<u>10,737,073</u>	<u>12,736,950</u>
OPERATING TRANSFERS	<u>2,584,096</u>	<u>2,408,062</u>
Change in fund net assets	25,960,132	28,179,622
FUND NET ASSETS, beginning	<u>591,237,030</u>	<u>563,057,408</u>
FUND NET ASSETS, ending	<u>\$ 617,197,162</u>	<u>\$ 591,237,030</u>

See notes to financial statements.

**STATE OF CONNECTICUT CLEAN WATER FUND -
WATER POLLUTION CONTROL AUTHORITY FEDERAL
REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2008 and 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 12,893,004	\$ 12,276,954
Loan originations	(117,939,366)	(61,880,056)
Principal paid on loans receivable	49,801,297	49,722,876
Payments to employees for salaries and benefits	(439,076)	(690,453)
Other payments	(124,651)	(57,503)
Net cash used by operating activities	(55,808,792)	(628,182)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	10,590,051	13,146,243
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of revenue bonds payable	(23,234,479)	(22,698,162)
Repayment of refunding bonds payable	(19,285,733)	(5,072,364)
Proceeds from revenue bonds payable	-	155,210,105
Proceeds from refunding bonds payable	-	30,070,000
Premium received on revenue and refunding bonds	-	1,849,296
Payment to refunded revenue bond escrow agent	-	(34,422,009)
Interest paid on revenue and refunding bonds	(26,199,601)	(22,526,963)
Operating transfers	2,584,096	2,408,062
Payment for cash defeasance of revenue and refunding bonds	(109,472,659)	-
Payments on arbitrage liability	(352,178)	(552,356)
Net cash provided (used) by noncapital financing activities	(175,960,554)	104,265,609
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	23,508,188	26,653,993
Cash advance from other fund	5,266,997	-
Decrease (increase) in loan fund	16,083,638	(16,085,568)
Decrease (increase) in revolving fund	79,482,143	(48,166,816)
Decrease (increase) in restricted assets	93,180,313	(81,100,241)
Net cash provided (used) by investing activities	217,521,279	(118,698,632)
Net decrease in cash and cash equivalents	(3,658,016)	(1,914,962)
CASH AND CASH EQUIVALENTS, beginning	3,658,267	5,573,229
CASH AND CASH EQUIVALENTS, ending	\$ 251	\$ 3,658,267
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 14,271,106	\$ 12,681,494
Adjustments to reconcile operating income to net cash used by operating activities:		
Changes in assets and liabilities:		
Increase in interest receivable - loans	(1,941,829)	(1,152,496)
Increase in loans receivable	(68,138,069)	(12,157,180)
Net cash used by operating activities	(\$ 55,808,792)	(\$ 628,182)

See notes to financial statements.

STATE of CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES to FINANCIAL STATEMENTS
June 30, 2008 and 2007

1 - NATURE OF ORGANIZATION

The State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund or SRF), an enterprise fund of the State of Connecticut, established pursuant to Connecticut General Statutes Section 22a-475 to 22a-483, provides financial assistance to the municipalities of Connecticut for the planning, design and construction of water quality projects. The SRF is funded through revenue bonds, State contributions, and federal grants as established under Title VI of the Water Quality Act of 1987 (Act), which requires the State of Connecticut (State) to match federal funds to the extent of 20% of federal funds received.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Nonoperating Revenues and Expenses

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

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

Revenue Recognition

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the SRF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, the SRF's policy is to exclude restricted assets from cash equivalents for purposes of the statements of cash flows due to the limitations imposed on their use by the Clean Water Fund Revenue Bond Program General Bond Resolutions, adopted by the State Bond Commission on December 7, 1990, as amended and supplemented (the "1990 Resolution") and on December 17, 2002 (the "Resolution"). The SRF had cash equivalents of \$251 and \$241 as of June 30, 2008 and 2007, respectively, which consisted of amounts invested in the State Treasurer's Short Term Investment Fund (STIF), a money market investment pool. The pool is managed by the State Treasurer's Office, and the fair market value of the SRF's position in the pool is the same as the value of the pool shares. Cash equivalents included in restricted assets are presented in Note 6.

Investments

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

There were no material investment gains or losses for the years ended June 30, 2008 and 2007.

Loans, Allowance for Loan Losses and Credit Risk

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

Restricted Assets

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

Bond Premiums/Deferred Loss

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

The deferred losses on early retirement of bonds (Note 8) are being amortized using the outstanding bond method, which yields results equivalent to the interest method.

Revenue Bonds

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

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

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

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

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

Fund Net Assets - 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.

Interest Rate Swap Agreements

The SRF has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements (see Note 10).

3 - CASH DEPOSITS AND INVESTMENTS

According to GASB Statement No. 50, *Deposit and Investment Risk Disclosures*, the SRF needs to make certain disclosures about deposits and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed below:

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

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

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

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

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

Cash Deposits

Cash deposits of the SRF include funds held by the Connecticut State Comptroller, USBank and the Connecticut Short Term Investment Fund (STIF). As of June 30, 2008 and 2007 funds held by the State Comptroller were \$0 and \$3,658,026, respectively. These funds are pooled with other State of Connecticut accounts, and custodial credit risk cannot be determined at the SRF level. As of June 30, 2008 and 2007 cash included in restricted assets was \$352,466 and \$0, respectively. As of June 30, 2008 funds held by STIF were \$29,946,392, of which \$29,944,210 is included in the revolving fund and \$1,930 is included in the loan fund on the Balance Sheet. As of June 30, 2007 funds held by STIF were \$144,770,298, of which \$109,712,221 is included in the revolving fund, \$16,085,568 is included in the loan fund and \$18,972,268 is included in the senior sinking fund on the Balance Sheet. STIF is a money market investment pool, rated AAAM by Standard and Poor's, in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. The State Treasurer is authorized to invest STIF funds in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans.

Investments

As of June 30, 2008, the SRF had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury State & Local Governments	\$ 13,946,628	\$ 4,381,162	\$ 7,551,393	\$ -	\$ 2,014,073	Unrated
Federated Treasury Repurchase Agreements	810,192	810,192	-	-	-	Aaa
Fidelity Institutional Government Money Market Fund	9,174,496	9,174,496	-	-	-	Aaa
Guaranteed Investment Contracts	87,607,277	-	-	32,063,347	55,543,930	AAA
Guaranteed Investment Contracts	58,385,392	-	-	-	58,385,392	AA+
Guaranteed Investment Contracts	118,505,449	-	29,865,803	48,022,501	40,617,145	AA-
Connecticut General Obligation Bonds	36,244,791	-	8,702,006	2,659,369	24,883,416	AA
	<u>\$ 324,674,225</u>	<u>\$ 14,365,850</u>	<u>\$ 46,119,202</u>	<u>\$ 82,745,217</u>	<u>\$ 181,443,956</u>	

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

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury State & Local Governments	\$ 20,887,966	\$ 6,941,337	\$ 11,932,556	\$ -	\$ 2,014,073	Unrated
Federated Treasury Repurchase Agreements	37,192,620	37,192,620	-	-	-	AAA
Guaranteed Investment Contracts	22,023,484	-	-	-	22,023,484	AAA
Guaranteed Investment Contracts	278,476,993	19,046,628	36,952,021	59,554,041	162,924,303	AA
Connecticut General Obligation Bonds	40,367,808	4,123,017	18,480,402	10,865,521	6,898,868	AA
	<u>\$ 398,948,871</u>	<u>\$ 67,303,602</u>	<u>\$ 67,364,979</u>	<u>\$ 70,419,562</u>	<u>\$ 193,860,728</u>	

Interest Rate Risk

The SRF's policy for managing interest rate risk is to have the maturity or redemption dates of investment coincide as nearly as practicable with the times at which funds will be required for purposes as established in the General Bond Resolutions.

Credit Risk

The SRF's minimizes exposure to this risk by investing in Investment Obligations as defined by the Resolution.

Concentration of Credit Risk

The SRF currently invests approximately 81% and 75%, at June 30, 2008 and 2007, respectively, in long-term investment agreements with AIG Matched Fund Corp., AIG Financial Products (Jersey) Limited, CDC Funding Corp., Societe Generale, Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

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

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

	2008	2007
Construction in process	\$ 163,511,064	\$ 106,206,242
Completed projects	551,121,874	540,288,627
	<u>\$ 714,632,938</u>	<u>\$ 646,494,869</u>

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

Year ending June 30	
2009	\$ 50,399,942
2010	49,582,699
2011	50,046,115
2012	49,400,147
2013	45,666,525
Thereafter	306,026,446
	<u>\$ 551,121,874</u>

5 - FEDERAL LETTER OF CREDIT

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

	2008	2007
Awarded	\$ 351,151,290	\$ 350,971,290
Drawn	350,958,690	340,368,639
Available federal letter of credit	<u>\$ 192,600</u>	<u>\$ 10,602,651</u>

6 - RESTRICTED ASSETS

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

	2008	2007
Cash equivalents:		
Money market investment pool	\$ 1,930	\$ 35,057,836
Investments:		
Federated Treasury Repurchase Agreements	4,325,214	35,351,438
Guaranteed Investment Contracts	278,444,746	321,388,443
Connecticut General Obligation Bonds	2,659,369	2,897,495
	<u>\$ 285,431,259</u>	<u>\$ 394,695,212</u>

7 - RELATED PARTY TRANSACTIONS

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

Investments

The SRF has invested in the State Treasurer's Short Term Investment Fund. The SRF also holds State General Obligation Bonds as presented in Note 6.

Allocation of Expenses

Fringe benefit costs which are incurred at the State level are applied as a percentage of salaries to all State governmental units, including the SRF. For the years ended June 30, 2008 and 2007, the basic rates were 55.44% and 56.87%, respectively, of the SRF wages and the amounts charged aggregated \$156,600 and \$250,311, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Principal Paydown	Principal Defeasance	Balance June 30, 2008
Revenue bonds	\$ 296,797,148	\$ 23,234,479	\$ 45,605,734	\$ 227,956,935
Subordinate refunding bonds	65,820,000	6,400,000	59,420,000	-
Refunding bonds	248,409,750	12,885,733	-	235,524,017
	<u>\$ 611,026,898</u>	<u>\$ 42,520,212</u>	<u>\$ 105,025,734</u>	<u>\$ 463,480,952</u>

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

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

Revenue Bonds

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

The State of Connecticut has issued the following bonds:

Issue Date	Issue Name	Original Par Amount	Balance Outstanding June 30, 2008
01/01/1991	Clean Water Fund Revenue Bonds, 1991 Series	\$ 100,000,000	\$ -
01/01/1992	Clean Water Fund Revenue Bonds, 1992 Series	105,000,000	0
01/01/1993	Clean Water Fund Revenue Bonds, 1993 Series	50,000,000	0
06/01/1994	Clean Water Fund Revenue Bonds, 1994 Series	75,000,000	0
03/01/1996	Clean Water Fund Revenue Bonds, 1996 Series	80,000,000	0
03/15/1996	Clean Water Fund Subordinate Revenue Refunding Bonds, 1996 Series	48,445,000	0
09/01/1997	Clean Water Fund Revenue Bonds, 1997 Series	110,000,000	0
04/15/1999	Clean Water Fund Revenue Bonds, 1999 Series	125,000,000	0
05/01/1999	Clean Water Fund Subordinate Revenue Refunding Bonds, 1999 Series	78,995,000	0
06/01/2001	Clean Water Fund Revenue Bonds, 2001 Series	100,000,000	0
07/01/2003	State Revolving Fund General Revenue Bonds, 2003 Series A	118,085,000	86,040,602
07/01/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series B	115,785,000	91,259,017
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series C-1	55,000,000	55,000,000
07/10/2003	State Revolving Fund Refunding General Revenue Bonds, 2003 Series C-2	66,375,000	66,375,000
07/27/2006	State Revolving Fund General Revenue Bonds, 2006 Series A	150,000,000	141,916,333
07/27/2006	State Revolving Fund Refunding General Revenue Bonds, 2006 Series B	30,070,000	22,890,000
	Total	<u>\$ 1,407,755,000</u>	<u>\$ 463,480,952</u>

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

In accordance with the State Clean Water Fund Revenue Bonds, 2001 Series Plan of Finance, the State allocated the proceeds of 2001 series between the SRF and the State of Connecticut Drinking Water Fund - State Revolving Fund ("Drinking Water Fund") (collectively, "The Obligated Group") with \$70,385,253 allocated to the SRF and \$29,614,747 allocated to the Drinking Water Fund. The Drinking Water Fund (an enterprise fund of the State of Connecticut) was also established pursuant to Connecticut General Statutes Section 22a-475 to 22a-483 and provides assistance to municipalities of Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Fund Act. Revenue bonds were also issued for both programs in 2003 and 2006.

