

STATE OF CONNECTICUT

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For Fiscal Year Ended
June 30, 2009

*Prepared by the Office of the
State Comptroller*

**NANCY WYMAN
STATE COMPTROLLER**

This publication is available on the Office of the State Comptroller's home page:
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Office of the State Comptroller

The State Comptroller is one of the six State officers elected to hold office for a term of four years. The office of the State Comptroller was established in 1786 by an act of the General Assembly. The Constitutional Amendment of 1836 provided that the Comptroller be elected by the people in a manner similar to that of other State officers. Since 1838 this method has been in effect.

The Comptroller prescribes the mode of keeping and rendering all public accounts. She is required to adjust and settle all public accounts and demands, excepting grants and orders of the General Assembly. The Comptroller also renders a monthly accounting of the State's financial condition.

In addition, the Comptroller approves and records all obligations against the State. She maintains all official accounting records and is responsible for the employee payrolls for all State agencies, departments, and institutions. Her office administers all Retirement Systems other than Teachers' retirement. Additionally, the Comptroller administers numerous miscellaneous appropriations of the State.

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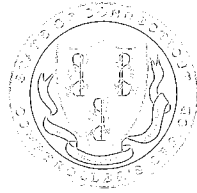
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***Introductory
Section***

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HANCOY WYVLAN
COMPTROLLER

STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT 06106-1776

MARK E. QJANIAN
DEPUTY COMPTROLLER

February 28, 2009

To the Citizens, Constitutional Executive Officers, and Members of the Legislative General Assembly of the State of Connecticut:

It is a privilege to present the State of Connecticut Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Even though much of this report must be written in a rather formal and technical manner, we hope we have designed it to help readers, without a specialized financial background, gain a reasonable understanding of the State's financial activities.

The State's largest governmental fund is the General Fund. This is the fund most often referred to in media reports about the Connecticut's fiscal health. Over three-quarters of all governmental financial transactions relating to the cost of providing State services and the collection of revenues to pay for those services occur within the General Fund.

A national recession that officially commenced in December 2007 produced a pattern of job losses in Connecticut beginning in March 2008. At this writing, Connecticut's job numbers continue to decline. To date, the state has lost over 90,000 payroll positions. The job losses and associated decline in State revenue resulted in a Fiscal Year 2009 General Fund budgetary deficit of \$947.6 million. During the course of the fiscal year, multiple deficit mitigation plans were implemented totaling approximately \$600 million in transfers to the General Fund and other savings. The General Fund deficit balance was brought into Fiscal Year 2010 and financed through the issuance of Economic Recovery Notes.

On the GAAP accounting basis, the General Fund experienced a fund balance decline of \$1.7 billion in Fiscal Year 2009. General Fund revenues declined \$644.3 million from last fiscal year, or by almost 4 percent. The General Fund benefited from over \$400 million in state stabilization federal stimulus dollars in Fiscal Year 2009. This federal funding kept the General Fund revenue decline from exceeding one billion dollars. Adjusted General Fund spending (adjusted for the Fiscal Year 2008 one-time expenditure of teachers' retirement pension reduction bond financing) grew by over one billion dollars in Fiscal Year 2009 or 6 percent. This is below the 9 percent spending growth of the prior year.

In recent years when the State has realized a revenue windfall, over half of that amount has been reserved for future year spending and the remainder has been deposited to the Rainy Day Fund. Between fiscal years 2004 and 2008, revenues exceeded budget expectations by approximately \$3 billion. During this period \$1.4 billion was deposited to the Rainy Day Fund (8 percent of net General Fund appropriations).

To the extent that windfall revenue is used for debt reduction, debt avoidance or one-time items it does not create structural budget imbalances; however, a large share of the windfall in revenue realized in recent years has been used to support ongoing operating expenditures in the General Fund. This spending exacerbated recessionary challenges that the State faced in Fiscal Year 2009.

The entire \$1.4 billion in the Budget Reserve Fund has been committed to finance General Fund operations in Fiscal Years 2010 and 2011. The Governor and legislature have been urged to increase the ceiling for contributions to the Budget Reserve Fund from the current 10 percent of net General Fund budgeted appropriations to 15 percent of such appropriations. For Fiscal Year 2009, the 15 percent ceiling would yield maximum contributions of about \$2.6 billion. A properly funded reserve is essential to long-term budget stabilization.

Major Policy Initiatives and Priorities

Labor Concessions and Retirement Incentive Program

An agreement reached between the State and its unions is expected to yield savings and payment deferrals in excess of \$600 million over the next two fiscal years. Fiscal Year 2009 savings and cost deferrals were estimated at just over \$70 million. Part of the savings plan included a retirement incentive program, which resulted in over 3,800 retirements. The plan also included wage concessions, furlough days, changes in employee health insurance contributions and retirement contribution deferrals.

Health Care Reform

Public Act 09-148, which was vetoed by the Governor and overridden by the State Legislature, established a Sustinet Health Partnership board of directors that must make legislative recommendations, by January 1, 2011, on the details and implementation of the "Sustinet Plan," a self-insured health care delivery plan. The act specifies that these recommendations must address:

1. establishment of a public authority or other entity with the power to contract with insurers and health care providers, develop health care infrastructure ("medical homes"), set reimbursement rates, create advisory committees, and encourage the use of health information technology;
2. provisions for the phased-in offering of the Sustinet Plan to state employees and retirees, HUSKY A and B beneficiaries, people without employer sponsored insurance (ESI), people with unaffordable ESI, small and large employers, and others;

3. guidelines for development of a model benefits package; and
4. public outreach and methods of identifying uninsured citizens.

The board must establish a number of separate committees to address and make recommendations concerning health information technology, medical homes, clinical care and safety guidelines, and preventive care and improved health outcomes. The act also establishes an independent information clearinghouse to provide employers, consumers, and the general public with information about Sustinet and private health care plans.

Independent Auditor Opinions

As a Connecticut Constitutional Officer, the State Comptroller is responsible for setting state-wide accounting practices. Ultimate responsibility for the accuracy, completeness, and fairness of data presented in this CAFR, including all disclosures, rests with the State of Connecticut and my office. Connecticut statutes require an annual audit of the State's basic financial statements. These include statements prepared on the budgetary basis of accounting as well as statements prepared using GAAP -the basis of accounting that is generally accepted throughout the United States. The State is also required to undergo an annual "single audit" for reporting to the Federal government. To meet all of these requirements, the State Auditors of Public Accounts have examined our financial statements and the appropriate supporting documentation.

With the exception of the State's failure to update its OPEB liability and ARC in accordance with the requirements of GASB Statement 45, the State auditors gave the CAFR for the State of Connecticut a "clean" opinion indicating they can state, without reservation, that the financial statements are fairly presented in all material respects in conformity with GAAP.

Profile of the Government and its Safeguards

The Nutmeg State

Connecticut became the fifth state of the United States on January 9, 1788. Its borders encompass 5,009 square miles. Within its compact borders, Connecticut has forested hills, urban skylines, shoreline beaches, and historic village greens. Connecticut is a thriving center of business as well as a vacation location. It is both a New England State, and suburban to New York City. The population of Connecticut was 3,518,288 in 2009 according to U.S. Census estimates. Five large cities, Bridgeport, New Haven, Hartford (the State Capitol since 1875), Stamford and Waterbury, have populations in excess of 100,000 residents.

