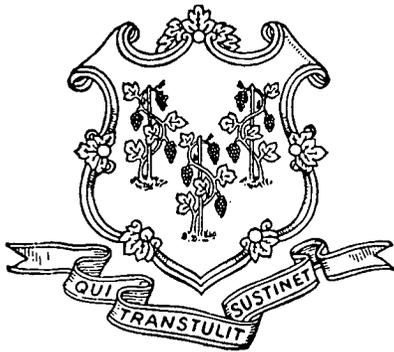


**STATE OF
CONNECTICUT**



1997

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**Fiscal Year Ended
June 30, 1997**

**Nancy Wyman
State Comptroller**

STATE OF CONNECTICUT

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For Fiscal Year Ended
June 30, 1997

***Prepared by the Office of the
State Comptroller***

**NANCY WYMAN
STATE COMPTROLLER**

STATE OF CONNECTICUT

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.

STATE OF CONNECTICUT

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*Introductory
Section*

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NANCY WYMAN
COMPTROLLER

STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT 06106-1775

MARK E. OJAKIAN
DEPUTY COMPTROLLER

January 9, 1998

To the Citizens of the State of Connecticut:

I am pleased to present this Comprehensive Annual Financial Report (CAFR) of the State of Connecticut for the fiscal year ended June 30, 1997.

This report was prepared in its entirety by this office and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation of the financial statements, supporting schedules, and statistical tables in it.

The CAFR is designed to be in conformance with generally accepted accounting principles (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB) as well as the reporting requirements prescribed by the Government Finance Officers Association and the American Institute of Certified Public Accountants. We believe that this report presents fairly the financial position of the state and the results of its operations as measured by the financial activity of its various funds. The report is consistent with full disclosure so that the reader may gain maximum understanding of the state's financial affairs. The report is presented in three sections:

The Introductory Section contains this transmittal letter, a list of the state's principal elected, appointed and administrative officials, an organizational chart of the state government, and a table of contents.

The Financial Section contains the Auditors of Public Accounts' report, the general purpose financial statements which include the notes to the financial statements, and the combining and individual fund and account group financial statements.

The Statistical Section contains comprehensive statistical data and selected financial and demographic information on a multi-year basis.

THE REPORTING ENTITY

Connecticut, a state of approximately 3.3 million people in an area of 5,009 square miles, has a developed infrastructure, technologically advanced industrial base and a strong insurance and financial services industry. The State of Connecticut ratified the Constitution of the United States on January 9, 1788. It has a legislative - executive - judicial form of government with a bicameral legislature (36 Senators, 151 Representatives). The Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller, and Attorney General are independently elected for four-year terms. Senators and Representatives are elected for two-year terms.

The state provides a broad range of services including public safety, state highways and other transportation services, state parks, social services, higher education, health services, economic development, and regulatory responsibilities.

This report includes all the funds and account groups of the state as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Connecticut Lottery Corporation is reported as an enterprise fund of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These would include the Connecticut Development Authority, Connecticut Housing Finance Authority, Connecticut Resources Recovery Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Health and Educational Facilities Authority, and Connecticut Innovations, Incorporated.

STATE INITIATIVES

● WELFARE REFORM

In August 1996, federal welfare reform was signed into law. The federal reforms radically changed eligibility standards and federal funding for the public support program formerly known as Aid to Families with Dependent Children (AFDC). Seven months earlier, however, Connecticut had already passed its own version of welfare reform called Jobs First. The federal reform placed a 60 month lifetime benefit limit on cash assistance. Connecticut's program uses a shorter 21 month benefit limit, although extensions may be granted in six-month increments if recipients have made a "good faith" effort to find work. Jobs First provides an additional work incentive that permits families to keep earnings up to the federal poverty level (\$13,330 for a family of three) with no reduction in benefit payments.

During the 1997 state fiscal year, the welfare caseload dropped by 3,142 recipients -- to a total caseload of 52,875. In addition, the percentage of recipients reporting job earnings rose during the 1997 fiscal year from 25.4 percent to 45.2 percent. Unfortunately, it is difficult to determine the proportion of the caseload decline that is attributable to a strong economy as opposed to the welfare reform program. Changes in welfare caseloads have historically shown a strong correlation to economic conditions. For example, during the state's economic recession of the early 1990s, there was a 46 percent increase in the AFDC caseload. By contrast, the caseload has traditionally declined in good economic times.

Under the federal reform, a 50 percent reimbursement to the state for AFDC expenditures was replaced by a \$266.8 million federal block grant. The combination of declining caseloads and additional available federal funding has given the state the opportunity to reduce state spending for welfare while expanding spending for transitional support and safety net programs. The success of welfare reform over time will be closely monitored.

- **TAX RELIEF**

A policy of reducing the overall state tax burden on Connecticut's citizens and businesses has significantly influenced budget deliberations over the past several years. The state's personal income, sales and corporation taxes are the three largest sources of General Fund operating revenue, amounting to over 60 percent of total revenue. These three tax sources have also been targeted for the largest tax cuts.

In 1993, the state passed legislation to lower the corporate tax rate, which had reached the highest level in the nation. The rate is scheduled to phase down from a January 1, 1996 level of 10.75 percent to 7.5 percent by January 1, 2000. The state's personal income tax was introduced in 1991 with a rate of 4.5 percent on Connecticut adjusted gross income. Beginning in 1995, a series of personal income tax reductions have reduced the base rate to 3 percent on a portion of income (dependent on filing status), provided a property tax credit that will phase up from \$100 in 1996 to \$285 in 1998, and provided a level of exemption on social security income. The sales tax with a present rate of 6 percent has been reduced through the exemption of various goods and services.

In addition, other less significant taxes have been reduced, including the gasoline tax, which will phase down from \$0.39 per gallon to \$0.33 per gallon by July 1, 1998. The net budgetary impact of tax cuts and other related revenue changes represent a reduction of almost \$300 million in the revenue base from Fiscal Year 1997 to Fiscal Year 1998. The revenue loss to the Fiscal Year 1997 base will phase up to a cumulative total of approximately \$650 million by Fiscal Year 2002.

- **EXPANDING HEALTH INSURANCE FOR CHILDREN**

In recent years, Connecticut legislators, policy makers, and community groups have been alarmed by the growing number of uninsured state residents. The Census Bureau estimates there were 368,000 uninsured in Connecticut in 1996, including about 88,000 children. In response to this problem, the State Comptroller convened a task force to recommend possible solutions. The State Comptroller not only brings a financial perspective to health policy issues but also administers a health plan that covers 166,000 state employees, retirees and their dependents. The task force -- the Work Group for Health Care Access -- had a diverse membership that included state legislators and legislative staff, the State Comptroller, representatives of Connecticut hospitals, physicians, health maintenance organizations, insurance companies, the business community, and advocates for the uninsured. The Work Group issued its final report in January 1997.

One of the Work Group's consensus recommendations was to expand Medicaid to cover as many of Connecticut's uninsured children as possible. Another was to enhance outreach efforts to reach the estimated 37,000 uninsured children who are currently eligible but not enrolled in the Medicaid program. During the 1997 legislative session, a modest Medicaid expansion was enacted, making the program available to an additional 8,600 children.

The Federal Balanced Budget Act of 1997 included new funding for health coverage under the State Children's Health Insurance Program (SCHIP). Under the SCHIP provision, states have the option of expanding Medicaid coverage for children or creating new programs within certain federal guidelines under Title XXI of the Social Security Act. Connecticut used this opportunity to create a new health insurance program called the HUSKY Plan -- Healthcare for Uninsured Kids and Youth -- which was passed during an October 1997 Special Legislative Session and signed into law by the Governor. The program will be financed with state dollars (35 percent) and enhanced Federal matching funds (65 percent).

The HUSKY Plan will provide subsidized coverage -- cost sharing on a sliding scale -- for uninsured children who live in families that earn between 186 percent to 300 percent of the Federal Poverty Level (FPL). Families above 300 percent of the FPL can enroll children into the HUSKY program, but must pay the full cost. In addition, all children in families at or below 185 percent of the FPL will now be eligible for Medicaid coverage. Pending the plan's approval by the Health Care Financing Administration, HUSKY is scheduled to begin operating in April 1998. Outreach and marketing for HUSKY will be coordinated with Medicaid and feature a single point-of-entry system for both programs. When fully implemented, the two programs -- Medicaid and HUSKY -- will have the potential to reach every uninsured child in Connecticut.

OPERATING RESULTS

The fiscal year 1996-97 saw the deterioration of the state's financial condition slowed substantially, but we have not yet reached the point of turnaround.

- While the operating deficit is the lowest in both absolute terms and as a percent of tax revenue in the last five years at \$95 million, this is the tenth year in a row of operating deficits highlighting the state's continual reliance on debt-financing.
- Long-term obligations increased \$357 million, which will have to be financed by future generations.
- Debt service, excluding the debt service on the state's Economic Recovery Notes, was 9.1% of governmental operating expenditures, an increase from 8.0% in the prior year. In absolute terms, such expenditures increased 10%.
- Net debt per capita, also exclusive of the Economic Recovery Notes, rose to \$2,774 more than double that of fiscal 1990.
- Government expenditures showed a slight decrease from 11% to 10% of total personal income in the state when compared to the prior fiscal year. The decrease in expenditures can be attributed to the transfer out of the lottery operations from governmental funds into enterprise funds due to the creation of the Connecticut Lottery Corporation, a blended component unit. This resulted in a subsequent reduction of revenues and expenditures of \$770 million and \$517 million respectively.