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

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2003 Series dated July 10, 2003 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2003 Series Plan of Finance, the State allocated the proceeds of 2003 Series Bonds between the SRF and the Drinking Water

Fund with \$85,021,200 allocated to the SRF and \$33,063,800 allocated to the Drinking Water Fund. Debt service on the 2003 Series Bonds is paid from any available monies in the SRF and the Drinking Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution. After a review of the total expenditures from both programs since 2003, as of July 1, 2006, the State transferred \$10,210,105 in 2003 bond proceeds from the Drinking Water Fund to the Clean Water Fund. An equal principal amount of 2003 Series Bonds will now be designated Clean Water bonds and will be payable from Clean Water revenues for their remaining term. The 2003 Support Fund balances for each program are similarly impacted by the reassignment. Available money equal to \$1,734,740 in the Clean Water Fund's General Revenue Revolving Fund has been deposited in the Clean Water Fund's 2003 Support Fund and \$1,734,740 in the Drinking Water 2003 Support Fund has become available money in the Drinking Water Fund's General Revenue Revolving Fund. Other related accounts were affected and adjusted to reflect the transfer.

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

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

	2008	2007
Serial bonds, with interest rates from 2.00% to 5.00%, maturing from 2009 through 2027	\$ 227,956,935	\$ 285,477,148
Term bonds, with interest rates ranging from 5.25% to 6.00%, maturing from 2012 through 2020	-	11,320,000
	<u>\$ 227,956,935</u>	<u>\$ 296,797,148</u>

Refunding Bonds - 1996 Series

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

The net proceeds of the 1996 Refunding Bonds of \$47,478,959 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds were called on January 1, 2001. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$43,125,000 were removed from the SRF's balance sheet.

The difference of \$4,733,836 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the 1996 Refunding Bonds using the outstanding bond method. The balance of the 1996 Refunding Bonds was advance refunded with the Refunding Bonds - 2006 Series. Amortization of the deferred loss for the year ended June 30, 2007 totaled \$662,937.

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. The balance of the 1999 Refunding Bonds was cash defeased on June 30, 2008. Amortization of the deferred loss for the year ended June 30, 2007 totaled \$482,170.

Refunding Bonds – 2003 Series

On July 10, 2003 the State issued \$115,785,000 of State Revolving Fund Refunding General Revenue Bonds 2003, Series B with interest rates of 2.0% to 5.9% and \$121,375,000 of State Revolving Fund Refunding General Revenue Bonds, 2003 Series C (2003 Series B and C Refunding Bonds) as auction rate bonds to advance refund Clean Water Fund 1997, 1999 and 2001 Series Revenue Bonds (Refunded Bonds) with principal balances totaling \$272,805,000 and interest rates of 4.3% to 7.0%. The State allocated \$7,572,339 of the 2003 Series B Refunding Bonds to the Drinking Water Fund. The Refunded Bonds mature at various dates through September 1, 2022.

The net proceeds of the 2003 Series B and C Refunding Bonds of \$291,594,387 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on various dates through October 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$254,971,000 were removed from the SRF's balance sheet. As of June 30, 2008 and 2007, the outstanding principal balance of the Refunded Bonds was \$122,721,000 and \$184,861,000, respectively.

The difference of \$37,699,081 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the 2003 Series B and C Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2008 and 2007 totaled \$2,976,159 and \$2,921,662, respectively.

The interest rate on the 2003 Series C Bonds was hedged with an interest rate swap (see Note 10). At June 30, 2008, 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. Actual debt service on such bonds will depend on the variable interest rate borne by such bonds from time to time. 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
2009	\$ -	\$ 3,532,450	\$ 2,620,339	\$ 6,152,789
2010	-	3,532,450	2,620,339	6,152,789
2011	-	3,532,450	2,620,339	6,152,789
2012	-	3,685,254	2,733,687	6,418,941
2013	-	3,532,450	2,620,339	6,152,789
2014-2018	38,075,000	16,183,188	12,004,539	66,262,727
2019-2024	83,300,000	4,651,710	3,450,595	91,402,305
	<u>\$ 121,375,000</u>	<u>\$38,649,952</u>	<u>\$ 28,670,177</u>	<u>\$188,695,129</u>

The 2003 Series C Bonds were issued as auction rate securities with two interest rate reset modes (\$55,000,000 in daily mode and \$67,375,000 in 28-day mode). The maximum interest rate on the Bonds is capped as 150% of one-month LIBOR if auctions fail. The Bonds experienced failed auctions generally in the period from mid-February through mid-May, 2008. The auctions for the Bonds have not failed since May 15, 2008. The State continually monitors the short-term marketplace in connection with these Bonds.

Refunding Bonds – 2006 Series

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

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

The difference of \$357,009 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the 2006 Series B Refunding Bonds using the outstanding bond method. Amortization of the deferred loss for the years ended June 30, 2008 and 2007 totaled \$121,997 and \$59,439, respectively.

Cash Defeasance - 2008

On June 30, 2008 the SRF paid \$109,472,658 to advance refund Clean Water Fund 1993, 1997, 1999 and 2001 Series Revenue and Refunding Bonds (Refunded Bonds) with principal balances totaling \$105,025,734 and interest rates of 4.0% to 6.0%. The Refunded Bonds were scheduled to mature at various dates through March 1, 2020.

The \$109,472,658 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments and the call premium until the Refunded Bonds are called on various dates through October 1, 2012. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$105,025,734 were removed from the SRF's balance sheet. As of June 30, 2008 the outstanding principal balances of the Refunded Bonds were \$105,025,734.

The difference of \$5,107,760 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the Refunded Bonds using the outstanding bond method.

Bond Maturities

Requirements at June 30, 2008 to retire the SRF's revenue and refunding bonds are as follows:

Year ending June 30,	Principal	Interest
2009	\$ 23,052,449	\$ 20,926,200
2010	24,205,422	20,092,322
2011	25,984,594	19,132,502
2012	16,701,733	18,592,530
2013	22,793,437	17,450,496
2014-2018	150,837,888	66,566,053
2019-2023	150,058,767	27,883,479
2024-2028	49,846,662	4,996,700
	<u>\$ 463,480,952</u>	<u>\$ 195,640,282</u>

9 - ARBITRAGE LIABILITY

The Internal Revenue Code provides that interest on certain obligations issued by states, including SRF revenue bonds, is not taxable to the holder provided that bond proceeds are not invested in higher yielding investments, which is referred to as arbitrage. To mitigate arbitrage with respect to the SRF's 1997, 1999, 2001, 2003 and 2006 series revenue bonds and the 1999 refunding bond, the SRF is required to remit excess investment income to the federal government. As of June 30, 2008 and 2007, the arbitrage liability was \$401,120 and \$753,298, respectively.

10 - INTEREST RATE SWAPS

At the time of issuance of the State's Series 2003 C bonds, the State entered into fixed payor interest rate swap agreements to lock-in a synthetic fixed rate of 3.1789%. The fixed payor swap agreements provide for the State to pay fixed rates of 3.1789% until October 1, 2013 and 3.0299% thereafter to the swap counterparty and to receive variable payments from the counterparty. The swap agreements included two components in order to better match the swap payments with the underlying auction rates.

The State secured a fixed payment rate of 3.0299% with Swap A in return for receiving a floating payment rate of 1-month London Interbank Offered Rate (LIBOR) multiplied by 67%. Swap A 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 were expected to trade based on the tax-exempt Securities Industry and Financial Markets Association Municipal Swap index which could equal more than 67% of LIBOR creating a mismatch between floating receipts from the swap agreement and floating interest payments under the 2003 Series C bonds. This situation is called basis risk. To mitigate this risk, the State entered into Swap B.

Swap B 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 \$2,933,683 and \$8,851,555 as of June 30, 2008 and 2007, 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 \$396,915 and \$887,970 as of June 30, 2008 and 2007, 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, 2008, 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, 2008.

11 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2008 and 2007:

	Unrestricted	Restricted for Loans	Total
Balance at June 30, 2006	\$ 48,881,538	\$514,175,870	\$ 563,057,408
Change in fund net assets	297,093	27,882,529	28,179,622
Balance at June 30, 2007	49,178,631	542,058,399	591,237,030
Change in fund net assets	(1,229,570)	27,189,702	25,960,132
Balance at June 30, 2008	\$ 47,949,061	\$569,248,101	\$ 617,197,162

12 - OPERATING TRANSFERS

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

	2008	2007
Interest subsidy transfers	\$ 590,393	\$ 686,583
Pledged loan repayments	2,305,989	2,163,742
Operating expenses transfer	441,349	692,717
Operating expenses reimbursement	(1,102,011)	53,646
Transfer of 2003 bond premium from DWF	-	(623,583)
Transfer related to 2006 bond offering	-	(1,029,500)
Transfer related to DWF bond reallocation	-	464,457
Transfer related to DWF debt service	348,376	-
	\$ 2,584,096	\$ 2,408,062

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:

	2008	2007
Total funds committed to municipalities	\$ 891,906,057	\$ 817,453,203
Loan amount outstanding to municipalities	714,632,938	646,494,869
Loan commitments outstanding	<u>\$ 177,273,119</u>	<u>\$ 170,958,334</u>

14 - RISK MANAGEMENT

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

15 - SUBSEQUENT EVENTS

2008 Series A Bonds:

On August 6, 2008 the State of Connecticut State Revolving Fund, which consists of the Clean Water Fund and the Drinking Water Fund, issued \$196,195,000 in General Revenue Bonds. The Series A bonds were issued to fund approximately \$177,500,000 of clean water and \$25,200,000 of drinking water projects. The Series A bonds are not subject to optional redemption prior to maturity.

The \$196,195,000 in new money bonds were issued with interest rates from 3.00% to 5.00%, maturing from February 1, 2009 through February 1, 2018.

16 - NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2008 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the SRF:

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010.

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

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

Ms. Denise L. Nappier, Treasurer

Ms. Gina McCarthy, Commissioner,
Department of Environmental Protection,
State of Connecticut

We have audited the financial statements of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 2, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the SRF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SRF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

Seward and Monde

September 2, 2008

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

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

Ms. Denise L. Nappier, Treasurer

Ms. Gina McCarthy, Commissioner,
Department of Environmental Protection,
State of Connecticut

COMPLIANCE

We have audited the compliance of the State of Connecticut Clean Water Fund - Water Pollution Control Authority Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The SRF's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the SRF's management. Our responsibility is to express an opinion on the SRF's compliance based on our audit.

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

In our opinion, the SRF complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the SRF as of and for the year ended June 30, 2008, and have issued our report thereon dated September 2, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Seward and Monde

September 2, 2008

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, 2008

<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY		
Direct:		
Capitalization Grants for State Revolving Fund	66.458	<u>\$ 10,737,073</u>

See notes to schedule.

STATE OF CONNECTICUT CLEAN WATER FUND - WATER POLLUTION CONTROL
AUTHORITY FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

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 \$714,632,938 as of June 30, 2008.

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, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(s) identified that are not considered to
be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(s) identified that are not considered to
be material weaknesses? Yes None reported

Type of auditors' report issued on compliance for major
program: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Section .510(a) of Circular A-133? Yes No

Major Programs:

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

Dollar threshold used to distinguish between
type A and type B programs \$322,112

Auditee qualified as low risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

[This page left intentionally blank]

**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, 2008 and 2007

**STATE OF CONNECTICUT CLEAN WATER FUND –
DRINKING WATER FEDERAL REVOLVING
LOAN ACCOUNT (STATE REVOLVING FUND)
June 30, 2008 and 2007**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
FINANCIAL STATEMENTS	
Balance Sheets	9
Statements of Revenues, Expenses and Changes in Fund Net Assets	10
Statements of Cash Flows	11
Notes to Financial Statements	12 - 25
REPORTS AND SCHEDULES REQUIRED BY OMB CIRCULAR A-133	
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 <i>Government Auditing Standards</i>	26 - 27
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	28 - 30
Schedule of Expenditures of Federal Awards	31
Notes to Schedule of Expenditures of Federal Awards	32
Schedule of Federal Findings and Questioned Costs	33 - 34

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

INDEPENDENT AUDITORS' REPORT

Ms. Denise L. Nappier, Treasurer

Mr. 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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 and 2007, and the changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2008 on our consideration of the State of Connecticut Clean Water Fund – Drinking Water Federal Revolving Loan Account – SRF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8, 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

September 10, 2008

**OFFICE OF THE TREASURER
STATE OF CONNECTICUT
DRINKING WATER FUND
FISCAL YEAR ENDED JUNE 30, 2008**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is a narrative overview and analysis of the financial performance and activities of the State of Connecticut Drinking Water Fund for the fiscal year ended June 30, 2008. Readers are encouraged to review it in conjunction with the Fund's financial statements that follow.

