NEW ISSUE – Book-Entry Only **(See "Ratings" herein)**

In the opinion of Co-Bond Counsel, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants and agreements, interest on the 2013 Series A Bonds is excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and under existing statutes, such interest will not be treated as a tax preference item in calculating the Federal alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See "TAX EXEMPTION" herein for a description of certain other Federal income tax consequences of ownership of the 2013 Series A Bonds. In the opinion of Co-Bond Counsel, under existing statutes, interest on the 2013 Series A Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the 2013 Series A Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or the accrual or receipt of interest on the 2013 Series A Bonds.

MDC

$85,000,000
THE METROPOLITAN DISTRICT
HARTFORD COUNTY, CONNECTICUT

Clean Water Project Revenue Bonds, 2013 Series A

Dated: Date of Delivery **Due: April 1, as shown on inside cover**

The 2013 Series A Bonds are special obligations of The Metropolitan District, Hartford County, Connecticut (the "MDC" or the "District"), a body politic and corporate created by the Connecticut General Assembly in 1929 under Act No. 511 of the Special Acts of 1929 (as amended, the "MDC Charter"), and are issued pursuant the MDC Charter and Chapter 103 of the Connecticut General Statutes, as amended (the "Act" and together with the MDC Charter, the "Authorizing Acts"), the Special Obligation Indenture of Trust by and between the MDC and U.S. Bank National Association (the "Trustee"), dated as of June 1, 2013 (the "Special Obligation Indenture"), as supplemented by the First Supplemental Indenture thereto (the "First Supplemental Indenture" and together with the Special Obligation Indenture, the "Indenture"), for the purpose of providing funds for the Clean Water Project described in this Official Statement (the "Clean Water Project"). The 2013 Series A Bonds are secured by a pledge of and payable from the Trust Estate, and are on a parity with all other outstanding Bonds hereafter issued under the Indenture (together with the 2013 Series A Bonds, the "Bonds"). The Trust Estate includes Pledged Revenues, which are special revenues to be received by the MDC from a Special Sewer Service Surcharge, together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate.

(See inside front cover for maturities, interest rates and prices or yields.)

The 2013 Series A Bonds are not a general obligation of the MDC. The 2013 Series A Bonds shall not be deemed to constitute a debt or liability of the State of Connecticut (the "State") or of any political subdivision thereof other than the MDC or a pledge of the faith and credit of the State or of any such political subdivision including the MDC, but shall be payable solely from the Trust Estate. Neither the State of Connecticut nor any political subdivision thereof other than the MDC shall be obligated to pay the same or the interest thereon except from the Trust Estate, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the 2013 Series A Bonds.

The 2013 Series A Bonds are issuable only as fully-registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2013 Series A Bonds. Purchases of the 2013 Series A Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2013 Series A Bonds. So long as Cede & Co. is the bondowner, as nominee of DTC, reference herein to the bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the 2013 Series A Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Principal of and semiannual interest on the 2013 Series A Bonds will be paid directly to DTC by U.S. Bank National Association, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the bondowner. Interest on the 2013 Series A Bonds will be payable semiannually on April 1 and October 1, in each year, commencing October 1, 2013. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The 2013 Series A Bonds are subject to redemption prior to maturity, as more fully described herein.

The 2013 Series A Bonds are offered when, as, and if issued and received the Underwriters, subject to the approval of legality by Hinckley, Allen & Snyder, LLP, Hartford, Connecticut and Finn Dixon & Herling LLP, Stamford, Connecticut, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Edwards Wildman Palmer LLP, Hartford, Connecticut. It is expected that the 2013 Series A Bonds in definitive form will be available for delivery at The Depository Trust Company in New York, New York on or about June 19, 2013.

J.P. Morgan

Estrada Hinojosa & Company, Inc. **Roosevelt & Cross, Inc.** **Siebert Brandford Shank & Co., L.L.C.**

June 6, 2013

$85,000,000

THE METROPOLITAN DISTRICT

Clean Water Project Revenue Bonds, 2013 Series A

MATURITY SCHEDULE

Year April 1	Principal Amount	Interest Rate	Yield	CUSIP†
2014	$1,000,000	2.000%	0.20%	416498 AA1
2015	$1,000,000	4.000%	0.47%	416498 AB9
2016	$1,000,000	5.000%	0.72%	416498 AC7
2017	$1,000,000	5.000%	0.97%	416498 AD5
2018	$1,000,000	2.250%	1.22%	416498 AE3
2019	$1,000,000	4.000%	1.58%	416498 AF0
2020	$1,000,000	5.000%	1.85%	416498 AG8
2021	$1,000,000	5.000%	2.14%	416498 AH6
2022	$1,000,000	5.000%	2.35%	416498 AJ2
2023	$1,000,000	5.000%	2.47%*	416498 AK9
2024	$1,000,000	5.000%	2.64%*	416498 AL7
2025	$1,000,000	5.000%	2.77%*	416498 AM5
2026	$1,000,000	3.250%	3.35%	416498 AN3
2027	$1,000,000	3.250%	3.45%	416498 AP8
2028	$1,000,000	3.375%	3.55%	416498 AQ6
2029	$1,185,000	5.000%	3.21%*	416498 AR4
2030	$1,330,000	5.000%	3.27%*	416498 AS2
2031	$3,510,000	5.000%	3.34%*	416498 AT0
2032	$5,550,000	5.000%	3.40%*	416498 AU7
2033	$7,425,000	5.000%	2.92%**	416498 AV5

$27,000,000	5% Term Bond due April 1, 2036	Yield: 3.60%*	CUSIP: 416498 AW3
$19,000,000	4% Term Bond due April 1, 2039	Yield: 4.09%	CUSIP: 416498 AX1
$ 5,000,000	5% Term Bond due April 1, 2039	Yield: 3.72%*	CUSIP: 416498 AY9

*Priced at the stated yield to the April 1, 2022 optional redemption date at a redemption price of 100%; however, any such redemption is at the optional election of the MDC. See DESCRIPTION OF THE 2013 SERIES A BONDS—Optional Redemption" herein.

**Priced at the stated yield to the April 1, 2018 optional redemption date at a redemption price of 100%; however, any such redemption is at the optional election of the MDC. See DESCRIPTION OF THE 2013 SERIES A BONDS—Optional Redemption" herein.

† The CUSIP numbers have been assigned by an independent company not affiliated with the MDC and are included solely for the convenience of the holders of the 2013 Series A Bonds. None of the MDC, the Trustee or the Underwriters are responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the 2013 Series A Bonds or as indicated above. The CUSIP numbers are subject to being changed after the issuance of the 2013 Series A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2013 Series A Bonds as a result or the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2013 Series A Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2013 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Metropolitan District and other sources which are believed to be reliable but is not guaranteed as to its accuracy or completeness. 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 circumstance, create any implication that there has been no change in the affairs of said MDC since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2013 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In making an investment decision, investors must rely on their own examination of the security for the 2013 Series A Bonds and terms of this offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commissioners or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The financial advisor to the MDC has provided the following sentence for inclusion in this Official Statement. The financial advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the MDC and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the financial advisor does not guarantee the accuracy or completeness of such information.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Official Statement includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Without limiting the foregoing, the words "may," "believe," "may," "could," "might," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate," "contemplate," "continue," "target," "goal" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the MDC up to, and including, the date of this document, and the MDC assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including those contained in this Official Statement, including the cautionary statements under the caption "Considerations for Bondholders." Investors should carefully review those factors.

TABLE OF CONTENTS

THE METROPOLITAN DISTRICT

DISTRICT CHAIRS AND DISTRICT OFFICIALS

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

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

Financial Advisors

First Southwest Corporation
Lamont Financial Services Corporation

Independent Accountants

Blum, Shapiro & Company, P.C.

Co-Bond Counsel

Finn Dixon & Herling LLP
Hinckley, Allen & Snyder, LLP

Bond Trustee

U.S. Bank National Association

BOND ISSUE SUMMARY

The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	The Metropolitan District, Hartford County, Connecticut (the "MDC" or the "District").
Issue:	$85,000,000 Clean Water Project Revenue Bonds, 2013 Series A (the "2013 Series A Bonds").
Dated Date:	Date of Delivery.
Interest Due:	Each April 1 and October 1, commencing October 1, 2013
Principal Due:	Annually each April 1, from 2014 to 2039
Authorization:	The 2013 Series A Bonds are authorized pursuant to Act No. 511 of the Special Acts of 1929 (as amended, the "MDC Charter") and Chapter 103 of the Connecticut General Statutes, as amended (the "Act" and together with the MDC Charter, the "Authorizing Acts"), and are authorized, issued and secured under the provisions of a Special Obligation Indenture of Trust dated as of June 1, 2013 (the "Special Obligation Indenture") and a First Supplemental Indenture (the "First Supplemental Indenture" and together with the Special Obligation Indenture, the "Indenture"), by and between the MDC and U.S. Bank National Association, acting as trustee (the "Trustee").
Use of Proceeds:	The proceeds of the 2013 Series A Bonds will be used to (i) permanently fund bond anticipation notes of the MDC maturing on June 20, 2013 (ii) finance the District's Clean Water Project and (iii) pay costs of issuance related to the 2013 Series A Bonds. See "Clean Water Project" herein.
Redemption:	Certain of the 2013 Series A Bonds **are** subject to redemption prior to maturity as described herein.
Security:	The 2013 Series A Bonds will be special obligations of the District payable solely from the Trust Estate. See "Security for the 2013 Series A Bonds" herein.
Credit Ratings:	The District has received credit ratings of "Aa2" from Moody's Investors Service, Inc., ("Moody's") and "AA" from Standard & Poor's, a division of McGraw-Hill Companies, Inc. ("S&P") on the 2013 Series A Bonds. See "Ratings" herein.
Tax Exemption:	See "Tax Exemption" herein.
Bank Qualification:	The 2013 Series A Bonds shall not be designated by the District as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the 2013 Series A Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the District will agree to provide, or cause to be provided, (i) annual financial information and operating data, (ii) notices of certain events, within 10 days of the occurrence of such events, and (iii) timely notice of the failure by the District to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement with respect to the 2013 Series A Bonds pursuant to a Continuing Disclosure Agreement to be executed by the District substantially in the form of Appendix E to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23rd Floor, Hartford, Connecticut.
Legal Opinion:	Hinckley, Allen & Snyder, LLP Hartford, Connecticut, and Finn Dixon & Herling LLP, Stamford, Connecticut, will serve as Co-Bond Counsel.
Delivery and Payment:	It is expected that delivery of the 2013 Series A Bonds in book-entry-only form will be made to The Depository Trust Company on or about June 19, 2013.
Issuer Official:	Questions concerning the District and the 2013 Series A Bonds should be addressed to: Mr. John M. Zinzarella, Deputy Chief Executive Officer of Business Services/Chief Financial Officer/Treasurer, telephone: 860-278-7850 Ext. 3345, The Metropolitan District, Hartford County, 555 Main Street, Second Floor, Hartford, Connecticut 06103.
Financial Advisors:	First Southwest Corporation and Lamont Financial Services Corporation are serving as Financial Advisors to the MDC.

$85,000,000

THE METROPOLITAN DISTRICT

Clean Water Project Revenue Bonds, 2013 Series A

INTRODUCTORY STATEMENT

This Official Statement and the appendices attached hereto, is provided for the purpose of presenting certain information in connection with the offering and sale of an aggregate of $85,000,000 Clean Water Project Revenue Bonds, 2013 Series A (the "2013 Series A Bonds") of The Metropolitan District, Hartford County, Connecticut (the "MDC" or the "District"). The 2013 Series A Bonds are authorized pursuant to Act No. 511 of the Special Acts of 1929 (as amended, the "MDC Charter") and Chapter 103 of the Connecticut General Statutes, as amended (the "Act" and together with the MDC Charter, the "Authorizing Acts"), and are authorized, issued and secured under the provisions of a Special Obligation Indenture of Trust dated as of June 1, 2013 (the "Special Obligation Indenture") and a First Supplemental Indenture (the "First Supplemental Indenture" and together with the Special Obligation Indenture, the "Indenture"), by and between the MDC and U.S. Bank National Association, acting as trustee (the "Trustee"), for the benefit of holders of the Bonds issued under the Special Obligation Indenture.

The Authorizing Acts establish the MDC as a body politic and corporate of the State of Connecticut (the "State").

All references herein to the Authorizing Acts, the Indenture and the 2013 Series A Bonds are qualified in their entirety by reference to the definitive documents. Capitalized terms have the meaning given to them in this Official Statement, including APPENDIX D hereto.

The District

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

Use of the 2013 Series A Bond Proceeds

The proceeds of the 2013 Series A Bonds will be used to (i) permanently fund bond anticipation notes of the MDC maturing on June 20, 2013, (ii) pay a portion of the costs of certain capital improvements to the System relating to the Clean Water Project (as further described herein) and (iii) pay costs of issuance related to the 2013 Series A Bonds.

DESCRIPTION OF THE 2013 SERIES A BONDS

General

The 2013 Series A Bonds are issuable only as fully registered bonds, in book-entry-only form (as described herein), in the denomination of $5,000, or any integral multiple thereof.

The 2013 Series A Bonds will be dated the date of delivery, and will mature on April 1 in each of the years and in the amounts and will bear interest payable semiannually on April 1 and October 1, in each year, commencing October 1, 2013, at the rates per annum set forth on the inside cover page of this Official Statement.

Principal of and interest on the 2013 Series A Bonds will be paid directly to The Depository Trust Company ("DTC") by U.S. Bank National Association, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the bondowner. See "Book-Entry-Only System."

Redemption

Optional Redemption. The 2013 Series A Bonds maturing on April 1, 2033 will be subject to redemption prior to their maturity, at the election of the MDC in whole or in part at any time on or after April 1, 2018 (each herein a "Redemption Date") from time to time, as the MDC shall determine at par, together with interest accrued and unpaid on the Redemption Date for the 2013 Series A Bonds maturing on April 1, 2033.

The 2013 Series A Bonds maturing on and after April 1, 2023 (other than the 2013 Series A Bonds maturing on April 1, 2033) will be subject to redemption prior to their maturity, at the election of the MDC in whole or in part at any time on or after April 1, 2022 (each herein a "Redemption Date") from time to time, as the MDC shall determine at par, together with interest accrued and unpaid on the Redemption Date for such 2013 Series A Bonds maturing on and after April 1, 2023.

If less than all of the 2013 Series A Bonds are to be so redeemed, the 2013 Series A Bonds (or portions thereof) to be redeemed shall be selected by the Trustee in accordance with DTC procedures (so long as DTC or its nominee is the bondowner) or by lot or in any customary manner of selection as determined by the Trustee.

Mandatory Redemption. The 2013 Series A Bonds maturing on April 1, 2036 are subject to mandatory sinking fund redemption in part selected by the Trustee in accordance with DTC procedures (so long as DTC or its nominee is the bondowner) or by lot at a redemption price equal to one hundred percent (100%) of the principal amount of the 2013 Series A Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption on April 1 in each of the years set forth in the following table, in the principal amount specified in each of such years:

Term Bond due April 1, 2036

Year	Sinking Fund Payment
2034	$9,000,000
2035	$9,000,000
2036*	$9,000,000

*Final Maturity.

The 2013 Series A Bonds maturing on April 1, 2039 and bearing interest at 4% are subject to mandatory sinking fund redemption in part selected by the Trustee in accordance with DTC procedures (so long as DTC or its nominee is the bondowner) or by lot at a redemption price equal to one hundred percent (100%) of the principal amount of the 2013 Series A Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption on April 1 in each of the years set forth in the following table, in the principal amount specified in each of such years:

4% Term Bond due April 1, 2039

Year	Sinking Fund Payment
2037	$6,330,000
2038	$6,330,000
2039*	$6,340,000

*Final Maturity.

The 2013 Series A Bonds maturing on April 1, 2039 and bearing interest at 5% are subject to mandatory sinking fund redemption in part selected by the Trustee in accordance with DTC procedures (so long as DTC or its nominee is the bondowner) or by lot at a redemption price equal to one hundred percent (100%) of the principal amount of the 2013 Series A Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption on April 1 in each of the years set forth in the following table, in the principal amount specified in each of such years:

5% Term Bond due April 1, 2039

Year	Sinking Fund Payment
2037	$1,665,000
2038	$1,665,000
2039*	$1,670,000

*Final Maturity.

The MDC, at its option, may credit against any mandatory sinking fund redemption requirement any term bonds of the maturity then subject to redemption which have been purchased and canceled by the MDC or which have been redeemed and not previously applied as a credit against any mandatory sinking fund redemption requirement.

Notice of Redemption. Notice of redemption shall be mailed not less than twenty (20) nor more than forty-five (45) days prior to the respective Redemption Date (or such greater period of time as may be required by any Securities Depository), by first-class mail, to the registered owner of such bond at such bondowner's address as it appears on the books of registry or at such address as may have been filed with the registrar for that purpose.

BOOK-ENTRY-ONLY SYSTEM

For a description of the Book-Entry System, see Appendix F.

Effect of Discontinuance of Book-Entry System

The following procedures shall apply if the book-entry system is discontinued with respect to the 2013 Series A Bonds.

Principal and Interest Payments. Principal of the 2013 Series A Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2013 Series A Bonds will be payable to the registered owner thereof as of each record date on each interest payment date by check mailed to such registered owner at the address shown on the bond register maintained by the Trustee, or on the special record date established for the payment of defaulted interest. However, registered owners of $1,000,000 or more in aggregate principal amount of 2013 Series A Bonds may be paid interest by wire transfer upon written request filed with the Trustee on or before the Record Date for the applicable interest payment date.

Registration and Transfer. The Trustee will keep or cause to be kept, at its corporate trust office in Hartford, Connecticut, sufficient books for the registration and transfer of the 2013 Series A Bonds, and, upon presentation of 2013 Series A Bonds for each such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on such books such 2013 Series A Bonds. Any 2013 Series A Bond may, in accordance with its terms, be transferred upon such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered 2013 Series A Bond for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any 2013 Series A Bond shall be surrendered for transfer, the MDC shall execute and the Trustee shall authenticate and deliver a new 2013 Series A Bond of the same maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any 2013 Series A Bond during the period twenty (20) days before the mailing of a notice of redemption. The Trustee shall require the 2013 Series A Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange and may require the payment of any reasonable sum to cover expenses incurred by the Trustee or MDC in connection with such exchange.

SOURCES AND USES OF PROCEEDS OF THE 2013 SERIES A BONDS

The MDC expects to apply the proceeds from the sale of the 2013 Series A Bonds for the purpose of financing a portion of the cost of the Clean Water Project as follows:

Sources:	
Par Amount of the 2013 Series A Bonds	$85,000,000
Premium	6,796,778
Total Sources	$91,796,778
Uses:	
Payment of Bond Anticipation Notes Maturing June 20, 2013	$85,000,000
Underwriter's Discount	154,722
Costs of Issuance	450,000
Additional Proceeds for Clean Water Project	6,192,056
Total Uses	$91,796,778

Amounts in the Bond Proceeds Account and Costs of Issuance Account, under the Special Obligation Indenture, shall be invested by the Trustee at the direction of an Authorized Officer of the MDC in such Investment Obligations as are permitted by the Special Obligation Indenture.

SECURITY FOR THE 2013 SERIES A BONDS

The 2013 Series A Bonds are secured by a pledge of and payable from the Trust Estate, including Pledged Revenues, which are special revenues to be received by the MDC from its "Special Sewer Service Surcharge", described below together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate. The 2013 Series A Bonds are on a parity with all other outstanding Bonds hereafter issued under the Special Obligation Indenture.

The Special Sewer Service Surcharge is a charge applied to the water bill of a property owner who utilizes any of the services of the MDC for sewage collection, treatment and disposal.

The Authorizing Acts provide that the foregoing pledge made in the Indenture shall be valid and binding from the date of the Special Obligation Indenture; the revenues, receipts, funds or moneys so pledged and thereafter received by the MDC shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and the lien of any pledge made under the Indenture shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the MDC, irrespective of whether such parties have notice thereof. In furtherance of the pledge, the Indenture requires the MDC promptly to turn over to the Trustee for deposit in the Revenue Fund all Pledged Revenues received by it.

The 2013 Series A Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof other than the MDC or a pledge of the faith and credit of the State or of any such political subdivision other than the MDC, but shall be payable solely from the Trust Estate. Neither the State nor any political subdivision thereof other than the MDC shall be obligated to pay the same or the interest thereon except from the Trust Estate, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the 2013 Series A Bonds.

The Flow of Funds in the Special Obligation Indenture

The MDC is to turn over Pledged Revenues promptly (at least monthly) to the Trustee for deposit into the Revenue Fund.

On the fifth day of each month (or, if not a Business Day, on the next succeeding Business Day) the Trustee will withdraw from the Revenue Fund the amounts on deposit in the Revenue Fund to deposit or credit the following accounts and funds:

FIRST, unless otherwise provided in any Supplemental Indenture with respect to Bonds,

-- Into the Interest Account, the amount accrued for the prior month as interest on the Bonds or Swaps, if any, for each Series of Bonds or Swap Payments on Swaps accrued for the prior month less any Swap Receipts accrued for the prior month, provided that the deposit immediately preceding any Interest Payment Date shall be the balance necessary to make such payment, as well as all amounts accrued for the prior month as Term-Out Payments in respect of a Swap.

-- Into the Principal Installment Account, the amount accrued for the prior month as principal due on each Series of Bonds, whether at maturity or pursuant to mandatory sinking fund redemption on the next scheduled Principal Installment Date, provided that the deposit immediately preceding any Principal Installment Date shall be the balance necessary to make such payment.

SECOND – pro rata, to each debt service reserve fund created pursuant to the terms of any Supplemental Indenture for the benefit of any Series of Bonds to cause any debt service reserve fund requirement established under such Supplemental Indenture to be satisfied.

THIRD – to any other trustee or paying agent for indebtedness of the MDC (this is intended to allow for the issuance of revenue bonds structurally subordinated to the Bonds).

FOURTH – into the Redemption Fund, the amount, if any specified in writing by the MDC to the Trustee.

FIFTH – into the Rate Stabilization Fund, the balance. Potential uses of the balances in the Rate Stabilization Fund are discussed in detail below in “The Rate Stabilization Fund”.

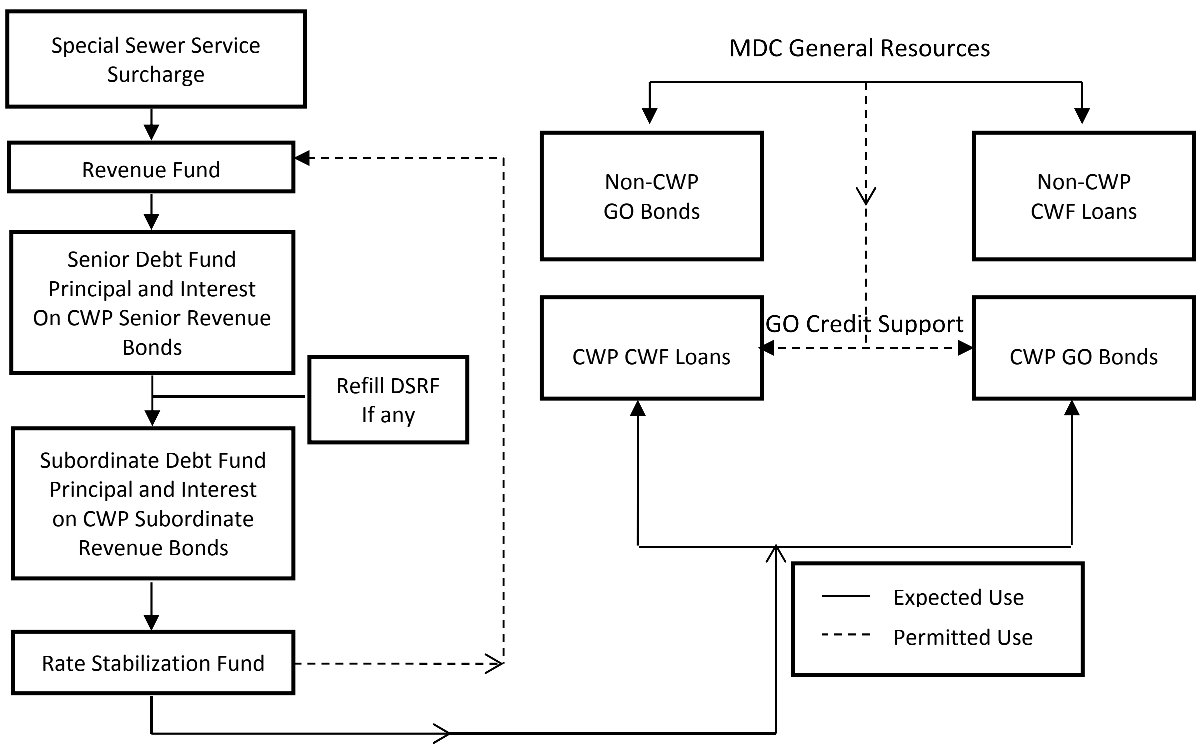
The fact that the MDC has not received sufficient Pledged Revenues with which to make the deposits or credits each month as prescribed above to meet any of the requirements thereof is not, by the fact itself, be construed as an “Event of Default” under the Special Obligation Indenture.

The Rate Stabilization Fund

As noted above, the Rate Stabilization Fund is intended to allow the MDC to adjust the Special Sewer Service Surcharge smoothly by allowing it to accumulate funds in advance of the expected peak years of debt service on Clean Water Project debt service, to offset year to year increases in the Special Sewer Service Surcharge that would be required if it were to match the year to year increases in debt service. The Rate Stabilization Fund also guards against shortfalls in collections. For purposes of the debt service coverage covenant and the additional bonds test, the amount of such deposits that can be included as Revenues Available for Debt Service in any Fiscal Year is limited to 35% of Debt Service Requirements for such Fiscal Year.

The MDC may also withdraw amounts in the Rate Stabilization Fund for purposes constituting a permitted use of the Special Sewer Service Surcharge as set out in the ordinance establishing such surcharge. Currently the ordinance only permits its use for payment of principal and interest for indebtedness incurred to finance the Clean Water Project (whether Bonds, subordinate revenue bonds, Clean Water Fund loans, or general obligation bonds). If the ordinance were subsequently amended to provide broader use of the Special Sewer Service Surcharge, the Special Obligation Indenture further limits the use of amounts withdrawn from the Rate Stabilization Fund to capital expenditures for purposes of the Clean Water Project, or debt service on indebtedness incurred for purposes of the Clean Water Project. As of December 31, 2012, there was a net balance of $67.5 million that, on a pro forma basis, would have been on deposit in the Rate Stabilization Fund.

The following diagram illustrates the overall fund flows.



Rate Covenant

The Special Obligation Indenture includes a rate covenant (the "Coverage Covenant") providing that the MDC will establish, fix, and revise from time to time, prior to and during each Fiscal Year, and shall collect in each Fiscal Year beginning with the first complete Fiscal Year after issuance of the Initial Bonds, rates, fees and charges representing Pledged Revenues so that the amount of Revenues Available for Debt Service for such Fiscal Year, as certified by an Authorized Officer based on the MDC's audited financial statements for such Fiscal Year, is equal to no less than an amount equal to 1.20 times the Debt Service Requirements in such Fiscal Year. In calculating Revenues Available for Debt Service, the MDC may withdraw moneys from the Rate Stabilization Fund and deposit them in the Revenue Fund, provided that the amount of such deposit that may be included as Revenues Available for Debt Service in a Fiscal Year is limited to 35% of Debt Service Requirements in such Fiscal Year.