GOVERNMENTAL OPERATING RESULTS*
(millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
General Fund Surplus (Deficit)	<u>\$ 252</u>	<u>\$ 198</u>	<u>\$(242)</u>	<u>\$ 51</u>	<u>\$ 93</u>
Special Revenue Funds:					
Transportation	47	14	17	(10)	(36)
Grant and Loan Programs	(297)	(301)	(307)	(306)	(283)
Housing Programs	(44)	(36)	(32)	(54)	(39)
Other, net	<u>(53)</u>	<u>(66)</u>	<u>(59)</u>	<u>(46)</u>	<u>5</u>
Total Special Revenue Funds	<u>(347)</u>	<u>(389)</u>	<u>(381)</u>	<u>(416)</u>	<u>(353)</u>
Total Government Operating Deficits	<u>\$ (95)</u>	<u>\$(191)</u>	<u>\$(623)</u>	<u>\$(365)</u>	<u>\$(260)</u>

* Surplus (Deficit) includes transfers and excludes proceeds from the sale of bonds and notes and capital lease obligations.

TOTAL GOVERNMENTAL REVENUE*
(millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
Taxes	\$ 7,611	\$ 7,339	\$ 6,822	\$ 6,437	\$ 6,141
Intergovernmental	2,783	2,830	2,734	2,641	2,617
All other	<u>1,019</u>	<u>1,640</u>	<u>1,632</u>	<u>1,514</u>	<u>1,447</u>
Total	<u>\$11,413</u>	<u>\$11,809</u>	<u>\$11,188</u>	<u>\$10,592</u>	<u>\$10,205</u>
Deficits as a Percent:					
Total Revenue	0.8%	1.6%	5.6%	3.4%	2.5%
Total Tax Revenue	1.2%	2.6%	9.1%	5.7%	4.2%

In the ten years since 1988, governmental expenditures have increased 84% while personal income increased only 51%.

GOVERNMENTAL OPERATING EXPENDITURES*
AS A PERCENT OF PERSONAL INCOME
(millions)

<u>Fiscal Year</u>	<u>Expenditures</u>	<u>Connecticut Personal Income</u>	<u>Ratio</u>
1988	\$ 6,372	\$ 77,678	8.2
1989	7,779	83,531	9.3
1990	8,534	87,180	9.8
1991	8,930	88,181	10.1
1992	9,541	93,227	10.2
1993	10,494	96,440	10.9
1994	10,934	99,703	11.0
1995	11,924	105,778	11.3
1996	12,221	110,916	11.0
1997	11,751	117,084	10.0

* Includes general, special revenue and debt service funds. Operating expenditures also include higher education expenditures which are treated as an operating transfer out in the general fund.

Uncontrollable and fixed costs continued to consume a large share of the state's spending. Debt service, exclusive of the Economic Recovery Notes, increased to 9.1% of total governmental expenditures. Total debt service, including the Economic Recovery Notes, decreased to 9.9% of governmental expenditures, still almost two times the ratio of fiscal year 1990. Medicaid spending rose slightly in fiscal year 1997 to \$1.96 billion, however, it still remains at almost one-fifth of total General Fund spending. The net state share of Medicaid, after adjusting for the 50% share of federal reimbursements, was \$300 for every man, woman, and child in Connecticut.

Deficit financing for operating purposes continued in fiscal year 1997. Deficits of \$341 million were incurred in the Grant and Loan Programs and the Housing Programs special revenue funds in fiscal year 1997. This represents 26% of total special revenue funds spending. Debt financing for these and other special revenue programs was \$429 million, which is a little over one half of our spending on legitimate capital needs for state facilities and infrastructure.

As a result, debt per capita, exclusive of the Economic Recovery Notes, increased to \$2,774 - over twice what it was in fiscal year 1990. The remaining Economic Recovery Notes constitute an additional \$48 of debt per capita.

General Fund

Fiscal year 1997 saw the state again end the year with a general fund operating surplus, the second year in a row, with revenues growing faster than expenditures.

GENERAL FUND OPERATING SURPLUS (DEFICIT) (millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>
Surplus (Deficit) in Prior Fiscal Year	<u>\$ 198</u>	<u>\$(242)</u>	<u>\$ 51</u>
Expenditures (Increases) Decreases:			
General Government	(4)	(40)	(15)
Health and Hospital	(74)	(38)	(28)
Human Services	(57)	(61)	(479)
Education, Libraries, and Museums	15	(95)	22
Corrections	(104)	(50)	(62)
Higher Education	(40)	8	(86)
Debt Service	(76)	116	(79)
Other, net	<u>148</u>	<u>25</u>	<u>1</u>
	<u>(192)</u>	<u>(135)</u>	<u>(726)</u>
Revenue Increases (Decreases):			
Taxes	223	481	355
Intergovernmental	(59)	82	82
Other, net	<u>82</u>	<u>12</u>	<u>(4)</u>
	<u>246</u>	<u>575</u>	<u>433</u>
Surplus (Deficit)	<u>\$ 252</u>	<u>\$ 198</u>	<u>\$(242)</u>

Tax revenues increased 3% while intergovernmental revenues (grants, etc.) decreased 2%. All expenditure categories increased except for education and other.

GENERAL FUND REVENUES
(millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>Change</u>	<u>FY 95</u>
Taxes	\$ 7,054	\$ 6,831	\$223	\$6,350
Licenses, Permits, and Fees	125	112	13	107
Intergovernmental	2,585	2,644	(59)	2,562
Charges for Services	244	188	56	175
Fines, Forfeits, and Rents	30	24	6	35
Investment Earnings	37	26	11	28
Miscellaneous	<u>128</u>	<u>129</u>	<u>(1)</u>	<u>116</u>
Subtotal	<u>10,203</u>	<u>9,954</u>	<u>249</u>	<u>9,373</u>
Transfers In:				
Lottery	252	262	(10)	250
Other	<u>10</u>	<u>3</u>	<u>7</u>	<u>21</u>
	<u>262</u>	<u>265</u>	<u>(3)</u>	<u>271</u>
Total	<u>\$10,465</u>	<u>\$10,219</u>	<u>\$246</u>	<u>\$9,644</u>

As shown above, except for taxes, the net increase of other sources of revenues is relatively minor. A further analysis of the tax revenues shows that with the exception of the personal income tax and the sales and use tax, tax revenues continue to be fairly stagnant, increasing marginally or even decreasing. Revenue from the personal income tax increased by \$193 million, an increase of approximately 7.4% while the sales and use tax increased \$154 million or an increase of 6.3%.

GENERAL FUND TAX REVENUES
(millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>Change</u>	<u>FY 95</u>
Personal Income	\$2,799	\$2,606	\$193	\$2,306
Sales and Use	2,598	2,444	154	2,355
Corporation	534	629	(95)	604
Public Service Corporations	179	192	(13)	185
Inheritance and Estate	208	231	(23)	183
Insurance Companies	189	167	22	171
Cigarettes and Tobacco	126	125	1	130
Real Estate Conveyance	75	65	10	63
Alcoholic Beverages	40	40	-	40
Oil Companies	79	68	11	49
Hospital Gross Receipts	173	214	(41)	222
Admissions, Dues, and Cabaret	26	23	3	21
Miscellaneous	<u>28</u>	<u>27</u>	<u>1</u>	<u>21</u>
Total	<u>\$7,054</u>	<u>\$6,831</u>	<u>\$223</u>	<u>\$6,350</u>

The largest increases in General Fund expenditures were Health and Hospitals, Human Services and Corrections, two of which are being driven by outside factors such as mandated Medicaid expenditures and rising prison populations.

MEDICAID EXPENDITURES
(millions)

<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
\$1,960	\$1,908	\$1,910	\$1,637	\$1,521

As previously discussed, Corrections and Judicial expenditures have continued to expand in step with crime and the increasing correction facility population. As of December 31, 1996 Correction facility population was 15,007, an increase of 38% from 1993.

GENERAL FUND EXPENDITURES
(millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>Change</u>	<u>FY 95</u>
Legislative	\$ 52	\$ 48	\$ 4	\$ 47
General Government	554	550	4	510
Regulation and Protection	116	105	11	103
Conservation and Development	80	65	15	64
Health and Hospitals	893	819	74	781
Human Services*	3,496	3,439	57	3,378
Education, Libraries, and Museums	1,805	1,820	(15)	1,725
Corrections	943	839	104	789
Judicial	290	265	25	234
Federal and Other Grants	607	808	(201)	871
Debt Service	<u>716</u>	<u>637</u>	<u>79</u>	<u>581</u>
Subtotal	<u>9,552</u>	<u>9,395</u>	<u>157</u>	<u>9,083</u>
Transfers Out:				
Higher Education	482	442	40	450
Debt Service	89	92	(3)	264
Other	<u>90</u>	<u>92</u>	<u>(2)</u>	<u>89</u>
	<u>661</u>	<u>626</u>	<u>35</u>	<u>803</u>
Total	<u>\$10,213</u>	<u>\$10,021</u>	<u>\$192</u>	<u>\$9,886</u>

*Includes Medicaid expenditures.

Special Revenue Funds

Special revenue funds continue to be heavily debt-financed, suggesting that we are burdening future generations of taxpayers with the cost of current programs. Grant and loan programs and housing programs have shown operating deficits for the last five years. To the extent that loan programs result in receivables that can be counted on to mature in time to service the related debt, a case may be made that the economic benefits accrue to current and future taxpayers. Financing grants with debt, however, should be undertaken sparingly and in unusual circumstances.