Financial Highlights

Changes in Net Assets - Fund net assets under management in the Drinking Water Fund at the close of fiscal year 2008 were \$97,489,251 (including assets of \$131,778,082 offset by liabilities of \$34,288,831) compared to fiscal year 2007 were \$83,282,249 (including assets of \$125,328,658 offset by liabilities of \$42,046,409). Fund net assets increased by \$14,207,002 or 17.1% primarily due to higher interest on loans resulting from increases in loans receivable, federal capitalization grants and the cash defeasance of bonds issued prior to 2003.

Operating Revenues - The Fund's gross operating revenues increased by \$462,380 or 37.5% to \$1,696,073 as higher interest on loans resulted from increases in loans receivable.

Bonds Outstanding - During the year no new bonds were issued. The Fund's total debt outstanding decreased significantly during the fiscal year by \$8,174,054 to \$31,139,048 as a result of the cash defeasance in the amount of \$5,514,266 for revenue bonds issued prior to 2003 and scheduled principal payments of \$2,659,788.

Loans Receivable - Total loans receivable increased by \$8,051,229 from \$61,058,899 to \$69,110,128 due to the net of new loans and regular loan repayments.

Capitalization Grants - During the year, \$12,462,439 was drawn from the EPA for projects, compared to \$18,597,000 drawn in 2007. To date, the State has drawn \$86,200,222 from the federal EPA against the total of \$92,413,900 in cumulative drinking water capitalization grant awards. A new grant in the amount of \$8,229,300 was awarded during the year.

Overview of the Financial Statements

The Drinking Water Fund financial statements are reported by the Office of the Treasurer in conjunction with the Department of Public Health (DPH) and the Department of Environmental Protection (DEP). The Treasurer is responsible for the detailed financial information in the Drinking Water Fund financial statements.

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

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

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

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

1. Operating Activities, including the Drinking Water Loan program; and
2. Nonoperating Activities, including investment of funds and the Revenue Bond Program.

For the Drinking Water Loan Program activities, the statements indicate the amount of loans financed during the past year. The statements indicate the amount of interest income generated by the investment of funds and describe the structure of the investments. For the Revenue Bond Program activities, these statements indicate the amount of the bonds issued and retired, and the remaining amount of bonds to be repaid in the future. Fund financial statements also provide information about activities of the Fund as a recipient of federal capitalization grants and the amount of capitalization grants remaining for future use. The Clean Water Fund issues revenue bonds and uses the proceeds to provide financing for Clean Water and Drinking Water projects. Where necessary, due to the issuance of bonds and investment activities for both the Clean Water Fund and Drinking Water Fund, bond proceeds, interest income and expenses may be allocated between the Clean Water Fund and the Drinking Water Fund.

Net Assets

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

Restricted – includes net assets that have been restricted in use in accordance with the terms of an award, agreement or by state law, plus amounts determined to be prudent by management.

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. As of June 30, 2008, all bonds issued under the first two resolutions have either been paid, refunded or legally defeased. 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

The purpose of the State of Connecticut's State Revolving Fund Programs is to provide a source of low interest loans and other types of financial assistance (other than direct grants) to local entities for the construction, rehabilitation, expansion or improvement of wastewater treatment or drinking water facilities in accordance with the State Act. Loans are made by the Drinking Water Fund to public water systems, owned by both municipalities and private entities, for project funding. There are two categories of loans, construction loans or interim funding obligations (IFOs) which accrue interest during construction and the long-term permanent financing obligations (PLOs) which are signed after projects are completed. The PLOs have 20 year repayment terms and can be prepaid at any time. There are no state grants available to participants in this program.

Construction loans in progress totaled \$25,801,691, an increase of \$10,637,342 from 2007. Payments to municipalities for ongoing projects totaled \$11,041,837. Completed projects which were permanently financed during the year totaled \$404,494 in 2008. There were 2 new construction loan commitments (excluding extensions under existing agreements) totaling \$2,958,631 made to public water systems 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 or permitted investments.

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

The Bond Program

The 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. As noted previously, as of June 30, 2008, there are only bonds outstanding under the 2002 resolution. Long-term debt obligations of the Fund are special obligations of the State which are payable only from the revenues or monies available in the Fund as provided in the Resolutions and the State Act. The proceeds of these bonds were also used to fund loans to Drinking Water Fund borrowers. Further information about outstanding bonds can be found in the Notes to the Financial Statements. As indicated in the financial statements, the state issued bonds totaling \$196,195,000 after the end of the fiscal year on August 6, 2008, of which \$25,200,000 was allocated to the Drinking Water Fund.

The program's advisors are:

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

Financial Advisors - Lamont Financial Services Corporation and First Southwest

Auditor - Seward & Monde CPAs

Trustee - US Bank

Loan Repayment Collection Services - US Bank

Verification Agent – AMTEC

Arbitrage Rebate Calculation Services – AMTEC and Nixon Peabody

General Counsel - Attorney General of the State of Connecticut

Selected Financial Information

	2008	2007	Increase (Decrease)	% Change
Change in Net Assets	\$14,207,002	\$19,752,858	(\$5,545,856)	(28.1%)
Operating Revenues	\$ 1,696,073	\$ 1,233,693	\$ 462,380	37.5%
Federal Capitalization Grants	\$12,462,439	\$18,597,000	(\$6,134,561)	(33.0%)
Interest on Investments	\$ 2,852,133	\$ 2,655,732	\$ 196,401	7.4%
Operating Expenses	\$ 2,576,833	\$ 2,569,713	\$ 7,120	.3%
Interest Expense	\$ 1,632,894	\$ 2,081,492	(\$ 448,598)	(21.6%)

Economic Conditions and Outlook

During fiscal year 2008, housing and financial weakness, and rising energy and food costs persisted throughout the country. The U.S. is still facing war, repeated trade deficits, a weak dollar, a growing national debt, and depressed consumer confidence, and there is increasing concern that slumping economic conditions abroad will significantly weaken US export growth. All of these trends point toward caution on capital spending in all sectors, and put further pressure on the state's municipalities as they plan and complete critical water quality projects. During the year, the State's economic and financial situation remained relatively stable despite all of this turmoil, and the overall state budget showed a modest surplus by the end of June 2008.

The State's economic growth is expected to slow modestly during the next year, and leading indicators of future activity in Connecticut are mixed, Equity for homeowners across the state has eroded, which may impact the ability of municipalities to meet tax revenue collection targets. Prospects for job growth in the major labor markets also seem dimmer, and the state's citizens face the effects of relatively high costs (health care, housing, taxes, electricity, and gas), traffic congestion, an aging population and a widening disparity in economic prosperity between our urban and suburban residents.

The major concern for the Drinking Water Fund continues to be its ability to keep up with spiraling construction costs as state and federal budget constraints mean less funding available for the initiation of water quality and pollution control projects across the state.

There is continued pressure on the Fund to provide critical financial assistance to small systems that face major projects in the near future. Coordination of resources as well as outreach efforts designed to educate and inform potential borrowers will continue to be important in the coming year. DPH, DEP and the Office of the Treasurer will continue to work together to identify needs, set priorities and assist public water systems in determining the most cost effective and efficient way to meet their water quality needs.

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.ott.ct.gov

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

Connecticut Department of Public Health
Drinking Water Section
410 Capitol Avenue, MS# 51 WAT
P.O. Box 340308
Hartford, CT 06134-0308
Telephone (860) 509-7333
www.dph.ct.gov

**STATE OF CONNECTICUT CLEAN WATER FUND -
DRINKING WATER FEDERAL REVOLVING LOAN ACCOUNT
(STATE REVOLVING FUND)
BALANCE SHEETS
June 30, 2008 and 2007**

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,469,528	\$ -
Interest receivable - investments	490,773	268,951
Interest receivable - loans	586,081	155,287
Grant receivable	-	706,420
Loans receivable	28,753,721	18,131,569
Total current assets	<u>31,300,103</u>	<u>19,262,227</u>
Noncurrent assets:		
Loans receivable	40,356,407	42,927,330
Revolving fund	17,876,870	23,647,538
Deferred loss on early retirement of bonds	641,164	716,210
Restricted assets:		
Debt service reserve fund	-	20,288,385
Revolving fund	19,413,887	-
Debt service fund	16,787,415	12,992,184
Support fund	5,402,236	5,494,784
Total restricted assets	<u>41,603,538</u>	<u>38,775,353</u>
Total noncurrent assets	<u>100,477,979</u>	<u>106,066,431</u>
Total assets	<u>\$ 131,778,082</u>	<u>\$ 125,328,658</u>
LIABILITIES		
Current liabilities:		
Interest payable on revenue bonds	\$ 393,731	\$ 472,336
Due to other funds	-	164,865
Deferred grant revenue	914,682	-
Revenue bonds payable	1,041,640	2,260,521
Refunding bonds payable	520,911	399,267
Total current liabilities	<u>2,870,964</u>	<u>3,296,989</u>
Noncurrent liabilities:		
Premium on revenue and refunding bonds	1,841,370	2,096,106
Revenue bonds payable	23,711,425	30,267,331
Refunding bonds payable	5,865,072	6,385,983
Total noncurrent liabilities	<u>31,417,867</u>	<u>38,749,420</u>
Total liabilities	<u>34,288,831</u>	<u>42,046,409</u>
FUND NET ASSETS		
Unrestricted	11,180,084	10,543,702
Restricted for loans	86,309,167	72,738,547
Total fund net assets	<u>97,489,251</u>	<u>83,282,249</u>
Total liabilities and fund net assets	<u>\$ 131,778,082</u>	<u>\$ 125,328,658</u>

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, 2008 and 2007**

	2008	2007
OPERATING REVENUES		
Interest on loans	\$ 1,696,073	\$ 1,233,693
OPERATING EXPENSES		
Salaries	1,280,683	1,406,465
Employee benefits	737,077	789,572
Other	559,073	373,676
Total operating expenses	2,576,833	2,569,713
Operating loss	(880,760)	(1,336,020)
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	2,852,133	2,655,732
Amortization of bond premium	153,644	177,388
Interest expense	(1,632,894)	(2,081,492)
Total nonoperating revenues (expenses)	1,372,883	751,628
Income (loss) before federal capitalization grants and transfers	492,123	(584,392)
FEDERAL CAPITALIZATION GRANTS		
Project funds	9,895,456	16,035,388
Set-aside activities	2,566,983	2,561,612
Total federal capitalization grants	12,462,439	18,597,000
OPERATING TRANSFERS	1,252,440	1,740,250
Change in fund net assets	14,207,002	19,752,858
FUND NET ASSETS, beginning	83,282,249	63,529,391
FUND NET ASSETS, ending	\$ 97,489,251	\$ 83,282,249
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, 2008 and 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received on loans	\$ 1,265,279	\$ 1,144,451
Loan originations	(11,041,837)	(16,025,114)
Principal paid on loans receivable	2,990,608	2,735,917
Payments to employees for salaries and benefits	(2,017,760)	(2,181,446)
Other payments	(559,073)	(373,676)
Net cash used by operating activities	<u>(9,362,783)</u>	<u>(14,699,868)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal capitalization grants	14,083,541	19,027,960
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of revenue bonds payable	(2,260,521)	(3,121,838)
Repayment of refunding bonds payable	(399,267)	(87,636)
Proceeds from revenue bonds payable	-	5,000,000
Premium on revenue bonds payable	-	29,375
Interest paid on revenue and refunding bonds	(1,628,880)	(2,017,990)
Payment for cash defeasance of revenue bonds	(5,622,931)	-
Operating transfers	1,087,575	795,129
Net cash provided (used) by noncapital financing activities	<u>(8,824,024)</u>	<u>597,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	2,630,311	2,699,904
Decrease (increase) in revolving fund	5,770,668	(7,649,854)
Decrease (increase) in restricted assets	(2,828,185)	24,818
Net cash provided (used) by investing activities	<u>5,572,794</u>	<u>(4,925,132)</u>
Net change in cash and cash equivalents	1,469,528	-
CASH AND CASH EQUIVALENTS, beginning	-	-
CASH AND CASH EQUIVALENTS, ending	<u>\$ 1,469,528</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	(\$ 880,760)	(\$ 1,336,020)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Increase in interest receivable - loans	(430,794)	(89,242)
Decrease in other assets	-	14,591
Increase in loans receivable	(8,051,229)	(13,289,197)
Net cash used by operating activities	<u>(\$ 9,362,783)</u>	<u>(\$ 14,699,868)</u>
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, 2008 and 2007

1 - NATURE OF ORGANIZATION

The State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund or SRF), an enterprise fund of the State of Connecticut, established in 1998 pursuant to Connecticut General Statutes Section 22a-475 to 22a-483, provides assistance to the public water systems in Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act (SDWA). The SRF is funded through revenue bonds and federal grants as established under the SDWA, which requires the State of Connecticut (State) to match federal funds to the extent of 20% of federal funds received.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Nonoperating Revenues and Expenses

The SRF's principal operation consists of making low interest loans to public water systems in Connecticut. Operating revenue consists of interest earned on those loans. Operating expenses consist of personnel and other expenses incurred in the initial approval, disbursement and ongoing servicing of those loans through maturity and incurred in set-aside activities.