Additional Bonds

Pursuant to the Indenture, Special Obligation Bonds of the MDC are authorized to be issued without limitation as to amount except as provided in the Indenture or as may be limited by law.

The Indenture provides that no Additional Series of Bonds may be authorized and issued under the Indenture unless a certificate of an Authorized Officer of the MDC shall have been delivered to the Trustee stating that (i) the Revenues Available for Debt Service, based on the most recent Audited Financial Statements preceding the date of issuance of such Additional Bonds has been, with respect to either of the two prior Fiscal Years, equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year, or (ii) the Revenues Available for Debt Service for either of the last two Fiscal Years, adjusted for any adopted increases in the Special Sewer Service Surcharge as if such increases had been in effect from the beginning of such Fiscal Year, were equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year.

No Debt Service Reserve Fund

The Indenture does not create a Debt Service Reserve Fund, but such accounts may be established in the future by a Supplemental Indenture to the Special Obligation Indenture.

Remedies Do Not Include Acceleration

The Indenture provides for Events of Default, including (i) failure to pay principal and interest on any Bonds, (ii) failure to comply with the Special Obligation Indenture or default in the performance or observance of any covenant or agreement contained in the Special Obligation Indenture, any supplemental indenture or any Bond, upon written notice given by the Trustee or the holders of not less than one-third in principal amount of the Bonds. Upon the occurrence and continuance of an Event of Default, the Trustee may proceed to protect and enforce the rights of the bond holders by, among other things, mandamus or other suit, action or proceeding at law or in equity.

No property other than the Trust Estate is pledged or mortgaged to secure the Bonds, and remedies available do not include acceleration of the principal of the Bonds.

CLEAN WATER PROJECT**

The MDC has entered into a consent decree of the United States District Court of the District of Connecticut, with the United States Department of Justice, the U.S. Attorney's Office, the United States Environmental Protection Agency and the State of Connecticut Attorney General (the "U.S. Consent Decree"), and a consent order and a general permit for nitrogen discharges, and existing municipal national pollutant discharge elimination system permits of the State of Connecticut Department of Energy and Environmental Protection, entered into with the Commissioner of the CTDEEP (the "Connecticut Consent Order" and together with the U.S. Consent Decree, the "Governmental Orders"). These set forth the obligation of the MDC to achieve Federal Clean Water Act goals of eliminating sanitary sewer overflows (SSOs), reducing combined sewer overflows (CSOs) and reducing nitrogen discharged from water pollution control facilities. The Governmental Orders provide for milestones, with expenditures and budgets monitored by the EPA and CTDEEP.

The MDC has developed a multi-year program to comply with its obligations under the Governmental Orders, referred to as the "Clean Water Project". The Clean Water Project will address the approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways. To date, the MDC is in current compliance with all aspects of the Governmental Orders.

The Clean Water Project has been designed in three phases. Phase I, budgeted at $800 million, has a number of separate features. The first is to limit stormwater entering the sewer system by controlling "inflow" (stormwater coming from customers and entering the sewer system), and "infiltration" (water leaking into the system from cracked or broken pipes). This is being done by lining or replacing existing pipe. The second is by separating the existing combined sewer system by adding a second, separate pipe, with stormwater carried in one pipe and sanitary sewerage provided by the other pipe. The third is the construction of larger interceptor pipes that increase the ability of the system to convey flows to the water pollution control facilities. The fourth consists of upgrades to the two large water pollution control facilities in the sewerage system which will increase the capacity of the system to handle sewer system flows and improve the level of treatment. Phase I is approximately 50% complete.

Phase II, also budgeted at $800 million, extends the work of Phase I and also includes construction of a large storage tunnel. This tunnel, the South Storage Tunnel, will be 200 feet deep, an estimated 22 feet in diameter and three miles long. It will be able to store up to 60 million gallons of sewage until it can be released and treated at the Hartford water pollution control facility. Phase II is approximately 0% complete.

Phase III is estimated at $500 million, and involves the construction of a second large storage tunnel, the North Storage Tunnel Extension, and other miscellaneous projects to finalize the projects associated with Phases I and II.

The Clean Water Project is an expansion in capacity and improvement of the MDC's treatment systems, but does not represent an expansion of the system into new areas. The Clean Water Project is expected to be undertaken in such a manner that the overall system will remain in continuous operation. Certain elements of the Clean Water Project, particularly the two storage tunnels, represent large undertakings that will need to be fully completed in order to realize their intended benefits. MDC feels confident that all phases of the Clean Water Project will be completed successfully through the ongoing active management of scope, schedule and risk by its project teams.

**Note: The Clean Water Project, as defined, 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.

The total cost of the Clean Water Project is estimated at approximately $2.1 billion. Appropriations for the costs of the Clean Water Project must be submitted to a referendum. An $800 million appropriation for Phase I was approved by the voters of the Member Municipalities at referendum in November 2006. An appropriation for an additional $800 million for Phase II of the Clean Water Project was approved by the voters of the Member Municipalities at referendum on November 6, 2012. Phase III will require submission of a further referendum for appropriation to voters, currently expected to be in 2017. The MDC has made no determination as to when the additional referendum will be sent to voters. The MDC expects Phase I and Phase II will be completed within authorized appropriations, and to be placed in service without regard to the outcome of any additional referendum.

Project financing is expected to be repaid with a Special Sewer Service Surcharge to customers' water bills. The Special Sewer Service Surcharge is expected to increase annually from its current rate of $2.40 per hundred cubic feet of usage in Fiscal Year 2013 to an estimated $5.45 per hundred cubic feet of usage by Fiscal Year 2021.

PLAN OF FINANCE

The District's goal is to fund the Clean Water Project with approximately 50 – 55% of revenue bonds or general obligation debt supported by the Special Sewer Service Surcharge, with an additional approximately 30% of State and Federal lost-cost, State Revolving Fund loans from the State of Connecticut Clean Water Revolving Fund Program ("Clean Water Fund") also supported by the Special Sewer Service Surcharge. Finally, it is expected that 15-20% of the entire project will be funded with State and Federal grants which require no repayment from MDC.

The revenue bonds, which include the 2013 Series A Bonds, are expected to be issued under the Special Obligation Indenture. Other Clean Water Project debt service will include Clean Water Fund borrowings and general obligation borrowings that will be only for the Clean Water Project and are expected to be paid from the Special Sewer Service Surcharge and can also be supported by the MDC's general resources as needed.

To date approximately $111 million in State and Federal grants have been committed, and $183 million in State and Federal loans through the State's Clean Water Fund program, which bear interest at 2% per year. To date the MDC has issued $71.2 million in general obligation bonds to finance the Clean Water Project, and expects further bonds issued to finance the Clean Water Project to be Bonds issued pursuant to the Special Obligation Indenture.

The Special Sewer Service Surcharge by ordinance may be used only to pay principal and interest on indebtedness issued for the purpose of financing the Clean Water Project. As such, it is available only to pay Bonds, subordinate revenue bonds, and general obligation bonds and Clean Water Fund borrowings for purposes of the Clean Water Project. It is not available to pay operating expenses.

Further, the MDC's general obligation borrowings, whether for the Clean Water Project or its other capital purposes, are subject to an overall debt limit set out in the MDC Charter. The MDC could not borrow sufficient funds for purposes of the Clean Water Project without exceeding this debt limit. By statute, however, sewer indebtedness payable solely from sewer charges is not counted against the debt limit, and accordingly, the 2013 Series A Bonds may be issued by the MDC without limiting its ability to borrow for its other capital purposes.

Last, the Special Sewer Service Surcharge is established annually as part of the MDC's budget process. It therefore cannot be pre-established for future periods, and while it is expected to be comparatively stable in terms of collectability it is nevertheless subject to collection risk. The MDC believes it is good business practice to escalate the Special Sewer Service Surcharge smoothly in the future as it borrows for the purpose of the Clean Water Project. Accordingly, it has created a fund within the Indenture, the Rate Stabilization Fund, to allow the MDC to hold Pledged Revenues not theretofore used for debt service on borrowings for the Clean Water Project for the purposes of paying debt service on Clean Water Project indebtedness, including the 2013 Series A Bonds, in future periods and to guard against shortfalls in collections.

The overall plan of finance thus contemplates the issuance of revenue bonds under the Special Obligation Indenture, subject to an additional bonds test, which would be outside the MDC's debt limit contained in the MDC

Charter. Such bonds are secured by a gross pledge of revenues from the Special Sewer Service Surcharge. Such revenues not required for payment of principal and interest on the Bonds could be released from the pledge of the Indenture to pay subordinate revenue bonds issued for the Clean Water Project, for Clean Water Fund borrowings for purposes of the Clean Water Project, for general obligation borrowing for purposes of the Clean Water Project or retained within the Rate Stabilization Fund to pay future principal and interest.

The MDC believes this plan of finance will allow it to fulfill the aims of the Clean Water Project, comply with its debt limit under the MDC Charter, fund its other capital requirements, and maintain good business practices with respect to its customers.

The following table shows the estimated future debt service requirements on the 2013 Series A Bonds.

Estimated Annual 2013 Series A Bonds Debt Service

Fiscal Year Ended December 31	Principal	Interest	Total
2013		$1,113,854.17	$1,113,854.17
2014	$1,000,000	$3,921,250.00	$4,921,250.00
2015	$1,000,000	$3,891,250.00	$4,891,250.00
2016	$1,000,000	$3,846,250.00	$4,846,250.00
2017	$1,000,000	$3,796,250.00	$4,796,250.00
2018	$1,000,000	$3,760,000.00	$4,760,000.00
2019	$1,000,000	$3,728,750.00	$4,728,750.00
2020	$1,000,000	$3,683,750.00	$4,683,750.00
2021	$1,000,000	$3,633,750.00	$4,633,750.00
2022	$1,000,000	$3,583,750.00	$4,583,750.00
2023	$1,000,000	$3,533,750.00	$4,533,750.00
2024	$1,000,000	$3,483,750.00	$4,483,750.00
2025	$1,000,000	$3,433,750.00	$4,433,750.00
2026	$1,000,000	$3,392,500.00	$4,392,500.00
2027	$1,000,000	$3,360,000.00	$4,360,000.00
2028	$1,000,000	$3,326,875.00	$4,326,875.00
2029	$1,185,000	$3,280,375.00	$4,465,375.00
2030	$1,330,000	$3,217,500.00	$4,547,500.00
2031	$3,510,000	$3,096,500.00	$6,606,500.00
2032	$5,550,000	$2,870,000.00	$8,420,000.00
2033	$7,425,000	$2,545,625.00	$9,970,625.00
2034	$9,000,000	$2,135,000.00	$11,135,000.00
2035	$9,000,000	$1,685,000.00	$10,685,000.00
2036	$9,000,000	$1,235,000.00	$10,235,000.00
2037	$7,995,000	$841,775.00	$8,836,775.00
2038	$7,995,000	$505,325.00	$8,500,325.00
2039	$8,010,000	$168,550.00	$8,178,550.00
	$85,000,000	$77,070,129.17	$162,070,129.17

The following table shows the breakdown of expected expenditures of the MDC in the next five years for the Clean Water Project.

Projected Clean Water Project Expenditures: 2014-2018
(millions)

	2014	**2015**	**2016**	**2017**	**2018**
Combined Sewer Overflow Sewer Separation	$73.0	$29.4	$30.7	$32.0	$44.5
Sanitary Sewer Overflow Improvements	8.5	25.1	37.6	22.3	1.0
Biological Nitrogen Removal	4.1	-	-	-	-
Program Management & Administration and Program Contingency	17.2	13.1	13.1	13.1	13.1
Tunnels and Conduits	58.3	65.0	57.0	48.2	56.4
Hartford Water Pollution Control Facility	87.3	161.8	97.8	0.2	-
Total	$248.5	$294.40	$236.2	$115.8	$115.0

Historical and Projected Project Funding

The following tables shows historical and projected funding sources for the Clean Water Project.

Actual Clean Water Project Funding
(millions)

	2009	2010	2011	2012	Total
Revenue Bonds	-	-	-	-	-
CWF Loans (1)	$22.161	$91.295	$38.305	$24.859	$176.665
GO Bonds	-	46.200	-	-	46.200
Total Debt	$22.161	$137.495	$38.305	$24.859	$222.865

1. Clean Water Fund loans become permanently financed and begin principal payments 6 months after the scheduled completion date of the project financed.

Projected Clean Water Project Funding (1)
(millions)

	2013(3)	2014	2015	2016	2017	Total
Revenue Bonds	$85.000	$140.000	$140.000	-	$50.000	$415.000
CWF Loans (2)	35.005	39.800	129.000	$50.250	50.250	304.305
GO Bonds	25.030	-	-	-	-	25.030
Total Debt	$145.035	$179.800	$269.000	$50.250	$100.250	$744.335

1. Projections based on expected construction spending for the Clean Water Project.
2. Clean Water Fund loans become permanently financed and begin principal payments 6 months after the scheduled completion date of the project financed.
3. Certain of the 2013 financings have already been put into place.

The MDC believes that expected customer billings, including the Special Sewer Service Surcharge, will continue to be affordable, as set out in the following table.

Projected MDC Rate Burden

	2013	**2014**	**2015**	**2016**
Base Water Rate per CCF	$2.40	$2.56	$2.63	$2.69
Special Sewer Service Surcharge Rates per CCF	$2.50	$2.90	$3.40	$3.90
Representative Annual Water Bill based on 105 CCF Usage*	$515	$573	$633	$692

* Excludes other revenue sources, such as the component of the MDC's charges contained in property taxes.

The MDC has a widely diversified base of rate payers. The table below shows the top payers of the Special Sewer Service Surcharge and the percentage of collections represented by each.

Top Special Sewer Service Surcharge Rate Payers 2012[1]

	Hundreds of Cubic Feet Usage	Special Sewer Service Surcharge Revenue (Millions)	% of Total Surcharge Revenues	Cumulative Total %
United Technologies	386,212	$0.73	2.34%	2.34%
Hartford Hospital	185,116	$0.35	1.12%	3.46%
UCONN Health Center	149,100	$0.28	0.90%	4.36%
Coca Cola Bottling Company	139,460	$0.26	0.84%	5.21%
Cellu Tissue Corp.	112,600	$0.21	0.68%	5.89%
City of Hartford	111,407	$0.21	0.67%	6.57%
St. Francis Hospital	100,139	$0.19	0.61%	7.17%
Hartford Housing Authority	91,436	$0.17	0.55%	7.73%

[1]Includes governmental and not-for-profit entities

HISTORICAL COLLECTIONS

As described previously, the Special Sewer Service Surcharge has been assessed and collected since January 1, 2008. As of December 31, 2012 and in total, the MDC has collected $77.3 million since 2008. The average collection rate of customers paying on time and in full since the inception of the Special Sewer Service Surcharge is 93.7%. The following table shows historical collections and amounts used to fund Clean Water Project debt service. Remaining collections will be transferred to the Rate Stabilization Fund.

	2009	2010	2011	2012
Special Sewer Service Surcharge	$9,661,762	$15,761,599	$16,579,932	$30,975,490
Total Pledged Revenues	$9,661,762	$15,761,599	$16,579,932	$30,975,490
General Obligation Bond Debt Service	--	--	$2,767,075	$2,771,125
Clean Water Fund Loan Debt Service (1)	--	--	--	4,257,020
Total Other Uses	--	--	$2,767,075	$7,028,145

1. Clean Water Fund loan debt service eligible to be paid from the Special Sewer Service Surcharge was $2,886,263, $2,236,074 and $2,360,313 for years 2009, 2010 and 2011, respectively.

PROJECTED SPECIAL SEWER SERVICE SURCHARGE RATES, REVENUES AND DEBT SERVICE COVERAGE

	2013	2014	2015	2016
Special Sewer Service Surcharge Rate (1) (per ccf)	2.40	2.90	3.40	3.90
Special Sewer Service Surcharge (2)	$40,903,200	$49,424,700	$57,946,200	$66,467,700
Total Pledged Revenues	$40,903,200	$49,424,700	$57,946,200	$66,467,700
Outstanding Senior Bond Debt Service	--	--	--	--
Projected Senior Bond Debt Service (3)	$1,113,854	$4,921,250	$12,779,772	$21,460,564
Total Senior Bond Debt Service	$1,113,854	$4,921,250	$12,779,772	$21,460,564
Debt Service Coverage	36.7	10.0	4.5	3.1
Subordinate Revenue Bonds (5)	--	--	--	--
Available for transfer to Rate Stabilization Fund	$39,789,346	$44,503,450	$45,166,428	$45,007,136
Expected Rate Stabilization Fund Balances at Fiscal Year End (1,2,3)	$107,355,798	$141,331,458	$173,754,774	$201,843,893
Potential Coverage with Use of Rate Stabilization Fund (4)	37.1	10.4	4.9	3.4
Subordinated General Obligation Bond Debt Service (6)	$3,220,756	$4,899,538	$4,850,988	$4,795,263
Clean Water Fund Loan Debt Service	7,287,034	7,843,574	12,067,030	14,453,295
Total Other Uses	$10,507,790	$12,743,112	$16,918,018	$19,248,558

(1) Rates for 2014 and later are projected and will be determined through the MDC's annual budgeting process.

(2) Assumes future surcharges that are approved during the annual budget process, and may be higher or lower than projected.

(3) Based on projected revenue bond issuances of $85 million in 2013, $140 million in 2014 and $140 million in 2015, actual interest rates for the 2013 Series A Bonds, and assumed interest rates of 5% to 5.25%.

(4) Includes balances anticipated to be in the Rate Stabilization Fund and available to be transferred to Pledged Revenues by the MDC, to the extent not transferred in earlier years or used to pay debt service on other indebtedness incurred for purposes of the Clean Water Project, and subject to an overall maximum of 35% of debt service on the 2013 Series A Bonds.

(5) The Special Obligation Indenture allows for the issuance revenue bonds that would be structurally subordinated by the flow of funds established in the Special Obligation Indenture.

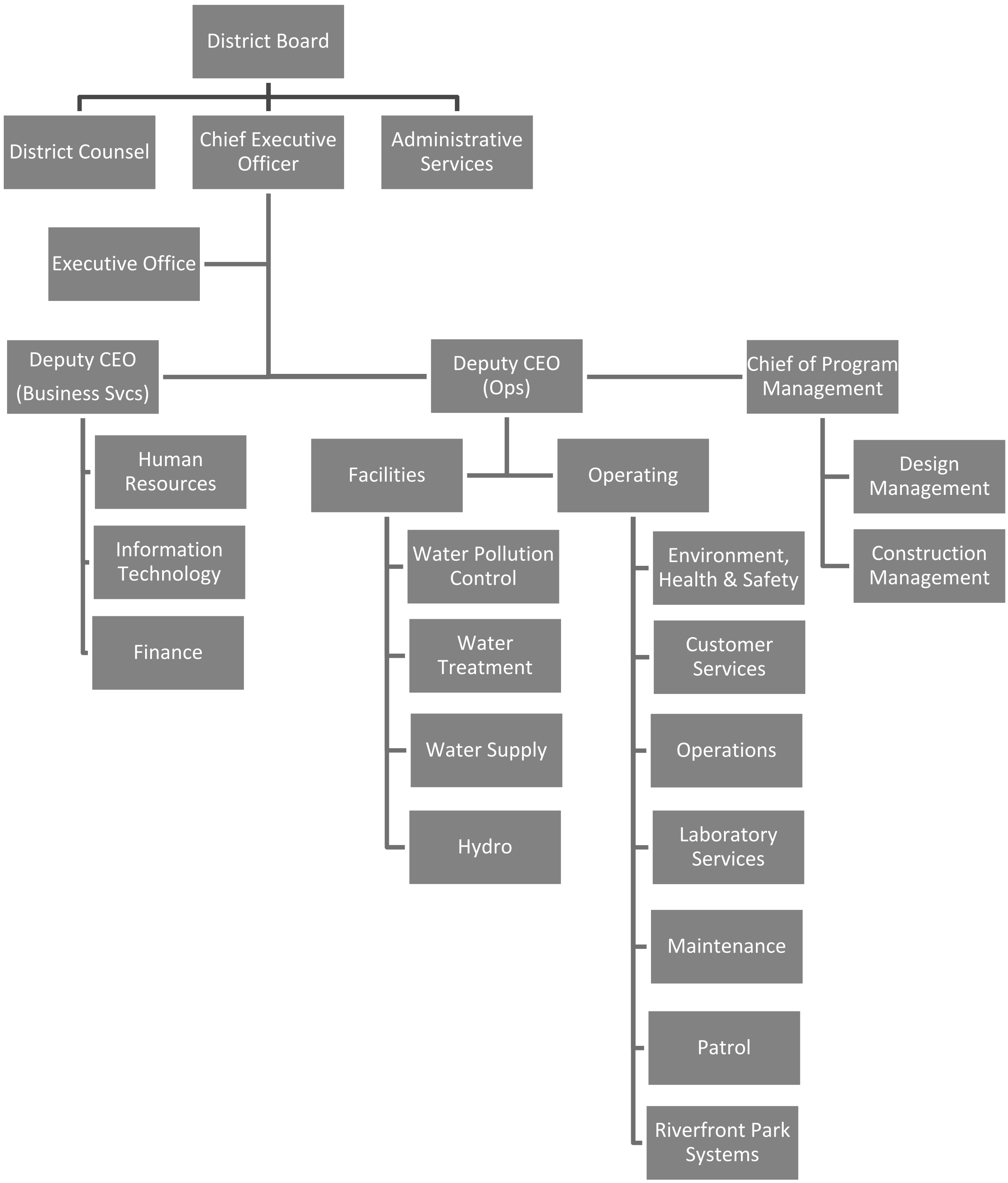
(6) Subordinate general obligation bonds are general obligation bonds of the MDC incurred for purposes of the Clean Water Project. General obligations bonds and clean water fund loans for purposes of the Clean Water Project are not contractually subordinated but are structurally subordinated by the flow of funds established in the Special Obligation Indenture.

THE METROPOLITAN DISTRICT

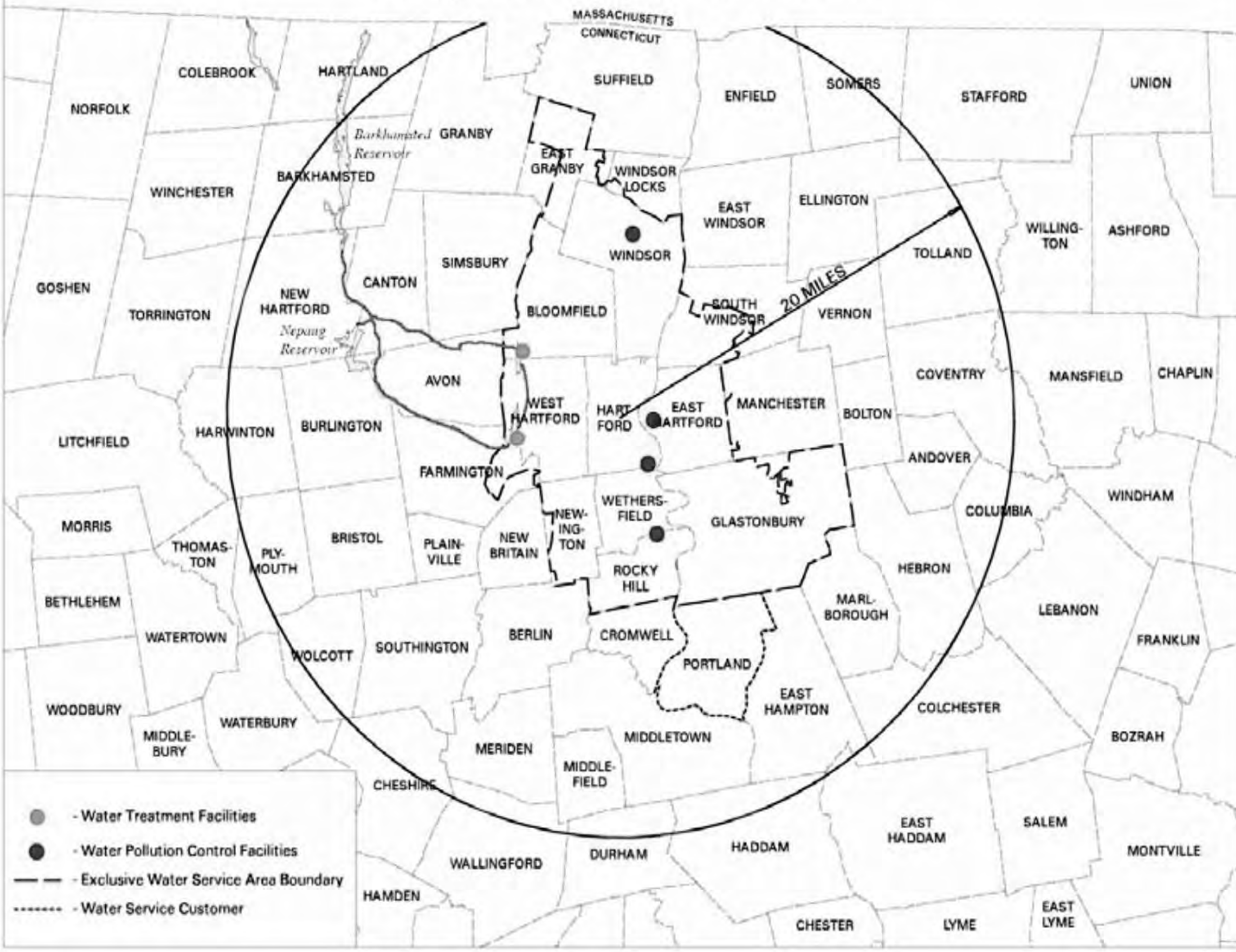
Description of The District

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

Organizational Chart



The Metropolitan District Sources, Facilities and Service Limits



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 and those commissioners appointed by the member municipalities and legislative leadership serve until their successor is appointed and qualified and commissioners appointed by the Governor serve for the defined term.

DISTRIBUTION OF DISTRICT BOARD MEMBERSHIP

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

Powers and Responsibilities of the District Board

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

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

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

Administration

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

Program Management has direct responsibility for the design and construction of all the District's projects, including the Clean Water Project.

DISTRICT CHAIRS AND DISTRICT OFFICIALS

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

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

Source: District Officials.

Biographical Information

Charles P. Sheehan (64) – Chief Executive Officer: In March 2005, the MDC appointed Charles P. Sheehan as the District's eighth Chief Executive Officer. Prior to joining the MDC, Mr. Sheehan served as Executive Director of the Capital City Economic Development Authority ("CCEDA") from December 2003 to April 2005. He was responsible for the largest redevelopment project ($1 billion) in Connecticut history, including the development of the UConn Stadium at Rentschler Field, Capital Community College-Downtown Campus (G. Fox Building), Connecticut Convention Center, Redevelopment of the Hartford Civic Center and Marriott Hartford Downtown hotel (collectively, the "CCEDA Projects"). He previously held posts as Deputy Commissioner of the Connecticut Department of Public Works; Design Engineer with the Connecticut Department of Transportation; Town Engineer and Deputy Director of Public Works for the Town of East Hartford; and Principal Engineer with several area and national consulting engineering firms. Mr. Sheehan has also served as a Commissioned Officer in a wide array of senior management positions with both the U.S. Air Force and U.S. Army, attaining the rank of Brigadier General. Mr. Sheehan graduated with high honors from Central Connecticut State University (B.S.) in 1976.