State Government

Separation-of-Powers provisions of the State Constitution established the three branches of State government: executive, legislative and judicial. The executive branch, which is responsible for enforcing state laws, consists of six state executive officers: Governor,

Lieutenant Governor, Treasurer, Comptroller, Secretary of State and Attorney General. All are elected to four-year terms.

Connecticut's General Assembly or legislative branch is responsible for creating new laws and consists of a Senate and a House of Representatives. There are currently 36 State Senators and 151 State Representatives. Members of the General Assembly are elected to two-year terms. Connecticut also elects two U.S. Senators and five U.S. Representatives.

The judicial branch is responsible for interpreting and upholding our laws as consistent with the State Constitution and legal precedence. The judicial branch consists of three levels: The Supreme Court, the Appellate Court and, at the lowest level, the Superior Court which is further divided by state law into Civil, Criminal, Housing and Family Divisions. Judges of the Supreme Court, the Appellate Court and the Superior Court are nominated by the Governor from a list of candidates submitted by the Judicial Selection Commission and are confirmed by the General Assembly. They serve eight-year terms and are eligible for reappointment.

The Reporting Entity

The State of Connecticut financial reporting entity includes all of the funds of the primary government and of its component units. The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported separately in the government-wide financial statements, to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. Other component units, although legally separate entities have their financial position and operations blended with the primary government, essentially for technical reasons as explained more fully in the additional information on the reporting entity which is included in CAFR -Note 1, Summary of Significant Accounting Policies.

Internal Controls

Our State's internal control structure has been established to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with GAAP and State legal requirements. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The State Legislature prepares a bi-annual budget that contains estimates of revenues and expenditures for the ensuing two fiscal years. This budget is the result of negotiations between the Governor and the Legislature. Adjustments, in the form of budget revisions, executive orders, and financial legislation agreed to by the Governor and the Legislature,

are made to the annual appropriations throughout the fiscal year. Budgetary controls are maintained at the individual appropriation account level by agency and fund as established in authorized appropriation bills. The objective of these controls is to ensure compliance with state laws embodied in the appropriations. The State Comptroller is statutorily responsible for control structures to safeguard revenues due the primary government, to determine the amount equitably due with respect to claims made and to ensure such expenditures are compliant with an appropriation contained in the budget for such purpose.

Budgeted appropriations are the expenditure authorizations that allow state agencies to purchase or create liabilities for goods and services. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process, which includes limits on the power of the Governor to modify appropriations, preserves expenditure controls over special revenue, enterprise, and internal service funds and capital projects that are not budgeted as part of the annual appropriation act as revised.

The Spending Cap

In November 1992, electors approved an amendment to the State Constitution providing that the amount of budgeted expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year. This amendment thus provided a framework for placing a cap on budgeted appropriations.

Annual budgeted appropriations are capped at a percentage increase that is based on either the five-year average annual growth in the state's personal income or annual inflation, whichever is higher. Debt service payments, certain statutory grants to distressed municipalities, and appropriations required by federal mandate or court order are excluded from the limits of the cap.

The spending cap can be lifted if the Governor declares the existence of extraordinary circumstances and the General Assembly by three-fifths vote approves appropriations in excess of the cap. This has occurred in almost every year that the State has posted a budget surplus in the General Fund to enable the appropriation of surplus dollars that would have otherwise gone to reduce state debt and fill the rainy day fund.

Economic Condition and Outlook

Connecticut, like other states, has experienced steady erosion in total employment as a result of the present economic recession. Since March of 2008, the State has lost over 90,000 payroll jobs. In the prior two national recessions, Connecticut experienced job losses for an average of thirty-four months. If that trend holds, Connecticut will begin to experience modest job growth in early 2011. The strongest job loss has been experienced in the construction sector, although almost all employment sectors have seen declines. Connecticut has experienced slow labor force growth over the past decade, which has

tempered the unemployment rate. Connecticut's unemployment rate was 8.8 percent at the end of 2009.

Connecticut is a wealthy state, with large income disparities. Connecticut continues to lead the nation with per capita income of \$55,288, which is almost 40 percent above the national level. Connecticut's personal income declined at a rate of 4.4 percent through the third quarter of 2009. Over the past five years the State's per capita income growth averaged over 6 percent annually.

Connecticut is projecting significant declines in state revenues over the next several years due to the lingering impact of the recession and its heavy reliance on one-time revenue sources to balance the state budget. The budget imbalance is estimated to approach \$4 billion by Fiscal Year 2012. A significant realignment of state spending and revenue will be required to avert this budget shortfall.

Acknowledgements

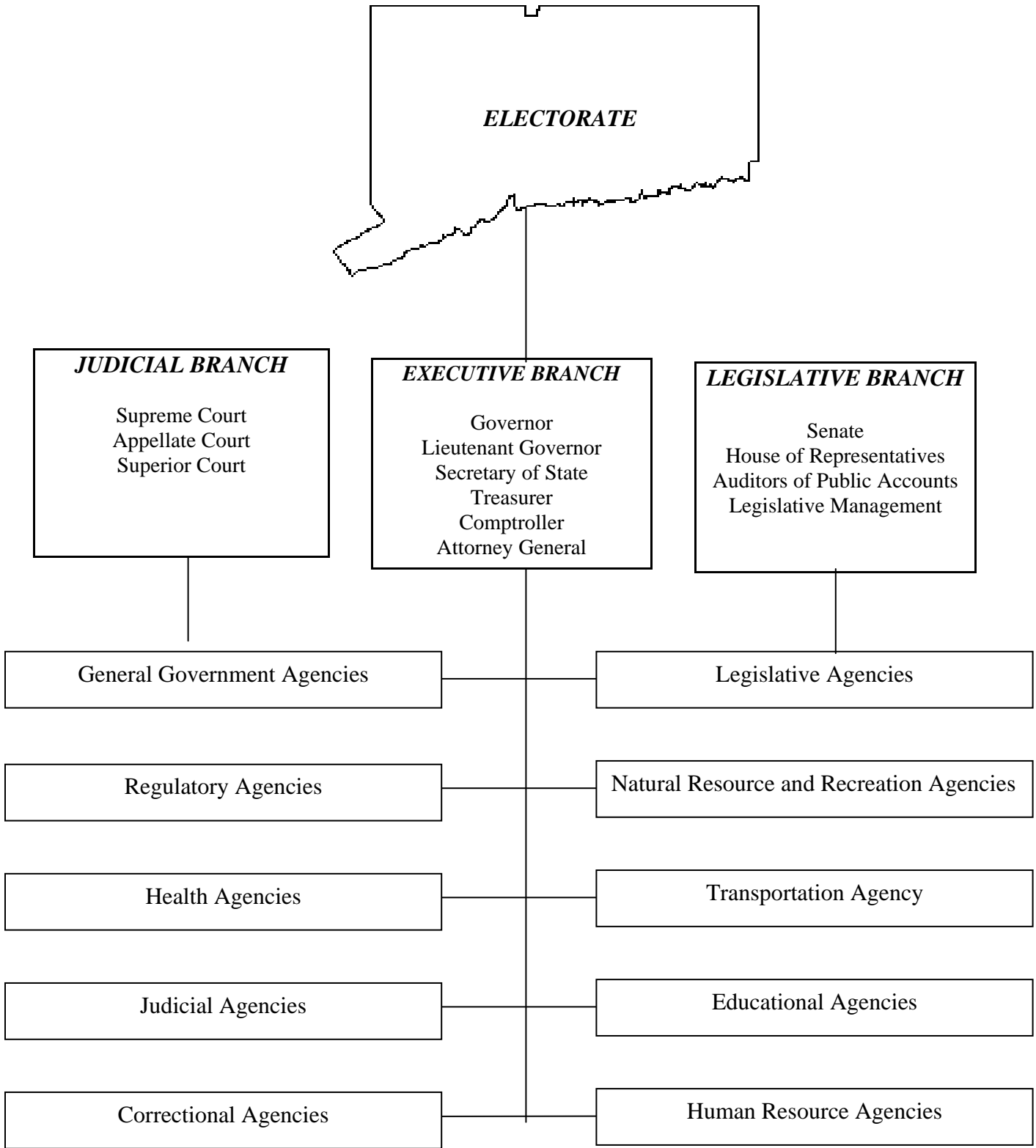
I want to thank my staff and all of the agency personnel and others who contributed to producing this report. I also want to thank its readers who bring meaning to the work that we do.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Wyman". The signature is written in black ink and is positioned below the word "Sincerely,".