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

Revenue Recognition

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the SRF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, the SRF's policy is to exclude restricted assets from cash and cash equivalents for purposes of the statements of cash flows due to the limitations imposed on their use by the Clean Water Fund Revenue Bond Program General Bond Resolutions, adopted by the State Bond Commission on December 7, 1990, as amended and supplemented on December 15, 2000 (the "1990 Resolution") and on December 17, 2002 (the "Resolution"). The SRF had no cash equivalents as of June 30, 2008 and 2007, except as reflected in Note 6.

Investments

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

There were no material investment gains or losses for the years ended June 30, 2008 and 2007.

Loans, Allowance for Loan Losses and Credit Risk

The SRF makes loans to public water systems in the State of Connecticut to finance the costs of infrastructure needed to achieve or maintain compliance with the SDWA. Interest rates on the loans range from 2.04% to 4.68% and interest income is recognized as it is earned. The loans are secured by the full faith and credit or revenue pledges of the public water systems, or both. No allowance for loan losses is considered

necessary based on management's evaluation of the collectibility of the loans. The evaluation takes into consideration such factors as changes in the size of the public water system loans, overall quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay.

Restricted Assets

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

Bond Premiums/Deferred Loss

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

The deferred loss on early retirement of bonds (Note 8) is being amortized using the outstanding bond method, which yields results equivalent to the interest method.

Revenue Bonds

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

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

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

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

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

Fund Net Assets – Restricted for Loans

The fund net assets reserved for loans represents amounts accumulated from federal drawdowns, less set-aside activity expenses not exceeding 31% of the federal grant, transfers from the State representing the 20% match on federal funds and interest earned on public water system loans.

3 - CASH DEPOSITS AND INVESTMENTS

According to GASB Statement No. 50, *Deposit and Investment Risk Disclosures*, the SRF needs to make certain disclosures about deposits and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed below:

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

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

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

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

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

Cash Deposits

Cash deposits of the SRF include funds held by the Connecticut State Comptroller, USBank and the Connecticut Short Term Investment Fund (STIF). As of June 30, 2008 and 2007 funds held by the State Comptroller were \$554,878 and \$940,863, respectively. These funds are pooled with other State of Connecticut accounts, and custodial credit risk cannot be determined at the SRF level. As of June 30, 2008 and 2007, cash included in restricted assets was \$86,778 and \$0, respectively. As of June 30, 2008 funds held by STIF were \$23,718,087, of which \$15,418,087 is included in the revolving fund and \$8,300,000 is included in the debt service fund on the Balance Sheet. As of June 30, 2007 funds held by STIF were \$23,647,538, of which \$23,647,538 is included in the revolving fund on the Balance Sheet. STIF is a money market investment pool, rated AAAM by Standard and Poor's, in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. The State Treasurer is authorized to invest STIF funds in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans.

Investments

As of June 30, 2008, 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	
Fidelity Institutional Government Money Market Funds	\$10,859,420	\$ 10,859,420	\$ -	\$ -	\$ -	AAA
Guaranteed Investment Contracts	15,057,714	-	-	-	15,057,714	AAA
Guaranteed Investment Contracts	1,079,664	-	-	-	1,079,664	AA+
U.S. Treasury State & Local Governments	480,421	480,421	-	-	-	Unrated
Connecticut General Obligation Bonds	8,198,324	-	-	-	8,198,324	AA
	<u>\$35,675,543</u>	<u>\$ 11,339,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,335,702</u>	

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

Investment Type	Fair Value	Investment Maturities (in years)				Rating
		Less than 1	1 - 5	6 - 10	More than 10	
Federated Treasury Repurchase Agreements	\$ 12,992,183	\$ 12,992,183	\$ -	\$ -	\$ -	AAA
Guaranteed Investment Contracts	17,125,742	-	-	-	17,125,742	AAA
Connecticut General Obligation Bonds	8,657,428	-	-	-	8,657,428	AA
	<u>\$ 38,775,353</u>	<u>\$ 12,992,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,783,170</u>	

Interest Rate Risk

The SRF's policy for managing interest rate risk is to have the maturity or redemption dates of investment coincide as nearly as practicable with the times at which funds will be required for purposes as established in the General Bond Resolutions.

Credit Risk

The SRF's minimizes exposure to this risk by investing in Investment Obligations as defined by the Resolution.

Concentration of Credit Risk

The SRF currently invests approximately 45% and 44%, at June 30, 2008 and 2007, respectively, in long-term investment agreements with CDC Funding Corp., Trinity Plus Funding and Bank of America.

4 - LOANS RECEIVABLE

The SRF loans funds to qualified public water systems. Principal and interest payments on loans are payable over a 20 year period in equal monthly installments commencing one month after the scheduled completion date, or in a single annual installment representing the first year's principal and interest not later than one year after the scheduled completion date and thereafter in monthly installments. Loans receivable by type are as follows as of June 30:

	2008	2007
Construction in process	\$ 25,801,691	\$ 15,164,349
Completed projects	43,308,437	45,894,550
	<u>\$ 69,110,128</u>	<u>\$ 61,058,899</u>

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

Year ending June 30	
2009	\$ 2,952,030
2010	2,951,357
2011	2,967,452
2012	2,984,022
2013	3,001,082
Thereafter	28,452,494
	<u>\$ 43,308,437</u>

5 - FEDERAL LETTER OF CREDIT

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

	2008	2007
Awarded	\$ 92,413,900	\$ 84,184,600
Drawn	86,200,222	72,116,681
Available federal letter of credit	<u>\$ 6,213,678</u>	<u>\$ 12,067,919</u>

6 - RESTRICTED ASSETS

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

	2008	2007
Cash and cash equivalents:		
Money market funds	\$ 16,700,637	\$ -
Cash	86,778	-
Investments:		
Federated Treasury Repurchase Agreements	-	12,992,184
Guaranteed Investment Contracts	16,137,378	17,125,741
U.S. Treasury State and Local Governments	480,421	-
Connecticut General Obligation Bonds	8,198,324	8,657,428
	<u>\$ 41,603,538</u>	<u>\$ 38,775,353</u>

7 - RELATED PARTY TRANSACTIONS

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

Investments

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

Allocation of Expenses

Fringe benefit costs which are incurred at the State level are applied as a percentage of salaries to all State governmental units, including the SRF. For the years ended June 30, 2008 and 2007, the actual rates were 57.55% and 56.14%, respectively, of the SRF wages and the amounts charged aggregated \$737,077 and \$789,572, respectively.

8 - BONDS PAYABLE

A summary of changes in bonds payable during the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Principal Defeasance	Principal Paydown/ Transfers	Balance June 30, 2008
Revenue bonds payable	\$ 32,527,852	\$ 5,514,266	\$ 2,260,521	\$ 24,753,065
Refunding bonds payable	6,785,250	-	399,267	6,385,983
	<u>\$ 39,313,102</u>	<u>\$ 5,514,266</u>	<u>\$ 2,659,788</u>	<u>\$ 31,139,048</u>

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

	Balance June 30, 2006	Issued	Principal Paydown/ Transfers	Balance June 30, 2007
Revenue bonds payable	\$ 40,859,795	\$ 5,000,000	\$ 13,331,943	\$ 32,527,852
Refunding bonds payable	6,872,886	-	87,636	6,785,250
	<u>\$ 47,732,681</u>	<u>\$ 5,000,000</u>	<u>\$ 13,419,579</u>	<u>\$ 39,313,102</u>

Revenue Bonds

The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities and public water systems, for use in connection with the financing or refinancing of waste water and drinking water treatment projects.

The State of Connecticut issued Clean Water Fund, Revenue Bonds 2001 series, dated May 24, 2001. These bonds are payable solely from funds pledged pursuant to the General Bond Resolution adopted December 7, 1990. In accordance with the State Clean Water Fund Revenue Bonds, 2001 Series Plan of Finance, the State allocated the proceeds between the SRF and the State of Connecticut Clean Water Fund - State Revolving Fund ("Clean Water Fund") (collectively, "The Obligated Group") with \$29,614,747 allocated to the SRF and \$70,385,253 allocated to the Clean Water Fund. The Clean Water Fund (an enterprise fund of the State of Connecticut) was also established pursuant to Connecticut General Statutes Section 22a-475 to 22a-483, and provides assistance to municipalities and public water systems of Connecticut for the planning, design and construction of water quality projects.

Debt service on the 2001 series bonds had been paid from a combination of pledged receipts, earnings on investments held in the debt service reserve funds, maturing principal and interest on investments, amounts held in the interest subsidy funds and amounts held in the support funds. "Pledged receipts" means payments of principal and interest on municipal obligations, including both timely and delinquent payments with late charges, if any, and includes any fees and charges, fines and penalties collected or held by the State.

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

The State of Connecticut issued State Revolving Fund General Revenue Bonds 2003 Series dated July 10, 2003 pursuant to the General Bond Resolution adopted December 17, 2002. In accordance with the State Revolving Fund General Revenue Bonds, 2003 Series Plan of Finance, the State allocated the proceeds of 2003 Series Bonds between the SRF and the Clean Water Fund with \$33,063,800 allocated to the SRF and \$85,021,200 allocated to the Clean Water Fund. Debt service on the 2003 Series Bonds is paid from any available monies in the SRF and the Clean Water Fund. The State has pledged amounts in the bond proceeds fund, the support fund and the debt service fund pursuant to the Resolution. After a review of the total expenditures from both programs since 2003, as of July 1, 2006, the State transferred \$10,210,105 in 2003 bond proceeds from the Drinking Water Fund to the Clean Water Fund. An equal principal amount of 2003 bonds will now be designated Clean Water bonds and will be payable from Clean Water revenues for their remaining term. The 2003 Support Fund balances for each program are similarly impacted by the reassignment. Available money equal to \$1,734,740 in the Clean Water Fund's General Revenue Revolving Fund has been deposited in the Clean Water Fund's 2003 Support Fund and \$1,734,740 in the Drinking Water 2003 Support Fund has become available money in the Drinking Water Fund's General Revenue Revolving Fund. Other related accounts were affected and adjusted to reflect the transfer.

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

The SRF's revenue bonds payable are serial bonds, of which \$24,753,065 and \$32,527,852 was outstanding as of June 30, 2008 and 2007, respectively. The serial bonds mature on October 1, 2022 with interest rates ranging from 2.0% to 5.0%.

Refunding Bonds – 2003 Series

On July 10, 2003 the State of Connecticut issued \$115,785,000 of State Revolving Fund Refunding General Revenue Bonds, 2003 Series B (2003 Series B Refunding Bonds) with interest rates of 2.0% to 5.9% to advance refund Clean Water Fund 2001 Series Revenue Bonds (Refunded Bonds) with a principal balance totaling \$17,834,000 and interest rates of 4.0% to 5.5%. The State allocated \$7,572,339 of the 2003 Series B Refunding Bonds to the SRF. The Refunded Bonds were to mature at various dates through September 1, 2022.

The net proceeds of the 2003 Series B Refunding Bonds of \$18,879,694 were used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments until the Refunded Bonds are called on various dates through October 1, 2011. The advance refunding met the requirements of an in-substance defeasance and, accordingly, the Refunded Bonds with a principal balance of \$17,834,000 were removed from the SRF's balance sheet. As of June 30, 2008 and 2007, 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, 2008 and 2007 totaled \$82,618 and \$83,421, respectively.

Cash Defeasance - 2008

On June 30, 2008 the SRF paid \$5,622,931 to advance refund Clean Water Fund 2001 Series Revenue Bonds (Refunded Bonds) with principal balances totaling \$5,514,266 and interest rates of 4.0% to 6.0%. The Refunded Bonds were to mature at various dates through March 1, 2020.