R. Bartley Halloran (62) – District Counsel: In January 2007, the MDC appointed R. Bartley Halloran as District Counsel. Since 2010, Mr. Halloran has also been an owner and attorney at Halloran & Halloran, a Hartford law firm specializing in civil and criminal trial advocacy. Prior to 2010, Mr. Halloran was an owner and attorney at the Law Office of R. Bartley Halloran, a Hartford law firm specializing in similar areas. Mr. Halloran served as Chairman of the Capital City Economic Development Authority from 1999-2004. Mr. Halloran received his Juris Doctor, with honors, from the University of Connecticut School of Law in 1975 and his Bachelor's degree, cum laude, from Georgetown University in 1972.

Scott W. Jellison (47) – Deputy CEO of Engineering & Operations: In September 2006, the MDC appointed Scott W. Jellison as the District's Chief Operating Officer. Prior to joining the MDC, Mr. Jellison served as Director of Project Management for the Department of Public Works, State of Connecticut. In addition, Mr. Jellison served as the Project Director for the CCEDA Projects. Mr. Jellison graduated from the University of Hartford with a Bachelor of Science degree in Mechanical Engineering in 1987.

John M. Zinzarella, CPA (47) – Deputy CEO of Business Services, **Treasurer and Chief Financial Officer**: In April 2007, the MDC appointed John M. Zinzarella as the District's Chief Financial Officer. Prior to joining the MDC, Mr. Zinzarella held the position of Chief Financial Officer for several private and public corporations. Mr. Zinzarella brought to the MDC more than twenty years of diverse financial management experience in the areas of public accounting, manufacturing and corporate finance. Building upon a "Big Eight" audit background, John has held positions of responsibility throughout the pharmaceutical, medical/surgical distribution and security industries in both the public and private sectors. John is a certified public accountant and earned a Master in Business Administration from Villanova University and a Bachelor of Science degree in Accounting from Virginia Polytechnic Institute and State University.

Timothy J. Dupuis (42) – Chief of Program Management: In January 2013, the MDC appointed Timothy Dupuis, P.E. as the District's Chief of Program Management. Prior to joining the MDC, Mr. Dupuis was with CDM Smith, a full service engineering and construction firm, for 21 years. In his last position before joining the MDC, he served as a Senior Vice President for CDM, where he was responsible for managing client relationships, generating new business and overseeing the technical aspects of CDM's municipal engineering business in New England, including working on projects for the MDC for over 20 years. He was one of the original architects of the Clean Water Project and has been serving as the program manager for the Clean Water Project since 2009. Mr. Dupuis graduated from Tufts University with a Bachelor of Science degree in Civil Engineering in 1992 and then went on to receive his Master of Science degree from the University of New Haven in 1996. He is a registered professional engineer in the States of Connecticut and Massachusetts.

District Employees

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

Fiscal Year	2013	2012	2011	2010	2009
Total Employees.........	509[1]	563[2]	655	665	643

1. As of April 30, 2013.
2. Unaudited as of December 31, 2012.

District Employees Bargaining Units

Bargaining Groups	Positions Covered	Contract Expiration Date
Clerks, Technicians and Non-Supervisory Engineers – Local 3713..........	118	December 31, 2014
Supervisors – Local 1026	52	December 31, 2014
Operational – Local 184	256	December 31, 2014
Total Union Employees..	**426**	

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.

Bureau of Public Works. 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.

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

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

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

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

SEWER AND WATER OPERATIONS

Water Pollution Control

FACILITIES FOR SEWER SERVICE
As of December 31

Facilities for Sewer Service	2012	2011	2010	2009	2008
Total General Fixed Assets[1]	$890,623,899	$748,542,631	$630,175,664	$517,323,447	$485,702,577
Miles of Sewers:					
Sanitary	1,075	1,076	1,076	1,075	1,073
Combined	160	160	160	160	160
Storm	72	72	72	72	71
Estimated Sewer Connections	114,866[2]	114,352	114,299	113,711	113,077
Estimated Sewered					
Population Units:					
Estimated Populations	364,975	366,045	370,329	368,200	367,500
Estimated Family Units Sewered	148,710	149,146	150,891	150,024	149,390
Present Sewage Plant Capacity:					
Design Population	513,900	513,900	513,900	513,900	513,900
Design Flow (million gallons daily)	103	105	105	105	105
Average Daily Flow (million gallons)	70	60	64	73	73

[1] *Includes all physical facilities and capital projects except infrastructure, which is excluded under GAAP.*
[2] *Estimated Unaudited.*
Source: District Officials.

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

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

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

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

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

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

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

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

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

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

Section 12 of the District's Sewer General Ordinances was amended on October 1, 2007 by the District Board to allow the implementation of the Special Sewer Service Surcharge to fund the debt issued for the Clean Water Project. The 2013 Series A Bonds shall be paid by the District from this surcharge.

Recent Events: In October, 2011 the MDC's customer billing computer system experienced a malfunction which prevented the MDC from generating routine bills to its water service area customers for a period of approximately 90 days. The MDC, in response to this malfunction, restored and verified customer billing information, installed upgrades and revised its procedures to prevent a reoccurrence. Normal billing was restored in early January, 2012, including deferred bills, and MDC collection rates have returned to historical levels.

Water Operations

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

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

FACILITIES FOR WATER SERVICE
As of December 31

	2012	2011	2010	2009	2008
Total Utility Plan	$381,880,429	$361,492,308	$348,225,483	$310,114,400	$287,468,564
Net Addition to Plant	20,388,121	13,266,825	38,111,083	22,645,836	16,589,542
Miles of Water Mains	1,541	1,540	1,542	1,539	1,536
Gross Miles Added During Year	1	(2)	3	3	2
Number of Hydrants	11,178	11,146	11,223	11,291	11,311
Number of Services	102,449	102,324	102,034	101,678	101,124
Number of Meters	103,125	102,895	102,807	100,378	100,022
Estimated Population Served	405,449	405,610	411,228	401,512	400,088

Source: District Officials.

NUMBER OF WATER CUSTOMERS
As of December 31

	2012	2011	2010	2009	2008
Domestic	90,964	90,974	93,063	94,174	93,068
Commercial	4,377	4,410	5,896	5,799	5,797
Industrial	411	421	589	595	612
Public & Other	1,235	1,249	1,726	1,731	1,757
Total	**96,987**	**97,054**	**101,274**	**102,299**	**101,234**

Source: District Officials.

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

	2012	2011	2010	2009	2008
Domestic	27.82	27.63	29.57	28.27	30.19
Commercial	9.40	9.31	9.33	8.67	9.14
Industrial	1.38	1.43	1.48	1.51	1.69
Municipal & Other	2.65	3.58	3.80	3.65	3.62
Total Million Gallons Per Day[1]	**41.25**	**41.95**	**44.18**	**42.10**	**44.64**
Maximum Day	74.68	87.06	88.65	70.87	75.22
Minimum Day	35.19	34.64	40.10	41.97	44.23

[1] *Represents net consumption billed.*
Source: District Officials.

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

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

Source: District Officials.

Projected Water Utility Unit Charges
(As of January 1)
(Per Hundred Cubic Feet)

2014	2015	2016
$2.90	$3.40	$3.90

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

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

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

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

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

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

CONSIDERATIONS FOR BONDHOLDERS

In making an investment decision with respect to the 2013 Series A Bonds, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of long-term, fixed-rate municipal debt obligations, consider the following factors.

The Bonds are special obligations of the District, and are not backed by the full faith and credit of the District or its taxing power. If the Pledged Revenues and the Trust Estate are insufficient to pay principal and interest on the Bonds, Bondholders will not have recourse to the other assets of the District or its taxing power.

Current Federal budget proposals would limit the value of the tax exempt nature of interest on the Bonds. The President's budget proposal contemplates limiting the value of tax exempt interest, among other things, to a 28% rate, so taxpayers with a higher marginal rate will not have the equivalent benefit of full tax exemption. Any federal budget that is passed may contain similar or different limitations on the tax exempt nature of the Bonds.

The Bonds are backed by revenues from the District's Special Sewer Service Surcharge, which will be an increasing part of customer water bills. Customers may resist expected increases in the surcharge. The District's plan of finance projects increases in the Special Sewer Service Surcharge to reflect increases in debt service as the Clean Water Project proceeds and additional Bonds are issued. The plan of finance also contemplates increases in the special sewer service surcharge in advance of such increases, in order to build resources that can be used to limit increases in the surcharge in the peak years of debt service. Because the Special Sewer Service Surcharge is established annually, there may be pressure on the District to delay or limit these increases, which will hinder completion of the Clean Water Project and may result in decreased debt service coverage ratios.

The District's Clean Water Project is currently projected to cost approximately $2.1 billion, but electors have only approved $1.6 billion in expenditures. Current estimates of the cost of the Clean Water Project may increase or decrease as it is carried out, and the design specifications may change as it is carried out. However, currently completion of the Clean Water Project would require the District to seek additional expenditure authority through one or more additional referenda. While the first two referenda for the costs of the Clean Water Project were approved by electors by considerable margins, there is no assurance that this support will continue. A failure to authorize necessary expenditures for completion of the Clean Water Project could endanger the ability of the District to complete the Clean Water Project. Because the Clean Water Project consists of improvements to the District's existing system, the District does not believe that there is a significant risk that Pledged Revenues would be impaired if the Clean Water Project is not completed as currently envisioned, although certain portions of the Clean Water Project, such as the two large storage tunnels, need to be completed to achieve their intended purpose. A failure to complete the Project could endanger the ability of the District to comply with the terms of the Governmental Orders with the U.S. EPA and the Connecticut DEEP.

If the District fails to comply with the terms of the Governmental Orders, it could be subject to penalties or restrictions on its operations that would impair its financial performance. If the MDC were unable to comply with the terms of the Governmental Orders, regulators could take action to force the MDC to comply. This could include monetary penalties, injunctive proceedings, and amendments to the Governmental Orders. These amendments could impose a requirement to proceed more swiftly in the MDC's efforts, and this may increase the cost of compliance. In addition, regulators could impose additional and more burdensome conditions in the MDC's permits, or seek to prevent new connections until compliance was achieved. These steps could increase the MDC's rates, adversely affect economic development, and otherwise materially adversely affect the MDC and its customers.

A significant portion of the District's Clean Water Project is expected to be funded through federal and state loans and grants. The District currently expects grants and low interest loans from the State Clean Water Fund will fund 45-50% of the costs of the Clean Water Project. If the Clean Water Fund has insufficient resources to fund the Clean Water Project at this level, the District may be required to issue more Bonds than it expects, or seek other financing, such as general obligation bonds, which will put the Special Sewer Service Surcharge revenues and the District's finances under greater pressure. The Clean Water Fund receives significant funding from the Federal government, and a failure of the Federal government to continue necessary support could lead to these consequences.

Current coverage ratios are not expected to continue. Because this offering is the first offering of Bonds under the Special Obligation Indenture, projected coverage ratios contained in this Official Statement are a reflection of the commencement of this financing program, rather than a reflection of future coverage ratios. As additional Bonds are issued and the Clean Water Project continues, the debt service coverage ratios can be expected to fall.

The Rate Stabilization Fund is intended to operate such that current revenues from the Special Sewer Service Surcharge will be less than projected debt service or debt service coverage requirements in certain years of the financing plan. Up to 35% of debt service on Bonds in any year can be withdrawn by the District from the Rate Stabilization Fund and deposited in the Revenue Fund to count towards Revenues Available for Debt Service for purposes of the debt service coverage ratio. This could allow the District to have Pledged Revenues from the

Special Sewer Service Surcharge that are less than 1.2 times debt service in any year. In fact, the financing plan intends for this to occur so that the Special Sewer Service Surcharge can be levelized to a degree.

The District could seek protection from its creditors under the Federal Bankruptcy Act. Under current law, the District is prohibited from filing for bankruptcy without the consent of the Governor of the State of Connecticut. The operations of the District as a whole, or the ability of the Special Sewer Service Surcharge to service principal and interest on the Bonds, could force it to seek such protection, as have other municipal bodies in other states.

The Special Sewer Service Surcharge is collected from a large number of customers and is dependent on efficient billing and collection practices. Unlike taxes that are levied by the District, which are levied on its Member Municipalities themselves (and not the residents of those municipalities), the Special Sewer Service Surcharge is a charge on water bills, which requires such bills to be issued and collected, and if necessary collected through foreclosure of service charge liens and other collection actions. Public health and public policy considerations could prevent the MDC from pursuing its rights in every instance, such as turning off water service or foreclosing its liens on certain customers, such as hospitals.

The Special Sewer Service Surcharge is based on water usage, and declines in water usage could adversely affect revenues from the surcharge. The Special Sewer Service Surcharge is not limited in rate, and declines in water usage could be offset by larger than anticipated increases, just as increases in water usage could be offset by smaller than anticipated increases. Declines in water usage through decreased consumer demand, decreased population, decreased economic activity, alternative sourcing and other factors could result in increases in the surcharge that further decrease water usage and may be unsustainable.

LITIGATION

There is no litigation of any nature pending or threatened against the MDC restraining or enjoining the issue, sale, execution or delivery of the 2013 Series A Bonds, or in any way contesting or affecting the validity of the 2013 Series A Bonds or any proceedings of the MDC taken with respect to the issuance or sale thereof, the application of the proceeds of the 2013 Series A Bonds or the existence or powers of the MDC.

CONTINUING DISCLOSURE AGREEMENT

The Authorizing Acts give the MDC the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (the "Rule"). The MDC as issuer of the 2013 Series A Bonds under the Rule will enter into an agreement with the Trustee with respect to the 2013 Series A Bonds (the "Continuing Disclosure Agreement", substantially in the form attached as Appendix E hereto), which agreement shall constitute the MDC's written undertaking for the benefit of the beneficial owners of the 2013 Series A Bonds and which shall apply to all Bonds of the MDC under the Special Obligation Indenture. Under the Continuing Disclosure Agreement, the MDC agrees to provide or cause to be provided, in accordance with the requirements of the Rule, (1) certain annual financial information and operating data, and (2) timely notice of a failure to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The MDC also undertakes to give timely notice of the occurrence of certain material events with respect to the 2013 Series A Bonds.

The intent of such undertaking is to provide on a continuing basis the information described in the Rule. Accordingly, there is reserved the right to modify the disclosure thereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of such information to be provided under such undertaking, the obligation pursuant to the Rule to provide such information also shall cease immediately.

The purpose of such undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights other than the remedy of specific performance in the event of any actual failure by the MDC to comply with its written undertaking. Furthermore, the Continuing Disclosure Agreement shall provide that any failure by the MDC to comply with any provisions of such undertaking shall not constitute an Event of Default with respect to the 2013 Series A Bonds under the Special Obligation Indenture.

In the last five years, to the best of its knowledge, the MDC has not failed to comply with its obligations under its continuing disclosure agreements, except as follows. The MDC recently determined that certain of its annual financial information filings, which were timely filed, were not properly associated with all of the CUSIP numbers of its outstanding securities, including certain issues that were defeased (and subsequently retired). The MDC has amended the affected filings to properly associate them with the proper CUSIP numbers, and put in place compliance procedures to assure future filings are properly associated.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance and sale of the 2013 Series A Bonds are subject to the approval of Hinckley, Allen & Snyder, LLP, Hartford, Connecticut, and Finn Dixon & Herling LLP, Stamford, Connecticut, Co-Bond Counsel to the MDC. Co-Bond Counsel proposes to deliver their approving opinion with respect to the 2013 Series A Bonds substantially in the form set forth in Appendix A hereto. Certain legal matters will be passed upon for the Underwriters by their counsel Edwards Wildman Palmer LLP, Hartford, Connecticut.

TAX EXEMPTION

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to delivery of the 2013 Series A Bonds in order that interest on the 2013 Series A Bonds be, and continue to be, excludable from gross income of the owners thereof for Federal income tax purposes under Section 103 of the Code. The Tax Regulatory Certificate of the MDC which will be delivered concurrently with the delivery of the 2013 Series A Bonds will contain representations, covenants and procedures relating to compliance with such requirements of the Code. Pursuant to the Tax Regulatory Certificate, the MDC agrees and covenants that it shall at all times perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that interest on the 2013 Series A Bonds shall be excludable from the gross income of the owners thereof for Federal income tax purposes under the Code. Failure to comply with certain of such requirements may cause interest on the 2013 Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2013 Series A Bonds.

In the opinion of Co-Bond Counsel, under existing statutes and court decisions and assuming and conditioned on continuing compliance by the MDC with its representations and covenants contained in the Tax Regulatory Certificate, interest on the 2013 Series A Bonds is excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code and, under existing statutes, such interest will not be treated as a tax preference item in calculating the Federal alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2013 Series A Bonds is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. For other Federal tax information, see "Original Issue Premium" and "Certain Additional Federal Tax Consequences" herein. Co-Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Series A Bonds.

State Taxes

In the opinion of Co-Bond Counsel, under existing statutes, interest on the 2013 Series A Bonds is excluded from State taxable income for purposes of the State income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Interest on the 2013 Series A Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of OIP Bonds (as defined herein) should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of OIP Bonds.

Owners of the 2013 Series A Bonds should consult their tax advisors with respect to the applicable state and local tax consequences of ownership of the 2013 Series A Bonds and the disposition of the 2013 Series A Bonds.

Original Issue Premium

The initial public offering prices of the 2013 Series A Bonds of certain maturities (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a 2013 Series A Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

Certain Additional Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 2013 Series A Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a 2013 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2013 Series A Bonds. Co-Bond Counsel has not opined on any tax consequence not specifically stated herein.

In addition to the matters addressed above, prospective purchasers of the 2013 Series A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, financial institutions, certain insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2013 Series A Bonds should consult their tax advisors as to the applicability and impacts of such consequences.

Legislation affecting municipal bonds generally is regularly under consideration by the United States Congress. For example, the President of the United States has submitted proposals to Congress that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. Such proposals, or other proposals, could affect the tax exemption of interest on, or the market price or marketability of tax-exempt bonds, such as the 2013 Series A Bonds. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2013 Series A Bonds will not have an adverse effect on the tax-exempt status or market price of the 2013 Series A Bonds.

RATINGS

The 2013 Series A Bonds have been rated “Aa2” by Moody’s Investors Service (“Moody’s”) and “AA” by Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”). The ratings assigned by Moody’s and Standard & Poor’s express only the view of such rating agencies. The explanation and significance of the ratings can be obtained from Moody’s and Standard & Poor’s, respectively. Such ratings are not intended as a recommendation to buy or own the 2013 Series A Bonds. There is no assurance that any ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of any of such ratings on the 2013 Series A Bonds may have an adverse effect on the market price thereof.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions precedent, to purchase all of the 2013 Series A Bonds from the MDC at an aggregate purchase price of $91,642,056.17 (representing the aggregate principal amount of the 2013 Series A Bonds plus a net original issue premium of $6,796,778.45 and less Underwriters’ discount of $154,722.28). The 2013 Series A Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2013 Series A Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2013 Series A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase 2013 Series A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2013 Series A Bonds that such firm sells.

FINANCIAL ADVISORS

The MDC has retained FirstSouthwest and Lamont Financial Services Corporation (the "Financial Advisors") to serve as its financial advisors in connection with the issuance of the 2013 Series A Bonds. The Financial Advisors have not independently verified any of the information contained in this Official Statement and make no guarantee as to its completeness or accuracy. The Financial Advisors' fees for services rendered with respect to the sale of the 2013 Series A Bonds is contingent upon the issuance and delivery of the 2013 Series A Bonds, and receipt by the MDC of payment therefor. The MDC may engage the Financial Advisors to perform other services, including without limitation, providing certain investment services with regard to the investment of proceeds of the 2013 Series A Bonds.

FINANCIAL STATEMENTS OF THE MDC

The audited financial statements of the MDC contained in Appendix B have been included herein in reliance upon the report of Blum, Shapiro & Co., P.C., the MDC's Independent Auditors.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the MDC and its various operations are prepared by officers of the MDC and provided to the Board of Directors at its regular monthly meetings. The MDC will make available copies of its official statements relating to the issuance of its securities under the Special Obligation Indenture from time to time upon request through the Deputy Chief Executive Officer of Business Services/Chief Financial Officer/Treasurer of the MDC.

Additional information concerning the MDC may be obtained upon request of the John M. Zinzarella, Deputy Chief Executive Officer of Business Services/Chief Financial Officer/Treasurer, 555 Main St. First Floor, Hartford, Connecticut 06103, (860) 278-7850 Ext. 3345.

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. This Official Statement is not to be construed as a contract or agreement between the MDC and the purchasers or holders of any of the 2013 Series A Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2013 Series A Bonds by the MDC and may not be reproduced or used in whole or in part for any other purpose.

Dated: June 6, 2013

METROPOLITAN DISTRICT COMMISSION

By: /s/ John M. Zinzarella
John M. Zinzarella
Deputy Chief Executive Officer of Business Services / Chief Financial Officer / Treasurer

[THIS PAGE INTENTIONALLY LEFT BLANK]

Form of Opinion of Co-Bond Counsel

June 19, 2013

The Metropolitan District,
Hartford County, Connecticut
555 Main Street
Hartford, Connecticut 06103

Re: The Metropolitan District, Hartford County, Connecticut
$85,000,000 Clean Water Project Revenue Bonds, 2013 Series A
Dated June 19, 2013

Ladies and Gentlemen:

In connection with our representation of the Metropolitan District, Hartford County, Connecticut (the "MDC") as bond counsel we have examined certified copies of the proceedings of the MDC and other proofs submitted to us relating to the issuance of $85,000,000 aggregate principal amount of The Metropolitan District, Hartford County, Clean Water Project Revenue Bonds, 2013 Series A (the "2013 Series A Bonds").

The 2013 Series A Bonds are authorized pursuant to Special Act 511 of the 1929 Session of the Connecticut General Assembly, as amended (the "Charter") and Chapter 103 of the Connecticut General Statutes, as amended (the "Municipal Act" and, together with the Charter, the "Authorizing Acts"), the Special Obligation Indenture of Trust, dated as of June 1, 2013 (the "Special Obligation Indenture"), and the First Supplemental Indenture, dated as of June 1, 2013 (the "First Supplemental Indenture", and together with the Special Obligation Indenture, the "Indenture"), each by and between the MDC and U.S. Bank National Association, as trustee (the "Trustee"). All terms used but not defined herein shall have the meanings ascribed thereto in the Indenture.

The 2013 Series A Bonds are dated, will mature on the dates, will bear interest at the rates, and are subject to redemption prior to maturity, all as set forth in the Indenture.

The 2013 Series A Bonds are limited recourse special obligations of the MDC and do not constitute a general obligation of the MDC nor are they guaranteed by the MDC.

We note that the MDC is authorized to issue additional Bonds, in addition to the 2013 Series A Bonds ("Additional Bonds"), upon the terms and conditions set forth in the Authorizing Acts and the Special Obligation Indenture, and such Additional Bonds would, if and when issued and except as might be provided by a supplemental indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Special Obligation Indenture with the 2013 Series A Bonds and with all other such Additional Bonds hereafter issued. The Special Obligation Indenture contains provisions which permit it to be amended or supplemented in accordance with its terms, which amendments or supplements may be applicable to the 2013 Series A Bonds.

The rights of owners of the 2013 Series A Bonds and the enforceability of the 2013 Series A Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the 2013 Series A Bonds in order that interest on the 2013 Series A Bonds be and remain excludable from gross income for federal income tax purposes. The opinion set forth below is subject to the condition that the MDC comply with all such requirements. The MDC has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the 2013 Series A Bonds shall be excludable from gross income for federal income tax purposes under the Code. Failure to comply with certain of such requirements may cause interest on the 2013 Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2013 Series A Bonds.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion herein relating thereto.

Subject to the foregoing, we are of the opinion that:

1. The MDC exists as a body politic and corporate, performing an essential public function with good right and lawful authority to carry out its obligations with respect to the Project, and to provide funds therefor by the execution of the Indenture and the issuance and sale of the 2013 Series A Bonds, and to perform its obligations under the Indenture, including collecting and enforcing the collection of Pledged Revenues as covenanted in the Indenture.

2. The Indenture has been duly executed by the MDC and is valid and binding upon the MDC and enforceable in accordance with its terms.

3. The 2013 Series A Bonds are valid and legally binding special obligations of the MDC payable solely from revenues, funds and assets pledged therefor under the Indenture and

are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

4. The Indenture creates a valid pledge of and a valid lien upon the Trust Estate, including the monies and securities held or set aside or to be set aside and held in the Debt Service Fund, established thereunder, which the Indenture purports to create, subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

5. Under existing statutes and court decisions, interest on the 2013 Series A Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code and, under existing statutes, such interest is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

6. Under existing statutes, interest on the 2013 Series A Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates, and such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the alternative minimum tax imposed under the Code with respect to individuals, trusts and estates.

Except as stated in paragraphs 5 and 6, we express no opinion regarding any Federal or state tax consequences with respect to the 2013 Series A Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2013 Series A Bonds or under state and local tax law.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

29 South Main Street
P.O. Box 272000
West Hartford, CT 06127-2000
Tel 860.561.4000
Fax 860.521.9241
blumshapiro.com

2 Enterprise Drive
P.O. Box 2488
Shelton, CT 06484-1488
Tel 203.944.2100
Fax 203.944.2111
blumshapiro.com

BlumShapiro
Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
The Metropolitan District
Hartford, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of The Metropolitan District (the District) as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of The Metropolitan District as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 12, the budgetary comparison information on pages 56 through 58, the schedule of funding progress - Pension Trust Fund on page 59 and the schedule of funding progress - Other Post-Employment Benefits Trust Fund on page 60 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical tables and continuing bond disclosure information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections and continuing bond disclosure information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 on our consideration of the District's internal control over financial reporting and 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 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.

Blum, Shapiro & Company, P.C.

June 29, 2012

The management of the Metropolitan District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- On a government-wide basis, the assets of the District exceeded its liabilities at the close of the current year by $404,823,704 and $272,746,621 for the Governmental Activities and the Business-Type Activities, respectively.

- As of the close of the current year, the District's governmental funds reported combined ending fund balances of $(26,260,727), a decrease of $52,852,728 in comparison with the prior year, which is primarily due to the timing of reimbursements and significant permanent financing.

- On a government-wide basis, the District's total net assets increased by $44,005,788 and $20,118,671 for the Governmental Activities and Business-Type Activities, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the current year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes, sewer user charges and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, engineering and planning, operations, plants and maintenance, and water treatment and supply. The business-type activities of the District include water operations and hydroelectricity facilities as well as the operation of the Mid-Connecticut Project.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 59 individual funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund and the Capital Projects Fund, of which the General Fund, Debt Service Fund, Assessable Sewer Construction Fund, Sanitary Sewer Overflow Construction Fund and 2006 Clean Water Project Referendum (included in the Capital Projects Funds) are considered to be major funds.

Data from the other Capital Projects governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds **-** The District maintains three enterprise type funds. Enterprise funds report the same functions as presented by the business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water, hydroelectricity and Mid-Connecticut Project operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and hydroelectricity operations and the Mid-Connecticut Project, which are considered to be major funds of the District.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary Funds **-** Fiduciary funds are used to account for assets held by the District in a trustee capacity for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 22-23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-56 of this report.

The notes to this report also contain certain supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 62-89 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. In the case of the District, assets exceeded liabilities by $404,823,704 and $272,746,621 for the governmental activities and business-type activities, respectively, at the close of the most recent fiscal year.