SPECIAL REVENUE FUND OPERATING RESULTS
(millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
Fiscal year deficits:					
Transportation	\$ 47	\$ 14	\$ 17	\$ (10)	\$ (36)
Grant and Loan Programs	(297)	(301)	(307)	(306)	(283)
Housing Programs	(44)	(36)	(32)	(54)	(39)
Other, net	<u>(53)</u>	<u>(66)</u>	<u>(59)</u>	<u>(46)</u>	<u>5</u>
Deficits before proceeds from debt financing	(347)	(389)	(381)	(416)	(353)
Proceeds from debt financing	<u>429</u>	<u>405</u>	<u>481</u>	<u>480</u>	<u>427</u>
Surplus	<u>\$ 82</u>	<u>\$ 16</u>	<u>\$ 100</u>	<u>\$ 64</u>	<u>\$ 74</u>

The deficits primarily arose in the Grant and Loan Programs Fund and the Housing Programs Fund. The Grant and Loan Fund expended \$310 million in fiscal year 1997 supported by revenues of only \$11 million. Bond proceeds of \$324 million financed the balance. The Housing Programs Fund expended \$46 million in fiscal year 1997. Like the Grant and Loan Programs Fund, the balance was financed by \$35 million of bond proceeds, and \$4 million of revenues and additional fund balance resources.

Other major special revenue funds include the Transportation Fund, which is generally self-supporting. Expenditures and transfers of \$902 million were supported by revenues and transfers of \$949 million in fiscal year 1997. The fund balance of the Transportation Fund was \$138 million or 15% of expenditures and transfers.

The Employment Security Administration Fund expended \$107 million on administration of the unemployment compensation program, supported by a like amount of federal financial assistance.

The Environmental Programs Fund also required debt financing. Expenditures and transfers of \$66 million were supported by \$33 million of revenues and transfers, along with bond proceeds of \$28 million and additional fund balance resources.

Capital Projects Funds

Capital spending has averaged over 800 million for the past five years with most of that spending directed toward infrastructure projects. Approximately 60% of infrastructure expenditures were financed by federal aid and the balance by state debt. Unlike the deficit financing of certain special revenue funds, the debt used to finance capital construction will provide a tangible benefit to the future generation of taxpayers who will use the asset for which they will pay the debt service. In addition, these infrastructure investments improve the economic climate of the state both immediately and for many years to come.

TREND IN CAPITAL PROJECTS EXPENDITURES
(millions)

<u>Fiscal Year</u>	<u>State Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
1997	\$178	\$598	\$25	\$801
1996	143	533	14	690
1995	286	668	3	957
1994	170	699	1	870
1993	247	612	3	862

Expendable Trust Funds

The Employment Security Fund continues to have a growing fund balance with expenditures (unemployment compensation claims) the lowest in five years.

EMPLOYMENT SECURITY FUND (millions)

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Surplus (Deficit)</u>	<u>Fund Balance</u>
1997	\$ 635	\$411	\$ 224	\$ 463
1996	590	478	112	239
1995	559	484	75	127
1994	1,400	619	781	52
1993	711	928	(217)	(730)

Pension Trust Funds

The operations of the pension trust funds showed slow growth for 1997. The State Employees' Retirement System (SERS), by far the largest pension fund for state employees (the Teachers' Retirement System primarily serves municipal employees), funded status increased to 55.2% as of fiscal year 1997 as compared to 51.4% as of fiscal year 1993. The Teachers' Retirement System (TRS) funded status increased from 66.6% to 69.1%, and the Judicial Retirement System (JRS) from 39.8% to 48.2% respectively.

PENSION FUNDED STATUS

	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
SERS	55.2%	53.7%	53.8%	51.4%	51.4%
TRS	69.1	68.1	68.1	66.6	66.6
JRS	48.2	45.6	42.7	40.5	39.8

Enterprise Funds

Two major changes to the enterprise funds combined financial statements occurred in fiscal year 1997. The Connecticut Lottery Corporation was created by the legislature as a public instrumentality and political subdivision of the state and was, accordingly, added to the enterprise fund category. Secondly, the John Dempsey Hospital Fund was reclassified out of the higher education funds group after it was determined that the fund was better suited to enterprise fund type accounting. The Connecticut Lottery Corporation provided substantial support to the General Fund with revenues of \$770 million providing \$252 million to the General Fund after prizes and expenses of \$517 million.

ENTERPRISE FUNDS (millions)

<u>Fiscal Year</u>	<u>Operations</u>		<u>Net</u>	<u>Nonoperating Net</u>	<u>Net Income (Loss)</u>	<u>Retained Earnings</u>
	<u>Revenue</u>	<u>Expenses</u>				
1997	\$938	\$681	\$257	\$(244)	\$13	\$155

Higher Education

Expenditures showed a modest growth of 3% in fiscal year 1997, with increasing state support. Total revenues increased 3% over fiscal year 1996.

TRENDS IN HIGHER EDUCATION CURRENT FUNDS (millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
Revenues:					
Tuition and Fees	\$ 250	\$ 233	\$ 260	\$ 215	\$ 205
Federal Grants	108	115	93	96	93
Private Gifts	27	21	31	29	34
Patient Services	50	56	55	49	60
Sales and Service	143	130	104	143	119
Other	<u>40</u>	<u>45</u>	<u>55</u>	<u>37</u>	<u>40</u>
Total	<u>618</u>	<u>600</u>	<u>598</u>	<u>569</u>	<u>551</u>
Expenditures and Transfers:					
Education and General	932	903	889	777	759
Patient Care	50	48	50	45	36
Auxiliary Enterprises	101	98	79	104	94
Other	<u>4</u>	<u>4</u>	<u>20</u>	<u>15</u>	<u>17</u>
Total	<u>1,087</u>	<u>1,053</u>	<u>1,038</u>	<u>941</u>	<u>906</u>
Net before State support	(469)	(453)	(440)	(372)	(355)
State support	<u>473</u>	<u>442</u>	<u>450</u>	<u>364</u>	<u>341</u>
Net	<u>\$ 4</u>	<u>\$ (11)</u>	<u>\$ 10</u>	<u>\$ (8)</u>	<u>\$ (14)</u>
Tuition and fees as a percent of total expenditures and transfers					
	23.0%	22.1%	25.0%	22.8%	22.6%
State support as a percent of total expenditures and transfers					
	43.5%	42.0%	43.4%	38.7%	37.6%

Debt Administration

State general obligation bonds are rated Aa3, AA-, and AA by Moody's, Standard and Poor's, and Fitch Investors Service, respectively, while transportation-related special tax obligation bonds are currently rated A1, AA-, and AA-, respectively.

The state issued approximately \$.9 billion of bonds in fiscal year 1997, a decrease from the past two fiscal years. To the extent this bonding is for infrastructure or other assets benefiting future taxpayers, the debt is fully justifiable. The continued increase in the debt burden, however, particularly that portion that is used to finance current programs, bodes ill for the future. It means that future generations will pay for the sins of the past. And it means that the state will have reduced flexibility in future budgets, which will now be burdened by higher fixed costs for debt service.

DEBT ISSUANCES
(millions)

	<u>FY 97</u>		<u>FY 96</u>		<u>FY 95</u>	
Special Revenue Funds:						
Grant and Loan Programs	\$324	37.3%	\$ 289	25.6%	\$ 370	34.3%
Environmental Programs	28	3.3	64	5.7	60	5.6
Housing Programs	35	4.0	31	2.7	23	2.1
Other	<u>42</u>	<u>4.8</u>	<u>21</u>	<u>1.9</u>	<u>28</u>	<u>2.6</u>
	<u>429</u>	<u>49.4</u>	<u>405</u>	<u>35.9</u>	<u>481</u>	<u>44.6</u>
Capital Project/Debt Service Funds:						
State Facilities	290	33.4	398	35.3	273	25.3
Infrastructure/Debt Service	<u>150</u>	<u>17.2</u>	<u>325</u>	<u>28.8</u>	<u>325</u>	<u>30.1</u>
	<u>440</u>	<u>50.6</u>	<u>723</u>	<u>64.1</u>	<u>598</u>	<u>55.4</u>
Subtotal	869	<u>100.0%</u>	1,128	<u>100.0%</u>	1,079	<u>100.0%</u>
General Fund (Economic Recovery Notes)	<u>-</u>		<u>236</u>		<u>-</u>	
Total Governmental	<u>\$869</u>		<u>\$1,364</u>		<u>\$1,079</u>	

Debt service as a percent of government operations, excluding debt service on the Economic Recovery Notes, has increased to 9.1% as compared to 7.3% from only five years ago.

DEBT SERVICE AS A PERCENT OF
GOVERNMENTAL OPERATING EXPENDITURES
(millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
Debt Service (Bonded):					
Principal	\$ 598	\$ 523	\$ 561	\$ 405	\$ 362
Interest	<u>471</u>	<u>449</u>	<u>438</u>	<u>388</u>	<u>399</u>
	<u>\$ 1,069</u>	<u>\$ 972</u>	<u>\$ 999</u>	<u>\$ 793</u>	<u>\$ 761</u>
Debt Service (Economic Recovery Notes):					
Principal	\$ 79	\$ 316	\$ 240	\$ 150	\$ 235
Interest	<u>10</u>	<u>17</u>	<u>24</u>	<u>30</u>	<u>37</u>
	<u>\$ 89</u>	<u>\$ 333</u>	<u>\$ 264</u>	<u>\$ 180</u>	<u>\$ 272</u>
Governmental Operating Expenditures	<u>\$11,751</u>	<u>\$12,221</u>	<u>\$11,924</u>	<u>\$10,934</u>	<u>\$10,494</u>

Debt Service as a Percent of Governmental Operating Expenditures:

Bonded	9.1%	8.0%	8.4%	7.2%	7.3%
Including Economic Recovery Notes	9.9%	10.7%	10.6%	8.9%	9.8%

Net state debt increased almost 3% to \$9.2 billion from \$9 billion in fiscal year 1996. Net State debt has more than doubled since fiscal year 1990.