The \$5,622,931 was used to purchase U.S. Government securities and those securities were placed in an irrevocable trust with an escrow agent to provide debt service payments and the call premium until the Refunded Bonds are called on various dates through October 1, 2012. The advance refunding met the requirements of an in-substance debt defeasance and, accordingly, the Refunded Bonds with a principal balance of \$5,514,266 were removed from the SRF's balance sheet. As of June 30, 2008 the outstanding principal balances of the Refunded Bonds were \$5,514,266.

The difference of \$7,572 between the book value of the Refunded Bonds and the amount deposited to the irrevocable trust to fund their debt service represents a loss which has been deferred and is being recognized as an adjustment of interest expense over the life of the Refunded Bonds using the outstanding bond method.

Bond Maturities

Requirements at June 30, 2008 to retire the SRF's revenue and refunding bonds are as follows:

Year ending June 30,	Principal	Interest
2009	\$ 1,562,551	\$ 1,343,256
2010	1,589,578	1,300,608
2011	1,605,406	1,253,785
2012	1,473,268	1,201,790
2013	2,006,563	1,122,908
2014-2018	10,452,112	3,990,059
2019-2023	8,136,233	1,942,912
2024-2028	4,313,337	308,129
	<u>\$ 31,139,048</u>	<u>\$ 12,463,447</u>

9 - FUND NET ASSETS

The following represents an analysis of fund net assets for the years ended June 30, 2008 and 2007.

	Unrestricted	Restricted for Loans	Total
Balance at June 30, 2006	\$ 11,267,003	\$ 52,262,388	\$ 63,529,391
Change in fund net assets	(723,301)	20,476,159	19,752,858
Balance at June 30, 2007	10,543,702	72,738,547	83,282,249
Change in fund net assets	636,382	13,570,620	14,207,002
Balance at June 30, 2008	<u>\$ 11,180,084</u>	<u>\$ 86,309,167</u>	<u>\$ 97,489,251</u>

10 - OPERATING TRANSFERS

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

	2008	2007
Transfer related to CWF debt service	(\$ 348,376)	\$ -
Interest subsidy transfer	1,600,816	1,610,500
Transfer of 2003 bond premium to CWF	-	623,583
Transfer related to 2006 bond offering	-	(29,374)
Transfer related to DWF bond reallocation	-	(464,459)
	<u>\$ 1,252,440</u>	<u>\$ 1,740,250</u>

11 - LOAN FUNDING COMMITMENTS

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

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

	2008	2007
Total funds committed to public water systems	\$ 77,158,214	\$ 80,937,553
Loan amount outstanding to public water systems	69,110,128	61,058,899
Loan commitments outstanding	<u>\$ 8,048,086</u>	<u>\$ 19,878,654</u>

12 - RISK MANAGEMENT

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

13 - SUBSEQUENT EVENTS

2008 Series A Bonds:

On August 6, 2008 the State of Connecticut State Revolving Fund, which consists of the Clean Water Fund and the Drinking Water Fund, issued \$196,195,000 in General Revenue Bonds. The Series A bonds were issued to fund approximately \$177,500,000 of clean water and \$25,200,000 of drinking water projects. The Series A bonds are not subject to optional redemption prior to maturity.

The \$196,195,000 in new money bonds were issued with interest rates from 3.00% to 5.00%, maturing from February 1, 2009 through February 1, 2018.

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

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

Ms. Denise L. Nappier, Treasurer

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

Ms. Gina McCarthy, Commissioner,
Department of Environmental Protection,
State of Connecticut

We have audited the financial statements of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the SRF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SRF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SRF's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

Seward and Monde

September 10, 2008

SEWARD AND MONDE

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

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

Ms. Denise L. Nappier, Treasurer

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

Ms. Gina McCarthy, Commissioner,
Department of Environmental Protection,
State of Connecticut

COMPLIANCE

We have audited the compliance of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) (SRF) (an enterprise fund of the State of Connecticut) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The SRF's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the SRF's management. Our responsibility is to express an opinion on the SRF's compliance based on our audit.

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

In our opinion, the SRF complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the SRF as of and for the year ended June 30, 2008, and have issued our report thereon dated September 10, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Seward and Monde

September 10, 2008

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, 2008

<u>Federal Grantor; Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
ENVIRONMENTAL PROTECTION AGENCY		
Direct:		
Capitalization Grants for State Revolving Fund	66.468	<u>\$ 12,462,439</u>

See notes to schedule.

STATE OF CONNECTICUT CLEAN WATER FUND - DRINKING WATER
FEDERAL REVOLVING LOAN ACCOUNT (STATE REVOLVING FUND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

A - ACCOUNTING BASIS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Connecticut Clean Water Fund - Drinking Water Federal Revolving Loan Account (State Revolving Fund) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent that administrative costs have been incurred by the SRF and charged to the grant and federal funds have been loaned to municipalities during the year.

B - MUNICIPAL LOAN BALANCES

The balance of outstanding loans to municipalities totaled \$69,110,128 as of June 30, 2008.

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, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditors' report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? Yes No

Major Programs:

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

Dollar threshold used to distinguish between type A and type B programs \$373,873

Auditee qualified as low risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings are reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported.

APPENDIX C

Summary of Certain Provisions of the General Bond Resolution

[This page left intentionally blank]

APPENDIX C
SUMMARY OF CERTAIN OF THE PROVISIONS OF THE
GENERAL BOND RESOLUTION

The General Bond Resolution (as used in this Appendix C, the "Resolution") contains various covenants and security provisions certain of which are summarized below. Various words or terms used in the following summary are defined in the Resolution and reference thereto is made for full understanding of their import. See also Appendix E for definitions of certain terms.

Resolution to Constitute Contract [Section 2.02]

The provisions of the Resolution shall constitute a contract among the State, the Trustee and the Holders from time to time of the Bonds, and the provisions, covenants and agreements to be performed on behalf of the State shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds.

Application of Bond Proceeds [Section 4.01]

All proceeds of Bonds of any Series, upon their issuance, sale and delivery, shall be deposited in certain funds and accounts in accordance with the provisions of the Supplemental Resolution authorizing the issuance of the Bonds of such Series and shall be applied solely for the purposes for which amounts in such funds and accounts may be applied in accordance with the provisions of the Resolution.

Available Moneys [Section 5.01]

Pursuant to the Resolution, the State is obligated to pay from Available Moneys in the Revolving Fund in accordance with the terms and provisions of the Resolution, the principal of, Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and any Other Financial Assistance and any Related Program Obligations, subject only to the provisions of the Resolution permitting or further limiting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

Pledge [Section 5.02]

With respect to all Bonds and any Other Financial Assistance and any Related Program Obligations, the Pledged Fund, the Bond Proceeds Fund, the Debt Service Fund and the Support Fund, the investments thereof and the proceeds of such investments, if any, are pledged for the payment thereof in accordance with the terms and provisions of the Resolution, subject only to the provisions of the Resolution permitting or further limiting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. In addition, the Pledged Borrower Obligations, if any, shall be pledged to the extent provided in one or more Supplemental Resolutions. This pledge shall be valid and binding from and after the date of adoption of the Resolution, and the Pledged Borrower Obligations, if any, and all other moneys and securities in the funds and accounts established by the Resolution and pledged thereby shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and such lien shall be a just lien and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

Revolving Fund [Section 5.03]

(A) The State shall maintain the Revolving Fund in accordance with the requirements of the Acts. The State may apply Available Moneys for any purposes allowed under the Acts, including, without limitation, to make loans to Borrowers and payment of debt service on Outstanding Obligations.

(B) Not later than one Business Day prior to any Payment Date, the State shall transfer to the Debt Service Fund any amounts necessary, together with any amounts on deposit therein, sufficient to pay the amounts coming due on such Payment Date consisting of: (1) principal of, redemption, if any, and interest on Bonds and (2) any other amounts payable from the Debt Service Fund related to Other Financial Assistance and Related Program Obligations.

Establishment of Funds and Accounts [Section 5.04]

The State by the Resolution has established the following Funds and Accounts:

- (1) Pledged Fund, which shall be held within the Revolving Fund;

- (2) Bond Proceeds Fund, which shall be held within the Revolving Fund;
- (3) Debt Service Fund, which shall be held within the Revolving Fund;
- (4) Support Fund, which shall be held within the Revolving Fund; and
- (5) Rebate Fund.

Pledged Fund [Section 5.05]

If so provided in a Supplemental Resolution, the Trustee shall establish within the Pledged Fund a Series Pledged Account, and such Supplemental Resolution shall identify the Borrower Obligations which shall constitute the “Pledged Borrower Obligations” with respect to such Supplemental Resolution, and shall provide for the application of the Pledged Receipts and any Earnings thereon.

At the end of each Fiscal Year the State shall determine the amount of Earnings on the Pledged Fund required to be rebated to the United States for such Fiscal Year and shall direct the Trustee in a certificate of an Authorized Officer to deposit such amounts to the Rebate Fund from any available funds on deposit in the Pledged Fund.

Bond Proceeds Fund [Section 5.06]

There shall be deposited into the Bond Proceeds Fund the amount of the proceeds of the Bonds of any Series required to be deposited by the Supplemental Resolution authorizing such Series. Moneys in the Bond Proceeds Fund shall be expended only for the Program, subject to the provisions and restrictions of the Resolution. Except as may be limited by the purposes for which a Series of Bonds is issued as set forth in a Supplemental Resolution authorizing such Series of Bonds, amounts in the Bond Proceeds Fund shall be expended and applied by the State from time to time to payments: (1) for financing Loans to Borrowers under the Program; (2) for paying costs related to Other Financial Assistance; (3) to the extent that other moneys are not available, payments due to be made from the Debt Service Fund, when due, and thereafter; and (4) to redeem Bonds, at the direction of the State.

Debt Service Fund [Section 5.07]

The Trustee or the State, as applicable, shall promptly deposit, or cause to be deposited, the following amounts in the Debt Service Fund (unless provided otherwise in the applicable Supplemental Resolution): (1) any accrued interest received as proceeds of a Series of Bonds; (2) any capitalized interest received by the State with respect to a Series of Bonds; (3) any amounts required to be transferred to the Debt Service Fund, from the Support Fund, as set forth in the applicable Supplemental Resolution; (4) all amounts required to be transferred to the Debt Service Fund from the Bond Proceeds Fund; and (5) all amounts required to be transferred to the Debt Service Fund from the Revolving Fund.

The Trustee shall pay out of the Debt Service Fund to the Paying Agents for any of such Bonds, (i) on each Payment Date, the amount required for the payment of principal of, Sinking Installments for and interest on such Bonds due on such Payment Date, (ii) on each Payment Date, the amount required for the payment of amounts due on Other Financial Assistance and Related Program Obligations, and (iii) on any redemption date, the amount required for the payment of accrued interest on such Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment.

The amount, if any, accumulated in the Debt Service Fund for each sinking fund redemption may be applied, at the direction of the State, (together with amounts accumulated for the interest with respect to interest on the Bonds subject to sinking fund redemption) by the Trustee prior to the forty-fifth (45th) day preceding the sinking fund redemption date to:

(1) the purchase of Bonds of the Series and maturity as such Bonds subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase, such purchases to be made by the Trustee as directed by the State in writing by an Authorized Officer, or

(2) the redemption (pursuant to Article VI of the Resolution), of such Bonds if then redeemable by their terms, at the Redemption Price referred to in paragraph (1) above.

Upon any purchase or redemption of Bonds of any Series and maturity, under this subsection, for which Sinking Fund Installments shall have been established, an amount equal to the applicable Redemption Prices thereof shall be credited toward

any one or more of such Sinking Fund Installments, as directed by the State in an Authorized Officer's certificate, or, failing such direction by November 1, of each year, toward such Sinking Fund Installments in inverse order of their due dates. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of the calculation of principal due on a future date.

As soon as practicable after the forty-fifth (45th) day preceding the date of any such sinking fund redemption, the Trustee shall proceed (pursuant to Article VI of the Resolution) to call for redemption on such redemption date Bonds of the Series and maturity for which such sinking fund redemption was established in such amount as shall be necessary to complete the retirement of the principal amount, specified for such sinking fund redemption. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof and to pay interest thereon to the redemption date. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agents, on each such redemption date, the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

Any interest earned or gains realized by the investments of moneys held in the Debt Service Fund shall be retained therein and applied on the next Payment Date to payments due.

Support Fund [Section 5.08]

(A) The Support Fund, and the accounts therein, shall be funded in the amounts and in the manner set forth in a Supplemental Resolution, which amounts may be amended from time to time by direction of an Authorized Officer by the filing of a written certificate with the Trustee reflecting such amendment.