By far, the largest portion of the District's assets is its investment in capital assets (e.g., infrastructure, plants, machinery and equipment). It is presented in the statement of net assets less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets, net of accumulated depreciation, is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Metropolitan District Commission
NET ASSETS
December 31, 2011 and 2010

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 103,126,139	$ 75,135,832	$ 178,261,971	$ 73,343,357	$ 59,596,950	$ 132,940,307
Capital assets, net of accumulated depreciation	748,542,631	361,492,306	1,110,034,937	627,038,491	348,225,483	975,263,974
Total assets	851,668,770	436,628,138	1,288,296,908	700,381,848	407,822,433	1,108,204,281
Current liabilities	125,823,508	38,710,074	164,533,582	42,661,275	32,813,042	75,474,317
Long-term liabilities outstanding	321,021,558	125,171,443	446,193,001	296,902,657	122,381,441	419,284,098
Total liabilities	446,845,066	163,881,517	610,726,583	339,563,932	155,194,483	494,758,415
Net Assets:						
Invested in capital assets, net of related debt	357,567,083	251,051,504	608,618,587	341,313,990	237,803,287	579,117,277
Restricted			-	8,806,526	13,152,273	21,958,799
Unrestricted	47,256,621	21,695,117	68,951,738	10,697,400	1,672,390	12,369,790
Total Net Assets	$ 404,823,704	$ 272,746,621	$ 677,570,325	$ 360,817,916	$ 252,627,950	$ 613,445,866

The District's total net assets increased by $64,124,459 during the current year.

Metropolitan District Commission
CHANGES IN NET ASSETS
For the Years Ended December 31, 2011 and 2010

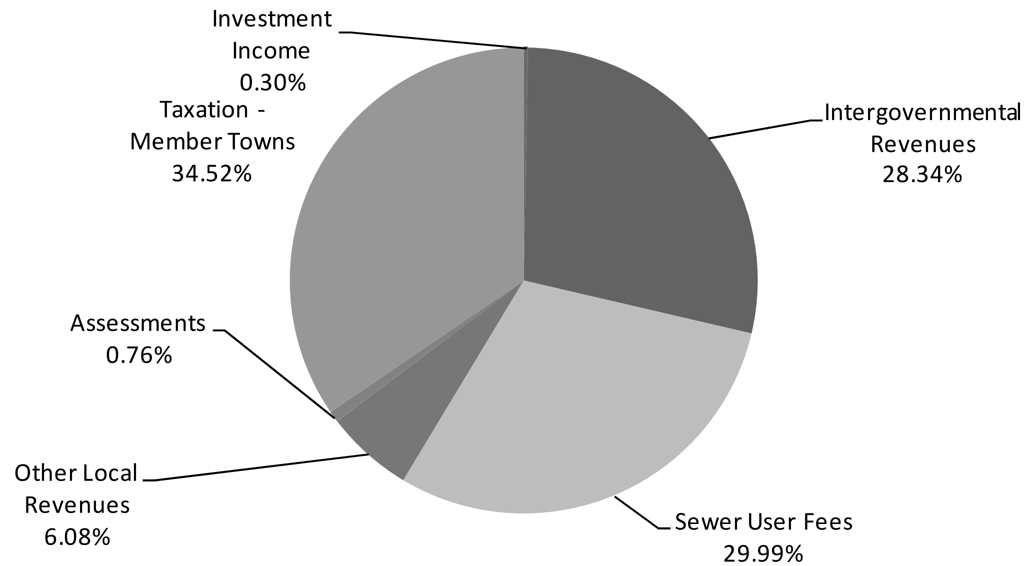
	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	$ 40,448,907	$ 105,116,289	$ 145,565,196	$ 34,784,065	$ 82,834,995	$ 117,619,060
Operating grants and contributions			-			-
Capital grants and contributions	20,498,331	1,557,615	22,055,946	16,547,463	7,126,212	23,673,675
General revenues:						
Sewer taxation - member municipalities	32,360,500		32,360,500	30,967,000		30,967,000
Unrestricted investment earnings	278,854	106,672	385,526	323,425	99,050	422,475
Miscellaneous income		770,949	770,949		1,306,793	1,306,793
Total revenues	93,586,592	107,551,525	201,138,117	82,621,953	91,367,050	173,989,003
Expenses:						
General government	10,129,598		10,129,598	16,761,948		16,761,948
Engineering and planning	1,586,506		1,586,506	3,679,780		3,679,780
Operations	6,412,930		6,412,930	11,384,916		11,384,916
Plants and maintenance	26,362,389		26,362,389	35,074,547		35,074,547
Interest on long-term debt	7,608,354		7,608,354	5,515,611		5,515,611
Water		56,895,453	56,895,453		71,314,711	71,314,711
Hydroelectricity		321,966	321,966		363,741	363,741
Mid-Connecticut Project		27,696,462	27,696,462		21,526,912	21,526,912
Total expenses	52,099,777	84,913,881	137,013,658	72,416,802	93,205,364	165,622,166
Excess (Deficiency) of Revenues over Expenditures before Transfers	41,486,815	22,637,644	64,124,459	10,205,151	(1,838,314)	8,366,837
Transfers	2,518,973	(2,518,973)	-	(2,721,458)	2,721,458	-
Net change in net assets	44,005,788	20,118,671	64,124,459	7,483,693	883,144	8,366,837
Net Assets at Beginning of Year	360,817,916	252,627,950	613,445,866	353,334,223	251,744,806	605,079,029
Net Assets at End of Year	$ 404,823,704	$ 272,746,621	$ 677,570,325	$ 360,817,916	$ 252,627,950	$ 613,445,866

The District's net assets increased by $64,124,459 overall during the fiscal year with ending net assets of Governmental Activities and Business-Type Activities of $404,823,704 and $272,746,621, respectively.

Governmental Activities

Net assets of governmental activities increased by $44,005,788 in 2011.

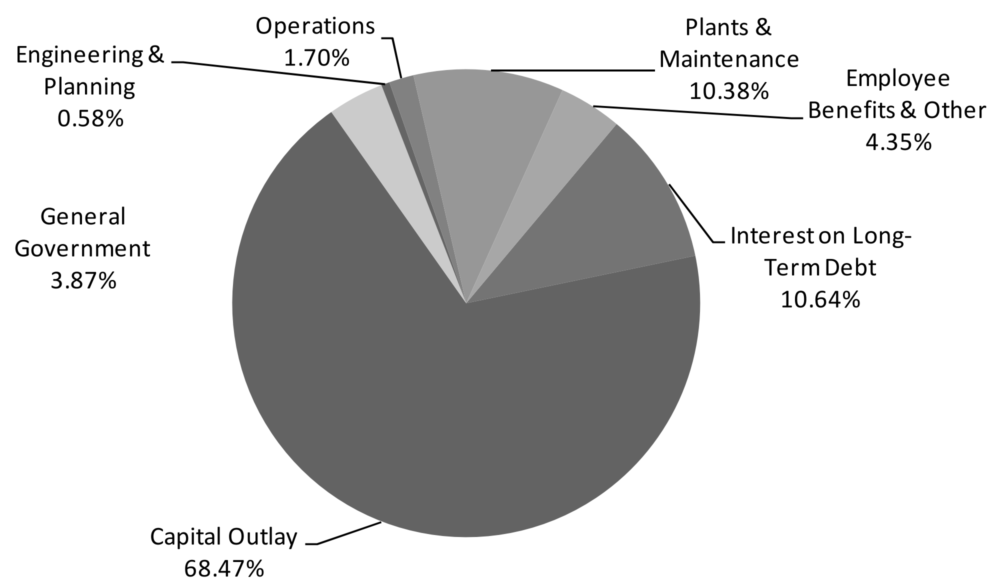
Major Revenue Factors Include:



- Approximately 35% of the governmental activity revenues were derived from taxes levied on our member towns. These taxes increased 4.5% from the prior year.

- The primary components of charges for services consisted of sewer user fees of $28,120,415and intergovernmental revenues of $26,571,263, which increased by $9,536,960 from the prior year. Sewer user charges increased due to increased rates. The intergovernmental revenue increase is due to the receipt of clean water grants to fund the Clean Water Project.

Major Expenditure Factors Include:

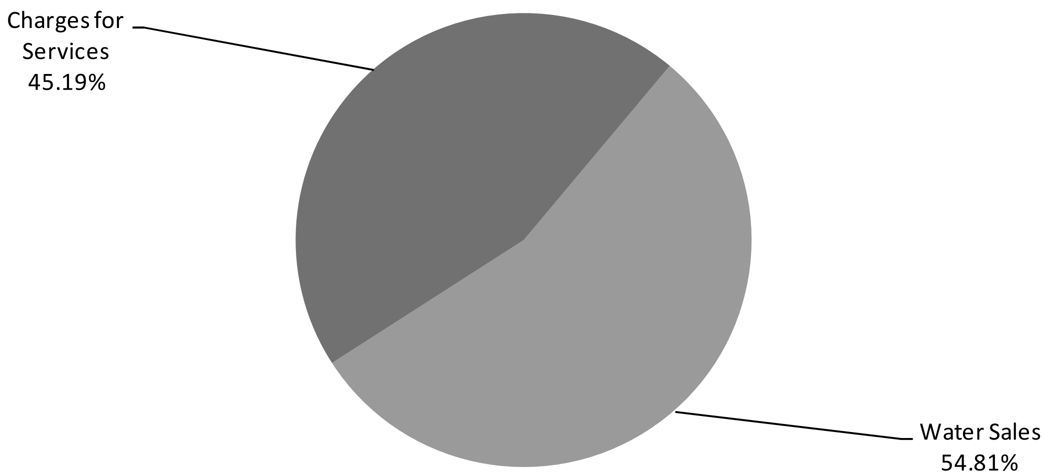


- During 2011, expenses decreased by $20,317,025 with the greatest decrease experienced in employee benefit expenses related to the termination of Mid-Connecticut activities.

Business-Type Activities

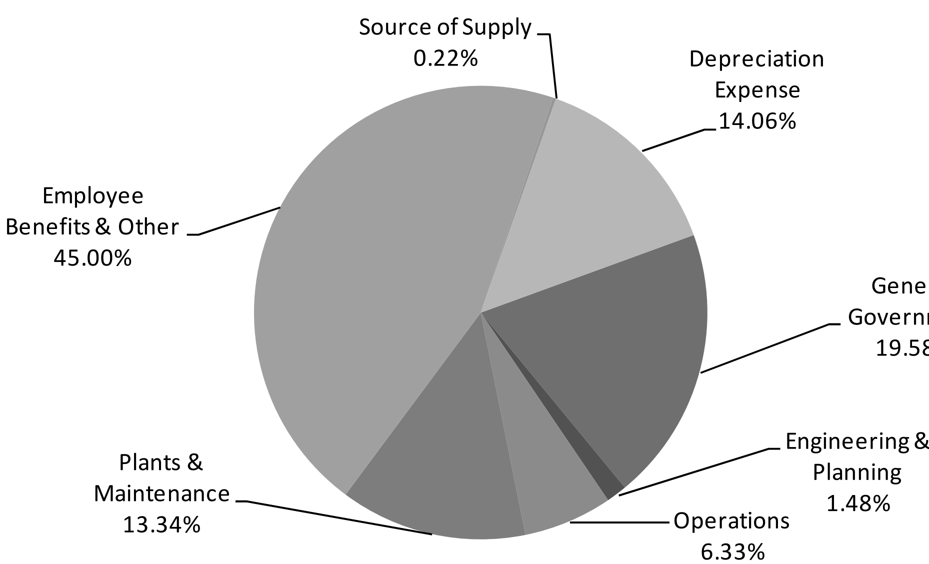
Net assets of business-type activities increased by $20,118,671 in 2011.

Major Revenue Factors Include:



- Water Utility Fund Revenue decreased by $3,250,687 or 6%. During 2011, the region experienced the highest precipitation amounts recorded in the last 106 years. This excessive precipitation resulted in decreased water sales. Charges for services increased by $25,184,527, or 117%, due to an increase in receivables related to termination costs at the Mid-Connecticut Project. The Hydroelectric Fund increased by $246,513, due to increased water levels resulting in more production of electricity. This increase in water levels was associated with the increased precipitation received in 2011.

Major Expenditure Factors Include:



- Expenses decreased by $9,093,619 or more than 10% with most of the decrease attributable to the discontinuation of operations at the Mid-Connecticut facility.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the District's governmental funds reported combined ending fund balance of $(26,260,727), a decrease of $52,852,728 in comparison with the prior year. Of the fund balances, $2,423,443 has been assigned to liquidating contracts and purchase orders in the prior period, $59,080,014 is restricted for debt service, $1,753,190 is unspendable and reserved for inventory and prepaid assets, and $8,309,465 is committed for assessable sewer construction and other capital improvements. The remaining capital projects show a deficit unassigned balance of $(108,722,305).

The General Fund is the chief operating fund of the District. At the end of the current year, the General Fund total fund balance was $15,068,906, of which $2,423,443 has been assigned to liquidating contracts and purchase orders in the prior period, and $1,749,997 is nonspendable and reserved for inventory and prepaid assets. The remaining balance is an unassigned fund balance of $10,895,466.

The Assessable Sewer Construction Fund has a fund balance of $2,352,711 at the end of the year, a decrease of $2,539,249 from the prior year.

The Sanitary Sewer Overflow Construction Fund has a fund deficit of ($1,110,207), as a result of the timing of capital outlays versus the timing of temporary and permanent financing.

Other Nonmajor Governmental Funds have a total fund deficit of $(21,596,272), a decrease of $22,891,705 from the prior year. The decrease is due to the timing of capital outlays versus the timing of temporary and permanent financing.

Proprietary Funds

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Overall proprietary funds net assets total $272,746,621 at the end of the year.

Unrestricted net assets of the Water Utility Fund at the end of the year amounted to $4,424,984, or 2% of total net assets of the fund. There were no restricted net assets in the fund. Net assets invested in capital assets, net of related debt, amounted to $243,160,902, or 98% of the total net assets of the fund. The Hydroelectricity Fund has unrestricted net assets of $1,419,439, or 15% of total net assets. Net assets invested in capital assets, net of related debt, amounted to $7,890,602, or 85% of total net assets of the fund.

General Fund Budgetary Highlights

During the 2011 budget year, revenues were below the budget by $173,983 or 0.4%, and expenditures were less than budget by $1,013,482 or 2.4%.

Some of the major highlights are as follows:

- Revenues were below budget due to lower than expected revenues for developer jobs due to the continuation of the slow economy. In addition, there were less contributions from capital project closeouts. These were offset in part by higher sludge handling income, which is the result of the District becoming more competitive in this market.
- Lower expenses were attributable to below budget medical costs, lower human resources costs associated with temporary help and below budget payroll savings.

Capital Assets and Debt Administration

Capital Assets - The District's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2011 amounted to $748,542,631 and $361,492,306, respectively. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and sewer and water pipes.

Major capital asset additions in 2011 consisted of infrastructure improvements, contributions of capital assets by developers and continued construction in progress, including the continuation of the Clean Water Project.

Metropolitan District Commission
CAPITAL ASSETS (net of depreciation)
December 31, 2011 and 2010

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$ 643,754	$ 9,548,683	$ 10,192,437	$ 643,754	$ 9,548,683	$ 10,192,437
Buildings	318,298,565	241,252,616	559,551,181	328,122,286	248,700,067	576,822,353
Machinery and equipment	20,842,018	14,781,609	35,623,627	21,728,982	16,128,866	37,857,848
Construction in progress	408,758,294	95,909,398	504,667,692	276,543,469	73,847,867	350,391,336
Total	$ 748,542,631	$ 361,492,306	$ 1,110,034,937	$ 627,038,491	$ 348,225,483	$ 975,263,974

Additional information on the District's capital assets can be found in Note 3C on pages 35-41 of this report.

Long-Term Debt - At the end of the current year, the District had total bonded debt outstanding of $246,479,347. All of the Governmental Activities debt, $321,021,558, is backed by the full faith and credit of the District's member towns.

Metropolitan District Commission
OUTSTANDING DEBT
December 31, 2011 and 2010

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General obligation bonds	$ 161,512,590	$ 84,966,757	$ 246,479,347	$ 169,643,652	$ 89,684,433	$ 259,328,085
Clean/drinking water loans	145,865,280	7,099,177	152,964,457	107,390,105	7,643,837	115,033,942
Compensated absences	2,716,659	2,831,076	5,547,735	2,573,843	3,914,768	6,488,611
Net pension obligation		10,516,949	10,516,949			-
OPEB obligation	10,927,029	19,757,484	30,684,513	17,295,057	21,138,403	38,433,460
Total	$ 321,021,558	$ 125,171,443	$ 446,193,001	$ 296,902,657	$ 122,381,441	$ 419,284,098

The District enjoys a strong financial position from an AA+ rating from Standard & Poor's to an Aa1 rating from Moody's for general obligation debt.

The District's Charter limits the amount of general obligation debt it may issue up to 5% of the combined Grand List of its member towns. The current debt limitation for the District is $1,201,875,400, which is significantly more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 3G on pages 43-46 of this report.

Economic Factors

- The District strives to minimize the tax impact to its member municipalities by limiting increases to General Fund expenditures.
- Inflationary trends in the region are consistent with budgeted General Fund expenditure increases.
- Water consumption decreased due to poor economic conditions in the greater Hartford area.

All of these factors were considered in preparing the District's 2011 year budget.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan District Commission.

BASIC FINANCIAL STATEMENTS

THE METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$ 63,703,406	$ 3,139,114	$ 66,842,520
Receivables, net of allowance for uncollectibles	29,468,255	73,353,845	102,822,100
Prepaid items	320,311	676,483	996,794
Inventory	1,432,879	4,015,130	5,448,009
Internal balances	7,219,124	(7,219,124)	-
Other assets	107,322	101,132	208,454
Pension asset	874,842	1,069,252	1,944,094
Capital assets, nondepreciable	409,402,048	105,458,081	514,860,129
Capital assets, net of accumulated depreciation	339,140,583	256,034,225	595,174,808
Total assets	851,668,770	436,628,138	1,288,296,908
Liabilities:			
Accounts payable and accrued items	38,877,477	14,731,976	53,609,453
Customer advances for construction	2,783,931	2,733,770	5,517,701
Unearned revenues	457,100		457,100
Bonds anticipation notes payable	83,705,000	18,429,000	102,134,000
Claims incurred but not reported		2,815,328	2,815,328
Noncurrent liabilities:			
Due within one year	65,326,690	6,438,725	71,765,415
Due in more than one year	255,694,868	118,732,718	374,427,586
Total liabilities	446,845,066	163,881,517	610,726,583
Net Assets:			
Invested in capital assets, net of related debt	357,567,083	251,051,504	608,618,587
Unrestricted	47,256,621	21,695,117	68,951,738
Total Net Assets	$ 404,823,704	$ 272,746,621	$ 677,570,325

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Function/Program Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental activities:							
General government	$ 10,129,598	$	$	$	$ (10,129,598)	$	$ (10,129,598)
Engineering and planning	1,586,506				(1,586,506)		(1,586,506)
Operations	6,412,930	13,232,180			6,819,250		6,819,250
Plants and maintenance	26,362,389	27,216,727		20,498,331	21,352,669		21,352,669
Interest on long-term debt	7,608,354				(7,608,354)		(7,608,354)
Total governmental activities	52,099,777	40,448,907	-	20,498,331	8,847,461	-	8,847,461
Business-type activities:							
Water	56,895,453	57,289,175		1,557,615		1,951,337	1,951,337
Hydroelectricity	321,966	1,115,675				793,709	793,709
Mid-Connecticut Project	27,696,462	46,711,439				19,014,977	19,014,977
Total business-type activities	84,913,881	105,116,289	-	1,557,615	-	21,760,023	21,760,023
Total	$ 137,013,658	$ 145,565,196	$ -	$ 22,055,946	8,847,461	21,760,023	30,607,484
General revenues:							
Sewer taxation - member municipalities					32,360,500		32,360,500
Miscellaneous						770,949	770,949
Unrestricted investment earnings					278,854	106,672	385,526
Transfers					2,518,973	(2,518,973)	-
Total general revenues and transfers					35,158,327	(1,641,352)	33,516,975
Change in Net Assets					44,005,788	20,118,671	64,124,459
Net Assets at Beginning of Year					360,817,916	252,627,950	613,445,866
Net Assets at End of Year					$ 404,823,704	$ 272,746,621	$ 677,570,325

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Debt Service	Assessable Sewer Construction	Sanitary Sewer Overflow Construction	2006 Clean Water Project Referendum	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 6,170,795	$ 5,743,324	$ 3,278,308	$ 2,184,829	$ 39,032,226	$ 7,293,924	$ 63,703,406
Receivables, net of allowance for uncollectibles	5,909,005		4,033,185	391,458	19,008,834	125,773	29,468,255
Prepaid assets	317,118				3,193		320,311
Due from other funds	7,402,604						7,402,604
Inventory	1,432,879						1,432,879
Total Assets	$ 21,232,401	$ 5,743,324	$ 7,311,493	$ 2,576,287	$ 58,044,253	$ 7,419,697	$ 102,327,455
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable and accrued items	$ 2,951,418	$ 12	$ 142,315	$ 255,494	$ 22,616,330	$ 10,431,969	$ 36,397,538
Deferred revenue		457,100	4,816,467				5,273,567
Customer advances for construction	2,783,931						2,783,931
Bond anticipation notes payable				3,431,000	61,690,000	18,584,000	83,705,000
Current portion of compensated absences	244,666						244,666
Due to other funds	183,480						183,480
Total liabilities	6,163,495	457,112	4,958,782	3,686,494	84,306,330	29,015,969	128,588,182
Fund balances:							
Nonspendable	1,749,997				3,193		1,753,190
Restricted		5,286,212			53,793,802		59,080,014
Committed			2,352,711			5,956,754	8,309,465
Assigned	2,423,443						2,423,443
Unassigned	10,895,466			(1,110,207)	(80,059,072)	(27,553,026)	(97,826,839)
Total fund balance	15,068,906	5,286,212	2,352,711	(1,110,207)	(26,262,077)	(21,596,272)	(26,260,727)
Total Liabilities and Fund Balance	$ 21,232,401	$ 5,743,324	$ 7,311,493	$ 2,576,287	$ 58,044,253	$ 7,419,697	$ 102,327,455

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Amounts reported for governmental activities in the statement of net assets (page 13) are different because of the following:

Fund balances - total governmental funds (page 15)		$ (26,260,727)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	$ 1,005,311,452	
Less accumulated depreciation	(256,768,821)	
Net capital assets		748,542,631
Governmental pension assets		874,842
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Bond issuance costs	115,782	
Less current year amortization	(8,460)	
		107,322
Sewer assessment receivables		4,816,467
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable		(157,980,658)
Premiums		(4,963,303)
Notes payable		(145,865,280)
Interest payable on long-term debt		(2,479,939)
Compensated absences		(2,471,993)
Deferred amount on refunding		1,431,371
OPEB obligation		(10,927,029)
Net Assets of Governmental Activities (page 13)		$ 404,823,704

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Debt Service	Assessable Sewer Construction	Sanitary Sewer Overflow Construction	2006 Clean Water Project Referendum	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxation - member towns	$ 32,360,500	$	$	$	$	$	$ 32,360,500
Assessments			715,456				715,456
Sewer user fees	5,648,811				22,471,604		28,120,415
Intergovernmental revenues	6,126,080				19,727,605	717,578	26,571,263
Investment income	29,710	7,817	186,066		55,261		278,854
Other local revenues	5,566,982		122,704			14,349	5,704,035
Total revenues	49,732,083	7,817	1,024,226	-	42,254,470	731,927	93,750,523
Expenditures:							
Current:							
General government	7,463,935						7,463,935
Engineering and planning	1,124,966						1,124,966
Operations	3,281,022						3,281,022
Plants and maintenance	20,001,916						20,001,916
Employee benefits and other	8,388,095						8,388,095
Debt service:							
Principal retirement		12,675,029					12,675,029
Interest		7,830,669					7,830,669
Capital outlay			1,063,475	1,666,201	105,549,356	23,694,845	131,973,877
Total expenditures	40,259,934	20,505,698	1,063,475	1,666,201	105,549,356	23,694,845	192,739,509
Excess (Deficiency) of Revenues over Expenditures	9,472,149	(20,497,881)	(39,249)	(1,666,201)	(63,294,886)	(22,962,918)	(98,988,986)
Other Financing Sources (Uses):							
Clean Water Fund loans issued				3,483,184	39,098,604	656,366	43,238,154
Transfers in	9,817,075	20,755,564		12,519	249,699		30,834,857
Transfers out	(19,084,525)	(3,000,000)	(2,500,000)		(2,767,075)	(585,153)	(27,936,753)
Total other financing sources (uses)	(9,267,450)	17,755,564	(2,500,000)	3,495,703	36,581,228	71,213	46,136,258
Net Change in Fund Balances	204,699	(2,742,317)	(2,539,249)	1,829,502	(26,713,658)	(22,891,705)	(52,852,728)
Fund Balances at Beginning of Year	14,864,207	8,028,529	4,891,960	(2,939,709)	451,581	1,295,433	26,592,001
Fund Balances at End of Year	$ 15,068,906	$ 5,286,212	$ 2,352,711	$ (1,110,207)	$ (26,262,077)	$ (21,596,272)	$ (26,260,727)

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

Amounts reported for governmental activities in the statement of activities (page 14) are different because of the following:

Net change in fund balances - total governmental funds (page 17)	$	(52,852,728)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays, net		133,071,304
Depreciation expense		(11,567,059)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.		(105)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Sewer assessment revenue		(288,465)
Interest receivable		85,740
Net pension asset		(141,794)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Proceeds from Clean Water Fund loan obligations		(43,238,156)
Bond payments		7,982,792
Amortization of bond premium, bond issuance costs and deferred amount on refunding		139,810
Clean Water Fund loan payments		4,762,981
Change in accrued interest		82,505
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		(399,065)
Change in OPEB obligation		6,368,028
Change in Net Assets of Governmental Activities (page 14)	$	44,005,788

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				
	Major		Nonmajor		Business-Type Activities - Internal Service Fund
	Water Utility	Mid - Connecticut Project	Hydroelectric Development Project	Total	
Assets:					
Current assets:					
Cash and cash equivalents	$	$ 2,093,399	$ 960,779	$ 3,054,178	$ 84,936
Accounts receivable, net of allowance for uncollectibles	30,572,087	42,412,405	210,364	73,194,856	158,989
Due from other funds	447,881	173,923		621,804	
Inventory	3,767,772		247,358	4,015,130	
Prepaid items	662,205		14,278	676,483	
Total current assets	35,449,945	44,679,727	1,432,779	81,562,451	243,925
Noncurrent assets:					
Capital assets, nondepreciable	105,458,081			105,458,081	
Capital assets, net of accumulated depreciation	248,143,623		7,890,602	256,034,225	
Net pension asset	1,069,252			1,069,252	
Other assets	54,132		2,000	56,132	45,000
Total noncurrent assets	354,725,088	-	7,892,602	362,617,690	45,000
Total assets	390,175,033	44,679,727	9,325,381	444,180,141	288,925
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	13,187,687	891,069	15,340	14,094,096	637,880
Due to other funds	1,404	7,839,524		7,840,928	
Bond anticipation notes payable	18,429,000			18,429,000	
Current portion of compensated absences	404,186	14,981		419,167	
Current portion of bonds and loans payable	6,019,558			6,019,558	
Customer advances for construction	2,733,770			2,733,770	
Total current liabilities	40,775,605	8,745,574	15,340	49,536,519	637,880
Noncurrent liabilities:					
Compensated absences	2,411,909			2,411,909	
Bonds and loans payable after one year	86,046,376			86,046,376	
Claims incurred but not reported				-	2,815,328
Pension obligation		10,516,949		10,516,949	
OPEB obligation	13,355,257	6,402,227		19,757,484	
Total noncurrent liabilities	101,813,542	16,919,176	-	118,732,718	2,815,328
Total liabilities	142,589,147	25,664,750	15,340	168,269,237	3,453,208
Net Assets:					
Invested in capital assets, net of related debt	243,160,902		7,890,602	251,051,504	
Unrestricted	4,424,984	19,014,977	1,419,439	24,859,400	(3,164,283)
Total Net Assets	$ 247,585,886	$ 19,014,977	$ 9,310,041	275,910,904	$ (3,164,283)