NET STATE DEBT (millions)					
	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
Debt Outstanding (June 30):					
General Obligation Bonds	\$6,339	\$6,000	\$5,525	\$5,063	\$4,794
Transportation Bonds	3,210	3,201	2,991	2,865	2,592
Notes	<u>157</u>	<u>236</u>	<u>316</u>	<u>556</u>	<u>706</u>
	9,706	9,437	8,832	8,484	8,092
Debt Service Fund	<u>(477)</u>	<u>(456)</u>	<u>(420)</u>	<u>(490)</u>	<u>(433)</u>
Net Debt, End of Year	<u>\$9,229</u>	<u>\$8,981</u>	<u>\$8,412</u>	<u>\$7,994</u>	<u>\$7,659</u>
Changes in Net Debt:					
Net Debt, Beginning of Year	\$8,981	\$8,412	\$7,994	\$7,659	\$7,031
Redemptions - Bonds	(598)	(523)	(561)	(405)	(362)
Redemptions - Notes	(79)	(316)	(240)	(150)	(235)
Issuances - Bonds	869	1,128	1,079	1,063	1,046
Issuances - Notes	-	236	-	-	25
Refundings - Issued	161	221	53	506	1,313
Refundings - Defeased	(157)	(209)	(49)	(438)	(1,175)
Accretion and Other	73	68	66	(184)	60
Debt Service Fund					
Decrease (Increase)	<u>(21)</u>	<u>(36)</u>	<u>70</u>	<u>(57)</u>	<u>(44)</u>
Net Debt, End of Year	<u>\$9,229</u>	<u>\$8,981</u>	<u>\$8,412</u>	<u>\$7,994</u>	<u>\$7,659</u>

Debt per capita has more than doubled to \$2,774 from \$1,204 in fiscal year 1990. Bonded debt is the primary focus of most analyses but it is only half the amount of incurred long-term obligations that will need to be paid by future generations of taxpayers. Long-term obligations also include capital leases; compensated absences that were earned by employees in past periods but which will be paid by future generations; workers' compensation claims, which arose from past events but will be settled in future periods; and the unfunded actuarial accrued liability, which represents the value of pension benefits earned by employees but which is not funded currently. The total of these obligations increased \$357 million in fiscal year 1997.

NET DEBT PER CAPITA*

<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
\$2,774	\$2,677	\$2,478	\$2,275	\$2,124

*Exclusive of Economic Recovery Notes.

TRENDS IN SELECTED LONG TERM DEBT
(millions)

	<u>FY 97</u>	<u>FY 96</u>	<u>FY 95</u>	<u>FY 94</u>	<u>FY 93</u>
Net Bonded Debt	\$ 9,229	\$ 8,981	\$ 8,412	\$ 7,994	\$ 7,659
Capital Leases	49	54	56	55	50
Compensated Absences	260	262	257	267	175
Workers Compensation	<u>283</u>	<u>268</u>	<u>287</u>	<u>295</u>	<u>304</u>
Subtotal	<u>9,821</u>	<u>9,565</u>	<u>9,012</u>	<u>8,611</u>	<u>8,188</u>
Unfunded Actuarial Accrued Liability	<u>6,435</u>	<u>6,334</u>	<u>6,090</u>	<u>6,008</u>	<u>5,752</u>
 Total	 <u>\$16,256</u>	 <u>\$15,899</u>	 <u>\$15,102</u>	 <u>\$14,619</u>	 <u>\$13,940</u>

Internal Controls

Elected officials, agency commissioners, directors of public benefit corporations and agency managers are responsible for establishing internal control structures. Good internal controls are essential to achieving the proper conduct of government business with full accountability. This means that:

- resource use is consistent with laws, regulations and policies;
- resources are safeguarded against waste, loss and misuse; and
- reliable data are obtained, maintained and fairly disclosed in reports.

Good internal controls also facilitate the achievement of management objectives. In achieving these goals, good internal controls must strike a balance, providing reasonable, not absolute assurance. This recognizes that costs should not exceed benefits, nor should controls negatively impact operations.

Good internal control is comprised of the following elements:

- Control Environment - which reflects the overall attitude, awareness, and actions of elected officials or agency managers concerning the importance of control and its emphasis in state government (i.e. What is the tone at the top?)
- Accounting System - which consists of the methods and records established to identify, assemble, analyze, classify, record, and report transactions and to maintain accountability over state resources.
- Control Procedures - which includes those procedures that elected officials and management have established to provide reasonable assurance that specific objectives are being achieved.

This office has been making consistent efforts to improve the overall internal control in state government and simultaneously to give managers authority commensurate with their responsibilities.

Budgetary Controls

The key control mechanism of government finance is the budget. The Government Accounting Standards Board (GASB) has concluded that, "The budgetary process, including comparison of the approved budget with actual experience, is... a major aspect of accountability." The budget is more than just an aspect of accountability, however, it is also:

- An expression of public policy that identifies that activity or program to be carried out, the amounts that may be expended for these purposes, and the time period in which these are to occur.
- A financial plan, or expression of financial intent. For example, what are the expected sources of financing for these programs - who bears the burden of paying for them?
- A form of control usually having the force of law.

Budget control is maintained at the individual appropriation account level by agency as established in authorized bills. Control over the obligation is exercised by the allotment process. Funds, both for budgeted and non-budgeted funds, are allotted by the Governor through the Office of Policy and Management. The Governor is further allowed to modify the allotments up to 3% of the fund or 5% of the appropriation amount. Modifications beyond those limits, but not in excess of 5% of the total funds, require the approval of the Finance Advisory Committee, which is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same party, and three house members, not more than two of the same political party.

Cash and Investments Management

The State Treasurer continually monitors cash flow to maximize the utilization of cash resources. During the year, temporary balances are invested in short-term investment funds, combined investment pools consisting of various certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements, and student loans with various ranges of maturities. The investment income and average yield rate for the fiscal year 1996-97 for these funds were approximately \$145 million and 5.66%, respectively. By comparison, 90-day Treasury Bills and 90-day Certificates of Deposit earned 5.17% and 5.51%, respectively, during the same time period.

Bank balances at June 30, 1997, were \$146 million of which about forty-five percent was not insured or protected by collateral.

Risk Management

The state retains risk for certain property and liability claims, including workers' compensation. The State Insurance Purchasing Board serves as the focal point of risk management and insurance matters, maintaining a balance of commercially placed coverage and risk retention to provide optimal coverage at minimal cost.

ECONOMIC CONDITION AND OUTLOOK

Connecticut's economic recovery, which began slowly toward the end of 1992, is strengthening. Connecticut led the country in many economic performance measurements prior to a devastating recession that began in early 1989. The recession was more severe in Connecticut than in the nation as a whole. Throughout most of the present recovery, Connecticut has lagged behind the nation in economic growth; however, during 1997, Connecticut's economy has performed well and is showing a growth pattern that is consistent with the rest of the country.

EMPLOYMENT

- During the recession of the early 1990s, Connecticut lost 158,200 jobs. The largest total job loss occurred in the manufacturing sector, which has continued to lose jobs to date. Manufacturing's share of total state employment has dropped from 22.3 percent (386,138 jobs) in 1987 to 16.6 percent (276,681 jobs) at the end of 1996.
- Most of the loss in manufacturing employment resulted from reductions in federal defense spending. Connecticut's defense contract revenues dropped by 65 percent between 1985 and 1995.
- As of October 1997, Connecticut had recovered 101,900 jobs, or 64.4 percent of the total jobs lost during the recession. The strongest job gains occurred in the service sector. In 1987 employment in the service sector accounted for 24 percent (415,431 jobs) of Connecticut's total jobs. By the end of 1996, the percentage of service sector jobs had risen to 31.4 percent (521,667 jobs). The strongest service industry gains have been in recreational services and health care. The industries that have continued to lose jobs during the present recovery are manufacturing, and finance, insurance and real estate.
- Small business is fueling much of the state's job growth. Businesses with fewer than 100 employees have contributed over 60 percent of Connecticut's net job gain over the last 20 years, as compared with 50 percent nationally.
- Throughout most of the present recovery, Connecticut lagged behind the rest of the nation in job growth. However, during the first three-quarters of 1997, Connecticut's annual growth in non-farm payroll employment has been approximately 2 percent, a rate more consistent with the 2.4 percent national average.
- Connecticut's seasonally adjusted October 1997 unemployment rate of 4.7 percent (81,900 unemployed workers) is the same as the national unemployment rate. This represents a decrease from the 1996 state rate of 5.7 percent.
- The number of people employed in Connecticut as a percent of the state's total population is 64.1 percent, which is down from a 67.6 percent level five years ago. This reduction in the employed population is consistent with an aging labor force.