(B) Moneys in the Support Fund shall be transferred to the Debt Service Fund and applied to pay the interest, principal and Sinking Fund Installments and Redemption Price due on Bonds in accordance with the schedule set forth in the applicable Supplemental Resolution, which schedule may be amended from time to time by direction of an Authorized Officer by the filing of a written certificate with the Trustee reflecting such amendment.

Rebate Fund [Section 5.09]

(A) The State shall transfer to the Trustee for deposit in the Rebate Fund the amount calculated by the State to be owing to the United States pursuant to the Tax Regulatory Agreement.

(B) The Trustee, upon receipt of written instructions from an Authorized Officer, shall pay to the United States out of amounts in the Rebate Fund such amounts as are required pursuant to the Tax Regulatory Agreement.

(C) Any moneys remaining in the Rebate Fund after payment to the United States shall be transferred to the Revolving Fund.

Privilege of Redemption and Redemption Price [Section 6.01]

Bonds subject to redemption prior to maturity pursuant to the provisions of a Supplemental Resolution shall be redeemable, upon notice as provided in the Resolution, at such times, at such Redemption Prices and upon such terms (in addition to and consistent with the terms contained in the Resolution) as may be specified in the Supplemental Resolution authorizing such Series.

Redemption at the Election or Direction of the State [Section 6.02]

In the case of any redemption of Bonds, the State shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the State in its sole discretion, subject to any limitations with respect thereto contained in the State Act or the Resolution and any Supplemental Resolution) and of the moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least sixty (60) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given by the Trustee as provided in the Resolution, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise the State, shall, at least one day prior to the redemption date, pay to the Trustee and the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee and such Paying Agent or Paying Agents, will be sufficient to pay, on the redemption date

at the Redemption Price thereof, together with interest accrued to the redemption date, all of the Bonds to be redeemed. The State shall promptly notify the Trustee in writing of all such payments made by the State to a Paying Agent.

Conditional Redemption [Section 6.05]

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

Payment of Bonds [Section 9.01]

The State shall apply any Available Moneys to the payment, when due, of the principal or Redemption Price, if any, Sinking Fund Installment of every Bond and the interest thereon and payments due under any Other Financial Assistance or any Related Program Obligations. The State shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, or Sinking Fund Installment of every Bond and the interest thereon, but only from Available Moneys and Pledged Borrower Obligations, if any, and other revenues or receipts, funds or moneys pledged therefor as provided in the State Act and the Resolution, at the dates and places and in the manner provided in the Bonds according to the true intent and meaning thereof.

Power to Issue Bonds and Make Pledges [Section 9.03]

The State is duly authorized pursuant to law to authorize and issue the Bonds, to adopt the Resolution, to contract to apply Available Moneys, to pledge the Pledged Borrower Obligations, if any, and to pledge other moneys, securities, funds and property purported to be pledged by the Resolution, all in the manner and to the extent provided in the Resolution. The Pledged Borrower Obligations, if any, and other moneys, securities, funds and property so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all action on the part of the State to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the State in accordance with their terms and the terms of the Resolution. The State shall at all times, to the extent permitted by law, defend, preserve and protect the obligation to apply Available Moneys, to pledge the Pledged Borrower Obligations, if any, and to pledge other moneys, securities, funds and property pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

Accounts and Reports [Section 9.05]

(A) The State shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Pledged Borrower Obligations, Pledged Receipts and all funds and accounts established by the Resolution.

(B) The State shall annually, on or before the last day of December in each year, file with the Trustee a copy of an annual report for the preceding Fiscal Year with respect to the Program, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (1) its operations and accomplishments; (2) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the State for its operating and capital outlay purposes; (3) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Borrower Obligations, Pledged Borrower Obligations, Pledged Receipts, a list of Borrowers in default status and the status of reserve, special or other funds and the funds and accounts established by the Resolution; and (4) a schedule of its Bonds Outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year.

Pledge of Pledged Borrower Obligations [Section 9.08]

To secure the payment of the principal or Redemption Price of, interest on and Sinking Fund Installments for one or more Series of Bonds or the payments due under any Other Financial Assistance or any Related Program Obligations, the State may pledge and assign to the Trustee for the benefit of the Holders of such Bonds, pursuant to a Supplemental Resolution, certain Borrower Obligations, which shall then constitute Pledged Borrower Obligations and payments due thereunder shall constitute Pledged Receipts, and such other security as may be pledged pursuant to any Supplemental Resolution, subject only to the provisions of this Resolution.

Federal Tax Covenants [Section 9.09]

The State shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of Federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

At no time shall any of the proceeds of the Bonds or other funds of the State be used, directly or indirectly, to acquire any security, asset or obligation or other investment-type property the acquisition or holding of which would cause any Bond or Note to be an “arbitrage bond” for the purposes of Section 148 of the Code, and in furtherance thereof, to comply with the Tax Regulatory Agreement. If and to the extent required by the Code, the State shall periodically, at such times as may be required to comply with the Code, pay the amount, if any, required by the Code to be rebated or paid as a related penalty.

The covenants set forth in this section shall survive payment or defeasance of the Bonds.

Notwithstanding the foregoing, the State reserves the right to elect to issue Bonds the interest on which is not exempt from Federal income taxation, if such election is made prior to the issuance of such Bonds, and the covenants contained in this section shall not apply to such Bonds.

State Tax Covenant [Section 9.10]

The State covenants with the purchasers and all subsequent Holders and transferees of any Bonds, in consideration of the acceptance and payment for the Bonds, that the Bonds shall be at all times free from taxes levied by any Borrower or political subdivision or special district having taxing powers of the State and the principal of and interest on any Bonds issued under the State Act, their transfer and the income therefrom, including revenues deemed from the sale thereof, shall at all times be free from taxation of every kind by the State or under its authority except for estate or succession taxes.*

Agreement of the State [Section 9.11]

The State pledges to and agrees with the Bondholders and any holders of Other Financial Assistance or Related Program Obligations that the State will not limit or alter the rights vested by the State Act in the State to fulfill the terms of any agreement made with Bondholders or in any way impair the rights and remedies of the Bondholders until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders, are fully met and discharged, provided nothing contained in the Resolution shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Bondholders.

Payment of Bonds [Section 9.12]

In order to provide sufficient moneys with which to pay the principal and interest when due and payable on its Bonds and any payments on Other Financial Assistance or Related Program Obligations when due, the State shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Acts as interpreted in regulations adopted by the United States Environmental Protection Agency and the State Department of Environmental Protection and in effect, or other applicable regulations, and with the provisions of the Resolution, use and apply the proceeds of the Bonds to finance Loans and to provide Other Financial Assistance pursuant to the Acts and the Resolution, to generate Available Moneys and Pledged Borrower Obligations at least equal to the sum of the principal and interest on the Bonds and the payments due on any Other Financial Assistance or Related Program Obligations, and take all steps, actions and proceedings for the enforcement of all terms, covenants and conditions of the Loans.

Bond Anticipation Notes [Section 2.07]

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

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

Ability to Issue Other Obligations [Section 2.08]

The State expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue notes and any other obligations so long as the same do not have an equal or prior charge or lien on the Pledged Borrower Obligations, if any or on any Funds pledged under the Resolution.

Other Financial Assistance [Section 2.09]

In connection with the issuance of any Series of Bonds under the Resolution, the State may provide or cause to be provided, Other Financial Assistance with respect to payment of obligations due under the Resolution, all as shall be provided for in the applicable Supplemental Resolution. The repayment of any Other Financial Assistance may be paid from the Debt Service Fund and shall be paid on a parity or subordinate basis with the payment of the Bonds, all as set forth in the applicable Supplemental Resolution.

Related Program Obligations [Section 2.10]

In connection with the furtherance of the Program, the State has entered into and may, in the future, enter into Related Program Obligations. The repayment of any Related Program Obligations may be paid from the Debt Service Fund and shall be paid on a parity or subordinate basis with the payment of the Bonds, all as set forth in the applicable Supplemental Resolution.

Events of Default [Section 12.01]

Each of the following events is declared and shall constitute an “event of default”:

- (a) If the State shall default in the payment of the principal or Redemption Price or Sinking Fund Installment for any Bond when and as the same shall become due, whether at maturity or upon call for redemption;
- (b) If the State shall default in the payment of any installment of interest on any Bonds; or
- (c) If the State shall fail or refuse to comply with the provisions of the State Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the Holders of not less than 25% in principal amount of Bonds Outstanding.

Remedies [Section 12.02 and 12.06]

Upon the happening and continuance of any event of default specified in paragraphs (a) or b) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c) above, the Trustee may proceed, and upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the State to receive and collect Pledged Receipts, and other properties and to require the State to carry out any other covenant or agreement with Bondholders and to perform its duties under the State Act;
- (b) by bringing suit upon the Bonds;
- (c) by action or suit in equity, require the State to account as if it were the trustee of an express trust for the Holders of the Bonds; or
- (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds.

No Holder of any Bond shall have any right to institute any suit unless the Holders of 25% in principal amount of the Bonds then Outstanding shall have made written request to, and offered to indemnify, the Trustee and the Trustee shall not have complied with such request within a reasonable time.

Compensation of Trustee [Section 805]

The Trustee shall be entitled to reasonable fees and reimbursement by the State for all expenses, charges, counsel fees and other disbursements reasonably incurred by it in the performance of its duties and powers under the Resolution. Each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the State for all expenses and charges reasonably incurred by it in the performance of its duties under the Resolution.

Resignation of Trustee [Section 8.07]

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than 60 days' written notice to the State, specifying the date when such resignation shall take effect. Such resignation shall take effect immediately upon the appointment of a successor Trustee pursuant to the Resolution.

Removal of Trustee [Section 8.08]

The Trustee shall be removed by the State if at any time such removal is so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the State, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the State. The State may remove the Trustee with or without cause, at any time. Removal of the Trustee shall take effect upon the appointment of a successor Trustee in accordance with the Resolution.

Defeasance [Section 14.01]

If the State shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal or Redemption Price, if any, and interest to become due thereon, and the payments on Other Financial Assistance or Related Program Obligations, all at the times and in the manner stipulated therein and in the Resolution, then the covenants, agreements and other obligations of the State to the Bondholders shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys or securities shall have been set aside and shall be held in trust by Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the above paragraph. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect so expressed if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the State shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption on such Bonds on said date as provided in the Resolution and (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Neither Defeasance Securities or moneys so deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on such Bonds

Modification and Amendment Without Consent [Section 10.01]

The State may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution will become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

(1) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to specify and determine such matters and things referred to in Article II of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued paid or redeemed;

(2) To add additional covenants and agreements of the State for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the State contained in the Resolution;

- (3) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the State which are not contrary to or inconsistent with the limitation and restrictions thereon theretofore in effect;
- (4) To surrender any right, power or privilege reserved to or conferred upon the State by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the State contained in the Resolution;
- (5) To confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution of the Pledged Borrower Obligations and Pledged Receipts or of any other moneys, securities or funds;
- (6) To permit the issuance of Bonds in bearer form if authorized under the Resolution, including such provisions relating to payment, notices, selection of Bonds for redemption, and similar matters relating to bearer bonds in general;
- (7) To establish such additional funds and/or accounts or consolidate one or more funds and/or accounts, all as may be deemed necessary and proper to further the purposes of the Clean Water Fund program;
- (8) To modify or amend any of the provisions of the Resolution to conform with any changes required or permitted by the Acts, provided that such modifications or amendments do not materially adversely affect the Holders of Outstanding Bonds;
- (9) To modify any of the provisions of the Resolution to or any previously adopted Supplemental Resolution in any other respects, provided that such modifications will not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution cease to be Outstanding, and all Bonds issued under such resolutions must contain a specific reference to the modifications contained in such subsequent resolutions; or
- (10) To cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect.

Amendments [Section 11.01]

Other than modifications or amendments permitted as described immediately above, any modification or amendment of the Resolution and of the rights and obligations of the State and of the Holders of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of:

- (1) the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or
- (2) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given;

provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1101.

No such modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or Sinking Fund Installment therefor, or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or may reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

The terms and provisions of the Resolution and the rights and obligations of the State and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the State of a copy of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Bondholders either by mailing or publication will be required; provided,

however, that no such modification or amendment will change or modify any of the rights or obligations of the Trustee or Paying Agents without the filing with the Trustee of his written assent thereto in addition to the consent of Bondholders.