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds	(3,164,283)
Net Assets of Business-Type Activities	$ 272,746,621

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				Business-Type Activities - Internal Service Fund
	Major		Nonmajor		
	Water Utility	Mid-Connecticut Project	Hydroelectric Development Project	Total	
Operating Revenues:					
Water sales	$ 55,530,498	$	$ 1,115,675	$ 56,646,173	$
Charges for services		46,711,439		46,711,439	1,600,000
Reimbursement				-	158,677
Total operating revenues	55,530,498	46,711,439	1,115,675	103,357,612	1,758,677
Operating Expenses:					
General government	13,257,121	2,206,429		15,463,550	
Engineering and planning	1,171,208			1,171,208	
Operations	4,158,877	837,469		4,996,346	2,396,011
Plants and maintenance	7,424,957	3,112,756		10,537,713	
Employee benefits and other	14,002,821	21,539,808		35,542,629	
Source of supply			172,579	172,579	
Depreciation expense	10,956,099		149,387	11,105,486	
Total operating expenses	50,971,083	27,696,462	321,966	78,989,511	2,396,011
Operating Income (Loss)	4,559,415	19,014,977	793,709	24,368,101	(637,334)
Nonoperating Revenues (Expenses):					
Investment income	102,845		2,944	105,789	883
Miscellaneous nonoperating revenue	770,949			770,949	
Interest and fiscal charges	(3,528,359)			(3,528,359)	
Net nonoperating revenues (expenses)	(2,654,565)	-	2,944	(2,651,621)	883
Income (Loss) Before Transfers, Grants and Contributions	1,904,850	19,014,977	796,653	21,716,480	(636,451)
Transfers, Grants and Contributions:					
Capital grants	20,305			20,305	
Capital contributions	1,987,184			1,987,184	
Transfers out	(1,418,847)		(1,550,000)	(2,968,847)	
Total transfers, grants and contributions	588,642	-	(1,550,000)	(961,358)	-
Change in Net Assets	2,493,492	19,014,977	(753,347)	20,755,122	(636,451)
Net Assets at Beginning of Year	245,092,394	-	10,063,388		(2,527,832)
Net Assets at End of Year	$ 247,585,886	$ 19,014,977	$ 9,310,041		$ (3,164,283)

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds	(636,451)
Change in Net Assets of Business-Type Activities	$ 20,118,671

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities - Enterprise Funds				
	Major		Nonmajor		
	Water Utility	Mid-Connecticut Project	Hydroelectric Development Project	Total	Business-Type Activities - Internal Service Fund
Cash Flows from Operating Activities:					
Receipts from customers and users	$ 48,554,782	$ 13,048,754	$ 1,043,525	$ 62,647,061	$ 1,601,222
Receipts from interfund services provided	119,671	(1,992)		117,679	54,710
Payments to suppliers	(10,901,750)	(11,216,687)	(154,335)	(22,272,772)	(2,383,453)
Payments to employees	(45,295,300)	(5,124,428)		(50,419,728)	
Payments for interfund services used	1,404	3,797,427		3,798,831	
Net cash provided by (used in) operating activities	(7,521,193)	503,074	889,190	(6,128,929)	(727,521)
Cash Flows from Noncapital Financing Activities:					
Transfers out	(1,418,847)		(1,550,000)	(2,968,847)	
Net cash used in noncapital financing activities	(1,418,847)	-	(1,550,000)	(2,968,847)	-
Cash Flows from Capital and Related Financing Activities:					
Purchase of capital assets/utility plant	(22,431,865)			(22,431,865)	
Proceeds from bonds	100,040			100,040	
Proceeds from capital grant	20,305			20,305	
Proceeds from bond anticipation notes	18,429,000			18,429,000	
Principal payments on bonds	(4,697,969)			(4,697,969)	
Principal payments on notes payable	(573,956)			(573,956)	
Interest payments on bonds and notes	(3,528,359)			(3,528,359)	
Net cash used in capital and related financing activities	(12,682,804)	-	-	(12,682,804)	-
Cash Flows from Investing Activities:					
Interest on investments	102,845		2,944	105,789	883
Miscellaneous nonoperating revenue	770,949			770,949	
Net cash provided by investing activities	873,794	-	2,944	876,738	883
Net Increase (Decrease) in Cash and Cash Equivalents	(20,749,050)	503,074	(657,866)	(20,903,842)	(726,638)
Cash and Cash Equivalents at Beginning of Year	20,749,050	1,590,325	1,618,645	23,958,020	811,574
Cash and Cash Equivalents at End of Year	$ -	$ 2,093,399	$ 960,779	$ 3,054,178	$ 84,936
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	$ 4,559,415	$ 19,014,977	$ 793,709	$ 24,368,101	$ (637,334)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	10,865,648		149,387	11,015,035	
Loss on disposal of capital assets	46,740			46,740	
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(6,853,900)	(33,662,685)	(72,150)	(40,588,735)	(157,455)
(Increase) decrease in due from other funds	119,671	(1,992)		117,679	54,710
(Increase) decrease in inventory	(465,030)			(465,030)	
(Increase) decrease in prepaid items	(128,339)		21,457	(106,882)	
(Increase) decrease in net pension assets	173,304			173,304	
(Increase) decrease in other assets	4,215			4,215	
Increase (decrease) in accounts payable and accrued expenses	(7,359,463)	(5,060,033)	(3,213)	(12,422,709)	626,018
Increase (decrease) in due to other funds	1,404	3,797,427		3,798,831	
Increase (decrease) in customer advances for construction	(121,816)			(121,816)	
Increase (decrease) in compensated absences	(579,896)	(503,796)		(1,083,692)	
Increase (decrease) in net pension obligation		10,516,949		10,516,949	
Increase (decrease) in OPEB obligation	(7,783,146)	6,402,227		(1,380,919)	
Increase (decrease) in claims incurred but not reported				-	(613,460)
Total adjustments	(12,080,608)	(18,511,903)	95,481	(30,497,030)	(90,187)
Net Cash Provided by (Used in) Operating Activities	$ (7,521,193)	$ 503,074	$ 889,190	$ (6,128,929)	$ (727,521)
Noncash Investing, Capital and Financing Activities:					
Capital assets contributed by Capital Projects Fund	$ 1,987,184	$ -	$ -	$ 1,987,184	$ -

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2011

	Pension Trust Fund	OPEB Trust Fund
ASSETS		
Cash and cash equivalents	$ 2,255,934	$ 400,901
Accounts receivable	165,925	
Investments, at fair value:		
Long-term investments	109,862,406	
Pooled investments	33,582,383	
Prepaid insurance		142,174
Total assets	145,866,648	543,075
LIABILITIES		
Retiree expense reimbursement payable		2,836,060
Total liabilities	-	2,836,060
NET ASSETS		
Held in Trust for Pension and OPEB Benefits	$ 145,866,648	$ (2,292,985)

The accompanying notes are an integral part of the financial statements

THE METROPOLITAN DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Pension Trust Fund	OPEB Trust Fund
Additions:		
Contributions:		
Employer	$ 4,633,200	$ 3,500,000
Plan members	2,291,634	235,477
Reimbursements		219,979
Total contributions	6,924,834	3,955,456
Investment earnings (losses):		
Net decrease in fair value of investments	(574,725)	
Interest and dividends	3,773,528	
Net investment earnings	3,198,803	-
Total additions	10,123,637	3,955,456
Deductions:		
Benefits	12,744,374	5,030,755
Administrative expense	855,641	
Total deductions	13,600,015	5,030,755
Change in Net Assets	(3,476,378)	(1,075,299)
Net Assets at Beginning of Year	149,343,026	(1,217,686)
Net Assets at End of Year	$ 145,866,648	$ (2,292,985)

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Metropolitan District (the District) was empowered in 1929 by the General Assembly of Connecticut. The District provides the following services as authorized by its Charter: design, construction and maintenance of sewage, hydroelectric and water systems and plants, stream and watercourse controls, the sale and delivery of water and hydroelectric power, and resources recovery.

The financial statements include all of the funds of the District that meet the criteria for inclusion as set forth in Statement of Governmental Accounting Standards No. 14 issued by the Governmental Accounting Standards Board (GASB).

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable and other organizations, which by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with the requirements of statements issued by the Governmental Accounting Standards Board. The more significant of the District's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District's primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sewer taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues, including sewer assessments, to be available if they are collected within 60 days after the end of the current fiscal period.

Taxes on member municipalities, sewer assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds:

Capital projects of greater than one year's duration have been accounted for in capital projects funds. Most of the capital outlays are financed by the issuance of general obligation bonds. Other sources include capital grants, current tax revenues and low-interest state loans.

The *Assessable Sewer Construction Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment.

The *Sanitary Sewer Overflow Construction Fund* accounts for financial resources to be used to eliminate sanitary sewer overflows and reduce infiltration and inflow within sanitary sewers serving member towns.

The *2006 Clean Water Project Referendum Fund* accounts for financial resources to be used for the first phase of the Clean Water Project, which was authorized on November 6, 2006. The Clean Water Project includes programs to eliminate eight sanitary sewer overflows, to reduce the nitrogen contaminants from sewer flows into the water pollution control facilities, and to lessen the inflow of rain water into the sanitary sewer system.

The District reports the following major proprietary funds:

The *Water Utility Fund* and the *Mid-Connecticut Project Fund* are the District's funds used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the District reports the following fund types:

The *Internal Service Fund* is used to account for the District's self-insurance program for accident and health insurance coverage of employees.

The *Pension Trust Fund* is used to account for the activities of the District's defined benefit plan, which accumulates resources for pension benefit payments to qualified employees.

The *OPEB Trust Fund* is used to account for the activities of the District's postemployment welfare benefits (including retiree medical, dental and life insurance benefits) to the current and former eligible employees of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

C. Cash Equivalents

For purposes of reporting cash flows, all savings, checking, money market accounts and certificates of deposit with an original maturity of less than 90 days from the date of acquisition are considered to be cash equivalents.

D. Investments

Investments are stated at fair value.

E. Inventories and Prepaid Items

All inventories are valued at the lower of cost (average cost) or market method. Inventory in the governmental and enterprise funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are presented net of an allowance for uncollectibles.

G. Compensated Absences

All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets such as water and sewer mains, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recognized at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their lives are expensed currently.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50-75
Machinery and equipment	6-20
Infrastructure	50-150

I. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums, discounts, issuance costs and losses on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized losses on bond refundings. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (District Board).

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by the District Board that has been delegated authority to assign amounts by the Charter.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category represents all capital assets, net of accumulated depreciation and related debt.

Restricted Net Assets - This category represents amounts restricted to use by outside parties. Restricted net assets as of December 31, 2011 represent unexpended bond proceeds.

Unrestricted Net Assets - This category represents the net assets of the District not restricted for use.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

During the last quarter of the year, the ensuing year's proposed operating budget, including proposed expenditures/expenses and the means of financing them, is compiled by the Finance Department based upon estimates submitted by the various departments.

The proposed operating budget is then published in line item format in one or more local newspapers servicing the District for a period of three consecutive days, excluding holidays and Sundays. Prior to January 1 of the new year, the published budget is submitted to the District Board for acceptance and adoption.

Annual operating budgets are legally adopted for the General Fund and the Water Utility Enterprise Fund. Total fund budgets are adopted for the Hydroelectric Development Project and the Mid-Connecticut Project Enterprise Funds. Formal budgetary integration is employed as a management control device for these funds. The unencumbered balance of appropriations in the General Fund lapse at year end. Encumbered appropriations are carried forward. Except for encumbrance accounting, the General Fund budget is prepared on a modified accrual basis. Budgetary and actual data in this report have been presented on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, the reconciliation of resultant basis, timing and perspective differences appear at the bottom of the actual vs. budget schedule. Additionally, the groupings of expense items in the Water Utility Enterprise Fund on a GAAP basis differ from those shown on a budgetary basis due to the reporting requirements of the State of Connecticut Department of Public Utilities Control. The legal level of budgetary control is at the function level except for the engineering and planning, operations, and plants and maintenance functions, which are controlled at the activity level due to the size of their operating budgets. The Chief Executive Officer has the authority to transfer budgeted amounts between items comprising an appropriation for a given function or activity level in the case of the three functions controlled at that 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. The amendments were made in the legally permissible manner described above. There were no supplemental appropriations made during the year.

Budgetary integration is employed on a continuing (project length) basis for capital projects funds where appropriations do not lapse at year end, but rather at the completion of the construction relating to a specific improvement project. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond and note indenture provisions.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as either restricted, committed or assigned fund balance depending on the level of restriction.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2011, expenditures exceeded appropriations in the General Fund at the Operations department level by $409,423 and Legal department by $85,057.

C. Deficit Fund Equity

Certain individual funds had fund balance deficits at December 31, 2011 as follows:

Sanitary Sewer Overflow Construction	$ 1,110,207
2006 Clean Water Project Referendum	26,262,077
General Purpose Sewer 2009	3,337,624
General Purpose Sewer 2008	840,930
General Purpose Sewer 2007	324,587
General Purpose Sewer 2005	510,768
General Purpose Sewer 2000	750
Headquarters Improvements	154,112
Connecticut River Cleanup Phase II	30,655
WPC Facilities Improvements	1,562,316
Information Systems Development	5,750,301
Maple Avenue Phase II	7,946
Upper Albany Avenue	915,160
Inflow & Infiltration Master Plan	151,020
Wastewater Pump Station Improvement	10,609
2007 Facility & Building Improvement	988,186
Capital Mgt Opers & Maint (CMOM)	2,460,841
2007 Wastewater Treatment Facility Improvements	94,535
2008 WPC Infrastructure Replacement and Improvement	3,579,173
Vehicle and Equipment Replacement	303,952
2008 SCADA System Improvements	116,067
CMOM Compliance	2,931,542
CIP Combine Other	3,096,999
2007 Wastewater Trt. Fac. Sec & Comm Improvement	195,520
Wastewater Collection System Improvement	189,433
OPEB Trust Fund	2,292,985

The Capital Projects Funds' deficits have arisen because bonds and loans authorized for these projects have not yet been issued. When the bonds and loans are issued, or the General Fund appropriates and transfers amounts to these funds, the deficits will be eliminated.

3. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an "out of state bank," as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposit will not be returned. The District does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its principal place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, $13,642,310 of the District's bank balance of $14,392,310 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 12,203,079
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	1,439,231
Total Amount Subject to Custodial Credit Risk	$ 13,642,310

Cash Equivalents

At December 31, 2011, the District's cash equivalents amounted to $47,272,161. The following table provides a summary of the District's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pool has maturities of less than one year.

	Standard and Poor's
State Short-Term Investment Fund (STIF)	AAAm
Aetna	N/A

N/A - not applicable

Investments

As of December 31, 2011, the District had the following investments:

Investment Type		Fair Value
Fiduciary Type:		
CIF International Research Equity Fund	$	64,367,327
CIF Research Equity Fund		16,230,290
CIF Small Cap 2000		15,317,489
CIF Global Bond		13,947,300
Aetna Pooled Portfolio		33,582,383
Total	$	143,444,789

The above investments have no rating or maturity.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To the extent possible, the District attempts to match its investments with anticipated cash flow requirements.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of the District. The District has no investment policy that would limit its investment choices due to credit risk.

Concentration of Credit Risk - The District has no policy limiting an investment in any one issuer that is in excess of 5% of the District's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the District or that sells investments to or buys them for the District), the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2011, the District did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the District's name.

B. Receivables

Receivables as of year end for the District's individual major funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	General	Assessable Sewer Construction	Sanitary Sewer Overflow Construction	2006 Clean Water Project Referendum	Nonmajor Funds	Water Utility	Mid-Connecticut Project	Hydroelectric Development Project	Internal Service Fund	Total
Sewer use charges	$ 2,346,554	$	$	$ 10,197,286	$	$	$	$	$	$ 12,543,840
Customers and employees	2,430,271					31,900,138		210,364		34,540,773
Assessments		3,493,730				1,173,782				4,667,512
Accrued interest		1,403,692				258,058				1,661,750
Intergovernmental			391,458	9,440,327	120,405					9,952,190
Other	1,306,227				5,368		53,000,070		160,516	54,472,181
Gross receivables	6,083,052	4,897,422	391,458	19,637,613	125,773	33,331,978	53,000,070	210,364	160,516	117,838,246
Less allowance for uncollectibles	174,047	864,237		628,779		2,759,891	10,587,665		1,527	15,016,146
Net Total Receivables	$ 5,909,005	$ 4,033,185	$ 391,458	$ 19,008,834	$ 125,773	$ 30,572,087	$ 42,412,405	$ 210,364	$ 158,989	$ 102,822,100

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Debt Service Fund	$	$ 457,100
Assessable Sewer Fund:		
Assessments	3,412,775	
Interest on assessments	1,403,692	
Total Deferred Revenue for Governmental Funds	$ 4,816,467	$ 457,100

C. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 643,754	$	$	$ 643,754
Construction in progress	276,543,469	133,395,100	1,180,275	408,758,294
Total capital assets not being depreciated	277,187,223	133,395,100	1,180,275	409,402,048
Capital assets being depreciated:				
Buildings	226,444,097	8,806		226,452,903
Machinery and equipment	30,921,567	794,525	230,384	31,485,708
Infrastructure	337,923,742	53,148	6,097	337,970,793
Total capital assets being depreciated	595,289,406	856,479	236,481	595,909,404
Less accumulated depreciation for:				
Buildings	93,397,482	6,249,734		99,647,216
Machinery and equipment	9,192,585	1,681,489	230,384	10,643,690
Infrastructure	142,848,071	3,635,836	5,992	146,477,915
Total accumulated depreciation	245,438,138	11,567,059	236,376	256,768,821
Total capital assets being depreciated, net	349,851,268	(10,710,580)	105	339,140,583
Governmental Activities Capital Assets, Net	$ 627,038,491	$ 122,684,520	$ 1,180,380	$ 748,542,631
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 9,548,683	$	$	$ 9,548,683
Construction in progress	73,847,867	22,182,069	120,538	95,909,398
Total capital assets not being depreciated	83,396,550	22,182,069	120,538	105,458,081
Capital assets being depreciated:				
Buildings	100,984,849	17,092		101,001,941
Machinery and equipment	27,848,313	528,634	240,740	28,136,207
Infrastructure	278,694,791	1,811,790	79,733	280,426,848
Total capital assets being depreciated	407,527,953	2,357,516	320,473	409,564,996
Less accumulated depreciation for:				
Buildings	36,864,077	2,612,337		39,476,414
Machinery and equipment	11,719,447	1,872,125	236,974	13,354,598
Infrastructure	94,115,496	6,621,024	36,761	100,699,759
Total accumulated depreciation	142,699,020	11,105,486	273,735	153,530,771
Total capital assets being depreciated, net	264,828,933	(8,747,970)	46,738	256,034,225
Business-Type Activities Capital Assets, Net	$ 348,225,483	$ 13,434,099	$ 167,276	$ 361,492,306

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:		
General government	$	1,298,345
Engineering		59,237
Operations		4,218,018
Plant and maintenance		5,991,459
Total Depreciation Expense - Governmental Activities	$	11,567,059
Business-type activities:		
Water	$	10,956,099
Hydroelectric		149,387
Total Depreciation Expense - Business-Type Activities	$	11,105,486

Construction Commitments

The government has active construction projects as of December 31, 2011. At year end, the District's commitments with contractors for governmental activities are as follows:

Project Name		Spent to Date		Remaining Commitment
Mountain Farms, WH	$	209,029	$	2,048,901
Overflow Alarm and Gate Repair Program		4,807,167		192,833
SRP-Love Lane, Hartford		13,153		365,847
Upper Albany Sewer System Impr Phase I		1,663,983		836,017
Cornwall Street, Hartford		370,110		4,890
Storm Drainage Improvements		4,239,976		545,852
Incineration Modifications for RC		3,008,554		741,446
2001 Safety and Regulatory Upgrades, RH		692,527		307,473
Tower Brook Removal and Separation, Hartford		7,885,909		2,114,091
Private Property Inflow Program		11,655		288,345
Backwater Valve Installation Program		523,384		203
Rainleader Disconnection Program		60,511		4,939,489
Silas Deane Highway Pump Station		5,881		1,994,119
Upper Albany Ave CSO-Phase I Construction		4,227,789		132,211
Upper Albany Ave CSO-Phase II Design		30,540		219,460
Assessable Sewer Program-2002		48,549		751,451
2003 Tunxis Road, West Hartford		260,490		539,510
2003 WPC Infrastructure Impr.		554,486		285,514
2003 Fire Detection Systems		8,544		491,456
2003 Wethersfield Cove CSO Abatements		4,793		4,995,207
2003 Rocky Hill Headworks & Primary Hydraulics		4,218,913		421,087
2003 Upper Albany Area-CSO Burton Street		5,032,362		126,371
Sewer Rehabilitation Projects-2003		170,568		89,432
2004 Assessable Sewer Program		136,307		863,693
2004 Tower Brook Conduit Extension		119,698		2,115,302
2004 WPCF Infrastructure Improvements		1,041,875		58,125
2005 Assessable Sewer		1,885		298,116

Project Name	Spent to Date	Remaining Commitment
Various Sewer Rehabilitation Projects District-wide	$ 1,902,275	$ 197,725
Upper Albany Avenue Rainleader Relocation	40,610	4,459,390
Combined Sewer Separation	21,112	1,389,688
Combined Sewer Long-Term Control Plan	3,435,671	64,329
Inflow & Infiltration Master Plan	3,745,647	528,553
Sludge Processing Building Odor Control	539,030	1,160,970
Facility and Building Improvements	1,875,414	2,574,586
Farmington Ave Sewer Storm Separation	1,215,154	334,846
Tremont Sewer Separation	948,939	72,198
2000 ASP-Reservoir #6-Outlet Sewer	1,282,319	194,230
Long-Term Control Plan	5,552,261	10,247,739
2006-GPS-Various Sewer Rehabilitation	2,421,769	363,231
2006-GPS Reserve	220,718	79,282
2006-Wastewater Treatment Facilities	1,378,532	821,468
2006-WTF Incinerator Upgrade	218,569	4,781,431
2006-Wastewater Pump Station Imp.	205,807	794,193
2006-Sewer Inspection/CMOM	4,219,221	780,779
2006-Emergency Generators	137,400	162,600
2004 ASP-Cliffmore Rd, WH	858,741	76,367
2006-GPS West Normandy Drive, WH	133,072	81,928
2007 Sewer Inspection/CMOM	1,016,261	1,033,739
2007 Asset Management Wastewater Admin.	96,845	3,155
2007 Upgrade building systems 60 Murphy	480,705	19,295
2006 SSO Program	22,301,809	7,698,191
2006 Information System Improvements	1,784,474	15,525
2007 GPSP Various replacements/re	115,239	1,410,761
2007 CF - Information Technology	2,980,173	119,827
2007 CF - Document Management	1,097,584	2,416
2007 GPSP Curcombe St Pump Station	90,431	33,569
2007 GPSP Pleasant St. Wind	13,238	176,762
2007 GPSP Dividend Road Rocky	9,930	550,070
2007 GPSP Backwater Valve Program(PPID)	423,058	67,942
2008 CMOM Equipment & Staffing	2,875,578	2,124,422
2008 Assessable Sewer Program	150,441	149,559
2008 Asset Management Wastewater Admin.	133,606	266,394
2008 District Facility Improvements	540,841	59,159
2008 Security System Upgrades	351,955	448,045
2008 GPS Park River 51" Interceptor Rep	1,219	298,781
2008 GPS Lawrence St. Htfd. 12" Main Rep	321,562	89,688
2008 WPC Infrastructure Repl & Imps	627,085	1,372,915
2008 GPS Airport Road Htfd Rep Main	1,491	148,509
2007 Wastewater Treatment Fac Imps	699,379	3,900,621
2009 Risk Management Initiatives	530,835	1,194,165
2009 Facility & Bldg Impr Headquarter	1,156,319	46,855
Communications Systems Planning	290	249,710
2008 Pump Station Radio/Antenna Upgr	164,664	635,336
2009 WPC Infra Repl & Impr	79,971	4,375,029
2009 Hartford Odor Control Construction	1,976,759	2,911,241
Improvements to Scada System	236,920	2,263,080
Electronic Equip Repl	47,297	31,703
Long-Term Strategic Initiat	330,909	669,091
Info Sytm Improvement	690,286	14,214
ADA Handi Access Impro	268,121	231,879
IT System Equipment & Operating	520,697	326
Upgrade Motor Oil Dispensing	272,054	127,946
2009 CMOM Compliance	1,347,771	3,652,229
2009 CMOM Equipment & Staff	1,466,454	3,533,546

Project Name		Spent to Date		Remaining Commitment
2009 General Purpose Projects	$	973,703	$	633,297
2008 CMOM Compliance		1,532,517		1,330,199
2007 Wastewater Treatment Facility, SEC, & COMM		195,552		3,004,448
2008 Cedar St Hartford Storm Drain		814,752		385,248
2009 Assessable Sewer		170,340		2,733,660
2009 Assessable Sewer - Mountain Road. W.H.		250,267		4,749,733
2008Orchard Road, West Hartford		285,462		314,538
Mansfield St. Htfd. Sewer Rep.		1,000		999,000
2009 Desmond Dr. Weth. Sewer Main Rep		444,364		55,636
2010 Info System Servers/Lic/Maint		832,853		2,767,147
2010 Headquarter Renovation Program		1,549,727		80,470
2010 CMOM Compliance		1,202,130		797,870
2011 CMOM Staffing		1,395,898		604,102
2010 Sewer Study Dividend		111,189		4,688,811
2010 Survey & Inspe Staff		1,749,744		250,256
CMMS - Phase II		160,692		2,479,308
General Purpose Sewer		61,016		740,984
2010 Sewer Pump Station Improv		52,747		470,253
2010 WPC Electrical System		430,980		3,849,020
2010 WPC Renewal & Replacement		1,137,555		862,445
2010 Facility & Equip Improvements		55,436		388,564
2009 Cedar St Htfd Sewer Main Replacement		976,818		423,182
2010 Effluent Pump Station Improvements		34,817		409,183
2010 Information System Improvements		2,538,726		1,061,274
2010 Information System Improvement #2		838,648		1,161,352
2010 GPS New Park Ave		1,820,881		79,119
2008 Tunxis Rd/Wood Pond Rd W Htfd		1,889,605		710,395
CMOM Goff Brook South Branch		202,471		1,977,529
SSO Elimination Short-Term Action Plan		43,846		
SSO Elimination Sewer Evaluation		686,595		
2006 Long-Term Strategic Initiatives		1,100,000		
2006 Facilities and Buildings		1,084,217		
2009 GPS Erosion Slope Repair, RH		93,895		190,905
2009 PQWPCF Disinfection Project		1,581,867		2,873,133
2011 Survey & Construction Staffing		1,713,391		286,609
2009 General Purpose Sewer		479		788,271
Brewster St. to Mansfield Ave., WH		806,960		2,055,756
2010 - 1037 Windsor Ave.		10,669		103,731
2009 - 1200 Windsor Ave.		6,463		139,337
2011 Headquarters Renovation		232,914		1,267,086
2011 IS Improvements		442,248		257,752
Misc Equipment		22,976		1,977,024
2011 Facility & Equipment Improvement		288,605		1,111,395
2008 Board Room Communication Impr		58,005		241,995
2011 Pump Station Generators		25,659		4,774,341
2011 WPC Equipment & Facility Refurb		297		1,199,703
2011 Sewer Pump Station Rehab.		9,051		1,990,949
2012 IS Software		36,960		2,963,040
2012 IT Security Improvements		27,335		4,972,665
2009 Goff Brook South Branch II		264,051		2,943,949
2006 Clean Water Project Referendum Phase 1		263,608,764		536,391,236
	$	408,758,287	$	699,393,569