Nancy Wyman
Connecticut State Comptroller

Organization Chart



*Selected State Officials
(as of June 30, 2009)*

EXECUTIVE

M. Jodi Rell
Governor

Michael Fedele
Lieutenant Governor

Susan Bysiewicz
Secretary of State

Denise L. Nappier
Treasurer

Nancy Wyman
Comptroller

Richard Blumenthal
Attorney General

JUDICIAL

Chase T. Rogers
Chief Justice

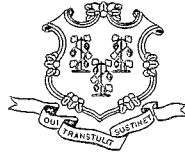
LEGISLATIVE

Donald E. Williams Jr.
President Pro Tempore of the State Senate
(36 Senators)

Christopher G. Donovan
Speaker of the House of Representatives
(151 Representatives)

*Financial
Section*

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

210 CAPITOL AVENUE

HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Governor M. Jodi Rell
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund, the Transportation Special Tax Obligations account within the Debt Service Fund, and the Clean Energy Fund account within the Environmental Programs Fund, which in the aggregate, represent six percent of the assets and six percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, Connecticut Community/ Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 64 percent of the assets and 47 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units;

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 92 percent of the assets and 97 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the Clean Energy Fund account, which represents 49 percent of the assets and 33 percent of the revenues of the Environmental Programs Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, the Connecticut

- Community-Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, the Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 63 percent of the assets and 47 percent of the revenues of the Enterprise Funds;

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based on the reports of the other auditors. All of the aforementioned audits were conducted in accordance with auditing standards generally accepted in the United States of America. In addition, the audits of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, Connecticut Resources Recovery Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, and Connecticut Innovations Incorporated were conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 financial statements are free of material misstatement. The audits of the Connecticut Development Authority, the Capital City Economic Development Authority, John Dempsey Hospital, Connecticut State University, Connecticut Community-Technical Colleges and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The State of Connecticut adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This standard modifies the method that governments have reported the cost of providing such benefits, primarily retiree health care. It requires the systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees’ years of service and the disclosure of information about the actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. Our audit disclosed that the required actuarial valuation was not performed and the State of Connecticut did not present information pertaining to the Funded Status and Funding Progress, and Actuarial Methods and Assumptions for the State Employee OPEB Plan in Note 14 of the financial statements in compliance with GASB requirements.

In our opinion, except for the matter described in the preceding paragraph, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, for the State of Connecticut, as of June 30, 2009, and the respective

budgetary comparison for the General Fund and the Transportation Fund, 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.

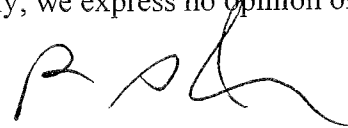
In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the State's Single Audit Report and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 25, and the schedules of funding progress for pension and other post-employment benefit plans and the schedules of employer contributions for pension and other post-employment benefit plans on pages 90 and 91, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We did not audit this information and do not express an opinion on it. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. As a result of such limited procedures, we found that the State of Connecticut has not presented the schedule of funding progress and schedule of employer contributions for the State Employee OPEB plan that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Kevin P. Johnston
Auditor of Public Accounts



Robert G. Jaekle
Auditor of Public Accounts

February 17, 2010
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

The following discussion and analysis is intended to provide readers of the State's financial statements with a narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2009. The information provided here should be read in conjunction with additional information provided in the letter of transmittal and in the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:

As of June 30, 2009, the State had a combined net asset deficit of \$5.1 billion, an increase of \$2.8 billion when compared to the prior year ending deficit balance. This increase resulted mainly from a decrease of \$2.6 billion in the net assets of governmental activities. The governmental activities reflect the impact of an economic recession that resulted in a \$1.4 billion decline in Fiscal Year 2009 tax revenues from the prior fiscal year. Despite deficit mitigation efforts of over half a billion dollars during the course of Fiscal Year 2009, at year-end the budgetary imbalance was approaching one billion dollars in the General Fund. In addition, In Fiscal Year 2009 the state failed to contribute its full required contribution to the state employee pension fund and the state employee OPEB fund.

Fund Level:

The governmental funds had a total fund balance of \$1.4 billion at year end. Of this amount, \$3.2 billion was reserved for various purposes, resulting in a total unreserved fund balance deficit of \$1.8 billion. The portion of the total unreserved fund balance deficit that pertains to the General Fund was a \$2.3 billion deficit. The General Fund had an actual budget deficit of \$1.0 billion this year.

The Enterprise funds had total net assets of \$4.5 billion, substantially all of which was invested in capital assets or restricted for various purposes.

It should be noted that Public Act 09-2 of the June Special Session authorized the State Treasurer to issue economic recovery notes to cover the Fiscal Year 2009 budgetary shortfall in the State's General Fund of \$947.6 million. The notes were issued in Fiscal Year 2010 and therefore the proceeds are not reflected in the Fiscal Year 2009 financial statements.

Long-Term Debt:

Total long-term debt was \$22.5 billion for governmental activities, of which \$16.9 billion was bonded debt.

Total long-term debt was \$2.2 billion for business-type activities, of which \$1.6 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements comprise 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 State's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the State's non-fiduciary 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 State is improving or deteriorating.