[This page left intentionally blank]

APPENDIX D

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

[This page left intentionally blank]

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF EACH PROJECT LOAN AND PROJECT GRANT AGREEMENT

The Loan Agreement

Each Project Loan and Project Grant Agreement (hereinafter a "Loan Agreement") is an entirely separate agreement but contains substantially the same terms and provisions as the other Loan Agreements. The following is a summary of certain terms of each Loan Agreement, and is qualified in its entirety by reference to the detailed provisions of each Loan Agreement. In the following summary of each Loan Agreement, references to "Municipality" and "Recipient" have the same meaning as the term "Borrower" under the Resolution and in the Official Statement. References to the Municipality or Recipient, as the case may be, and the Project refer to the Municipality or Recipient, as the case may be, and the Project relating to such Loan Agreement.

Loan Provisions

Loan Clauses. Subject to the conditions and in accordance with the terms of the Loan Agreement the State agrees to make the Project Loan and the Municipality or Recipient, as the case may be, agrees to accept the Project Loan from the State.

To the extent permitted by law the Municipality or Recipient, as the case may be, agrees to establish a dedicated source for repayment of the Project Loan satisfactory to the State and not inconsistent with the Federal Act. The Municipality or Recipient, as the case may be, shall issue a note in satisfaction of the above-stated requirement.

[Section 4.1]

The Municipality or Recipient, as the case may be, will issue and deliver one or more Project Loan Obligations to evidence its obligation to repay the Project Loan. The Project Loan Obligation shall bear interest at the rate of 2% per annum and shall be payable as to principal and interest (a), in equal monthly installments commencing one month after the Scheduled Completion Date, or (b) in a single annual installment representing 1/20 of total principal not later than one year from the Scheduled Completion Date and monthly installments thereafter and shall mature no later than twenty years from the Scheduled Completion Date.

[Section 4.3 and 4.5]

Prepayment by Municipality or Recipient, as the case may be. The Municipality or Recipient, as the case may be, may at any time prepay any Interim Funding Obligation or Project Loan Obligation in whole or in part together with accrued interest to the date of such prepayment on the principal amount prepaid. Prepayments of Interim Funding Obligations shall be applied against Project Loan Advances that have been outstanding the longest. Prepayments of Project Loan Obligations shall be applied to the principal of the Project Loan Obligation in inverse order of maturity of the installments of principal due thereon or in such other order as may be acceptable to the Municipality or Recipient, as the case may be, and the State. Prepayments of Project Loan Obligations shall be in whole multiples of \$5,000 only, provided that any installment less than \$5,000 shall be paid in such amount.

[Section 4.6]

Disbursement of Loan Proceeds. Prior to any disbursements, the Municipality or Recipient, as the case may be, must establish an Account with the State Tax Exempt Bond Fund. The Account is the sole instrument by which the Municipality or Recipient, as the case may be, will receive its Project Grant and Project Loan proceeds from the State. Proceeds of the Project Loan and Project Grant shall be disbursed as an Advance and wired by the State to the Account upon the written request thereof from the Municipality or Recipient, as the case may be, to the State accompanied by evidence that such amounts have been incurred by or on behalf of the Municipality or Recipient, as the case may be, for the payment of Total Project Costs. Each such request from the Municipality or Recipient, as the case may be, shall indicate (a) the total amount of the costs incurred for the Project which have not been included in any prior Advance request, (b) the total amount of such costs which are Eligible Project Costs, (c) the total amount of such costs which are Grant Eligible Costs and the amount of Grant Eligible Costs related to nitrogen removal, (d) the amount of the Project Grant Advance, and (e) the amount of the Project Loan Advance.

The Municipality or Recipient, as the case may be, has covenanted to use the proceeds of the Project Loan solely to pay or reimburse itself for paying Eligible Project Costs. The Municipality or Recipient, as the case may be, shall promptly disburse, as applicable, the proceeds of such Project Loan after it receives notice that such proceeds have been deposited in its Account with the Tax Exempt Bond Fund.

[Sections 4.4 and 7.6]

Reimbursement of the State. If any Audit required by the Loan Agreement reveals that the actual Eligible Project Costs are less than the amount specified in such Loan Agreement, the Municipality or Recipient, as the case may be, shall, as soon as

practicable, but not less than 90 days after the State notifies such Municipality or Recipient, as the case may be, in writing of the results of the Audit, repay the difference between the Project Loan received and the Project Loan it would have received if the Audited Eligible Project Costs figure had been used to calculate the Project Loan.

[Section 4.5]

Remedies. If an Event of Default, as defined in the Loan Agreement, shall occur and be continuing, then the State may declare by notice to the Municipality or Recipient, as the case may be, that the principal of and interest accrued on any outstanding Interim Funding Obligation and Project Loan Obligation is immediately due and payable, whereupon the same shall be due and payable immediately, without further notice or demand of any kind.

[Section 9.2]

The Project

Maintenance of Project. The Municipality or Recipient, as the case may be, will operate and maintain the Project properly after completion of construction, will own such Project and will comply with all existing statutes, rules and regulations applicable to the operation of the Project for the design life of the Project.

[Section 7.16]

Compliance with Law

The Municipality or Recipient, as the case may be, shall at all times comply with all applicable federal and State laws and regulations pertaining to the Project.

[Section 6.7]

Tax Compliance

The Municipality or Recipient, as the case may be, agrees and covenants that it shall take no action and permit no action to be taken that would adversely affect, and shall not fail to take any action necessary to be taken in order to maintain, (1) the exclusion from gross income for federal income tax purposes of interest payable on the Bonds, or (2) the qualification of interest payable on the Bonds as not an item of tax preference under the Code for purposes of the alternative minimum tax imposed on individuals and corporations.

[Section 7.7]

Continuing Disclosure; Official Statement

The Municipality or Recipient, as the case may be, shall provide or cause to be provided to the State and/or directly to information repositories such annual financial information, operating data regarding the Project, audited financial statements and any other financial information as may be required by the State, in its sole judgment, to comply with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission in connection with issuance of Bonds. The obligation of the Municipality or Recipient, as the case may be, shall include the execution of a Continuing Disclosure Agreement and/or other certifications related to the Loan Agreement, in each case when requested by the State based on applicable requirements and materiality standards under the Rule.

Further, the Municipality or Recipient, as the case may be, agrees to provide to the State such information with respect to the Municipality or Recipient, as the case may be, as may be requested by the State for inclusion in an appendix to the State's official statement or other offering documents relating to the offering and sale of Bonds.

[Section 7.17]

Amendments

Formal written amendment of the Loan Agreement is required for extensions to the final date of the Loan Agreement and to the terms and conditions specifically stated in the original Loan Agreement and prior Amendments including but not limited to: (1) revisions to the maximum allowable Eligible Project Costs, (2) revisions to the Project Budget in aggregate, or (3) any other revisions determined material by the State.

[Section 10.10]

APPENDIX E

Definitions of Certain Terms

[This page left intentionally blank]

APPENDIX E
DEFINITIONS OF CERTAIN TERMS

The following definitions apply to summaries of the Loan Agreements and the Resolution and to the terms not otherwise defined in the Official Statement.

Accountant's Certificate--shall mean a certificate signed by a certified public accountant of a firm of independent certified public accountants of recognized standing selected by the State.

Acts --shall mean, collectively, the Federal Act and the State Act.

Audit--shall mean an accounting and certification of all Eligible Project Costs incurred in accordance with the approved plans and specifications pursuant to a Loan Agreement.

Authorized Officer--shall mean the Treasurer, any Deputy Treasurer of the State and any other person designated to the Trustee by such persons as an Authorized Officer.

Bond Counsel--shall mean an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds selected by the State.

Bondholders or *Holder of Bonds* or *Holder*--(when used with reference to Bonds) or any terms of similar import, shall mean the Person who owns a Bond, provided that, the Person in whose name a Bond is registered in the Bond Register shall be regarded for all purposes as such owner.

Bond Proceeds Fund shall mean the Bond Proceeds Fund established pursuant to the Resolution.

Debt Service Fund--shall mean the Debt Service Fund established pursuant to the Resolution.

Defeasance Security--shall mean

- (i) a Government Obligation, excluding obligations described in clause (iii) of this definition, but including the interest component of REFCORP bonds for which the separation of principal and interest is made by request of the Federal Reserve Bank of New York in book-entry form, that is not subject to redemption prior to maturity other than at the option of the holder thereof or that has been irrevocably called for redemption on a stated future date;
- (ii) if so provided by the State statutes, an Exempt Obligation (a) that is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (b) the timely payment of the principal or redemption price thereof and interest thereon is fully secured by a fund consisting only of cash or obligations described in clauses (i) and (ii) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (a) above, and (c) that is rated in the highest rating category of a nationally recognized rating service;
- (iii) a bond, debenture, note, participation certificate or other obligation, is issued by federal land banks, the Federal National Mortgage Association, the federal home loan bank system, the federal intermediate credit banks, the Tennessee Valley Authority, public housing authorities and fully secured by payment of both principal and interest by a pledge of annual contributions under contracts with the United States of America, the United States Postal Service, banks for cooperatives and the Farmers Home Administration, or any other instrumentality of the United States of America that is permitted under the Act; provided, however, that such term shall not mean any interest in a unit investment trust or mutual fund; or
- (iv) if so provided by the State statutes, money markets secured by Government Obligations.

Earnings--shall mean all income or gain on moneys deposited in any of the Funds established by the Resolution, except for the Rebate Fund, including the amortization of premiums on each Interest Payment Date and the recognition of discounts at maturity.

Eligible Project Costs--shall mean the Total Project Costs determined by the Commissioner to be necessary and reasonable, minus Funds From Other Sources. The Eligible Project Costs may include the costs of all labor, materials, machinery and equipment, lands, property rights and easements, interest on Interim Funding Obligations, Project Loan Obligations and bond anticipation notes, including the costs of issuance thereof approved by the Commissioner, the costs of engineering reports/studies, plans and specifications, surveys or estimates of costs and revenues, engineering and legal services, auditing and administrative expenses, and all other expenses approved by the Commissioner, which are incident to all or part of the eligible Total Project Costs.

Exempt Obligation--shall mean pre-refunded municipal obligations.

Federal Act--shall mean, collectively, (a) the federal Water Quality Act of 1987, which amended the federal Clean Water Act of 1972, together with any regulations promulgated thereunder, as amended from time to time, (b) the federal Safe Drinking Water Act Amendments of 1996, together with any regulations promulgated thereunder, as amended from time to time, and (c) any future federal acts that may establish programs funded with federal grants or other federal funding, the programs which may be cross-collateralized with the Program and which the State has determined to so cross-collateralize.

Fiduciary or Fiduciaries--shall mean the Trustee, and Paying Agent or any or all of them, as may be appropriate.

Fiscal Year--shall mean any twelve (12) consecutive calendar months commencing with the first day of July and ending the last day of the following June.

Funds from Other Sources--shall mean amounts contributed by the Municipality from any source whatsoever other than the Clean Water Fund for the purpose of paying the Municipality's share of Total Project Costs. For purposes of this definition, "paying" shall mean expenditures by the Municipality for the purchase of goods, materials and services utilized in planning, designing and constructing the Project, and specifically excludes any municipal repayments made pursuant to a Project Loan or a Project Loan Obligation.

Government Obligation--shall mean (a) a direct obligation of, or an obligation the timely payment of the principal of and interest on which is guaranteed by, the United States of America, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System, or in certificates of deposit or time deposits secured by such obligations, and (b) an obligation described in subsection (a) which has been stripped by the United States Department of the Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS").

Interim Funding Obligation--shall mean any bonds or notes issued by a Borrower in anticipation of a Project Loan Obligation.

Investment Obligations--shall mean:

- (i) bonds or obligations of, or guaranteed by, the State or the United States, or agencies or instrumentalities of the United States;
- (ii) certificates of deposit, commercial paper, savings accounts and bank acceptances in the obligations of any state of the United States or any political subdivision thereof or the obligations of any instrumentality, authority or agency of any state or political subdivision thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking, and applicable to such obligations;
- (iii) the obligations of any regional school district in the State, of any municipality in the State or any metropolitan district in the State, provided that at the time of investment such obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking, and applicable to such obligations;
- (iv) any fund in which a trustee may invest pursuant to Section 36a-353 of the Connecticut General Statutes;

- (v) investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking or whose short-term obligations are rated within the top rating category of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking;
- (vi) investment agreements rated within the top rating categories of any nationally recognized rating service or of any rating service recognized by the State commissioner of banking;
- (vii) investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States;
- (viii) to the extent permitted by State statutes, (a) the Short Term Investment Fund of the State (“**STIF**”), (b) the Tax Exempt Bond Fund of the State (“**TEPF**”) or (c) interest-bearing time deposits, or other similar banking arrangements, the Trustee has established with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation; provided, that no moneys in such funds or accounts shall be so deposited as provided in (a), (b) or (c) above if such deposit would result in a decrease in the rating on the Bonds according to Standard & Poor’s and Moody’s Investors Service; provided further, that each such STIF deposit, TEPF deposit, interest-bearing time deposit or other similar banking arrangement shall permit the moneys so placed to be available for use at the times provided with respect to the investment or reinvestment of such moneys; and provided further, that all moneys in each such interest-bearing time deposit or other similar banking arrangement shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the United States of America or by the State, of a market value equal at all times to the amount of the deposit or of the other similar banking arrangement.
- (ix) other investments permissible pursuant to Section 3-20 of the General Statutes of the State as such Section may be amended from time to time.