The District's commitments with contractors for construction in process for business-type activities are as follows:

Project Name	Spent to Date	Remaining Commitment
2000 DAM Safety Impr. Reservoir #2	$ 613,702	$ 4,386,298
Water supply and treatment plant improvements	3,746,994	253,006
Water Supply Improvements	11,680	512,376
Longhill @ Burnham, East Hartford	13,412	6,589
2003 Farmington Ave Water Main Replacement, Phase II	1,195,420	54,440
2003 GIS Landbase Development	536,412	38,588
2003 Reserve	116,618	33,382
2003 Various System Improvements	293,049	6,951
2003 Assessable Water Program	197,700	2,301
2001 Windsor Ave., Windsor	85,622	114,378
2004 Simsbury Road W.P.S. Upgrade	4,011	645,989
2004 Bloomfield Filter Expansion	588,178	11,822
2004 GPW-Water Facilities Security Imp.	12,369	1,680,989
2004 GPW-Radio Based Automated Meter	504,049	4,300
2004 GPW-Various System Improvements	449,861	550,139
2005 Assessable Water	3,781	85,219
Various Water Main Replacements/Rehabilitation	1,627,093	38,122
2005 Reserve	129,292	20,708
Bloomfield Water Treatment Improvements	2,033,376	1,566,624
Water Distribution System Improvements	512,348	2,487,652
Radio Based Automation Meter Reading	3,453,448	2,346,552
Water Supply Facility and Site Improvements	686,602	13,398
2006 GPW-Water Replacement/Rehab.	1,318,555	284,519
2006 GPW-Transmission System	259,808	40,192
2006 GPW-Land Acquisition	107,309	392,691
2006 GPW-Reserve	70,582	229,418
2006 - Water Treatment Facilities Imp	1,168,779	6,818
2006 - Water Pump Station Improvement	1,207,053	400,149
2006- 36" Water Main Replacement	3,005,080	1,694,920
2003-AWP Chapel Road, South Windsor	10,061	989,939
2007 Water Assessable Program	241,695	733,305
2007 Asset Management Water Administration	6,559,352	650,048
2007 Treatment Facility Upgrades	883,261	216,739
2007 Asset Management Planning & Testing	1,378,032	15,559
2007 Asset Mgmt Non-CSO Related Assets	856	757,144
2007 A M Non-CSO Capital Ave. Htfd	58,658	621,342
2007 A M Non-CSO Buckingham St Htfd	56,376	673,624
2007 A M Non-CSO Church St Htfd	70,785	1,012,215
2007 Water Supply Facility Improvements	1,279,099	170,901
2007 Radio Frequency Automated Meter Reading	3,488,684	1,511,316
2007 Asset Management Non-CSO-Related Assets-Silas	203,469	1,545,531
2007 GPWP Watershed Road Rehab	216,682	896
2007 GPWP Mohawk Dr. West Hartford	537,132	4,915
2006 Water Distribution Imps Oak St Phase II	1,978,779	1,821,221
2007 A M Non-CSO Tunxis Avenue, Bloomfield	1,579,745	169,255
2008 Filtered Water Basin Interconnection	1,599,368	400,632
2008 WH Access & Security Improvements	1,979,043	520,957
2008 Paving Program	3,400,861	99,139
2008 Water Supply Facility Improvements	830,355	1,369,645

Project Name	Spent to Date	Remaining Commitment
2008-Assessable Water	$ 71,609	$ 78,391
2008 Radio Frequency Automated Meter Rea	5,014,980	64,920
2008 Asset Management - Water Administration	295,714	204,286
2008 AM-Non CSO Burnside Ave East Htfd	400,686	86,721
2008 East Farmington Water Main Install	1,320,903	2,179,097
2008 AM-Non CSO Park Road West Htfd	618,674	181,926
2008 Farmington Avenue Water Main Replac	351,431	648,569
2008 AM-Non CSO Lawrence St, Hartford	377,668	86,777
2008-AW Pope Park Hwy Water Main Ext	404,216	39,750
2008 Transmission Valve Replacement	233,478	1,766,522
Tower Avenue North Water Main Rep. 2007	2,868,861	766,139
2009 Mansfield St Hart Water Main	29,742	1,465,258
2009 Farmington Water Main Inst W.H	77,308	1,302,692
Planning & Testing	20,053	579,947
2008 CSO-Related Assets	540,323	1,619,677
2008 General Purpose Water Program	101,386	998,614
2009 Paving Prgm	3,009,665	10,046
2009 Gen Purpose Water	2,018,690	1,496,310
2009 Non-CSO Rel Projects	1,607,713	2,692,287
2009 Transmission Valve Repl	46,646	3,453,354
2009 Automated Metr Reading	2,417,093	2,582,907
2009 Water Main Vlve Repl	51,143	2,248,857
2009 Oak St E Hfd Water Main Work	2,206	1,147,794
2009 Water Trmt Facility Impr	1,833,134	951,866
2007 Mid Franklin 2008-92	107,190	1,331,415
Canal Rd Storage Tank	1,092,938	507,062
2008 Cold Spring Dr Blfd Water Main	563,477	936,523
2007 Cedar St Htf Water Main Repl	739,692	260,308
2009 Assessable Water	88,729	1,142,271
2009 Goodrich & South Rd Farmington	701,791	798,209
2008 Land Acquisition	525,453	24,547
2008 Watershed Road Rehab	21,230	778,770
2009 Whiting Ln W.H. Water Main Rep	581,544	118,456
2007 Desmond Dr Weth. Water Main Rep	116,218	133,782
2007 Penwood L Weth. Water Main Rep	106,198	143,802
2010 Water Supply Fac Improvements	1,648,391	851,609
2010 Water Facilities Security	638,914	3,853,086
2010 Water Main Replacement Hartford	63,203	936,797
2010 Water Main Replace W Htfd	134,566	265,434
2010 Paving Program	2,952,996	47,004
2010 Water Main Repl Bloomfield	172,347	227,653
2010 Radio Frequency	1,030,596	3,816,204
2010 Water Main Repl Norwood Rd	3,824	121,176
2010 Water Pump Station Replace	342,994	4,457,006
2010 Water Treatment Fac Upgrade	1,235,694	3,717,656
2010 CWP Water Main Broad St. Htfd	53,107	446,893
2010 Water Main Replace E. Htfd	38,498	961,502
2008 High St. Htfd. Water Replace	390,577	66,423
2008 CSO Assets Burton St. WMR	2,049,869	250,131
2009 CSO Farmington 1A	1,894,632	2,105,368
2008 CSO Asset Edgewood Separation	152,753	42,921
Burnham Acres, South Windsor	217,026	561,474

Project Name		Spent to Date		Remaining Commitment
2011 Paving Program	$	2,841,715	$	158,285
2011 Radio Frequency Automated Meter		417,210		1,082,790
2011 TMR Hamilton St&Park Terr,Htfd,		526		1,499,474
2011 WMR Mountain Rd& Clifford Dr.		19,994		380,006
2011 Water Supply CIP		170,267		1,429,733
2011 WHWTF-North Storage Tank Inst.		5,652		4,794,348
2008 Canal Rd Storage Tank		190,851		300,693
2011 CWP Water Main Replacement		175,952		1,482,146
2010 Dam Safety-Nepaug, Pelps		92,131		4,851,869
2011 Linden Place WMR		41,199		41,801
Chapman & Main Water Main Replacement E.H.		26		2,350,974
2011 Water Pump Station Improvements		60,133		1,139,867
2011 WMR-Cottage Grove Rd, Bloomfield		14,528		1,435,472
2011 GPW		100,112		816,888
2011 WMR-Colony Road, West Hartford		17,779		682,221
2011 WMR-Pine St & Auburn Rd, WH		26,468		673,533
2011 Design of WMR Outside of CWP		999		999,001
2011 WMR-Longview Dr,Talcott and PHE		51,617		1,648,383
Total	$	95,909,404	$	112,516,526

The commitments are being financed with general obligation bonds and state and federal grants.

D. Interfund Receivables, Payables and Transfers

Interfund loans are generally used to transfer monies as a result of cash flow. Interfund receivables and payables balances at December 31, 2011 are as follows:

Receivable Fund	Payable Fund		Amount
General Fund	Mid-Connecticut Project Fund	$	7,402,604
Water Utility Fund	General Fund		10,961
	Mid-Connecticut Project Fund		436,920
			447,881
Mid-Connecticut Project Fund	Water Utility Fund		1,404
	General Fund		172,519
			173,923
Total		$	8,024,408

Interfund transfers are generally used to supplement revenues of other funds. Interfund transfers for the year ended December 31, 2011 were as follows:

	Transfers In				
	General Fund	Debt Service Fund	Sanitary Sewer Overflow	2006 Clean Water Referendum	Transfers Out
Transfers out:					
General Fund	$	$ 19,084,525	$	$	$ 19,084,525
Debt Service Fund	3,000,000				3,000,000
Assessable Sewer Construction	2,500,000				2,500,000
Water Utility Fund		1,418,847			1,418,847
Hydroelectric Development Fund	1,550,000				1,550,000
2006 Clean Water Project Referendum	2,767,075				2,767,075
Nonmajor Governmental Funds		252,192	12,519	249,699	514,410
Total Transfers In	$ 9,817,075	$ 20,755,564	$ 12,519	$ 249,699	30,834,857
Transfer of prior year bond proceeds from nonmajor governmental funds to water utility fund					70,743
					$ 30,905,600

E. Bond Anticipation Note

The District uses bond anticipation notes during the construction period of various projects prior to the issuance of the bonds at the completion of the project.

The District issued bond anticipation notes of $40,000,000 at an interest rate of 2% on February 3, 2011, and $35,600,000 at an interest rate of 1% on June 30, 2011. Both notes matured on October 5, 2011. The District also issued bond anticipation notes of $102,134,000, with $60,000,000 at an interest rate of 1% and $42,134,000 at an interest rate of 1.5% on October 5, 2011. These notes mature on April 16, 2012.

Bond anticipation note transactions for the year ended December 31, 2011 were as follows:

Outstanding - December 31, 2010	$ -
New borrowings	177,734,000
Repayments	(75,600,000)
Outstanding - December 31, 2011	$ 102,134,000

Subsequent Event

The District issued bond anticipation notes of $152,134,000 with a premium of $1,827,129 at an interest rate of 2% on April 16, 2012. These notes mature on December 6, 2012.

F. Operating Leases

Commitments under an operating lease agreement with the Army Corps of Engineers for water storage rights require minimum annual rental payments, including interest at 3.14% through 2019. Total costs for such leases were $204,222 for the year ended December 31, 2011. Future minimum lease payments for these leases are as follows:

	Amount
2012	$ 204,222
2013	204,222
2014	204,222
2015	204,222
2016	204,222
2017-2019	612,666
Total	$ 1,633,776

G. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 165,963,450	$	$ 7,982,792	$ 157,980,658	$ 7,693,486
Premiums	5,265,272		301,969	4,963,303	
Deferred amount on bond refunding	(1,585,070)		(153,699)	(1,431,371)	
Total bonds payable	169,643,652		8,131,062	161,512,590	7,693,486
Clean water fund loans	107,390,105	43,238,156	4,762,981	145,865,280	57,388,538
Compensated absences	2,573,843	3,675,892	3,533,076	2,716,659	244,666
OPEB obligation	17,295,057		6,368,028	10,927,029	
Total Governmental Activities Long-Term Liabilities	$ 296,902,657	$ 46,914,048	$ 22,795,147	$ 321,021,558	$ 65,326,690
Business-Type Activities:					
General obligation bonds	$ 87,281,550	$ 70,744	$ 4,697,969	$ 82,654,325	$ 4,716,514
Premiums	2,971,010		148,962	2,822,048	
Deferred amount on bond refunding	(568,127)		(58,511)	(509,616)	
Total bonds payable	89,684,433	70,744	4,788,420	84,966,757	4,716,514
Drinking water fund loans	7,643,837	29,296	573,956	7,099,177	1,303,044
Compensated absences	3,914,768	3,528,972	4,612,664	2,831,076	419,167
Net pension obligation		10,516,949		10,516,949	
OPEB obligation	21,138,403		1,380,919	19,757,484	
Total Business-Type Activities Long-Term Liabilities	$ 122,381,441	$ 14,145,961	$ 11,355,959	$ 125,171,443	$ 6,438,725

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

General Obligation Bonds

General obligation bonds are direct obligations of the District for which full faith and credit are pledged and are payable from taxes levied on member towns and other operating revenues. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	Various	$ 157,980,658
Business-type activities	Various	82,654,325
		$ 240,634,983

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	$ 7,693,486	$ 6,510,573	$ 4,716,514	$ 3,307,309
2013	7,934,817	6,231,585	4,850,181	3,138,829
2014	7,596,825	5,908,826	4,568,175	2,940,640
2015	7,933,506	5,623,464	4,766,492	2,774,092
2016	7,898,214	5,321,926	4,591,786	2,604,796
2017-2021	39,473,678	21,333,078	23,311,318	9,969,184
2022-2026	32,123,635	13,699,856	21,526,363	5,218,084
2026-2030	23,374,549	7,873,531	11,755,448	1,563,775
2031-2035	14,021,948	4,082,964	2,568,048	312,880
2036-2040	9,930,000	1,141,875	-	-
Total	$ 157,980,658	$ 77,727,678	$ 82,654,325	$ 31,829,589

Authorized But Unissued Bonds

The total of authorized but unissued bonds at December 31, 2011 is $924,137,628. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

Prior Year Defeasance of Debt

In prior years, the District defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The balance in escrow was $13,467,427 at December 31, 2011. The outstanding balance of the defeased bonds as of December 31, 2011 is $12,820,000.

Clean Water Fund Loans

The District participates in the State of Connecticut's Clean and Drinking Water programs, which provide low-interest loans bearing 2% interest for eligible waste water and 2.5% interest for eligible drinking water projects. Projects are financed by interim loan obligations until project completion, at which time internal loan obligations are replaced by permanent loan obligations.

Clean Water Fund loans finance the sewer infrastructure and facility improvements (governmental activities) and will be repaid from future taxation and user fees.

Drinking Water Fund loans finance the water infrastructure and facility improvements (business-type activities) and will be financed by user charges.

Permanent loan obligations mature as follows:

	Governmental Activities	
	Principal	Interest
2012	$ 4,753,734	$ 942,189
2013	4,733,536	847,264
2014	4,700,687	752,976
2015	4,498,709	659,131
2016	3,488,820	580,097
2017-2021	14,777,533	1,960,050
2022-2026	9,525,967	746,129
2027-2030	2,811,578	58,181
	$ 49,290,564	$ 6,546,017

	Business-Type Activities	
	Principal	Interest
2012	$ 530,965	$ 138,588
2013	530,965	126,108
2014	530,965	113,629
2015	530,965	101,149
2016	530,965	88,670
2017-2021	2,368,981	259,806
2022-2026	830,399	85,719
2027-2030	472,893	18,266
	$ 6,327,098	$ 931,935

Interim loan obligations mature as follows:

	Governmental Activities	
	Principal	Interest
2012	$ 52,634,804	$ 1,574,076
2013	41,601,277	538,747
2014	2,338,635	11,609
	$ 96,574,716	$ 2,124,432

	Business-Type Activities	
	Principal	Interest
2012	$ 772,079	$ 13,405
	$ 772,079	$ 13,405

H. Fund Balance

The components of fund balance for the governmental funds at December 31, 2011 are as follows:

	General Fund	Debt Service	Assessable Sewer Construction	Sanitary Sewer Overflow Construction	2006 Clean Water Project Referendum	Nonmajor Governmental Funds	Total
Fund balances:							
Nonspendable:							
Prepaids	$ 317,118	$	$	$	$ 3,193	$	$ 320,311
Inventory	1,432,879						1,432,879
Restricted for:							
Debt service		5,286,212			53,793,802		59,080,014
Committed to:							
Sewer construction			2,352,711				2,352,711
General purpose sewer						732,357	732,357
Tower Brook						4,435	4,435
WPCF infrastructure improvements						2,217	2,217
Safety and regulatory upgrades						2,571	2,571
HWPCF electrical system improvements phase III						596,934	596,934
Incineration modification for regulatory compliance						4,127	4,127
Overflow alarm/gate repair						2,017	2,017
Storm drain improvements phase I						602,195	602,195
Stormwater management						292,745	292,745
Pump station replacement						1,970	1,970
Upper Albany improvements phase I						9,265	9,265
HWPCF chlorine toxic elimination						98,558	98,558
Long term control plan						323,397	323,397
Combined sewer LT control plan						1,005,345	1,005,345
Sludge processing building odor						254	254
Wastewater treatement facility improvement						93,288	93,288
Combined sewer septic						416	416
Nitrogen reduction program						5,236	5,236
Sewer inspection rehab-CMOM						597,839	597,839
Long term control plan						7,256	7,256
Emergency generator replacements						161,806	161,806
2006 Incinerator upgrade						873,324	873,324
CIP debt related combined						539,202	539,202
Assigned to:							
Infrustructure improvements	2,423,443						2,423,443
Unassigned	10,895,466			(1,110,207)	(80,059,072)	(27,553,026)	(97,826,839)
Total Fund Balances	$ 15,068,906	$ 5,286,212	$ 2,352,711	$ (1,110,207)	$ (26,262,077)	$ (21,596,272)	$ (26,260,727)

Significant encumbrances at December 31, 2011 are contained in the above table in the assigned category of the General Fund.

4. EMPLOYEE RETIREMENT PLAN

A. Plan Description

The District has an employee retirement system with a pension plan adopted January 1, 1944 and amended April 1, 1989. The Aetna Insurance Company is the administrator of the Metropolitan District Employees' Retirement System (MDERS), which is a defined benefit, single employer retirement system. The MDERS provides retirement, disability and death benefits to plan members and beneficiaries.

The pension plan is included in the District's financial reporting entity and accounted for in the pension trust fund. The MDERS does not issue a stand-alone financial report.

At January 1, 2011, which is the last date of actuarial valuation, membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	504
Terminated members entitled to but not yet receiving benefits	64
Current active members	601
Nonvested former participants	14
Total Members	1,183

Participation in the plan is immediate upon employment for all full-time employees. Vesting in benefits occurs after ten years of service. Termination of employment before that time results in forfeiture of the District's portion of the accrued benefit.

The District's Personnel, Pension and Insurance Committee, as provided by the District's general ordinances, establishes the benefit provisions and the employer's and employees' obligations. Any bargaining or nonbargaining unit employee who becomes totally and permanently disabled and has completed 10 years of service will receive 100% of the pension that the employee would have been entitled to. Annual pension payments are determined at 2% times years of service times final average earnings subject to a maximum of 32 years.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are financed through investment earnings.

Valuation of Investments - Investments are valued at fair value. Securities traded on national exchanges are valued at the last reported sales price.

C. Funding Policy

Employees are required to contribute 5% of their annual covered salary. The District is required to contribute at an actuarially determined rate; the current rate is 19.5% (10.2% for MDC and 99.1% for Mid-CT) of annual covered payroll.

D. Annual Pension Cost and Net Pension Asset

The District's pension cost and net pension asset to the MDERS for the current year are as follows:

Annual required contribution	$ 15,050,472
Interest on net pension asset	(180,735)
Adjustment to annual required contribution	595,510
Annual pension cost	15,465,247
Contributions made	4,633,200
Change in net pension asset	10,832,047
Net pension asset beginning of year	(2,259,192)
Net Pension Obligation, End of Year	$ 8,572,855

The net pension obligation at year end is comprised of the following:

Mid-CT Project	$ 10,516,949
MDC	(1,944,094)
Total Net Pension Obligation	$ 8,572,855

The following is a summary of certain significant actuarial assumptions and other MDERS information:

Valuation Date	January 1, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent - Closed
Remaining Amortization Period	17 Years for MDC employees and 1 Year for Mid-CT project employees
Asset Valuation Method	5-Year Smoothing of Investment Returns Greater (Less) than Expected
Actuarial Assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5%
Cost of living adjustments	0.0%

E. Three-Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset) Obligation
2009	$ 7,472,541	76.0 %	$ (6,790,822)
2010	9,395,594	51.8	(2,259,192)
2011	15,465,247	30.0	8,572,855

The negative three-year trend data with respect to the percentage of APC contributed is a result of the Connecticut Resource Recovery Authority (CRRA) not making the annual required contributions for MDC personnel assigned to the Mid-Connecticut Project as per the contractual agreement. (See Mid-Connecticut disclosure on page 54.) A summary of the three-year trend for the Annual Required Contribution is as follows:

Year Ended Dec. 31,	Annual Required Contribution			Actual Contribution			Actual Contribution		
	MDC	Mid-CT	Total	MDC	Mid-CT	Total	MDC	Mid-CT	Total
2009	$ 3,979,855	$ 3,086,219	$ 7,066,074	$ 5,156,000	$ 520,453	$ 5,676,453	129.6%	16.9%	80.3%
2010	4,150,853	4,658,419	8,809,272	4,152,040	711,924	4,863,964	100.0%	15.3%	55.2%
2011	4,948,298	10,102,174	15,050,472	4,633,200	-	4,633,200	93.6%	0.0%	30.8%

As of January 1, 2011, the most recent actuarial valuation date, the plan was 73.6% funded. The actuarial accrued liability for benefits was approximately $197 million, and the actuarial value of assets was $145 million, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $52 million. The covered payroll (annual payroll of active employees covered by the plan) was $44 million.

5. POSTEMPLOYMENT HEALTHCARE PLAN - RETIREE HEALTH PLAN

Plan Description

The Retiree Health Plan (RHP) is provided through indemnity plans and health maintenance organizations. The RHP is a single-employer defined benefit healthcare plan and provides medical, dental and life insurance benefits to eligible retirees and their spouses. District employees eligible to participate in the plan are as follows: 65 years old or 55 years old with 10 years of service or the sum of age and service is 85. Benefit provisions are established through negotiations between the District and the various unions representing the employees.

Some expenses for postemployment benefits were paid out of the General Fund, as well as the OPEB trust fund, during fiscal year ended December 31, 2011. The plan does not issue a stand-alone financial report.

At January 1, 2011, plan membership consisted of the following:

	Retiree Health Plan
Retired members	532
Spouses of retired members	240
Active plan members	646
Total Participants	1,418

Funding Policy

The contribution requirements of plan members and the District are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums.

The cost per month for District retiree spouse coverage under Connecticut Blue Cross/Blue Shield Century 94 plus Major Medical Blue Cross Basic Dental Plan is 5% of the difference in cost between the individual coverage and the cost of the coverage selected. There is no cost for retirees. Retirees are eligible to receive term life insurance in the amount equal to one half of their group life insurance.

Employer contributions to the plan of $26,995,985 were made in accordance with actuarially determined requirements. Of this amount, $23,495,985 represents accrued premium payment from CRRA and $3,500,000 was contributed to prefund benefits.

Annual OPEB Cost and Net OPEB Obligations

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years for MDC employees and 2 years for Mid-Connecticut Project employees over 2 years (the remaining period of the Mid-Connecticut Project contract).

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	Retiree Health Plan
Annual required contribution (ARC)	$ 19,989,745
Interest on net OPEB obligation	1,537,338
Adjustment to annual required contribution	(2,280,045)
Annual OPEB cost	19,247,038
Contributions made	26,995,985
Decrease in net OPEB obligation	(7,748,947)
Net OPEB obligation, beginning of year	38,433,460
Net OPEB Obligation, End of Year	$ 30,684,513

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three fiscal years ended December 31, 2011, 2010 and 2009 are presented below:

Fiscal Year	Annual OPEB Cost (AOC)			Actual Contribution			Percentage of AOC Contributed			Net OPEB Obligation		
Ended	MDC	Mid-CT	Total	MDC	Mid-CT	Total	MDC	Mid-CT	Total	MDC	Mid -CT	Total
12/31/2009	$ 12,488,248	$ 2,631,781	$ 15,120,029	$ 4,873,081	$ -	$ 4,873,081	39.0%	0.0%	32.2%	$ 13,816,958	$ 3,833,854	$ 17,650,812
12/31/2010	12,935,275	2,755,786	15,691,061	5,155,361	-	5,155,361	39.9%	0.0%	32.9%	21,709,188	6,188,573	27,897,761
12/31/2011	16,122,587	3,124,451	19,247,038	26,995,985	-	26,995,985	167.4%	0.0%	140.3%	24,282,286	6,402,227	30,684,513

As of January 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately $219 million, and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $168 million. The covered payroll (annual payroll of active employees covered by the plan) was not available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, projected unit credit method was used. The annual medical cost trend rate is 8% initially, reduced by decrements to an ultimate rate of 5% in 2015. The annual dental cost trend rate is 5%. The general inflation assumption is 2.5% - 3.0%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2011 was 27.60 years.

6. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss including torts; officers' and employees' liabilities; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for all risks of loss except those risks described in the next paragraph. The District established an internal service fund, the self-insurance fund, to account for and finance the retained risk of loss.

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 million of excess coverage for liability coverage with no limits for workers' compensation excess coverage. The self-insurance fund is primarily supported by contributions from the General Fund and the Water Utility Enterprise Fund. Administration for workers' compensation and general and auto liability claims is performed in-house and through third-party administrators whose administrative fees are paid by the self-insurance fund. Blue Cross and Blue Shield administer the District's medical insurance plan for which the District pays a fee. The medical insurance plan provides coverage for most District employees. The District has purchased a stop loss policy for total medical claims in any one year exceeding an aggregate of 110% of expected claims. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no reduction in any coverage during the year from that of the prior year.

The claims liability of $2,815,328 for the self-insurance fund reported at December 31, 2011 is based on the requirements of GASB Statement No. 10, which requires that a liability for estimated claims incurred but not reported be recorded. The District's policy is to have an actuarial study performed annually.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that has been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimate. Changes in the claims liability for the past two years are as follows:

	Accrued Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Accrued Liability Claim Payments	Accrued Liability End of Fiscal Year
2010	$ 3,396,584	$ 1,909,086	$ 1,876,882	$ 3,428,788
2011	3,428,788	2,396,011	3,009,471	2,815,328

B. Contingent Liabilities

Environmental Matters

On November 6, 2006, the voters on the Metropolitan District overwhelmingly approved the referendum for the first phase of the Clean Water Project authorizing the District to bond $800,000,000 of the current total estimated project cost of $1.6 billion (current escalated amount of $2.1 billion). The Clean Water Project includes all the programs needed to comply with the Consent Decree from the United States Department of Justice, the U.S. Environmental Protection Agency (EPA) and the Connecticut Department of Energy and Environmental Protection (CT DEEP) to eliminate eight Sanitary Sewer Overflows (SSOs) and the Consent Order from CT DEEP to implement the Long-Term Control Plan for Combined Sewer Overflow Abatement and to reduce nitrogen from the District's water pollution control facilities as required by CT DEEP general permit. The District is utilizing the State of Connecticut Clean Water Fund to finance the eligible portions of these projects to the extent funding is available. The Clean Water Fund provides a grant and loan combination for some of this work and a loan only for certain projects.