The statement of activities presents information showing how the State's net assets changed during the most recent fiscal 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements are intended to distinguish functions of the State that are principally supported by taxes 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 State include legislative, general government, regulation and protection, conservation and development, health and hospitals, transportation, human services, education, libraries, and museums, corrections, and judicial. The business-type activities of the State include the University of Connecticut and Health Center, State Universities, Bradley International Airport, Connecticut Lottery Corporation, Employment Security, and Clean Water, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The government-wide financial statements include not only the State itself (known as the primary government), but also the activities of eight legally separate Component Units for which the State is financially accountable: the Connecticut Housing Finance Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Development Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Resources Recovery Authority, the Connecticut Innovations, Incorporated, the Capital City Economic Development Authority, and the University of Connecticut Foundation, Incorporated. Financial information for these Component Units is reported separately from the financial information presented for the primary government itself. Financial information of the individual component units can be found in the basic financial statements following the fund statements, and complete financial statements of the individual component units can be obtained from their respective administrative offices.

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 State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State 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 fiscal year. Such information may be useful in evaluating the State'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 State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and

changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Information is presented separately 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, the Transportation Fund, and the Restricted Grants and Accounts Fund, all of which are considered to be major funds. Data from other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The State adopts a biennial budget for the General Fund, the Transportation Fund, and other Special Revenue funds. A budgetary comparison statement has been provided for the General Fund and the Transportation Fund to demonstrate compliance with the current fiscal year budgets.

Proprietary Funds

Proprietary funds (Enterprise funds and Internal Service funds) are used to show activities that operate more like those of commercial enterprises. Enterprise funds charge fees for services provided to outside customers. They are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes information regarding the State's progress on funding its obligation to provide pension and other postemployment benefits to its employees.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains the following information.

- Combining Fund Statements and Schedules – Nonmajor funds
- Statistical Section

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of the State's financial position. During the current fiscal year, the combined net asset deficit of the State increased 121 percent to \$5.1 billion. In comparison, last year the combined net asset deficit increased 807 percent.

**State Of Connecticut's Net Assets
(Expressed in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008*	2009	2008*
ASSETS:						
Current and Other Assets	\$ 4,273	\$ 5,122	\$ 3,861	\$ 3,805	\$ 8,134	\$ 8,927
Capital Assets	<u>11,076</u>	<u>10,028</u>	<u>3,352</u>	<u>3,326</u>	<u>14,428</u>	<u>13,354</u>
Total Assets	<u>15,349</u>	<u>15,150</u>	<u>7,213</u>	<u>7,131</u>	<u>22,562</u>	<u>22,281</u>
LIABILITIES:						
Current Liabilities	3,346	3,078	733	741	4,079	3,819
Long-term Liabilities	<u>21,572</u>	<u>19,027</u>	<u>1,976</u>	<u>1,727</u>	<u>23,548</u>	<u>20,754</u>
Total Liabilities	<u>24,918</u>	<u>22,105</u>	<u>2,709</u>	<u>2,468</u>	<u>27,627</u>	<u>24,573</u>
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	5,500	4,914	2,612	2,558	8,112	7,472
Restricted	1,618	1,641	1,470	1,757	3,088	3,398
Unrestricted	<u>(16,687)</u>	<u>(13,510)</u>	<u>422</u>	<u>348</u>	<u>(16,265)</u>	<u>(13,162)</u>
Total Net Assets (Deficit)	<u>\$ (9,569)</u>	<u>\$ (6,955)</u>	<u>\$ 4,504</u>	<u>\$ 4,663</u>	<u>\$ (5,065)</u>	<u>\$ (2,292)</u>

* Restated for comparative purposes. See Note 22.

The net asset deficit of the State's governmental activities increased \$2.6 billion (37.6 percent) to \$9.6 billion during the current fiscal year. Of this amount, \$7.1 billion was invested in capital assets (buildings, roads, bridges, etc.) or was restricted for various purposes, resulting in an unrestricted net asset deficit of \$16.7 billion. This deficit is the result of having long-term obligations that are greater than currently available resources. Specifically, the State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds in the amount of \$7.2 billion which were issued to finance various municipal grant programs (e.g., school construction) and a contribution to a pension trust fund, and b) other long-term obligations in the amount of \$5.6 billion (e.g., net pension obligation and compensated absences).

Net assets of the State's business-type activities decreased \$0.2 billion (3.4 percent) to \$4.5 billion during the current fiscal year. Of this amount, \$4.1 billion was invested in capital assets or was restricted for various purposes, resulting in unrestricted net assets of \$0.4 billion. These resources cannot be used to make up for the net asset deficit of the State's governmental activities. The State can only use these net assets to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center, Bradley International Airport, and others).

CHANGE IN NET ASSETS

Changes in net assets for the years ended June 30, 2009 and 2008 were as follows:

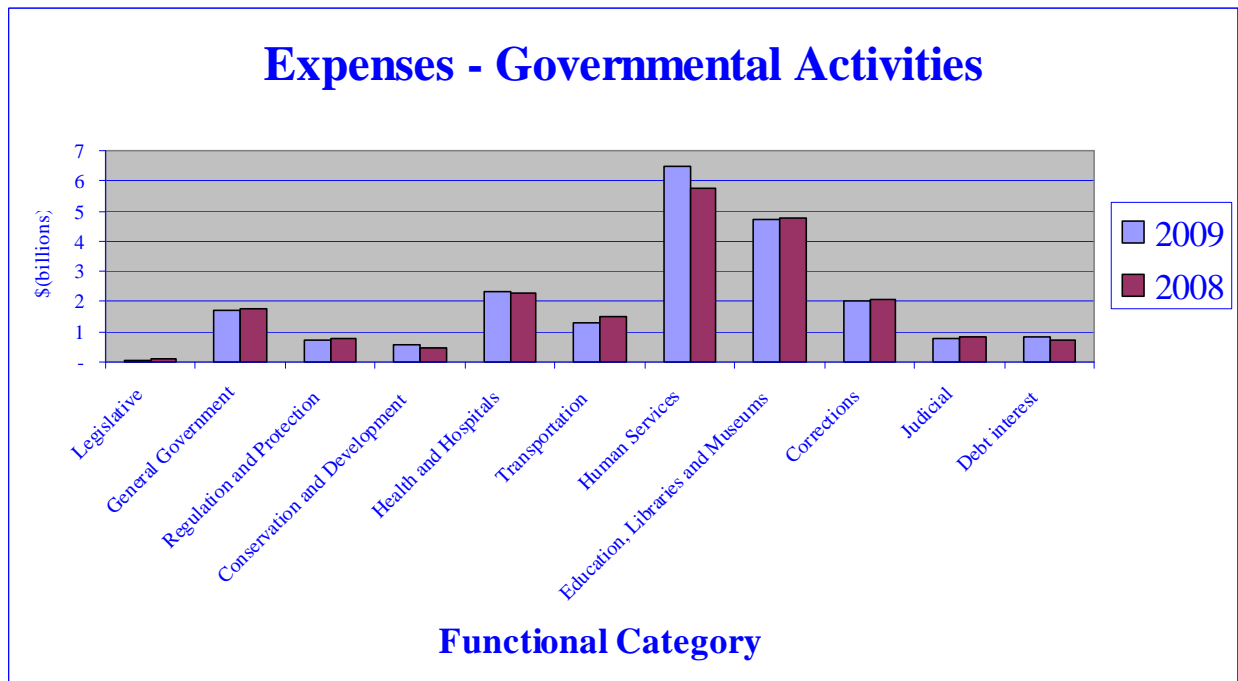
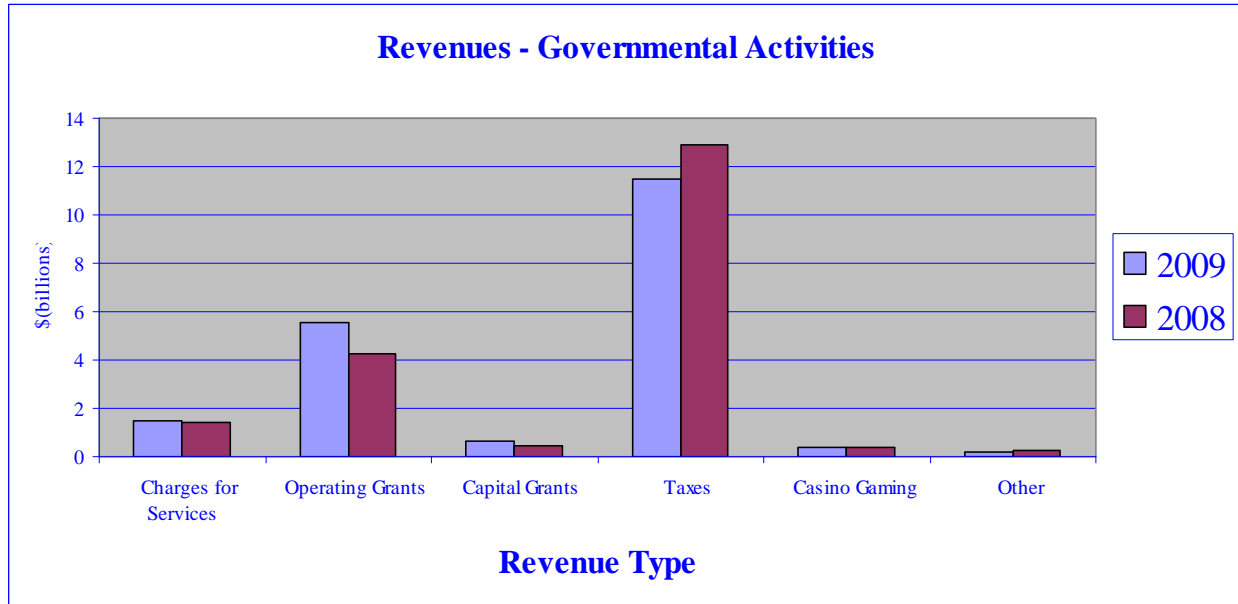
**State of Connecticut's Changes in Net Assets
(Expressed in Millions)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>%change</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>09-08</u>
REVENUES							
Program Revenues							
Charges for Services	\$ 1,490	\$ 1,448	\$ 3,108	\$ 3,000	\$ 4,598	\$ 4,448	3.4%
Operating Grants and Contributions	5,553	4,271	907	323	6,460	4,594	40.6%
Capital Grants and Contributions	646	442	64	36	710	478	48.5%
General Revenues							
Taxes	11,491	12,901	-	-	11,491	12,901	-10.9%
Casino Gaming Payments	378	411	-	-	378	411	-8.0%
Other	197	273	76	117	273	390	-30.0%
Total Revenues	<u>19,755</u>	<u>19,746</u>	<u>4,155</u>	<u>3,476</u>	<u>23,910</u>	<u>23,222</u>	<u>3.0%</u>
EXPENSES							
Legislative	32	112	-	-	32	112	-71.4%
General Government	1,735	1,738	-	-	1,735	1,738	-0.2%
Regulation and Protection	731	789	-	-	731	789	-7.4%
Conservation and Development	550	474	-	-	550	474	16.0%
Health and Hospitals	2,344	2,298	-	-	2,344	2,298	2.0%
Transportation	1,302	1,482	-	-	1,302	1,482	-12.1%
Human Services	6,478	5,744	-	-	6,478	5,744	12.8%
Education, Libraries and Museums	4,707	4,749	-	-	4,707	4,749	-0.9%
Corrections	2,043	2,085	-	-	2,043	2,085	-2.0%
Judicial	777	806	-	-	777	806	-3.6%
Interest and Fiscal Charges	810	734	-	-	810	734	10.4%
University of Connecticut & Health Center	-	-	1,725	1,626	1,725	1,626	6.1%
State Universities	-	-	639	611	639	611	4.6%
Bradley International Airport	-	-	68	68	68	68	0.0%
CT Lottery Corporation	-	-	723	732	723	732	-1.2%
Employment Security	-	-	1,574	632	1,574	632	149.1%
Clean Water	-	-	31	27	31	27	14.8%
Other	-	-	512	476	512	476	7.6%
Total Expenses	<u>21,509</u>	<u>21,011</u>	<u>5,272</u>	<u>4,172</u>	<u>26,781</u>	<u>25,183</u>	<u>6.3%</u>
Excess (Deficiency)							
Before Transfers and Special Items	(1,754)	(1,265)	(1,117)	(696)	(2,871)	(1,961)	46.4%
Special Items	13	-	85	-	-	-	
Transfers	(873)	(779)	873	779	-	-	0.0%
Increase (Decrease) in							
Net Assets	<u>(2,614)</u>	<u>(2,044)</u>	<u>(159)</u>	<u>83</u>	<u>(2,773)</u>	<u>(1,961)</u>	<u>41.4%</u>
Net Assets (Deficit) -							
Beginning (as restated)	(6,955)	(4,911)	4,663	4,580	(2,292)	(331)	592.4%
Net Assets (Deficit) - Ending	<u>\$ (9,569)</u>	<u>\$ (6,955)</u>	<u>\$ 4,504</u>	<u>\$ 4,663</u>	<u>\$ (5,065)</u>	<u>\$ (2,292)</u>	<u>121.0%</u>

Special Items are significant transactions or other activity within management's control that are either unusual in nature or infrequent in occurrence.