INCOME

- Connecticut's per capita income for 1996 is \$33,875, an increase of 4.7 percent from the previous year. Connecticut's per capita income is the highest among the fifty states. It is 38.7 percent higher than the 1996 nationwide per capita income of \$24,426 and is 16.9 percent higher than the New England region figure of \$28,989. However, to put these numbers in perspective, it should be noted that prices for goods and services in Connecticut are 22 percent higher than the national average.
- Real median household income in Connecticut for 1996 is \$42,119, an increase of 1.6 percent from 1995. This places Connecticut 18.7 percent above the 1996 nationwide figure of \$35,492. Over the past five years, real median household income in Connecticut has *declined* by 7.8 percent. The drop is largely due to job losses in higher paying industries being replaced with lower paying service sector jobs. For example, electronics manufacturing -- with an average annual 1996 wage and salary of \$56,010 -- experienced a 44 percent employment decline between 1987 and 1996. During the same period, health services employment grew by 33 percent and had an average annual wage and salary of \$34,765.
- There has been some upward pressure on wages through the first three-quarters of 1997. Average hourly manufacturing pay (an indicator of general wage levels) grew at an annual 4 percent rate in October of 1997. This follows three years with a 2 percent average annual growth in hourly earnings.
- As the state's labor force ages, less state income is derived from wages and salaries and more comes from transfer payments (social security, government pensions, welfare payments, and unemployment compensation). Approximately 58 percent of total state personal income came from wages and salaries in 1987. This number had declined to 54 percent by 1996. The amount of state personal income contributed by transfer payments rose during this same period from 10 percent to 13 percent.
- There is a high degree of income inequality in Connecticut. According to a recent study by The Center on Budget and Policy Priorities, Connecticut ranks fifth in the nation in income inequality. For the years 1994 through 1996, the average family income of the top twenty percent in Connecticut was 14.2 times higher than the bottom twenty percent. The top fifth had average income of \$147,594 and the bottom fifth had income of \$10,415. Nationally, the top fifth of families have income that is 12.7 times higher than the bottom fifth.

OTHER ECONOMIC INDICATORS AND PROJECTIONS

- Most significant indicators of present and future state economic activity are trending up.
- Housing permits and new business starts, both indicators of future state economic activity, are up from the third quarter of 1996 to the third quarter of 1997. Housing permits during the period rose 10.9 percent, and new business starts were up 25.4 percent.
- In June 1997, a 24.6 percent increase was recorded in state exports. Exports represent an important component in Connecticut's overall economic development strategy.
- Connecticut's Department of Labor projects that between the years 1994 and 2005, the state will add 181,500 jobs, a 10.8 percent employment increase.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Connecticut for its comprehensive annual financial report for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Connecticut has received a Certificate of Achievement for the last eight consecutive years (fiscal years ended 1989-1996). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Independent Audit

The Auditors of Public Accounts, who report to the legislature and are independent of the executive Branch, have audited the accompanying financial statements in accordance with generally accepted auditing standards and their opinion has been included in this report.

ACKNOWLEDGMENTS

I wish to express my appreciation to the many individuals in all agencies whose cooperation and assistance has made this report possible. In addition, the efforts of the GAAP Reporting Unit and others in our Budget and Financial analysis Division deserve special acknowledgment.

Sincerely,

A handwritten signature in black ink that reads "Nancy Wyman". The signature is written in a cursive, flowing style.

Nancy Wyman
State Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

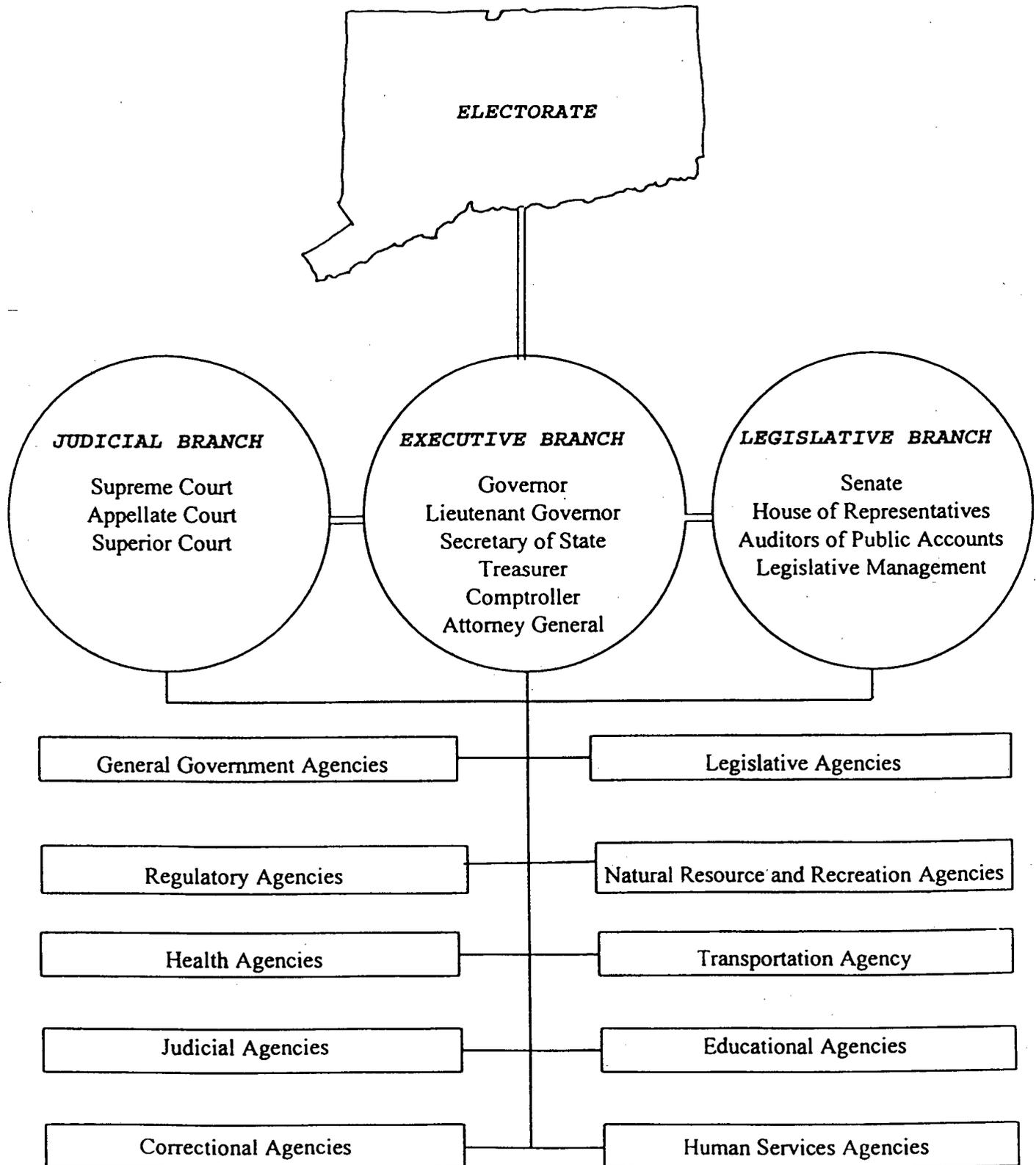


Linda K. Savitsky
President

Jeffrey L. Esser
Executive Director

STATE OF CONNECTICUT

Organization Chart



STATE OF CONNECTICUT
Selected State Officials

EXECUTIVE

John G. Rowland
Governor

M. Jodi Rell
Lieutenant Governor

Miles S. Rapoport
Secretary of State

Paul J. Silvester
Treasurer

Nancy Wyman
Comptroller

Richard Blumenthal
Attorney General

JUDICIAL

Robert J. Callahan
Chief Justice

LEGISLATIVE

Kevin B. Sullivan
President Pro Tempore of the State Senate
(36 Senators)

Thomas D. Ritter
Speaker of the House of Representatives
(151 Representatives)

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*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 John G. Rowland
Members of the General Assembly

We have audited the accompanying general purpose financial statements of the State of Connecticut as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Special Transportation Fund accounts within the Transportation Fund, which represent 17 percent and 76 percent, respectively, of the assets and revenues of the Special Revenue Funds; we did not audit the financial statements of the Transportation Special Tax Obligations Fund, which represent 100 percent and 97 percent, respectively, of the assets and revenues of the Debt Service Funds; we did not audit the financial statements of the Bradley International Airport, the Connecticut Lottery Corporation, or the John Dempsey Hospital Fund, which represent 72 percent and 99 percent, respectively, of the assets and revenues of the Enterprise Funds; we did not audit the financial statements of the Clean Water Fund, which represent three percent and one percent, respectively, of the assets and revenues of the Trust and Agency Funds; we did not audit the financial statements of the Connecticut Housing Finance Authority, the Connecticut Resources Recovery Authority, the Connecticut Development Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, and Connecticut Innovations Incorporated, which represent 100 percent of the assets and revenues of the Component Unit Funds; and, we did not audit the financial statements of the Connecticut State University or the University of Connecticut Foundation, which represent 35 percent and 44 percent, respectively, of the assets and revenues of the Higher Education and University Hospital 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 solely on the reports of other auditors. All of the aforementioned audits were conducted in accordance with generally accepted auditing standards. In addition, the audits of the Connecticut Resources Recovery Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, Connecticut Development Authority, Connecticut Lottery Corporation, Connecticut Innovations Incorporated, and Clean Water Fund, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that the audits of certain component units of the State, as described above, were not conducted in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 1998, on our consideration of the State of Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

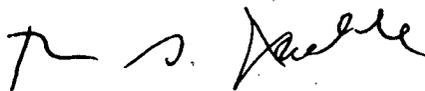
As discussed in Note 23 to the financial statements, the State of Connecticut is a defendant in certain legal proceedings. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the State of Connecticut taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

The data in the statistical section listed in the table of contents was not audited by us and, accordingly, we express no opinion thereon.