The Consent Decree issued on August 23, 2006 by the U.S. Department of Justice, the EPA and CT DEEP for the elimination of SSOs requires the overflows to be eliminated within five years of the approval of an elimination plan by the EPA in Wethersfield, Rocky Hill and Windsor and within ten years in West Hartford and Newington. The Consent Decree also carried an $850,000 civil penalty which was paid in 2006. The Consent Decree requires many interim action reports and construction necessary to reduce the infiltration and inflow of clean water into the sewer systems in the towns outside Hartford including individual homeowner actions. The Clean Water Fund can supply loans at 2% interest for this design and construction.

A Consent Order issued on November 6, 2006 by CT DEEP establishes a compliance schedule for the full implementation of the Long-Term Control Plan for Combined Sewer Overflow Abatement by 2021. The work includes separation of sewers in portions of Hartford to eliminate certain overflows, construction of new conveyance sewers, treatment plant expansion for wet weather flows and a large storage tunnel for retention of flow for later treatment. Meeting the schedule will require extensive and timely capital expenditures, currently projected to be more than $1 billion over the next 15 years. Construction costs for portions of the sewer separation projects and for construction of conveyance and storage tunnels are eligible for State

Clean Water Fund financing with a 50% grant and loan at 2% for the balance to the extent funding is available. Funding for the treatment plant expansion work is eligible for State Clean Water Fund support with a 20% grant and a 2% loan for the balance. In the case that funding was unavailable through the Clean Water Fund, the District would be obligated to issue bonds for the construction, adding increased debt service to its budget.

The third component of the Clean Water Project includes the reduction of nitrogen in the treatment facilities' effluent to meet the state general permit to reduce nitrogen to Long Island Sound. The permit requires the annual reduction of nitrogen levels through 2014. New facilities are eligible for financing by the Clean Water Fund with a 30% grant and loan at 2% for the balance.

Arbitrage

The District may be subject to rebate penalties to the federal government relating to various bond and note issues. The District expects such amounts, if any, to be immaterial.

Mid-Connecticut Project

The CRRA and the District entered into a contract dated December 31, 1984 that defines the responsibilities of both parties with respect to the District's operation of the Mid Connecticut Resources Recovery Facility. The agreement details the District's contractual obligations with respect to the operation of the waste processing facility, the transfer stations, the Hartford Landfill and the transportation systems between the transfer stations, the Hartford Landfill and the waste processing facilities as well as the contractual obligations of the CRRA to compensate and indemnify the District for its services.

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

Upon receipt of notification of the pending contract termination, the District determined that the contract termination would result in certain costs relating to District employees that operated the facilities and these termination costs are estimated to be in excess of $60 million. The District initiated discussions with the CRRA with respect to funding these contract termination liabilities. The principal components of the contract termination liabilities are unfunded pension and OPEB obligations for District employees who operated the facilities during the term of the expiring contract as well as employment costs associated with the elimination of positions at the Mid Connecticut Resources Recovery Facility.

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

CRRA, at its Board of Directors' meeting on December 16, 2010, authorized management to negotiate a contract with another entity for the operation and maintenance of the Mid Connecticut Resources Recovery Facility. The District and CRRA have given the requisite notices to enter binding arbitration to resolve the dispute related to closing costs and other disputed issues.

Blonski v Metropolitan District Commission

On May 16, 2002, Maribeth Blonski was operating a mountain bicycle on the District's West Hartford Reservoir property and had an accident that resulted in her suffering personal injuries. On May 14, 2004, Maribeth Blonski initiated legal action against the District alleging that the District was responsible for her personal injuries.

On May 7, 2010, a Connecticut Superior Court jury awarded Maribeth Blonski \$2.9 million less 30% for comparable negligence, and a deduction of approximately \$150,000 for collateral source benefits as a result of her legal action against the District. The District has filed an appeal with respect to the verdict and fully expects the award to be overturned. A final decision is likely by December 2012.

The District maintains a comprehensive risk management program with specific insurance policies in force with respect to general liability and umbrella liability. At the time of the accident, the District maintained insurance coverages with appropriate policy limits and these policies contained a self-insurance retention of \$250,000.

Other

There are other various suits and claims pending against the District, none of which, individually or in the aggregate, is believed by counsel to be likely to result in judgment or judgments that could materially affect the District's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

THE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxation:				
Hartford	$ 9,046,600	$ 9,046,600	$ 9,046,600	$ -
East Hartford	3,769,700	3,769,700	3,769,700	-
Newington	2,794,700	2,794,700	2,794,700	-
Wethersfield	2,619,900	2,619,900	2,619,900	-
Windsor	2,893,400	2,893,400	2,893,400	-
Bloomfield	2,399,000	2,399,000	2,399,000	-
Rocky Hill	1,869,100	1,869,100	1,869,100	-
West Hartford	6,968,100	6,968,100	6,968,100	-
Total taxation	32,360,500	32,360,500	32,360,500	-
Sewer user fees:				
Bradley Airport - Hamilton - East Granby	590,200	590,200	693,994	103,794
Nonmunicipal - tax exempt	2,850,200	2,850,200	2,824,525	(25,675)
Hi-flow charges	2,230,500	2,230,500	2,042,398	(188,102)
Hi-strength	823,700	823,700	784,916	(38,784)
Penalties	18,000	18,000	6,622	(11,378)
Manchester	54,600	54,600	70,098	15,498
South Windsor	7,900	7,900	7,524	(376)
Farmington	85,200	85,200	71,295	(13,905)
Cromwell	4,500	4,500	3,602	(898)
CRRA	153,200	153,200	72,916	(80,284)
SUC tax credit	(400,000)	(400,000)	(379,927)	20,073
Total	6,418,000	6,418,000	6,197,963	(220,037)
Less sewer user rebates	(700,100)	(700,100)	(549,152)	150,948
Total sewer user fees	5,717,900	5,717,900	5,648,811	(69,089)
Intergovernmental:				
Sludge handling	2,250,000	2,250,000	2,516,518	266,518
Household hazardous waste	273,000	273,000	288,340	15,340
Connecticut Resources Recovery Authority	3,200,000	3,200,000	3,321,222	121,222
Other government agencies	10,000	10,000		(10,000)
Total intergovernmental	5,733,000	5,733,000	6,126,080	393,080
Investment income	105,000	105,000	29,710	(75,290)

(Continued on next page)

THE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
Other revenues:				
Rental fees	$ 5,000	$ 5,000	$ 4,581	$ (419)
Bill jobs	50,000	50,000	12,505	(37,495)
Developers	268,000	268,000	23,846	(244,154)
Payroll additives and indirect costs	6,000	6,000	6,612	612
Nontaxable fees	50,000	50,000	32,832	(17,168)
Taxable fees	80,000	80,000	31,742	(48,258)
Property rents	62,000	62,000	149,759	87,759
Septage/glycol discharge fees	855,000	855,000	869,897	14,897
Miscellaneous	4,265,700	4,265,700	4,435,208	169,508
Total other revenues	5,641,700	5,641,700	5,566,982	(74,718)
Total revenues	49,558,100	49,558,100	49,732,083	173,983
Other financing sources:				
Appropriation of fund balance	774,300	774,300		(774,300)
Transfers in	10,817,100	10,817,100	9,817,075	(1,000,025)
	11,591,400	11,591,400	9,817,075	(1,774,325)
Total Revenues and Other Financing Sources	61,149,500	61,149,500	59,549,158	(1,600,342)
Expenditures:				
General government:				
District Board	121,000	121,000	112,407	8,593
Executive office	497,100	520,782	505,936	14,846
Administrative services	122,300	122,300	89,666	32,634
Legal	797,100	801,010	886,067	(85,057)
Human resources	946,400	930,618	732,429	198,189
Chief Administrative office	201,800	201,800	193,582	8,218
Information systems	1,421,800	1,421,800	1,406,755	15,045
Finance	1,570,200	1,570,200	1,495,528	74,672
Environmental health and safety	609,500	609,500	571,377	38,123
Customer service	1,571,700	1,571,700	1,428,323	143,377
Total general government	7,858,900	7,870,710	7,422,070	448,640
Engineering and planning	1,097,900	1,102,660	1,082,245	20,415
Chief Operating office	243,800	243,800	227,430	16,370
Operations	2,408,900	2,419,640	2,829,063	(409,423)

(Continued on next page)

THE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
Plants and maintenance:				
Water Pollution Control	$ 15,891,800	$ 15,915,610	$ 15,886,786	$ 28,824
Maintenance	4,684,900	4,713,740	4,573,830	139,910
Total plants and maintenance	20,576,700	20,629,350	20,460,616	168,734
Employee benefits and other:				
Employee benefits	7,821,800	7,821,800	7,535,013	286,787
General insurance	856,500	856,780	853,181	3,599
Contingencies	558,600	478,360		478,360
Total employee benefits and other	9,236,900	9,156,940	8,388,194	768,746
Total expenditures	41,423,100	41,423,100	40,409,618	1,013,482
Other financing uses:				
Transfers out	19,205,400	19,205,400	19,084,525	120,875
Total Expenditures and Other Financing Uses	60,628,500	60,628,500	59,494,143	1,134,357
Net Change in Fund Balance	$ 521,000	$ 521,000	55,015	$ (465,985)
Budgetary expenditures are different than GAAP expenditures because:				
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes			960,770	
Expenditures not included in the budget, consisting primarily of the material and equipment used for Mid-Connecticut Project orders			(811,086)	
Net Change in Fund Balance as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			$ 204,699	

THE METROPOLITAN DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PENSION TRUST FUND

Schedule of Funding Progress

Actuarial Valuation Date January 1	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ([(B-A)/C])
2006	$ 134,835,524	$ 147,742,676	$ 12,907,152	91.3 %	$ 33,494,108	38.5 %
2007	144,581,658	155,753,248	11,171,590	92.8	36,862,131	30.3
2008	150,707,160	175,269,586	24,562,426	86.0	37,960,169	64.7
2009	131,276,651	174,498,025	43,221,374	75.2	42,052,737	102.8
2010	137,150,657	180,185,360	43,034,703	76.1	45,271,276	95.1
2011	144,905,441	196,799,792	51,894,351	73.6	43,872,205	118.3

Schedule of Employer Contributions

Year Ended December 31	Required Contribution	Annual Percentage Contributed
2006	$ 3,283,457	109.5 %
2007	3,710,728	101.8
2008	3,784,198	100.0
2009	7,066,074	108.6
2010	8,809,272	55.2
2011	15,050,472	32.9

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

THE METROPOLITAN DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION -
OTHER POST-EMPLOYMENT BENEFITS TRUST FUND

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2007	$ -	$ 146,467,950	$ 146,467,950	0.00%	n/a	n/a
1/1/2008	-	152,354,680	152,354,680	0.00	n/a	n/a
1/1/2009	-	160,119,431	160,119,431	0.00	n/a	n/a
1/1/2010	-	167,502,977	167,502,977	0.00	n/a	n/a
1/1/2011	-	218,824,953	218,824,953	0.00	n/a	n/a

Schedule of Employer Contributions

Year Ended December 31,	Required Contribution	Annual Percentage Contributed
2007	$ 13,222,655	30.5 %
2008	13,918,177	38.2
2009	15,429,144	31.6
2010	16,271,928	31.7
2011	19,989,745	135.0

As December 1, 2007 was the transition year, information in these schedules is only presented for five years.
n/a - The covered payroll is not available.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL OBLIGATION INDENTURE

This section is a brief summary of the Special Obligation Indenture. The summary does not purport to be complete. Reference is made to the Special Obligation Indenture for a full and complete statement of the provisions thereof.

Authority for the Special Obligation Indenture. [Section 2.1]. The Special Obligation Indenture is made and entered into by virtue of and pursuant to the provisions of the Authorizing Acts.

Authorization for Issuance of Bonds and Obligations of the MDC. [Section 2.2]. In order to provide a portion of the funds for the Mandate and the Project, Special Obligation Bonds of the MDC are authorized to be issued without limitation as to amount except as therein provided or as may be limited by law and such Bonds shall be issued subject to the terms, conditions and limitations established in the Special Obligation Indenture.

The Bonds, Notes, Swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture, shall be special obligations of the MDC, the Principal and Redemption Price (if any) of, interest on, and other amounts due in respect of which, shall be payable solely from the Trust Estate, and shall not be payable from nor charged upon any funds other than the Trust Estate pledged therefor as provided under the Special Obligation Indenture pursuant to the Act. The Bonds shall be entitled to the benefit of the continuing pledge of and lien on the Trust Estate created by the Special Obligation Indenture and, with respect to any Additional Bonds, the Supplemental Indenture authorizing the issuance thereof, to secure the full and final payment of the Principal, or Redemption Price, if applicable, thereof and the interest thereon.

The Bonds, Notes, Swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture shall not constitute a general obligation of the MDC or a pledge of the faith and credit of the State, the MDC or of any other political subdivision of the State but shall be payable solely from the resources of the MDC described in the Special Obligation Indenture as the Trust Estate; the Bonds, Notes, Swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture constitute a special obligation of the MDC payable solely from, and are secured solely by a pledge of, the Trust Estate, including Pledged Revenues.

All Bonds shall contain on the face thereof a statement to the effect that:

> NEITHER THE STATE OF CONNECTICUT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE MDC, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE MDC IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS SOLELY FROM THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CONNECTICUT OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE MDC, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

Pledge Effected by Indenture. [Section 6.1]. The Trust Estate is pledged to secure the payment of the Principal or Redemption Price, if any, and the interest on the Bonds (including the Sinking Fund Installments for the retirement thereof) in accordance with their terms and the provisions of the Special Obligation Indenture permitting the application or release thereof for or to the purposes and on the terms and conditions therein set forth.

Establishment Funds and Accounts Therein. [Section 6.2]. The MDC establishes and creates the following funds and accounts to be held by the Trustee: the Bond Proceeds Fund (consisting of the Costs of Issuance Series Accounts and the Series Accounts); the Revenue Fund; the Debt Service Fund (consisting of the Interest Account and the Principal Installment Account); the Redemption Fund; the Rebate Fund; and the Rate Stabilization Fund. The MDC has reserved the right to establish additional funds, accounts and subaccounts.

Costs of Issuance Account. [Section 6.3]. A separate sub-account within the Costs of Issuance Account designated "Special Obligation Bonds Costs of Issuance Sub-account" may be established for the Bonds of each Series Outstanding. There shall be deposited in the applicable sub-account of the Costs of Issuance Account from time to time the amount of moneys necessary to pay the Costs of Issuance of each Series of Bonds. Such proceeds and moneys shall be used to pay only the Costs of Issuance of the Series of Bonds for which such proceeds and moneys were deposited. Upon payment of all Costs of Issuance of a Series of Bonds for which a separate sub-account has been established in the Costs of Issuance Account, an Authorized Officer of the MDC shall direct the Trustee to transfer any moneys remaining in said sub-account to the same Series Sub-account of the Bond Proceeds Fund or to other Costs of Issuance accounts or to the MDC on account of payment of Costs of Issuance.

Bond Proceeds Accounts. [Section 6.4]. Within the Bond Proceeds Fund a separate sub-account designated the "Special Obligation Indenture Special Obligation Bond Proceeds Sub-account" may be established for the Bonds of each Series Outstanding. There shall be deposited into the applicable Series Sub-account of the Bond Proceeds Fund only the amount of the proceeds of the Bonds of any Series required to be deposited therein as shall be specified and determined by the Supplemental Indenture authorizing such Series of Bonds. Moneys in the Bond Proceeds Fund shall be expended only for the costs of the Mandate and the Project, and for Costs of Issuance subject to the provisions and restrictions of Section 6.3 and Section 6.4 of the Special Obligation Indenture.

The MDC is authorized and directed to order each disbursement from the Bond Proceeds Fund upon a certification filed with Trustee, signed by an Authorized Officer of the MDC, but not more frequently than monthly. Such certification shall be in substantially the form set forth in Exhibit A, and shall (i) state the requisition number, (ii) specify the nature of each item or category of cost and certify the same to be correct and proper under the Special Obligation Indenture and that such item or category of cost has been properly paid or incurred as a cost of the Mandate and the Project and, pursuant to the Special Obligation Indenture, is consistent with the covenant of the MDC respecting tax exempt obligations in any tax regulatory agreement with respect thereto, (iii) certify that none of the items or categories for which the certification is made has formed the basis for any disbursement theretofore made from the Bond Proceeds sub-account, (iv) certify that the payee and amount stated with respect to each item in the certification are correct and that such item is due and owing, (v) specify the name and address of the person to whom payment shall be made by the Trustee, which may be to the MDC itself for purposes of making such payment or reimbursing itself for any payments theretofore made, and (vi) include any other requirements set forth in the Supplemental Indenture authorizing the applicable Series of Bonds.

Flow of Pledged Revenues; Revenue Fund. [Section 6.5]. The MDC shall cause all moneys received as Swap Receipts to be deposited promptly in the Interest Account and unless otherwise specified in any Supplemental Indenture, received as Termination Receipts to be deposited promptly in the Redemption Fund if any Bonds shall be outstanding. If no Bonds shall at the time be outstanding, any Termination Receipts shall be paid to the MDC.

The Trustee shall deposit in the Revenue Fund all Pledged Revenues received from the MDC.

Beginning with the first month after the commencement of the operation of the Project, on the fifth day of each month (or, if not a Business Day, on the next succeeding Business Day) the Trustee shall withdraw from the Revenue Fund the amounts on deposit in the Revenue Fund, in each case in the amounts set forth in a certificate (the "Monthly Allocation Certificate") delivered by an Authorized Officer of the MDC to the Trustee, to deposit or credit the following accounts and funds:

FIRST, unless otherwise provided in any Supplemental Indenture with respect to Bonds,

-- Into the Interest Account, the amount accrued for the prior month as interest on the Bonds or Swaps for each Series of Bonds or Swap Payments on Swaps accrued for the prior month less any Swap Receipts accrued for the prior month, provided that the deposit immediately preceding any Interest

Payment Date shall be the balance necessary to make such payment, as well as all amounts accrued for the prior month as Term-Out Payments in respect of a Swap.

-- Into the Principal Installment Account, the amount accrued for the prior month as principal due on each Series of Bonds, whether at maturity or pursuant to mandatory sinking fund redemption on the next scheduled Principal Installment Date, provided that the deposit immediately preceding any Principal Installment Date shall be the balance necessary to make such payment.

SECOND – the amount identified in the Monthly Allocation Certificate, pro rata, to each debt service reserve fund created pursuant to the terms of any Supplemental Indenture for the benefit of any Series of Bonds to cause any debt service reserve fund requirement established under such Supplemental Indenture to be satisfied.

THIRD – to any other trustee or paying agent for indebtedness of the MDC, at the address set forth in the Monthly Allocation Certificate the amount identified therein.

FOURTH – into the Redemption Fund, the amount, if any, set forth in the Monthly Allocation Certificate.

FIFTH -- into the Rate Stabilization Fund, the balance in the Revenue Fund, if any.

PROVIDED THAT, the fact that the MDC shall not have received sufficient Pledged Revenues with which to make the deposits or credits each month as prescribed above to meet any of the requirements thereof shall not, by the fact itself, be construed as an "Event of Default" under the Special Obligation Indenture. The Trustee shall be entitled to rely upon the information set forth in the Monthly Allocation Certificate, without any duty to confirm such information.

For the purpose of calculating the interest accruing for any month with respect to any Series of Bonds bearing interest at a fixed rate, interest shall be treated as accruing from and including the month in which the next preceding Interest Payment Date on such Bonds occurs to and excluding the month in which the next Interest Payment Date on such Bonds occurs, ratably over the number of months from one Interest Payment Date to the next Interest Payment Date. For the purpose of calculating the interest accruing for any month with respect to any Series of Variable Interest Rate Bonds, interest due on the next Interest Payment Date shall be treated as accruing from and including the month in which the next preceding Interest Payment Date on such Bonds occurs, to and excluding the month in which the next Interest Payment Date on such Bonds occurs, ratably over the number of months from the next preceding Interest Payment Date to the next Interest Payment Date at the Variable Interest Rate Calculation Rate, except that such accrual shall be adjusted for any amounts by which the Variable Interest Rate Calculation Rate differs from the actual net interest rate on such Variable Interest Rate Bonds, after taking into account all Swaps designated by the MDC with respect to such Variable Interest Rate Bonds. For purposes of calculating the amount of any Term-Out Payment in respect of a Swap, such amount shall be treated as accruing from and including each month in which the prior Term-Out Payment was made to and excluding the month in which the next Term-Out Payment is required to be made, ratably over the number of months from the date of the prior Term-Out Payment to the date of the next Term-Out Payment. For the purpose of calculating the principal accruing for any month with respect to any Series of Bonds, principal due on the next Principal Installment Date shall be treated as accruing from and including each month in which the next preceding Principal Installment Date on such Bonds occurs, to and excluding the month in which the next Principal Installment Date occurs, ratably over the number of months from the next preceding Principal Installment Date to the next Principal Installment Date. Deposits made by the Trustee into the Interest Account and Principal Installment Account may be made into sub-accounts as directed by the MDC with respect to each series of Bonds and each Swap in accordance with such accruals, or if the deposits are not made in full, then ratably according to such accruals.

Debt Service Fund. [Section 6.6]. The Trustee shall pay out of the Interest Account of the Debt Service Fund and out of the Principal Installment Account of the Debt Service Fund to the respective Paying Agents the amounts required for the payment when due of Interest and Principal on Outstanding Bonds and such amounts shall be applied by the Paying Agents to such payments. The Trustee shall also pay out of the Interest Account Swap Payments and Term-Out Payments on any Swap based on invoices submitted by the Swap Provider.

Redemption Fund. [Section 6.7]. Amounts in the Redemption Fund may be applied as directed by the MDC in a certificate of an Authorized Officer of the MDC filed with the Trustee to the purchase of Bonds at prices not exceeding the Redemption Price thereof applicable on the next redemption date plus accrued interest to such next redemption date (such redemption date shall be the earliest date upon which Bonds are subject to redemption from such amounts) or to the redemption of Bonds. Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established other than by application of Sinking Fund Installments, an amount equal to the applicable Redemption Prices thereof shall be credited toward a part of all or any one or more of such Sinking Fund Installments, as directed by an Authorized Officer of the MDC, or, failing such direction by June 30 of each year, toward such sinking Fund Installment in inverse order of their due dates.

Rate Stabilization Fund. [Section 6.9]. There shall be deposited in the Rate Stabilization Fund amounts required to be deposited therein in accordance with Section 6.5 of the Special Obligation Indenture. Upon receipt of instructions from an Authorized Officer, the Trustee shall transfer from amounts on deposit in the Rate Stabilization Fund, any portion of such amounts, to the Revenue Fund. Upon receipt of instructions from an Authorized Officer, the Trustee shall transfer from amounts on deposit in the Rate Stabilization Fund, any portion of such amounts, to the MDC to be used in accordance with Section 9.13 of the Special Obligation Indenture.

Payment of Bonds. [Section 9.1] The MDC shall duly and punctually pay or cause to be paid, but only from the Trust Estate as provided herein, the Principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming with respect to any Series of Bonds.

Coverage Covenant. [Section 9.3]. The MDC will establish, fix, and revise from time to time, prior to and during each Fiscal Year, and shall collect in each Fiscal Year beginning with the first complete Fiscal Year after issuance of the Initial Bonds, rates, fees and charges representing Pledged Revenues so that the amount of Revenues Available for Debt Service for such Fiscal Year, as certified by an Authorized Officer promptly after the issuance of, and based on, the MDC's audited financial statements for such Fiscal Year, is equal to no less than an amount equal to 1.20 times the Debt Service Requirements in such Fiscal Year.

Power to Issue Bonds and Make Pledges. [Section 9.6]. The Pledged Revenues, or other receipts, funds and moneys pledged pursuant to the Special Obligation Indenture are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto. Pledged Revenues once deposited in and moneys on deposit in the Debt Service Fund and Special Capital Reserve Fund are pledged to the Bonds and shall be applied as provided in the Special Obligation Indenture.

Indebtedness and Liens. [Section 9.7]. The MDC (1) shall not issue any securities or other evidences of indebtedness secured by a prior pledge of particular revenues, receipts, funds or moneys constituting Pledged Revenues or other receipts, funds and moneys purported to be pledged by this Special Obligation Indenture, and (2) shall not create or cause to be created any lien, pledge, or charge (other than the lien and pledge created or permitted by the Special Obligation Indenture) on the Bond Proceeds Fund, the Debt Service Fund, and the Redemption Fund and (3) shall not hereafter mortgage any of its property for which any of the Pledged Revenues are applicable and, in any event, shall not mortgage the System. Except as provided below, the MDC shall not issue any securities or other evidence of indebtedness secured by a parity pledge of the Pledged Revenues, other than Additional Bonds or Refunding Bonds or otherwise permitted with respect to Notes pursuant to the provisions of the Special Obligation Indenture.

Nothing in the Special Obligation Indenture shall prevent the MDC from issuing indebtedness payable out of, or secured by a pledge, assignment or other encumbrances of, the Pledged Revenues to be derived on and after the date the Special Obligation Indenture shall be discharged and satisfied as provided in the Special Obligation Indenture, or payable from amounts transferred from the Revenue Fund under clause Third of Section 6.5C.

Issuance of Additional Bonds; Execution of Swaps. [Section 9.8]. No Additional Bonds may be authorized and issued under the Special Obligation Indenture unless a certificate signed by an Authorized Officer of the MDC is delivered to the Trustee stating that either (i) the Revenues Available for Debt Service, for either of the last two full Fiscal Years, based on the most recent audited financial statements of the MDC preceding the date of issuance of such Additional Bonds, were equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year or (ii) the Revenues Available for Debt Service, for either of the last two full Fiscal Years, adjusted for any adopted increases in the Special Sewer Service Surcharge as if such increases had been in effect from the beginning of such Fiscal Year, were equal to an amount 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year.

No Refunding Bonds may be authorized and issued under the Special Obligation Indenture unless a certificate signed by an Authorized Officer of the MDC is delivered to the Trustee stating that (i) estimated average annual Debt Service Requirements on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service Requirement in any Fiscal Year on such Series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded.

No Swap shall be entered into by the MDC unless, with respect to such Swap, written confirmation affirming the existing ratings on the Bonds is filed thereupon with the Trustee.

System. [Section 9.9]. The MDC shall use and apply the proceeds of the Bonds for the Project and shall do all such acts and things appropriate or necessary to receive and collect Pledged Revenues.

The MDC shall operate, or cause to be operated, its water and sewer systems properly and in a sound, efficient and economical manner, and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept in good repair and operating condition, and shall from time to time, make, or cause to be made, all necessary and proper repairs, replacements and renewals, so that the operation of its water and sewer systems may be properly and advantageously conducted, and, if any useful part of its water and sewer systems is damaged or destroyed or taken by exercise of eminent domain, the MDC shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part so as to restore the same to use, and the replacement of such part so taken; provided, however, that nothing in this Indenture shall require the MDC to operate, maintain, preserve, repair, replace, renew or reconstruct any part of its water and sewer systems if there shall have been filed with the Trustee (1) a certificate of an Authorized Representative stating that in the opinion of the signer (a) abandonment, or cessation of operation of such part is economically justified, and (b) failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part will not impair the ability of the MDC to satisfy the covenants in this Indenture in the current or any future Fiscal Year, and (2) a certificate of a Consulting Engineer, concurring in such opinion of the Authorized Representative, if the book value of such part of its water and sewer systems exceeds 1% of the book value of its water and sewer systems.