Memorandum of Agreement--shall mean the document which creates a cooperative relationship between the Treasurer and the DEP and delegates to the Treasurer certain responsibilities with respect to the implementation and management of the Program.

Notes--shall mean any bond anticipation notes issued by the State pursuant to the State Act for purposes of the State Revolving Fund General Revenue Bond Program.

Other Financial Assistance--shall mean any guaranty, credit support, credit enhancement, interest rate hedge agreement, interest rate lock agreement, interest rate exchange agreement, bond insurance or investment agreement entered into by the State with respect to one or more Series of Bonds.

Outstanding--when used with reference to Bonds, other than Bonds owned or held by or for the account of the State, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (a) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (b) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, irrevocable notice of such redemption shall have been given as provided in the General Bond Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice, (c) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Bond Resolution, and (iv) Bonds deemed to have been defeased as provided in the General Bond Resolution.

Outstanding Obligations--shall mean any outstanding obligations of the State that were issued pursuant to any authorization in furtherance of any of the purposes of the Program.

Payment Date--shall mean such date or dates as may be forth in a Supplemental Resolution.

Person or person--means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Pledged Borrower Obligations--shall mean any Borrower Obligations that are pledged to one or more Series of Bonds pursuant to applicable Supplemental Resolutions.

Pledged Fund--shall mean the Pledged Fund established pursuant to the Resolution.

Pledged Receipts--shall mean, the payments from Pledged Borrower Obligations.

Program--shall mean all of the State's revolving fund programs operated under the Federal Act, which consists of providing assistance in furtherance of the purposes set forth in the Acts, as each may from time to time be modified, amended or supplemented.

Project--shall mean the design, acquisition, construction, improvement, repair, reconstruction, renovation or expansion of any project that may be eligible for financing by the State in furtherance of the Program.

Project Loan Obligation--shall mean bonds or notes issued by a Borrower to evidence the permanent financing by such Borrower of its indebtedness under a Loan Agreement with respect to a Loan, made payable to the State for the benefit of the Clean Water Fund and containing such terms and conditions and being in such form as may be approved by the Commissioner of DEP.

Rebate Fund--shall mean the Rebate Fund established pursuant to the Resolution.

Record Date--shall mean, unless otherwise determined by a Supplemental Resolution for a Series of Bonds, the close of business on the fifteenth day preceding a payment date or, if such day shall not be a Business Day, the immediately preceding Business Day.

Redemption Price--shall mean, with respect to any Bonds, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Bond Resolution and the Supplemental Resolution pursuant to which such Bond was issued.

Related Program Obligations--shall mean any financial obligation entered into by the State in furtherance of the Program that may be legally payable from the Revolving Fund, and designated in a Supplemental Resolution to be paid from the Debt Service Fund.

Revolving Fund--shall mean collectively, (a) the State water pollution control revolving loan account within the Clean Water Fund established in accordance with Title VI of the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), as it may be amended from time to time, (b) the State drinking water federal revolving loan account within the Clean Water Fund established in accordance with the federal Safe Drinking Water Act (42 U.S.C. Section 300f et seq.,), as it may be amended from time to time, and (c) a similar account related to any expansion of the Program as a result of changes to the definition of Federal Act as described in the definition thereof.

Series or Bonds of a Series or words similar meaning--shall mean the series of Bonds authorized by a Supplemental Resolution and issued under the Resolution.

Sinking Fund Installment--shall mean, as of any particular date of calculation, (i) the amount required by the General Bond Resolution and the Supplemental Resolution to be deposited by the State for the retirement of bonds which are stated to mature subsequent to such date or (ii) the amount required by the General Bond Resolution and the Supplemental Resolution to be deposited by the State on a date for the payment of Bonds at maturity on a subsequent date.

State Act--shall mean the Clean Water Fund Act, being Sections 22a – 475 to 22a – 483, inclusive, of the General Statutes of the State, as amended from time to time, together with any future State acts that may establish programs funded with federal grants or other federal funding, the programs which may be cross-collateralized with the Program and which the State has determined to so cross-collateralize.

Support Fund--shall mean the Support Fund established pursuant to the Resolution.

Support Requirement--shall mean, with respect to one or more Series of Bonds, the amount established from time to time by the State, as described in the applicable Supplemental Resolution.

Tax Exempt Bond Fund--shall mean the Tax Exempt Proceeds Fund Inc., created pursuant to Connecticut General Statutes Section 3-24a, as amended.

APPENDIX F

Form of Continuing Disclosure Agreement of the State and Municipalities

[This page left intentionally blank]

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 2009 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 2009 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 2009 Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement (the “Agreement”) is made as of the 30th day of July, 2009 by the State of Connecticut (the “State”) acting by its undersigned officer, duly authorized, in connection with the issuance of \$115,835,000 State Revolving Fund Refunding General Revenue Bonds, 2009 Series C (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 9, 2009 prepared in connection with the Bonds.

“MSRB” means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Obligated Person” means any borrower identified by the State pursuant to Section 2(a)(3)(iii) of this Agreement.

“Repository” means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

“Rule” means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2009) as follows:

(1) Financial statements of the State’s Clean Water Fund – State Revolving Fund and the Drinking Water Fund – State Revolving Fund, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State prepares the financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(2) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule described below (with references

to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports: a list of Clean Water Fund and Drinking Water Fund borrowers indicating (i) amounts of loans outstanding and undrawn commitments (as of the end of the most recent fiscal years of the Clean Water Fund and Drinking Water Fund), (ii) expected additional loan commitments through the end of the next succeeding fiscal years of the Clean Water Fund and Drinking Water Fund, and (iii) any such borrower whose total Clean Water Fund and Drinking Water Fund loans outstanding, undrawn commitments and expected additional loan commitments equals in the aggregate 10% or more of the aggregate principal amount of the State's State Revolving Fund General Revenue Bonds issued under the State's SRF Program to fund the State's Clean Water Fund and Drinking Water Fund Programs then outstanding.

(b) The State shall require borrowers entering into Clean Water Fund and Drinking Water Fund Project Loan and Project Grant Agreements to agree to enter into Continuing Disclosure Agreements in the event they become Obligated Persons. If the State receives notice that an Obligated Person has failed to provide annual financial information or operating data, the State shall use its best efforts to otherwise provide the continuing disclosure for such Obligated Person.

(c) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Clean Water Fund and Drinking Water Fund fiscal years currently end on June 30.

(d) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(e) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Material Events.

The State agrees to provide or cause to be provided, in a timely manner, to each Repository 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 each Repository notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. Termination.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The State shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal 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, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than two-thirds of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

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

STATE OF CONNECTICUT

By: _____
Denise L. Nappier
Treasurer

FORM OF MUNICIPAL CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, each Borrower included in Appendix A of the Final Official Statement will agree, pursuant to a Municipal Continuing Disclosure Agreement for the 2009 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 2009 Bonds.

Municipal Continuing Disclosure Agreement

This Municipal Continuing Disclosure Agreement (the "Agreement") is made as of the 30th day of July, 2009 by the _____ (the "Borrower") acting by its undersigned officer, duly authorized, in connection with the issuance of \$115,835,000 State of Connecticut (the "State") State Revolving Fund Refunding General Revenue Bonds, 2009 Series C, dated July 30, 2009 (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 9, 2009 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Objective Criteria" means any Borrower whose total loans outstanding, undrawn commitments and expected additional loan commitments equals in the aggregate 10% or more of the aggregate principal amount of the State's State Revolving Fund Revenue Bonds issued under the State's SRF Program to fund the State's Clean Water Fund and Drinking Water Fund Programs then outstanding.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Borrower agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2009) as follows:

(i) Financial statements of the Borrower's general fund, special revenue funds, enterprise and internal service (proprietary) funds, agency and trust (fiduciary) funds and general fixed assets and general long-term obligations account groups, for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Borrower prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data relating to the Borrower contained in Appendix A of the Final Official Statement.

(b) The financial statements and other financial information and operating data described above will be provided on or before the eight months after the close of the fiscal year for which such information is being provided. The Borrower's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the Borrower.

(d) The Borrower reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the Borrower agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Material Events.

(Not applicable to Borrower)

Section 4. Notice of Failure to Provide Annual Financial Information.

The Borrower agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Borrower to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Borrower or by any agents which may be employed by the Borrower for such purpose from time to time.

Section 6. Termination.

The obligations of the Borrower under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State determines that (A) the Borrower ceases to be an obligated person meeting the Objective Criteria with respect to the Bonds within the meaning of the Rule and the State's Continuing Disclosure Agreement with respect to the Bonds and (B) all borrowers meeting the Objective Criteria have entered into Municipal Continuing Disclosure Agreements with respect to the Bonds.

Section 7. Enforcement.

The Borrower acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Borrower shall fail to perform its duties hereunder, the Borrower shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertaking set forth in Section 4 of this Agreement) from the time the Borrower's Comptroller/Treasurer/Authorized Official, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Borrower is _____

In the event the Borrower does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The Borrower expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Borrower shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the Borrower from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Borrower elects to provide any such additional information, data or notices, the Borrower shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Borrower may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Borrower, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule taking into account any amendments or interpretations of the Rule as well as any changes in circumstances as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than two-thirds of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following the adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

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

BORROWER

By _____
Authorized Officer

APPENDIX G

Proposed Form of Bond Counsel Opinion

[This page left intentionally blank]

PROPOSED FORM OF CO-BOND COUNSEL OPINION

Upon the issuance of the 2009 C Bonds, Edwards Angell Palmer & Dodge LLP, Hartford, Connecticut, and the Hardwick Law Firm, LLC, Kansas City, Missouri, as Co-Bond Counsel, will deliver their Co-Bond Counsel Opinion in substantially the same form as set forth in this Appendix G.

[Date of Delivery]

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

We have acted as co-bond counsel to the State of Connecticut (the “State”) in connection with the issuance by the State of its \$115,835,000 State Revolving Fund General Revenue Bonds, 2009 Series C (the “Bonds”), dated the dated hereof. In such capacity, we have examined the law, a certified copy of proceedings and other papers as we have deemed necessary to render this opinion.

The Bonds are authorized to be issued under and pursuant to the Constitution and laws of the State, particularly Sections 22a-475 to 22a-483, inclusive, as amended, of the General Statutes of Connecticut (the “Act”) and by a resolution entitled “State Revolving Fund General Revenue Bond Program General Bond Resolution” adopted by the State Bond Commission on December 17, 2002, as supplemented (the “General Resolution”), and a resolution adopted by the State Bond Commission on January 25, 2008 entitled “A Refunding Supplemental Resolution Authorizing the Issuance of \$200,000,000 State Revolving Fund Refunding General Revenue Bonds, 2009 Series C” (the “2009 Series C Supplemental Resolution” and, together with the General Resolution, the “Resolutions”). Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Resolutions.

As to questions of fact material to our opinion, we have relied upon representations and covenants of the State contained in the Resolutions and in the certified proceedings, and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Resolutions have been duly adopted by the State, are in full force and effect and are valid and binding against the State in accordance with their terms and no other authorizations for the Resolutions are required. The Resolutions create the valid pledge of and the valid lien upon the revenues or receipts, securities, funds or moneys held or set aside or to be set aside in the funds created by or pursuant to the Resolutions

for the security of the Bonds, subject only to the provisions of the Resolutions permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Resolutions. Such lien is valid and binding against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

2. The Bonds have been duly authorized, executed and delivered by the State and constitute valid and binding special revenue obligations of the State, payable solely from Available Moneys in the Revolving Fund and the other sources provided therefor in the Resolutions.

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

4. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to take all lawful action necessary under the Code to ensure that interest on the Bonds will remain excluded from gross income for federal income tax purposes and to refrain from taking any action which would cause interest on the Bonds to become included in such gross income. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

5. Interest on the Bonds is excluded from Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax. We express no opinion regarding any other Connecticut tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Connecticut.

This opinion is expressed as of the date hereof and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

[This page left intentionally blank]