Kevin P. Johnston
Auditor of Public Accounts



Robert G. Jaekle
Auditor of Public Accounts

January 8, 1998
State Capitol
Hartford, Connecticut

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*General
Purpose
Financial
Statements*

STATE OF CONNECTICUT
Combined Balance Sheet
All Fund Types, Account Groups, and
Discretely Presented Component Units

June 30, 1997
(Expressed in Thousands)

	Governmental Fund Types			Proprietary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits:						
Cash and Cash Equivalents.....	\$ 99,525	\$ 424,371	\$ 1	\$ 344,390	\$ 59,507	\$ 6,016
Investments:						
Equity in Combined Investment Funds.....	-	-	-	-	-	-
Other.....	-	22,822	-	-	90,308	-
Securities Lending Collateral.....	-	-	-	-	-	-
Receivables:						
Taxes.....	484,815	47,015	-	-	-	-
Accounts, Net of Allowances.....	387,413	8,777	17	709	45,366	4,893
Tuition.....	-	-	-	-	-	-
Loans, Net of Allowances.....	-	387,826	-	-	90,835	-
Interest.....	1,179	599	6,977	-	8,421	-
Federal Grants Receivable.....	321,024	6,910	-	11,508	-	-
Non-Federal Grants Receivable.....	1,623	10,347	-	-	-	-
Deposits with U.S. Treasury.....	-	-	-	-	-	-
Due From Other Funds.....	11,695	12,819	-	17,410	15,087	3,515
Due From Component Units.....	-	-	-	-	-	-
Due From Primary Government.....	-	-	-	-	-	-
Advances to Other Funds.....	-	4,532	-	-	-	-
Receivable From Other Governments.....	66,441	22,214	-	50,911	296	-
Inventories and Prepaid Items.....	32,674	11,287	-	-	2,262	2,614
Restricted Assets.....	-	-	476,713	-	65,899	-
Property, Plant & Equipment.....	-	-	-	-	197,779	39,468
Other Assets.....	51,271	-	-	-	8,943	1,068
Other Debits:						
Amount Available in Debt Service Fund.....	-	-	-	-	-	-
Amount to be Provided For Debt Retirement.....	-	-	-	-	-	-
Total Assets and Other Debits.....	\$ 1,457,660	\$ 959,519	\$ 483,708	\$ 424,928	\$ 584,703	\$ 57,574
Liabilities, Equity and Other Credits:						
Liabilities:						
Accounts Payable and Accrued Liabilities.....	\$ 784,857	\$ 55,783	\$ -	\$ 92,797	\$ 96,644	\$ 4,099
Due to Other Funds.....	88,954	4,092	6,977	19,698	11,314	1,918
Due to Primary Government.....	-	-	-	-	-	-
Due to Component Units.....	61	12,235	-	-	-	-
Payable to Other Governments.....	45,577	-	-	-	-	-
Advances Due Other Funds.....	4,532	-	-	-	-	-
Deferred Revenue.....	449,829	27,617	-	1,921	862	30
Escrow Deposits.....	-	-	-	-	-	-
Notes and Loans Payable.....	-	-	-	-	-	-
Deferred Compensation Liability.....	-	-	-	-	-	-
Securities Lending Obligation.....	-	-	-	-	-	-
Agency Deposit Liabilities.....	-	-	-	-	-	-
General Obligation Bonds.....	-	-	-	-	-	-
Transportation Related Bonds.....	-	-	-	-	-	-
Expendable Trust Fund Obligations.....	-	-	-	-	-	-
Revenue Bonds.....	-	-	-	-	210,717	-
Capital Leases.....	-	-	-	-	-	-
Claims and Judgements.....	-	-	-	-	-	-
Compensated Absences.....	-	-	-	-	22	1,630
Unfunded Pension Costs.....	-	-	-	-	-	-
Workers Compensation Liability.....	-	-	-	-	-	-
Liability for Landfill Closure Costs.....	-	-	-	-	-	-
Amount Held for Institutions.....	-	-	-	-	-	-
Liability for Escheat Property.....	32,100	-	-	-	-	-
Claims and Judgements.....	-	-	-	-	-	-
Malpractice Liability.....	-	-	-	-	8,788	-
Total Liabilities.....	1,405,910	99,727	6,977	114,416	328,347	7,677
Equity and Other Credits:						
Investment in Fixed Assets.....	-	-	-	-	-	-
Contributed Capital.....	-	-	-	-	101,711	6,830
Retained Earnings:						
Reserved.....	-	-	-	-	38,183	-
Unreserved.....	-	-	-	-	116,462	43,067
Fund Balances:						
Reserved.....	721,764	420,602	476,731	-	-	-
Unreserved, undesignated.....	(670,014)	439,190	-	310,512	-	-
Total Equity and Other Credits.....	51,750	859,792	476,731	310,512	256,356	49,897
Total Liabilities, Equity and Other Credits.....	\$ 1,457,660	\$ 959,519	\$ 483,708	\$ 424,928	\$ 584,703	\$ 57,574

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

Fiduciary Fund Types	Account Groups			Total Primary Government (Memorandum only)	Component Units	Total Reporting Entity (Memorandum only)
	Trust and Agency	General Fixed Assets	General Long-Term Debt			
\$ 976,844	\$ -	\$ -	\$ 239,661	\$ 2,150,315	\$ 257,895	\$ 2,408,210
16,028,890	-	-	457	16,029,347	-	16,029,347
650,318	-	-	102,944	866,392	499,303	1,365,695
1,548,686	-	-	-	1,548,686	-	1,548,686
-	-	-	-	531,830	-	531,830
31,887	-	-	47,569	526,631	11,784	538,415
-	-	-	8,632	8,632	-	8,632
382,992	-	-	28,002	889,655	2,699,920	3,589,575
8,379	-	-	176	25,731	44,190	69,921
-	-	-	-	339,442	-	339,442
-	-	-	-	11,970	-	11,970
463,605	-	-	-	463,605	-	463,605
10,444	-	-	81,200	152,170	-	152,170
-	-	-	81,568	81,568	-	81,568
-	-	-	-	-	93,821	93,821
-	-	-	-	4,532	-	4,532
9,907	-	-	-	149,769	-	149,769
4,020	-	-	8,377	61,234	1,836	63,070
272,127	-	-	-	814,739	3,321,058	4,135,797
-	3,820,380	-	1,737,193	5,794,820	252,730	6,047,550
564,272	-	-	5,265	630,819	87,126	717,945
-	-	476,731	-	476,731	-	476,731
-	-	13,092,643	-	13,092,643	-	13,092,643
<u>\$ 20,952,371</u>	<u>\$ 3,820,380</u>	<u>\$ 13,569,374</u>	<u>\$ 2,341,044</u>	<u>\$ 44,651,261</u>	<u>\$ 7,269,663</u>	<u>\$ 51,920,924</u>
\$ 34,183	\$ -	\$ -	\$ 106,060	\$ 1,174,423	\$ 155,719	\$ 1,330,142
16,813	-	-	7,475	157,241	-	157,241
-	-	-	-	-	81,568	81,568
-	-	-	81,525	93,821	-	93,821
514	-	-	-	46,091	-	46,091
-	-	-	-	4,532	-	4,532
8,847	-	-	37,431	526,537	9,321	535,858
-	-	-	-	-	92,431	92,431
-	-	157,055	4,441	161,496	-	161,496
512,227	-	-	-	512,227	-	512,227
1,548,686	-	-	-	1,548,686	-	1,548,686
1,377,928	-	-	6,521	1,384,449	-	1,384,449
-	-	6,338,847	-	6,338,847	-	6,338,847
-	-	3,209,771	-	3,209,771	-	3,209,771
-	-	954,505	-	954,505	-	954,505
377,369	-	-	103,028	691,114	5,844,218	6,535,332
-	-	49,214	-	49,214	-	49,214
-	-	13,598	-	13,598	-	13,598
-	-	260,338	59,546	321,536	-	321,536
-	-	2,303,271	-	2,303,271	-	2,303,271
-	-	282,775	-	282,775	-	282,775
-	-	-	-	-	24,961	24,961
-	-	-	-	-	420,601	420,601
-	-	-	-	32,100	-	32,100
-	-	-	-	8,788	-	8,788
<u>3,876,567</u>	<u>-</u>	<u>13,569,374</u>	<u>406,027</u>	<u>19,815,022</u>	<u>6,628,819</u>	<u>26,443,841</u>
-	3,820,380	-	1,624,902	5,445,282	-	5,445,282
-	-	-	-	108,541	239,900	348,441
-	-	-	-	38,183	385,097	423,280
-	-	-	-	159,529	15,847	175,376
16,127,574	-	-	235,549	17,982,220	-	17,982,220
948,230	-	-	74,566	1,102,484	-	1,102,484
<u>17,075,804</u>	<u>3,820,380</u>	<u>-</u>	<u>1,935,017</u>	<u>24,836,239</u>	<u>640,844</u>	<u>25,477,083</u>
<u>\$ 20,952,371</u>	<u>\$ 3,820,380</u>	<u>\$ 13,569,374</u>	<u>\$ 2,341,044</u>	<u>\$ 44,651,261</u>	<u>\$ 7,269,663</u>	<u>\$ 51,920,924</u>