The MDC shall establish and enforce reasonable rules and regulations governing the operation, use, and services of the system.

The MDC covenants that it will at all times maintain, to the extent reasonably obtainable, insurance with respect to its water and sewer systems with such variations as shall reasonably be required to conform to applicable standard customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing, qualified to do business in the State, and shall be payable to the MDC.

Tax Exemption. [Section 9.10]. In the event Bonds are sold under the Special Obligation Indenture or any Supplemental Indenture thereto as federally tax-exempt bonds, the MDC covenants that it will not take any action or fail to take any action that, solely as a result of such action or failure to act, would result in loss of the exclusion from federal income taxation pursuant to Section 103(a) of the Code of interest paid on such Bonds.

Use of Pledged Revenues. [Section 9.13]. Any funds withdrawn from the Rate Stabilization Fund pursuant to Section 6.9C of the Special Obligation Indenture or withdrawn from the Revenue Fund pursuant to clause Third of Section 6.5C of the Special Obligation Indenture shall be used by the MDC only for such purposes as may be both (i) a permitted use for the Special Sewer Service Surcharge under its ordinances as from time to time in effect and (ii) limited to payment of capital expenditures in connection with the Project or payment of debt service on indebtedness of the MDC incurred for purposes of funding capital expenditures in connection with the Mandate and the Project (and including, for this purpose, any item of debt service if it would be Debt Service under the Indenture if incurred with respect to Bonds).

Modification and Amendment Without Consent. [Section 10.1]. The MDC may, at any time or from time to time, enter into Supplemental Indentures without consent of the Bondholders or the provider of either a Bond Facility, a Swap Facility or Swap, for any one or more of the following purposes: (1) to provide for the issuance of a Series of Bonds or Notes or Swaps pursuant to the provisions of the Special Obligation Indenture and to prescribe the terms and conditions pursuant to which such Bonds or Notes or Swaps may be issued, paid or redeemed; (2) to add additional covenants and agreements of the MDC for the purpose of further securing the payment of the Bonds or Notes or Swaps, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the MDC contained in the Special Obligation Indenture; (3) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the MDC which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (4) to surrender any right, power or privilege reserved to or conferred upon the MDC by the terms of the Special Obligation Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the MDC contained in the Special Obligation Indenture; (5) to confirm as further assurance any pledge under the Special Obligation Indenture subject to any lien, claim or pledge created or to be created by the provisions of the Special Obligation Indenture, of the moneys, securities or funds; (6) to modify any of the provisions of the Special Obligation Indenture or any previously adopted Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Indenture shall cease to be Outstanding, and all Bonds issued under such subsequent Supplemental Indenture shall contain a specific reference to the modifications contained in such subsequent Supplemental Indenture; (7) to cure any ambiguity, or defect or inconsistent provision in the Special Obligation Indenture or to insert such provisions clarifying matters or questions arising under the Special Obligation Indenture as are necessary or desirable in the event any such modifications ate not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect; (8) consistent with Section 9.10 of the Special Obligation Indenture, to ensure the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes; (9) to grant or to confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted or conferred and which are not contrary to or inconsistent with the Special Obligation Indenture as therefore in effect; (10) to grant such rights and remedies and make such other covenants subject to the Special Obligation Indenture (including any prior Supplemental Indenture) as may be necessary for issuance of a Bond Facility, a Swap or a Swap Facility so long as such rights, remedies and covenants are not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect; or (11) to provide for the issuance of indebtedness of the MDC secured by payments to be made pursuant to Clause Third of Section 6.5C of the Special Obligation Indenture.

Amendments and Supplemental Indentures Effective With Consent of Bondholders. [Section 10.2]. Subject to the provisions of any Supplemental Indenture granting rights to the provider of any Bond Facility or otherwise, the provisions of the Special Obligation Indenture may also be modified or amended, at any time or from time to time, by any Supplemental Indenture, subject to the consent of Bondholders in accordance with and subject to the provisions of Article XI of the Special Obligation Indenture, to become effective upon the execution thereof by the MDC and the Trustee, and the filing with the Trustee of a copy thereof certified by an Authorized Officer of the MDC.

Powers of Amendment. [Section 11.1]. Except as provided in Section 10.1 of the Special Obligation Indenture, any modification or amendment of the Special Obligation Indenture and of the rights and obligations of the MDC and of the Holders of the Bonds thereunder, in any particular, may be made by any Supplemental Indenture, with the written consent of the Holders of not less than a majority in principal amount of the Outstanding Bonds of all Series affected by such amendment or amendments or Supplemental Indenture or Indentures, voting as a single series; 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 shall not be required and such Bonds shall not be deemed to be outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment (1) shall permit a change in the terms of redemption or maturity of the Principal of any Outstanding Bond or of any installment of interest thereon 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 (2) shall 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.

Consent of Bondholders. [Section 11.2]. A. The MDC and the Trustee may at any time enter into any Supplemental Indenture making a modification or amendment permitted by the Special Obligation Indenture. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the MDC) together with a request to Bondholders for their consent thereto in form satisfactory to the MDC, shall promptly after adoption be mailed by the MDC to Bondholders. Such Supplemental Indenture shall not be effective unless and until (1) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 11.1 of the Special Obligation Indenture, and (b) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully entered into in accordance with the provisions of the Special Obligation Indenture, is authorized or permitted by the Special Obligation Indenture, and is valid and binding upon the MDC and enforceable in accordance with its terms, and (2) a notice shall have been published as provided in Section 11.2 of the Special Obligation Indenture.

Exclusion of Bonds. [Section 11.5]. Bonds owned or held by or for the account of the MDC shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Special Obligation Indenture, and the MDC shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Special Obligation Indenture. At the time of any consent or other action taken under the Special Obligation Indenture, the MDC shall furnish the Trustee a certificate of an Authorized Officer of the MDC, upon which the Trustee may rely, describing all Bonds so to be excluded.

Events of Default. [Section 12.1]. Each of the following events shall be an "Event of Default":

(1) the MDC shall default in the payment of the Principal of or Redemption Price, it any, or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(2) Except as provided in Subsection (1) above, the MDC shall fail or refuse to comply with the provisions of the Special Obligation Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in any Supplemental Indenture or in any Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the Holders of not less than one-third in principal amount of the Outstanding Bonds, or in the Event of Default arising from the failure of the MDC to duly and punctually perform the covenant contained in Section 9.10 of the Special Obligation Indenture which results in the interest on the Bonds of the Series to which such covenant applies being no longer excluded from gross income under Section 103(a) of the Code, one-third in principal amount of the Outstanding Bonds of such Series affected thereby; provided, however, any failure by the MDC comply with the provisions of Section 9.3 of the Special Obligation Indenture shall not constitute an Event of Default if the MDC shall adopt rates, fees and charges within 150 days after the end of a Fiscal Year which, had they been in effect from the beginning of such Fiscal Year would have been sufficient to comply with such Section 9.3, as demonstrated by an Officer's Certificate; or

(3) The MDC (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of its water and sewer systems, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the MDC, or of the whole or any substantial part of the System.

Remedies. [Section 12.2]. Upon the happening and continuance of any Event of Default after the conditions specified in the Special Obligation Indenture have been satisfied, the Trustee may:

(1) 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 MDC to receive and collect revenues, including Pledged Revenues adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged Revenues and to require the MDC to carry out any other covenants or agreements with Bondholders and to perform its duties under the Authorizing Acts;

(2) bring suit upon the Bonds;

(3) by action or suit in equity, require the MDC to account as if it were the trustee of an express trust for the Holders of the Bonds; and

(4) 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.

In the enforcement of any rights and remedies under the Special Obligation Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the MDC for Principal, Redemption Price, interest or otherwise, under any provision of the Special Obligation Indenture or any Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the MDC for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable. All remedies conferred upon or reserved to the Holders of Bonds may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by any Supplemental Indenture and may be cumulative.

Priority of Payments After Default. [Section 12.3]. In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and Principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Special Obligation Indenture, shall be applied as follows: first, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably (after application of the funds securing particular bonds as set forth in Section 12.3 of the Special Obligation Indenture), according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; second, to the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably (after application of the funds securing particular bonds as set forth in Section 12.3 of the Special Obligation Indenture), according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and third, to the payment to other persons entitled to payment under the Special Obligation Indenture or any applicable Supplemental Indenture.

Limitation of Rights of Bondholders. [Section 12.6]. No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under the Special Obligation Indenture or any right under law unless such Holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been afforded to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to take such action.

Defeasance. [Section 14.1]. If the MDC shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the Principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Special Obligation Indenture, then, at the option of the MDC, expressed in an instrument in writing signed by an Authorized Officer of the MDC and delivered to the Trustee, the covenants, agreements and other obligations of the MDC to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the MDC, execute and deliver to the MDC all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and the Paying Agents shall pay over or deliver to the MDC all moneys, securities and funds held by them pursuant to the Special Obligation Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the MDC of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with effect in the foregoing paragraph. Any Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the MDC shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption, (2) there shall have been deposited with the Trustee either (a) moneys in an amount which shall be sufficient, (b) Government Obligations or (c) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (b), , the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee, or other bank or trust company, at the same time, are certified by an independent public accounting firm or verification firm of national reputation to be sufficient, to pay, when due, the Principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the MDC shall have given the Trustee in form satisfactory to it irrevocable instructions to notify the Holders of such Bonds, as soon as practicable, that the deposit required by clause (2) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the Principal or Redemption Price, if applicable, on said Bonds, and (4) a Counsel's Opinion has been delivered to the Trustee to the effect that the discharge of such Bonds will not result in the interest on any Bonds becoming includable in the gross income of Holders thereof for federal income tax purposes (to the extent those Bonds were issued on the basis that the interest thereon was excluded from gross income of the Holders for federal income tax purposes).

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

DEFINITIONS OF CERTAIN TERMS OF THE SPECIAL OBLIGATION INDENTURE

"Additional Bonds" means all Bonds, other than the Initial Bonds, issued under the Special Obligation Indenture pursuant to a Supplemental Indenture adopted by the MDC pursuant to Sections 2.4 and 9.8 of the Special Obligation Indenture and Refunding Bonds issued pursuant to Section 2.5 of the Special Obligation Indenture.

"Authorized Officer" means, in the case of the MDC, the Chair or Vice-Chair of the Board of Commissioners, the Chief Executive Officer or any other person duly authorized by the District Charter or resolution of the MDC to perform the act or sign the document in question.

"Balloon Indebtedness" means (i) Bonds, twenty-five percent (25%) or more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve-month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to the beginning of such twelve month period; or (ii) any portion of an issue of Bonds which, if treated as a separate issue of Bonds, would meet the test set forth in clause (i) of this definition and which Bonds are designated as Balloon Indebtedness in an Officer's Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

"Board of Commissioners" means the board of commissioners of the MDC.

"Bond", **"Bonds"** or **"Special Obligation Bonds"** means the Initial Bonds, together with any Additional Bonds.

"Bond Depository" means a place or institution that holds securities certificates for safekeeping and maintains a recordkeeping system such that all or a portion of such Bonds held can be sold and transferred without the physical movement of their respective certificates.

"Bond Index" means (i) for tax-exempt Bonds, the 30-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index determined to be the Bond Index by the MDC if such Revenue Bond Index is not so published; or (ii) for taxable Bonds, the interest rate or interest index as may be certified to the MDC and the Trustee as appropriate to the situation by a firm of nationally recognized investment bankers or a financial advisory firm experienced in such field.

"Bondholders" or **"Holder of Bonds"** or **"Holder"** or **"Owner"**, when used with reference to Bonds, or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"Cost", as applied to the Mandate and the Project, includes, but is not limited to: the cost of planning, designing, constructing, building, alteration, enlargement, reconstruction, renovation, improvement, equipping and remodeling; the cost of all labor, materials, building systems, machinery and equipment; the cost of all lands, structures, real or personal property, rights, easements and franchises acquired; the cost of all utility extensions, access roads, site development, financing charges, premiums for insurance, interest prior to and during construction and for six months thereafter; the cost of working capital related thereto; the cost of plans and specifications, surveys and estimates of cost and of revenues; the cost of accountants, audits, engineering, feasibility studies, legal and other professional consulting or technical services; the cost of reserves for payment of future debt service related to the financing transaction proceedings and for future repairs, renewals, replacements, additions and improvements; the cost of all other expenses necessary or incident to determining the feasibility or practicability of such construction; and administrative and operating expenses and such other expenses as may be necessary or incident to the financing authorized.

"Costs of Issuance" means all costs related to the proceedings under which Bonds are issued under the Special Obligation Indenture, including but not limited to administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility or a Swap Facility, including without limitation a Swap Provider, including a Term-Out Payment on a Swap, other than Reimbursement Obligations or Swap Payments or other termination payments, auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and paying agents, fees and expenses of remarketing agents and dealers, fees and expenses of the underwriters if payable other than as a result of a discount on the purchase price of Bonds or Notes, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers' fees or charges incurred by the MDC to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with Section 9.10 of the Special Obligation Indenture.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the MDC (who may be the General Counsel of or other counsel to the MDC); provided, however, that for the purposes of Article II and Article IX of the Special Obligation Indenture such term shall mean an opinion signed by Finn Dixon & Herling LLP or Hinckley, Allen & Snyder, LLP or another attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds.

"Debt Service" means for any period, and with respect to the Bonds, subject to the Special Obligation Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum, without duplication, of (A) the Principal Installments, Sinking Fund Installments and Interest Requirement accruing and coming due during such period, (B) Swap Payments, (C) Term-Out Payments, and (D) Reimbursement Obligations.

"Debt Service Requirement" means, for any period, the sum of the Principal Installment and Interest Requirement; provided that for this purpose only: (i) interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate; (ii) if the MDC shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the MDC under such Swap; (iii) Balloon Indebtedness shall be treated as indebtedness which, at the later of the date of its original incurrence or the date of calculation, is amortized, on a level debt service basis, over twenty five (25) years, with level annual debt service, at a rate of interest equal to the Bond Index, as determined by an Officer's Certificate; (iv) Discount Indebtedness shall, at the election of the MDC, be deemed to be the accreted value of such Discount Indebtedness computed on the basis of a constant yield to maturity; and (v) in the case of a Principal Installment which is a Refundable Principal Installment, only the portion of such Principal Installment shall be included which is determined as if each such Refundable Principal Installment has been payable over a period extending from the due date of such Refundable Principal Installment through the last date on which such Series of Bonds could have been stated to mature under the Authorizing Acts as in effect on the date of issuance of such Series, in installments which would have required equal annual payments of Principal Installments and interest over such period, with such interest calculated at the actual interest cost payable on the Bonds of such Series (using the actuarial method of calculation).

"Discount Indebtedness" means Bonds sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

"GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

"Interest Requirement" means, as of the date of computation with respect to any period, an amount equal to the aggregate maximum amount coming due during such period on any Interest Payment Date, of (1) interest which may be payable on Outstanding Bonds (including interest payable at a higher rate during any period held by the provider of a Bond Facility), less any Swap Receipt and (2) Swap Payments.

"Mandate" means measures necessary to comply with the Government Orders, as in effect from time to time.

"MDC" means the Metropolitan District Commission, Hartford County, Connecticut, a body politic and corporate created under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended, or any body, agency, or instrumentality which shall hereafter succeed to the powers, duties and functions of the MDC hereunder.

"Municipal Act" means Chapter 103 of the Connecticut General Statutes, as amended from time to time.

"Officer's Certificate" means a certificate signed by an Authorized Officer of the MDC.

"Outstanding Bond" means, as of any date, a Bond or portion of any Bond of such Series theretofore or thereupon being authenticated and delivered under the Special Obligation Indenture, except any:

(1) Bond cancelled by the Trustee and Paying Agent or the MDC at or prior to such date;

(2) Bond for the payment or redemption of which cash, equal to the principal amount or Redemption Price, shall be held in trust under the Special Obligation Indenture for such purpose (whether at or prior to the maturity or Redemption Date), provided that if such Bond is to be redeemed, notice of such redemption shall have been given as provided in Article IV of the Special Obligation Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(3) Bond referred to in Section 11.5 of the Special Obligation Indenture;

(4) Bond issued in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article IV, Section 4.6 and Section 11.6 of the Special Obligation Indenture; and

(5) Bond deemed to have been paid as provided in Section 14.1 of the Special Obligation Indenture.

"Paying Agent" for the Bonds of any Series means the bank or trust company located within or without the State and its successor or assigns, appointed by the MDC pursuant to the provisions of the Special Obligation Indenture and any successor or assign so appointed and approved.

"Pledged Revenues" means all revenues to be received by the MDC from the Special Sewer Service Surcharge together with (1) such other legally available revenues as the Board of Directors may determine to pledge under the Special Obligation Indenture by or pursuant to a Supplemental Indenture and (2) any interest earned or gains realized by the investment of moneys held by the Trustee in the funds and accounts created under Section 6.2 of the Special Obligation Indenture, which are treated under the Special Obligation Indenture as Pledged Revenues and which constitute a part of the Trust Estate.

"Principal" means the principal amount of the Bonds of a Series as due on a certain future date.

"Principal Installment" for any period, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding:

(1) the principal amount of Bonds of said Series which mature in such period, reduced by the aggregate principal amount of such Bonds which would before such period be retired by reason of the payment when due and application in accordance with the Special Obligation Indenture or Sinking Fund Installments payable before such period for the retirement of such Bonds, plus

(2) the unsatisfied balance (determined as provided in Section 6.6 of the Special Obligation Indenture) of the Sinking Fund Installments, if any, due during such period for the Bonds of such Series.

“Rate Stabilization Fund” means the fund established pursuant to Section 6.2 of the Special Obligation Indenture and governed by Section 6.9 thereof.

“Record Date” with respect to any Series of Bonds shall have the meaning given such term in the Supplemental Indenture setting forth the terms of such Series of Bonds.

“Redemption Price” means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Special Obligation Indenture.

“Refundable Principal Installment” means any Principal Installment for any Series of Bonds which the MDC intends to pay with moneys which are not Pledged Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only through the date of the annual budget of the MDC adopted during the Fiscal Year immediately preceding the Fiscal Year in which such Principal Installment comes due unless the MDC has delivered to the Trustee a certificate of an Authorized Officer that it has made provision for the payment of such Principal Installment from a source other than Pledged Revenues. Such provisions may be established by a firm commitment, subject to customary conditions, from one or more commercial banks or investment banking firms to purchase Bonds sufficient to refund such Principal Installment.

“Revenues Available for Debt Service” shall mean, with respect to any period, Pledged Revenues deposited in the Revenue Fund in such period plus amounts transferred from the Rate Stabilization Fund to the Revenue Fund during such period, provided, however, for purposes of calculating Revenues Available for Debt Service, the amounts transferred from the Rate Stabilization Fund included for this purpose shall not exceed 35% of Debt Service Requirements for such period.

“Securities Depository” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; or successor entities, or, in accordance with the then current applicable guidelines of the SEC, such other addresses and/or such other securities depositories or any such other depositories as the MDC may designate in writing to the Trustee.

“Series of Bonds” or **“Bonds of a Series”** or words of similar meaning, means the designated series of Bonds authorized by the Special Obligation Indenture with respect to Initial Bonds or by the Special Obligation Indenture and a Supplemental Indenture with respect to any Additional Bonds.

“Sinking Fund Installment” means, for any period as of any date of calculation and with respect to any Outstanding Series of Bonds, the amount of money required by the Special Obligation Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the MDC by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

“Special Sewer Service Surcharge” means the charge applied to the water bill of a property owner who utilizes any of the services of the MDC for sewage collection, treatment and disposal, as established by Section S12x of the MDC’s Ordinances Relating to Sewers, as amended from time to time.

“Supplemental Indenture” means any supplemental indenture entered into by the Trustee and the MDC pursuant to and in compliance with the provisions of Article X of the Special Obligation Indenture providing for the issuance of Initial Bonds, Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X of the Special Obligation Indenture amending or supplementing the provisions of the Special Obligation Indenture as originally executed or as theretofore amended or supplemented.

“Termination Receipt” means with respect to a Swap an amount required to be paid to the MDC by the Swap Provider or related Swap Facility as a result of the termination of the Swap.

"Term-Out Payment" means one or more payments payable under a Swap after Swap Payments or Swap Receipts are no longer required under the Swap.

"Trust Estate" means all of the funds, securities, property, rights, privileges and interest conveyed, pledged and assigned as provided in the Granting Clause of the Special Obligation Indenture.

"Trustee" means U.S. Bank National Association, and any successor trust company or bank having the powers of a trust company within or without the State succeeding a prior trust company or bank as trustee, appointed pursuant to Section 8.10 of the Special Obligation Indenture.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E- CONTINUING DISCLOSURE AGREEMENT

The Metropolitan District, Hartford County, Connecticut
$85,000,000 Clean Water Project Revenue Bonds, 2013 Series A
Dated June 19, 2013

WHEREAS, The Metropolitan District, Hartford County, Connecticut (the "District") has authorized the issuance of $85,000,0000 Clean Water Project Revenue Bonds, 2013 Series A, dated June 19, 2013 (the "Bonds"), to mature on the dates and in the amounts set forth in the District's Official Statement dated June 6, 2013 describing the Bonds (the "Official Statement"); and

WHEREAS, the Bonds have been sold by negotiated sale pursuant to a Contract of Purchase dated June 6, 2013 (the "Contract of Purchase"); and

WHEREAS, in the Contract of Purchase, the District acknowledged that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the District has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure as required by the Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time (the "Rule"), and the District desires to assist the underwriters of the Bonds to meet the requirements of the Rule; and

WHEREAS, the District is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriters of the Bonds to meet the requirements of the Rule, this Continuing Disclosure Agreement (this "Agreement") is to be made, executed and delivered by the District in connection with the issuance of the Bonds and to be described in the Official Statement, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, the District hereby represents, covenants and agrees as follows:

SECTION 1. Definitions. In addition to the definitions above, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the District pursuant to and as described in and consistent with Sections 2 and 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Section 2(a) by which the Annual Report is to be filed with the Repository.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the District for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Listed Events" shall mean any of the events listed in Section 4 of this Agreement.

.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" shall mean the Electronic Municipal Market Access system of the MSRB as described in 1934 Act Release No. 57577 for purposes of the Rule or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for the purposes of the Rule.

"SEC" shall mean the Securities and Exchange Commission of the United States or any successor thereto.

SECTION 2. Provision of Annual Reports.

(a) The District shall provide, annually, an electronic copy of the Annual Report to the Repository not later than Two Hundred Forty (240) days after the end of each fiscal year of the District, commencing with the fiscal year ending December 31, 2012. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If Audited Financial Statements of the District are prepared but not available prior to the Annual Filing Date, the District shall submit unaudited financial statements by the Annual Filing Date and, when the Audited Financial Statements are available, shall file the Audited Financial Statements in a timely manner with the Repository.

(c) If the District is unable to provide an Annual Report to the Repository by the Annual Filing Date, it shall send a notice in electronic format to the Repository of its failure to provide such Annual Report.

SECTION 3. Content of Annual Reports.

(i) (a) Each Annual Report shall contain Annual Financial Information with respect to the District as follows: (i) commencing with information and data for the fiscal year ending December 31, 2012, the Audited Financial Statements of the District, which statements shall be prepared in accordance with generally accepted accounting principles accepted in the United States, as promulgated by the Government Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and (ii) to the extent not included in the financial statements described in (i) above:

(1) under the heading "PLAN OF FINANCE", information concerning historical funding for the Clean Water Project, collections of the special sewer service surcharge, collections for the eight largest payers of the special sewer service surcharge, and debt service coverage;

(2) under the heading "SEWER AND WATER OPERATIONS", information concerning the District's facilities for sewer service and the sewer user charges, facilities for water service, water consumption and water utility unit charges.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. If the District is no longer required by applicable law, regulations or other legally binding obligation to prepare such audited financial statements, the District reserves the right to provide only financial statements which are not audited. Audited Financial Statements (if any) will be provided pursuant to Section 2.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with the Repository or the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Receipt of an adverse tax opinion; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;

7. Modifications to rights of the holders of the Bonds, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership, or other similar event of any obligated person;

13. The consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such action or the termination of a definitive agreement related to such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of a name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, provide or cause to be provided a notice of such occurrence to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The District's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The District may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement and may discharge any such agent with or without appointing a successor agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the District may amend this Agreement (and any provision of this Agreement may be waived), provided that the following conditions are satisfied:

(a) It may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District or of the type of business conducted by the District;

(b) This Agreement, as so amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The District receives an opinion of counsel expert in federal securities laws to the effect that, the amendment or waiver does not materially impair the interests of the holders of the Bonds.

A copy of any such amendment will be filed in a timely manner with the Repository in electronic format. The Annual Report provided on the first date following the adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

SECTION 8. Additional Information. Nothing in this Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Statement, Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the District chooses to include any information in any Annual Financial Statement, Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Statement, Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Enforceability. The District agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event of a failure of the District to comply with any provision of this Agreement, the District shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the District does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to specific performance to cause the District to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default of the District with respect to the Bonds. No person or entity shall have any right to any monetary damages for any default under this Agreement. The District shall not be responsible for any failure by the Repository to timely post disclosure submitted to it by the District or any failure to associate such submitted disclosure to all related CUSIPs assigned to securities of the District.

SECTION 10. Indemnification. The District agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding loss, expense or liability due any such person's willful misconduct. The obligations of the District under this Section shall survive payment of the Bonds.

[Signature page immediately follows]

IN WITNESS WHEREOF, the District has caused this Continuing Disclosure Agreement to be executed in its name by the undersigned officers, duly authorized, all as of the date first written above.

THE METROPOLITAN DISTRICT,
HARTFORD COUNTY, CONNECTICUT

By: ______________________________
William A. DiBella
Chairman

By: ______________________________
John M. Zinzarella
Deputy Chief Executive Officer
Business Services/Treasurer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

Unless otherwise noted, the description which follows of the procedures and record-keeping with respect to beneficial ownership interests in the 2013 Series A Bonds, payment of interest and other payments on the 2013 Series A Bonds to DTC Participants or Beneficial Owners of the 2013 Series A Bonds, confirmation and transfer of beneficial ownership interests in the 2013 Series A Bonds and other bond-related transactions between DTC, the DTC Participants and Beneficial Owners of the 2013 Series A Bonds is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, the MDC, the Trustee and the Underwriters do not and cannot make any representations concerning these matters.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2013 Series A Bonds. The 2013 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2013 Series A Bond certificate will be issued for each maturity of the 2013 Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2013 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct 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 2013 Series A 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 2013 Series A Bonds, except in the event that use of the book-entry system for the 2013 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2013 Series A 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 2013 Series A 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 2013 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Series A Bonds are credited, which may or may not be the

Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2013 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013 Series A 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 MDC 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 2013 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption payments on the 2013 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the MDC or the Paying Agent 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 Participant and not of DTC, the Trustee, the Paying Agent, or the MDC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds on the 2013 Series A Bonds to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2013 Series A Bonds at any time by giving reasonable notice to the MDC or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2013 Series A Bond certificates are required to be printed and delivered.

The MDC may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2013 Series A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the MDC and the Underwriters believe to be reliable, but neither the MDC nor the Underwriters take any responsibility for the accuracy thereof.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE MDC, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, INTEREST ON OR PURCHASE PRICE OF THE 2013 SERIES A BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2013 SERIES A BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE METROPOLITAN DISTRICT, HARTFORD COUNTY, CONNECTICUT • CLEAN WATER PROJECT REVENUE BONDS, 2013 SERIES A