GOVERNMENTAL ACTIVITIES

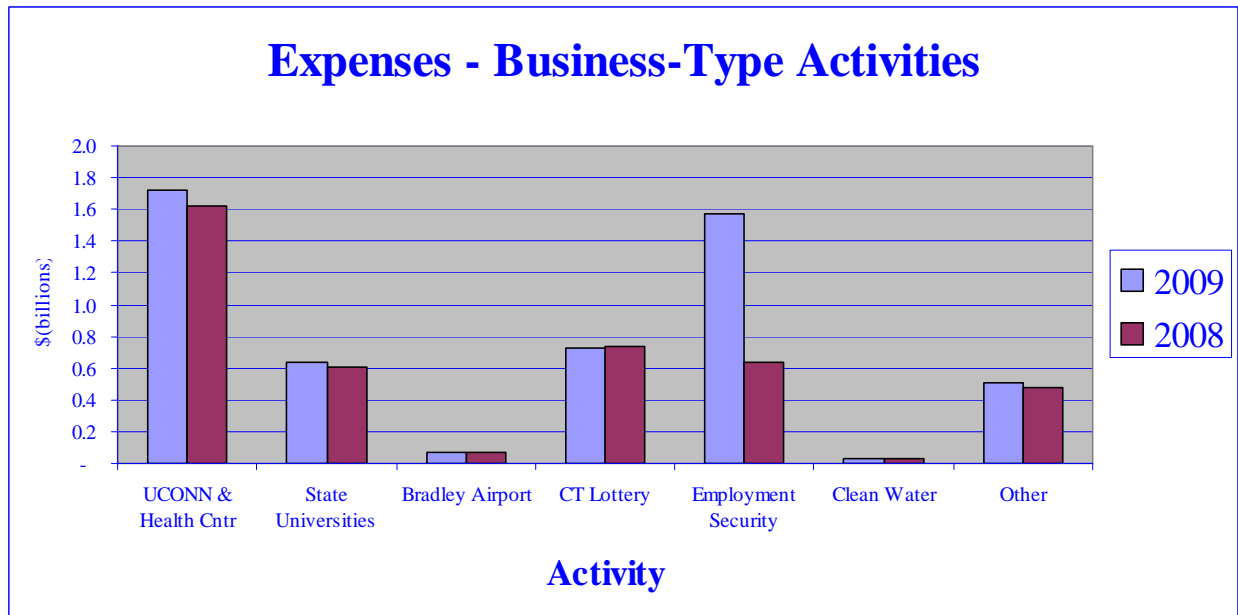
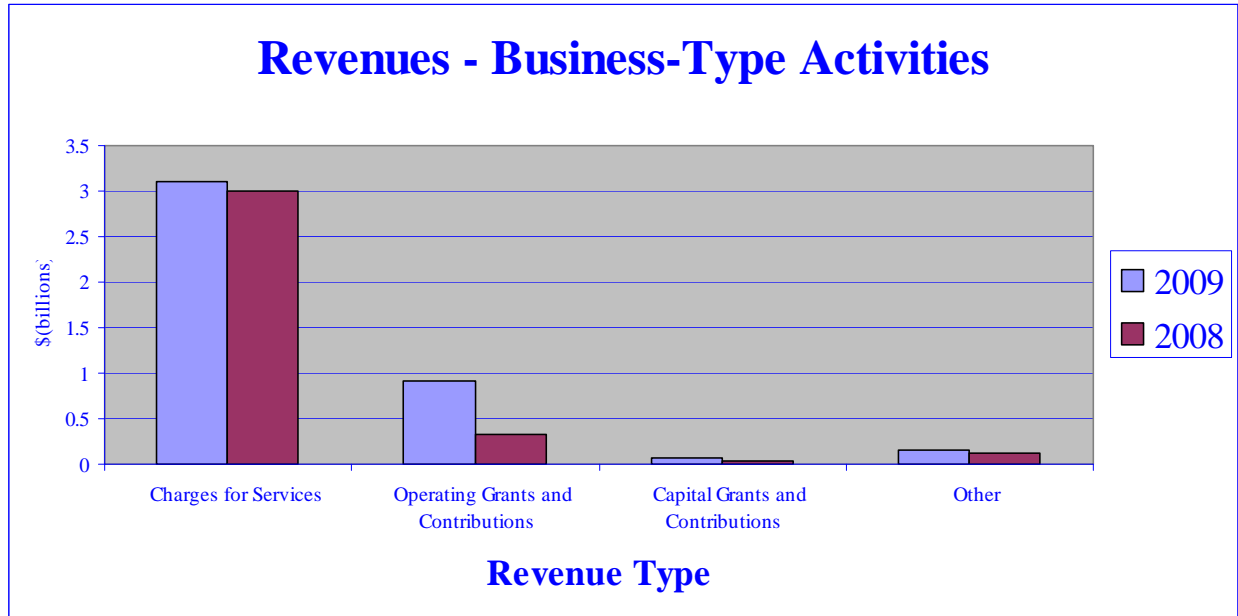
The following charts provide a two year comparison of governmental activities revenues and expenses.



During the year, total revenues of governmental activities increased slightly to \$19.8 billion, while total expenses increased 2.4 percent to \$21.5 billion. In comparison, last year total revenues and expenses increased 2.8 percent and 16.0 percent, respectively. The small increase in total revenues was due mainly to an increase in grant revenues of \$1.5 billion (31.5 percent) that was offset by a decrease in tax revenues of \$1.4 billion (10.9 percent). Although, total expenses exceeded total revenues by \$1.7 billion, this excess was increased by transfers of \$0.9 billion, resulting in a decrease in net assets of \$2.6 billion.

BUSINESS-TYPE ACTIVITIES

The following charts provide a two year comparison of business-type activities revenues and expenses.



During the year, total revenues of business-type activities increased 19.5 percent to \$4.2 billion, while total expenses increased by 26.4 percent to \$5.3 billion. In comparison, last year total revenues and expenses increased 3.5 percent and 6.9 percent, respectively. The increase in total expenses was due mainly to an increase in Employment Security expenses of \$1.0 billion or 149.1 percent. Although, total expenses exceeded total revenues by \$1.1 billion, this excess was reduced by transfers and special items of \$0.9 billion, resulting in a decrease in net assets of \$0.2 billion.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

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

As of June 30, 2009, the State's governmental funds had fund balances of \$1.4 billion, a decrease of \$1.7 billion when compared to the prior year ending fund balances. Of the total governmental fund balances, \$3.2 billion represents reserved fund balance, meaning that this portion is not available for the new spending because it has already been committed for specific purposes. The remainder of fund balance is an unreserved deficit fund balance of \$1.8 billion.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2009, the General Fund had a fund balance deficit of \$0.8 billion. Of this amount, \$1.5 billion was reserved for various purposes, leaving a deficit of \$2.3 billion in unreserved fund balance. Fund balance decreased by \$1.7 billion during the current fiscal year.

Debt Service Fund

As of June 30, 2009, the Debt Service Fund had a fund balance of \$679 million, all of which was reserved. Fund balance decreased by \$4 million during the current fiscal year.

Transportation Fund

As of June 30, 2009, the Transportation Fund had a fund balance of \$154 million. Of this amount, \$64 million was reserved for various purposes, leaving \$90 million in unreserved fund balance. Fund balance decreased by \$72 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2009, the Restricted Grants and Accounts Fund had a fund balance of \$578 million, all of which was reserved. Fund balance decreased by \$38 million during the fiscal year.

Proprietary Funds

The State's Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds has been provided in that section.

Fiduciary Funds

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, an Investment Trust fund, and a Private-Purpose Trust fund. As of June 30, 2009, the net assets of the State's Fiduciary funds totaled \$21.6 billion, a decrease of \$5.5 billion when compared to the prior year ending net asset balance.

Budgetary Highlights-General Fund

The General Fund had a budget deficit estimated to be \$10 million at the beginning of the fiscal year. Because the economy continued to be in a recession during the fiscal year, the deficit estimate grew to \$946 million by the end of the fiscal year.

Although actual fund expenditures exceeded revenues by \$1,534 million, this excess was reduced by other financing sources of \$586 million, resulting in an actual deficit of \$948 million for the fiscal year. A portion of the 2008 surplus in the amount of \$179 million was spent during the fiscal year. This amount was reported as other financing source in the budgetary statement.