STATE OF CONNECTICUT

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

All Governmental Fund Types and Expendable Trust Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes.....	\$ 7,053,900	\$ 557,439	\$ -	\$ -
Licenses, Permits and Fees.....	124,806	322,527	-	-
Intergovernmental.....	2,584,764	198,137	-	401,999
Charges for Services.....	244,500	24,849	-	-
Fines, Forfeits and Rents.....	29,880	1,476	-	-
Health Insurance Contributions.....	-	-	-	-
Investment Earnings.....	37,596	21,973	31,120	-
Assessments.....	-	-	-	-
Miscellaneous.....	127,939	52,519	-	173
Total Revenues.....	10,203,385	1,178,920	31,120	402,172
Expenditures:				
Current:				
Legislative.....	51,802	-	-	-
General Government.....	553,916	161,928	-	-
Regulation and Protection.....	115,865	299,008	-	-
Conservation and Development.....	80,454	184,288	-	-
Health and Hospitals.....	893,156	2,653	-	-
Transportation.....	-	359,716	-	-
Human Services.....	3,495,972	16,668	-	-
Education, Libraries and Museums.....	1,804,645	159,007	-	-
Corrections.....	942,787	5,145	-	-
Judicial.....	290,430	14,256	-	-
Federal and Other Grants.....	607,047	72,512	-	-
Capital Projects.....	-	-	-	801,280
Debt Service:				
Principal Retirement.....	457,326	7,248	212,245	-
Interest and Fiscal Charges.....	259,076	38,813	183,326	-
Total Expenditures.....	9,552,476	1,321,242	395,571	801,280
Excess (Deficiency) of Revenues Over Expenditures.....	650,909	(142,322)	(364,451)	(399,108)
Other Financing Sources (Uses):				
Proceeds from Sale of Bonds and Notes.....	-	428,724	12,583	427,147
Operating Transfers In.....	262,050	125,960	402,694	-
Operating Transfers Out.....	(661,399)	(330,620)	(30,239)	(133,579)
Capital Lease Obligations.....	1,294	432	-	-
Proceeds of Refunding Bonds.....	-	-	166,715	-
Payment to Refunded Bond Escrow Agent.....	-	-	(166,311)	-
Total Other Financing Sources (Uses).....	(398,055)	224,496	385,442	293,568
Excess (Deficiency) of Revenues and Other				
Sources Over Expenditures and Other Uses.....	252,854	82,174	20,991	(105,540)
Fund Balances (deficit) - July 1 (as restated).....	(177,272)	798,879	455,740	416,052
Residual Equity Transfer Out.....	(7,952)	-	-	-
Equity Transfer to Component Units Contributed Capital.....	-	(19,560)	-	-
Changes in Reserves for Inventories.....	(15,880)	(1,701)	-	-
Fund Balances (deficit) - June 30.....	\$ 51,750	\$ 859,792	\$ 476,731	\$ 310,512

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

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum only)</u>
<u>Expendable Trust</u>	
\$ 615,194	\$ 8,226,533
15	447,348
-	3,184,900
-	269,349
-	31,356
26,566	26,566
34,241	124,930
254,014	254,014
4,481	185,112
<u>934,511</u>	<u>12,750,108</u>
-	51,802
16,788	732,632
617,260	1,032,133
-	264,742
-	895,809
-	359,716
-	3,512,640
28,847	1,992,499
-	947,932
-	304,686
-	679,559
-	801,280
97,000	773,819
40,398	521,613
<u>800,293</u>	<u>12,870,862</u>
<u>134,218</u>	<u>(120,754)</u>
140,915	1,009,369
-	790,704
(4,839)	(1,160,676)
-	1,726
-	166,715
-	(166,311)
<u>136,076</u>	<u>641,527</u>
270,294	520,773
417,960	1,911,359
-	(7,952)
-	(19,560)
-	(17,581)
<u>\$ 688,254</u>	<u>\$ 2,387,039</u>

STATE OF CONNECTICUT
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
General Fund and Budgeted Special Revenue Funds

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	<u>Budget</u>	<u>General Fund Actual</u>	<u>Variance</u>
Revenues:			
Budgeted			
Taxes, Net of Refunds.....	\$ 7,046,900	\$ 7,059,904	\$ 13,004
Operating Transfers In.....	258,700	258,682	(18)
Indian Gaming Payments.....	203,600	203,601	1
Licenses, Permits, and Fees.....	124,300	124,833	533
Other.....	222,500	224,542	2,042
Federal Grants.....	1,795,500	1,795,515	15
Operating Transfers Out.....	(85,000)	(85,000)	-
Total Budgeted	9,566,500	9,582,077	15,577
Federal and Other Restricted	680,265	680,265	-
Total Revenues.....	10,246,765	10,262,342	15,577
Expenditures:			
Budgeted			
Legislative.....	42,064	40,058	2,006
General Government.....	402,047	364,301	37,746
Regulation and Protection.....	92,378	88,408	3,970
Conservation and Development.....	65,445	61,660	3,785
Health and Hospitals.....	786,335	762,347	23,988
Transportation.....	-	-	-
Human Services.....	3,307,561	3,277,044	30,517
Education, Libraries, and Museums.....	2,138,494	2,122,230	16,264
Corrections.....	787,949	757,341	30,608
Judicial.....	217,991	217,086	905
Non Functional.....	1,671,607	1,509,501	162,106
Appropriations Lapsed.....	(118,297)	-	(118,297)
Total Budgeted.....	9,393,574	9,199,976	193,598
Federal and Other Restricted	680,265	680,265	-
Total Expenditures.....	10,073,839	9,880,241	193,598
Excess (Deficiency) of Revenues Over Expenditures.....	172,926	382,101	209,175
Other Financing Sources (Uses):			
Prior Year Appropriations Carried Forward.....	82,624	82,624	-
Appropriations Continued to Fiscal Year 1997-98.....	-	(193,598)	(193,598)
Transfers Between Funds.....	-	-	-
Miscellaneous Adjustments.....	-	(8,488)	(8,488)
Total Other Financing Sources (Uses).....	82,624	(119,462)	(202,086)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses.....	\$ 255,550	262,639	\$ 7,089
Budgetary Fund Balances (deficit) - July 1.....		679,198	
Changes in Reserves.....		(71,823)	
Budgetary Fund Balances - June 30.....		\$ 870,014	

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

<u>Budgeted Special Revenue Funds</u>			<u>(Total Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ 546,700	\$ 544,592	\$ (2,108)	\$ 7,593,600	\$ 7,604,496	\$ 10,896
85,000	85,000	-	343,700	343,682	(18)
-	-	-	203,600	203,601	1
280,000	276,506	(3,494)	404,300	401,339	(2,961)
95,100	80,332	(14,768)	317,600	304,874	(12,726)
3,600	3,563	(37)	1,799,100	1,799,078	(22)
(250)	(250)	-	(85,250)	(85,250)	-
1,010,150	989,743	(20,407)	10,576,650	10,571,820	(4,830)
71,731	71,731	-	751,996	751,996	-
1,081,881	1,061,474	(20,407)	11,328,646	11,323,816	(4,830)
-	-	-	\$ 42,064	40,058	2,006
2,813	2,632	181	404,860	366,933	37,927
153,998	142,719	11,279	246,376	231,127	15,249
783	645	138	66,228	62,305	3,923
-	-	-	786,335	762,347	23,988
307,687	295,823	11,864	307,687	295,823	11,864
3,536	2,854	682	3,311,097	3,279,898	31,199
-	-	-	2,138,494	2,122,230	16,264
-	-	-	787,949	757,341	30,608
-	-	-	217,991	217,086	905
537,706	510,303	27,403	2,209,313	2,019,804	189,509
(23,976)	-	(23,976)	(142,273)	-	(142,273)
982,547	954,976	27,571	10,376,121	10,154,952	221,169
71,549	71,549	-	751,814	751,814	-
1,054,096	1,026,525	27,571	11,127,935	10,906,766	221,169
27,785	34,949	7,164	200,711	417,050	216,339
18,921	18,921	-	101,545	101,545	-
-	(21,489)	(21,489)	-	(215,087)	(215,087)
-	(158)	(158)	-	(158)	(158)
-	551	551	-	(7,937)	(7,937)
18,921	(2,175)	(21,096)	101,545	(121,637)	(223,182)
\$ 46,706	32,774	\$ (13,932)	\$ 302,256	295,413	\$ (6,843)
	300,045			979,243	
	49,693			(22,130)	
	\$ 382,512			\$ 1,252,526	

STATE OF CONNECTICUT

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances All Proprietary Fund Types, Nonexpendable Trust Funds, and Discretely Presented Component Units

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary	Total
	Enterprise	Internal Service	Nonexpendable Trust	Primary Government (Memorandum only)
Operating Revenues:				
Charges for Services.....	\$ 34,932	\$ 104,600	\$ -	\$ 139,532
Interest on Financing Activities.....	3,001	-	7,999	11,000
Investment Earnings.....	-	-	28,168	28,168
Patient Service Revenue.....	128,551	-	-	128,551
Intergovernmental.....	-	-	21,811	21,811
Civic Center Lease Operations.....	-	-	-	-
Lottery Sales.....	769,790	-	-	769,790
Miscellaneous.....	1,348	-	882	2,230
Total Operating Revenues.....	937,622	104,600	58,860	1,101,082
Operating Expenses:				
Cost of Sales and Services.....	510,369	69,492	-	579,861
Administrative.....	65,586	7,795	1,173	74,554
Depreciation and Amortization.....	14,347	16,590	-	30,937
Interest on Financing Activities.....	7,814	-	21,914	29,728
Patient Care.....	83,056	-	-	83,056
Other Program Expenses.....	-	-	542	542
Civic Center Lease Operations.....	-	-	-	-
Solid Waste Operations.....	-	-	-	-
Total Operating Expenses.....	681,172	93,877	23,629	798,678
Operating Income (Loss).....	256,450	10,723	35,231	302,404
Nonoperating Revenues (Expenses):				
Interest and Investment Income.....	10,885	-	-	10,885
Interest and Fiscal Charges.....	(8,008)	-	-	(8,008)
Other.....	2,455	-	-	2,455
Total Nonoperating Income (Expense).....	5,332	-	-	5,332
Income (Loss) Before Operating Transfers.....	261,782	10,723	35,231	307,736
Operating Transfers:				
Operating Transfers In.....	5,009	-	13,900	18,909
Operating Transfers Out.....	(253,401)	-	(3,630)	(257,031)
Net Income (Loss).....	13,390	10,723	45,501	69,614
Add Items Affecting Contributed Capital:				
Depreciation on Equipment Acquired through Capital Grants.....	-	-	-	-
Total Add Back Items.....	-	-	-	-
Retained Earnings/Fund Balances-July 1 (as restated)....	133,620	32,344	335,303	501,267
Residual Equity Transfer Out.....	(317)	-	-	(317)
Residual Equity Transfer In.....	7,952	-	-	7,952
Retained Earnings/Fund Balances - June 30.....	\$ 154,645	\$ 43,067	\$ 380,804	\$ 578,516