Actual revenues were lower than originally budgeted by \$1,276 million for the fiscal year. This negative revenue variance resulted mainly from a negative tax revenue variance of \$2,263 million that was offset by positive federal and transfer revenue variances of \$1,089 million. Some of the actual tax revenues that were lower than originally budgeted were as follows: personal income, \$1,290 million; sales and use, \$429 million; corporations, \$176 million; and real estate conveyance, \$113 million.

Final budgeted appropriations were almost the same as originally budgeted for the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2009 totaled \$14.4 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was \$1.1 billion, due mainly to a 10 percent increase in governmental activities' capital assets.

Major capital asset events during the fiscal year included the following:

- Additions to land of \$0.9 billion
- Additions to infrastructure of \$0.6 billion
- Depreciation expense of \$0.9 billion

The following table is a two year comparison of the investment in capital assets presented for both governmental and business-type activities:

State of Connecticut's Capital Assets (Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008*	2009	2008*
Land	\$ 2,295	\$ 1,400	\$ 60	\$ 60	\$ 2,355	\$ 1,460
Buildings	1,209	1,116	2,493	2,406	3,702	3,522
Improvements Other than Buildings	222	174	252	249	474	423
Equipment	194	337	354	361	548	698
Infrastructure	5,819	5,659	-	-	5,819	5,659
Construction in Progress	1,337	1,342	193	250	1,530	1,592
Total	<u>\$ 11,076</u>	<u>\$ 10,028</u>	<u>\$ 3,352</u>	<u>\$ 3,326</u>	<u>\$ 14,428</u>	<u>\$ 13,354</u>

* Restated for comparative purposes. See Note 22.

Additional information on the State's capital assets can be found in Note 10 of this report.

**Long-Term Debt
Bonded Debt**

At the end of the current fiscal year, the State had total bonded debt of \$18.5 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two year comparison of bonded debt presented for both governmental and business-type activities:

State of Connecticut's Bonded Debt (in millions)

	Governmental		Business-Type		Total	
	Activities		Activities		Primary	Government
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 13,444	\$ 13,092	\$ -	\$ -	\$ 13,444	\$ 13,092
Transportation Related Bonds	2,817	2,791	-	-	2,817	2,791
Revenue Bonds	-	-	1,602	1,358	1,602	1,358
Bond Anticipation Notes	228	-	-	-	228	-
Premiums and deferred amounts	420	348	32	20	452	368
Total	\$ 16,909	\$ 16,231	\$ 1,634	\$ 1,378	\$ 18,543	\$ 17,609

The State's total bonded debt increased by \$0.9 billion (5.3 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of \$0.6 billion (including bond anticipation notes) and an increase in revenue bonds of \$0.2 billion.

The State's General Obligation Bonds are rated Aa3, AA, and AA by Moody's Investor Service, Standard and Poor's Corporation, and Fitch Ratings, respectively. Special Tax Obligation Bonds are rated A1, AA, AA- by Moody's Investor Service, Standard and Poor's Corporation, and Fitch Ratings, respectively.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of February 2009, the State had a debt incurring margin of \$5.9 billion.

Other Long-Term Debt

State of Connecticut's Other Long - Term Debt (in Millions)

	Governmental		Business-Type		Total	
	Activities		Activities		Primary	Government
	2009	2008	2009	2008	2009	2008
Net Pension Obligation	\$ 2,021	\$ 1,917	\$ -	\$ -	\$ 2,021	\$ 1,917
Net OPEB Obligation	2,543	1,234	-	-	2,543	1,234
Compensated Absences	503	482	135	130	638	612
Workers Compensation	460	413	-	-	460	413
Lottery Prizes	-	-	204	232	204	232
Other	91	66	186	163	277	229
Total	\$ 5,618	\$ 4,112	\$ 525	\$ 525	\$ 6,143	\$ 4,637

The State's other long-term obligations increased by \$1.5 billion (32.5 percent) during the fiscal year. This increase was due mainly to an increase in the Net OPEB Obligation of \$1.3 billion.

Additional information on the State's long-term debt can be found in Notes 17 and 18 of this report.

Economic Factors and Next Year's Budget

During the fiscal year, the State's economy continued to be in a recession. The State lost 65,100 payroll jobs over the fiscal year, bringing the unemployment rate to 8.00 percent – the highest rate for the last twenty years. New home permits and new auto registrations decreased 46.9 percent and 33.9 percent over the fiscal year, respectively. New business starts declined 8.8 percent, while business terminations increased 17.2 percent over the fiscal year. Personal income decreased 1.7 percent to \$193.6 billion for the fiscal year. Nationally, the economy showed signs of improvement by growing 3.5 percent in the third quarter of 2009, after posting declines of 6.4 percent and 0.7 percent in the first and second quarters of the year, respectively. However, the unemployment rate continued to grow, reaching 9.8 percent by the end of the third quarter of the year.

For fiscal year 2010, the General Fund had a budget surplus initially estimated to be \$2 million. Budgeted revenues were expected to increase 2.3 percent to \$17,372 million, while budgeted appropriations were expected to decrease 1.7 percent to \$17,370 million. However, due to the continuing economic recession, the Fund had an estimated budget deficit of \$515 million by the second half of the fiscal year. Budgeted revenues and appropriations were expected to be \$357.4 million lower and \$157.6 million higher than originally anticipated, respectively. To eliminate the estimated budget deficit, the Governor proposed spending cuts of \$284 million and transfers of cash from other state funds of \$53 million. Because some of the proposed spending cuts needed legislative approval, the Governor called the legislature into special session. At this writing, no legislation has been enacted to mitigate the Fiscal Year 2010 General Fund deficit. If the fiscal year closes with a deficit, additional borrowing will be required.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3350.

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*Basic
Financial
Statements*

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Statement of Net Assets

June 30, 2009

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 641,367	\$ 647,787	\$ 1,289,154	\$ 199,372
Deposits with U.S. Treasury	-	243,629	243,629	-
Investments	482,427	50,011	532,438	287,104
Receivables, (Net of Allowances)	2,177,947	806,863	2,984,810	42,456
Due from Primary Government	-	-	-	13,108
Inventories	54,952	11,954	66,906	3,694
Restricted Assets	-	141,565	141,565	1,248,737
Internal Balances	(102,089)	102,089	-	-
Other Current Assets	17,536	14,536	32,072	2,900
Total Current Assets	3,272,140	2,018,434	5,290,574	1,797,371
Noncurrent Assets:				
Cash and Cash Equivalents	-	268,896	268,896	-
Due From Component Units	9,793	-	9,793	-
Investments	-	240,203	240,203	39,632
Receivables, (Net of Allowances)	235,818	608,024	843,842	166,081
Restricted Assets	679,779	684,507	1,364,286	4,329,972
Capital Assets, (Net of Accumulated Depreciation)	11,075,553	3,351,555	14,427,108	442,591
Other Noncurrent Assets	75,669	41,334	117,003	8,789
Total Noncurrent Assets	12,076,612	5,194,519	17,271,131	4,987,065
Total Assets	15,348,752	7,212,953	22,561,705	6,784,436
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	691,971	289,174	981,145	72,770
Notes Payable	353,085	-	353,085	-
Due to Component Units	13,108	-	13,108	-
Due to Other Governments	150,651	284	150,935	-
Current Portion of Long-Term Obligations	954,162	182,597	1,136,759	166,235
Amount Held for Institutions	-	-	-	446,227
Deferred Revenue	81,422	204,553	285,975	-
Medicaid Liability	584,992	-	584,992	-
Liability for Escheated Property	339,429	-	339,429	-
Other Current Liabilities	176,956	56,027	232,983	30,005
Total Current Liabilities	3,345,776	732,635	4,078,411	715,237
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	21,572,165	1,976,366	23,548,531	4,264,368
Total Noncurrent Liabilities	21,572,165	1,976,366	23,548,531	4,264,368
Total Liabilities	24,917,941	2,709,001	27,626,942	4,979,605
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,499,602	2,611,952	8,111,554	299,724
Restricted For:				
Transportation	68,439	-	68,439	-
Debt Service	642,100	42,380	684,480	17,504
Federal Grants and Other Accounts	576,383	-	576,383	-
Capital Projects	179,927	195,822	375,749	18,843
Unemployment Compensation	-	362,403	362,403	-
Clean Water and Drinking Water Projects	-	696,365	696,365	-
Bond Indenture Requirements	-	2,349	2,349	885,718
Loans	-	6,159	6,159	-
Permanent Investments or Endowments:				
Expendable	2,348	-	2,348	72,984
Nonexpendable	85,834	12,802	98,636	247,353
Other Purposes	62,696	152,169	214,865	39,904
Unrestricted (Deficit)	(16,686,518)	421,551	(16,264,967)	222,801
Total Net Assets (Deficit)	\$ (9,569,189)	\$ 4,503,952	\$ (5,065,237)	\$ 1,804,831

The accompanying notes are an integral part of the financial statements.

Statement of Activities

For The Fiscal Year Ended June 30, 2009

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services, Fees, Fines , and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
Legislative	\$ 32,159	\$ 2,701	\$ 44	\$ -
General Government	1,734,577	506,224	58,557	-
Regulation and Protection	730,701	525,057	143,551	-
Conservation and Development	549,811	133,395	74,549	-
Health and Hospitals	2,343,919	62,747	168,934	-
Transportation	1,302,395	78,136	-	646,416
Human Services	6,478,180	39,722	4,553,058	-
Education, Libraries, and Museums	4,707,240	27,365	425,986	-
Corrections	2,042,503	7,346	121,397	-
Judicial	776,981	107,578	6,612	-
Interest and Fiscal Charges	810,403	-	-	-
Total Governmental Activities	<u>21,508,869</u>	<u>1,490,271</u>	<u>5,552,688</u>	<u>646,416</u>
Business-Type Activities:				
University of Connecticut & Health Center	1,725,343	908,260	199,170	3,814
State Universities	639,397	323,874	53,013	49,537
Bradley International Airport	67,995	53,723	-	10,406
Connecticut Lottery Corporation	723,249	991,482	-	-
Employment Security	1,573,806	640,317	560,869	-
Clean Water	30,723	15,661	18,998	-
Other	511,542	174,532	75,000	-
Total Business-Type Activities	<u>5,272,055</u>	<u>3,107,849</u>	<u>907,050</u>	<u>63,757</u>
Total Primary Government	<u>\$ 26,780,924</u>	<u>\$ 4,598,120</u>	<u>\$ 6,459,738</u>	<u>\$ 710,173</u>
Component Units				
Connecticut Housing Finance Authority (12-31-08)	\$ 227,636	\$ 194,134	\$ -	\$ -
Connecticut Health and Educational Facilities Authority	5,546	7,067	-	-
Other	302,378	217,356	7,651	15,389
Total Component Units	<u>\$ 535,560</u>	<u>\$ 418,557</u>	<u>\$ 7,651</u>	<u>\$ 15,389</u>
General Revenues:				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Other				
Casino Gaming Payments				
Tobacco Settlement				
Unrestricted Investment Earnings				
Contributions to Endowments				
Special Items:				
Transfer from Component Unit				
Debt Reduction Transfer				
Transfer to the State				
Transfers-Internal Activities				
Total General Revenues, Contributions, Special Items, and Transfers				
Change in Net Assets				
Net Assets (Deficit)- Beginning (as restated)				
Net Assets (Deficit)- Ending				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (29,414)	\$ -	\$ (29,414)	\$ -
(1,169,796)	-	(1,169,796)	-
(62,093)	-	(62,093)	-
(341,867)	-	(341,867)	-
(2,112,238)	-	(2,112,238)	-
(577,843)	-	(577,843)	-
(1,885,400)	-	(1,885,400)	-
(4,253,889)	-	(4,253,889)	-
(1,913,760)	-	(1,913,760)	-
(662,791)	-	(662,791)	-
(810,403)	-	(810,403)	-
<u>(13,819,494)</u>	<u>-</u>	<u>(13,819,494)</u>	<u>-</u>
-	(614,099)	(614,099)	-
-	(212,973)	(212,973)	-
-	(3,866)	(3,866)	-
-	268,233	268,233	-
-	(372,620)	(372,620)	-
-	3,936	3,936	-
-	(262,010)	(262,010)	-
-	(1,193,399)	(1,193,399)	-
<u>(13,819,494)</u>	<u>(1,193,399)</u>	<u>(15,012,893)</u>	<u>-</u>
-	-	-	(33,502)
-	-	-	1,521
-	-	-	(61,982)
-	-	-	(93,963)
5,657,309	-	5,657,309	-
437,444	-	437,444	-
3,301,096	-	3,301,096	-
1,407,084	-	1,407,084	-
492,566	-	492,566	-
196,034	-	196,034	-
377,805	-	377,805	-
153,819	-	153,819	-
42,493	75,933	118,426	48,178
-	-	-	23,317
13,150	-	13,150	-
-	85,000	85,000	-
-	-	-	(13,150)
<u>(873,590)</u>	<u>873,590</u>	<u>-</u>	<u>-</u>
<u>11,205,210</u>	<u>1,034,523</u>	<u>12,239,733</u>	<u>58,345</u>
(2,614,284)	(158,876)	(2,773,160)	(35,618)
(6,954,905)	4,662,828	(2,292,077)	1,840,449
<u>\$ (9,569,189)</u>	<u>\$ 4,503,952</u>	<u>\$ (5,065,237)</u>	<u>\$ 1,804,831</u>

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Governmental Fund Financial Statements

Major Funds

General Fund:

This fund is the State's general operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Debt Service Fund:

This fund is used to account for the accumulation of resources for and the payment of, principal and interest on special tax obligation bonds of the Transportation fund.

Transportation Fund:

to account for motor vehicle taxes, receipts and transportation related federal revenues collected for the purposes of payment of debt service requirements and budgeted appropriations made to the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the state.

Restricted Grants and Accounts Fund:

This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

Nonmajor Funds:

Nonmajor governmental funds are presented, by fund type beginning on page 96.