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

Proprietary Fund Type Component Units	Total Reporting Entity (Memorandum only)
\$ 143,654	\$ 283,186
330,341	341,341
-	28,168
-	128,551
-	21,811
7,324	7,324
23,284	769,790
<u>504,603</u>	<u>25,514</u>
-	1,605,685
-	579,861
33,105	107,659
22,062	52,999
324,798	354,526
-	83,056
35,546	36,088
9,713	9,713
89,185	89,185
<u>514,409</u>	<u>1,313,087</u>
<u>(9,806)</u>	<u>292,598</u>
61,641	72,526
(20,631)	(28,639)
11,261	13,716
<u>52,271</u>	<u>57,603</u>
42,465	350,201
-	18,909
-	(257,031)
<u>42,465</u>	<u>112,079</u>
167	167
167	167
358,312	859,579
-	(317)
-	7,952
<u>\$ 400,944</u>	<u>\$ 979,460</u>

STATE OF CONNECTICUT

Combined Statement of Cash Flows

All Proprietary Fund Types, Nonexpendable Trust Funds, and Discretely Presented Component Units

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Proprietary Fund		Fiduciary Fund	Total
	Types		Type	Primary
	Enterprise	Internal Service	Nonexpendable Trust	Government (Memorandum only)
Cash Flows From Operating Activities:				
Operating Income (Loss).....	\$ 256,450	\$ 10,723	\$ 35,231	\$ 302,404
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Amortization and Depreciation.....	14,347	16,590	-	30,937
Provision for Loan Losses.....	4,427	-	-	4,427
Investment Income.....	-	-	(28,168)	(28,168)
Interest Expense.....	7,814	-	21,914	29,728
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables.....	(21,089)	(3,040)	(782)	(24,911)
(Increase) Decrease in Due From Other Funds.....	(5,972)	634	-	(5,338)
(Increase) Decrease in Receivable From Other Governments.....	3,292	-	-	3,292
(Increase) Decrease in Inventories and Prepaid Expenses.....	(1,009)	357	-	(652)
Increase (Decrease) in Accounts Payable and Accrued Liabilities.....	41,577	(2,155)	(1,328)	38,094
Increase (Decrease) in Due to Other Funds.....	5,556	(9,075)	-	(3,519)
Miscellaneous Operating Activities.....	(2,836)	(1,029)	303	(3,562)
Issuance of Loans, Notes & Installment Contracts Receivable.....	-	-	(35,953)	(35,953)
Collection of Loans, Notes & Installment Contracts Receivable.....	-	-	-	-
Net Cash Provided by (Used in) Operating Activities.....	302,557	13,005	(8,783)	306,779
Cash Flows From Noncapital Financing Activities:				
Contributed Capital.....	-	-	-	-
Proceeds From Sale of Bonds and Notes.....	-	-	-	-
Retirement of Bonds and Notes Payable.....	(2,175)	-	(15,395)	(17,570)
Interest on Bonds and Notes Payable.....	(7,899)	-	(22,434)	(30,333)
Transfers From Other Funds.....	4,807	-	13,900	18,707
Transfers to Other Funds.....	(253,401)	-	(3,630)	(257,031)
Bond Issuance and/or Redemption Costs.....	-	-	-	-
Miscellaneous Noncapital Financing Activities-Additions.....	-	-	-	-
Miscellaneous Noncapital Financing Activities-Deletions.....	-	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities.....	(258,668)	-	(27,559)	(286,227)
Cash Flows From Capital and Related Financing Activities:				
Purchase of Fixed Assets.....	(9,194)	(8,901)	-	(18,095)
Proceeds From Sale of Bonds and Notes.....	-	-	-	-
Retirement of Bonds and Notes Payable.....	(3,036)	-	-	(3,036)
Interest on Bonds and Notes Payable.....	(6,825)	-	-	(6,825)
Capital Contributions or Grants.....	58	-	-	58
Miscellaneous Capital and Related Financing Activities-Additions.....	-	-	-	-
Miscellaneous Capital and Related Financing Activities-Deletions.....	(1,130)	-	-	(1,130)
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	(20,127)	(8,901)	-	(29,028)
Cash Flows From Investing Activities:				
Proceeds From Sales of Investment Securities.....	14,963	-	35,851	50,814
Purchases of Investment Securities.....	(41,266)	-	-	(41,266)
Interest and Income on Investments.....	9,387	-	21,439	30,826
Reduction in Loan Receivable.....	-	-	-	-
Net Cash Provided by (Used in) Investing Activities.....	(16,916)	-	57,290	40,374
Increase (Decrease) in Cash.....	6,846	4,104	20,948	31,898
Cash and Cash Equivalents - July 1.....	116,310	1,912	4,304	122,526
Cash and Cash Equivalents - June 30.....	\$ 123,156	\$ 6,016	\$ 25,252	\$ 154,424
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Cash and Cash Equivalents - June 30 (Balance Sheet).....	\$ 59,507		\$ 976,844	
Plus-Cash and Cash Equivalents in Restricted Assets.....	63,649		-	
Less-Cash and Cash Equivalents in Other Fiduciary Fund Types.....	-		951,592	
Cash and Cash Equivalents - June 30.....	\$ 123,156		\$ 25,252	

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

Proprietary Fund Type Component Units	Total Reporting Entity (Memorandum only)
\$ (9,806)	\$ 292,598
23,123	54,060
4,524	8,951
-	(28,168)
193,244	222,972
864	(24,047)
(825)	(6,163)
-	3,292
(9,148)	(9,800)
7,696	45,790
-	(3,519)
18,186	14,624
(741,455)	(777,408)
322,513	322,513
<u>(191,084)</u>	<u>115,695</u>
19,560	19,560
575,810	575,810
(412,760)	(430,330)
(191,489)	(221,822)
-	18,707
-	(257,031)
(8,992)	(8,992)
3,045	3,045
(230)	(230)
<u>(15,056)</u>	<u>(301,283)</u>
(7,956)	(26,051)
760,008	760,008
(383,677)	(386,713)
(151,153)	(157,978)
-	58
37,314	37,314
(10,405)	(11,535)
<u>244,131</u>	<u>215,103</u>
957,712	1,008,526
(890,273)	(931,539)
90,715	121,541
10,063	10,063
<u>168,217</u>	<u>208,591</u>
206,208	238,106
259,961	382,487
<u>466,169</u>	<u>\$ 620,593</u>
\$ 257,895	
208,274	
<u>\$ 466,169</u>	

STATE OF CONNECTICUT
Statement of Changes in Plan Net Assets
Pension Trust Funds (Defined Benefit Pension Plans)

For the Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>
Additions:			
Contributions:			
Plan Participants.....	\$ 37,876	\$ 148,731	\$ 986
State	261,542	147,885	9,342
Federal and Other.....	87,689	-	-
Total Contributions.....	387,107	296,616	10,328
Investment Income:			
Dividends.....	122,463	175,640	1,876
Interest.....	126,056	179,208	1,754
Securities Lending.....	28,686	41,141	439
Net Appreciation(Depreciation) in Fair Value of Investments.....	763,276	1,094,708	11,694
Investment Expenses:			
Investment Advisory Fees.....	(13,475)	(19,326)	(206)
Security Lending Expenses.....	(26,693)	(38,283)	(409)
Other Investment Expense.....	(320)	(459)	(5)
Total Net Investment Income.....	999,993	1,432,629	15,143
Miscellaneous.....	678	-	-
Total Additions.....	1,387,778	1,729,245	25,471
Deductions:			
Administrative.....	595	-	7
Benefit Payments and Refunds.....	450,283	478,327	10,286
Other Program Expenses.....	-	-	-
Total Deductions.....	450,878	478,327	10,293
Net Increase (Decrease) Before Transfers.....	936,900	1,250,918	15,178
Operating Transfers In.....	-	-	-
Net Increase (Decrease) in Net Assets.....	936,900	1,250,918	15,178
Net assets held in trust for pension benefits:			
July 1, 1996 (as restated).....	5,237,241	7,451,364	83,652
June 30, 1997.....	\$ 6,174,141	\$ 8,702,282	\$ 98,830

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

Connecticut Municipal Employees	Probate Judges	Other	Total Pension
\$ 29,729	\$ 177	\$ 35	\$ 217,534
-	-	-	418,769
-	-	-	87,689
<u>29,729</u>	<u>177</u>	<u>35</u>	<u>723,992</u>
19,172	1,079	13	320,243
19,471	997	17	327,503
4,491	253	3	75,013
119,493	6,725	81	1,995,977
(2,110)	(119)	(1)	(35,237)
(4,179)	(235)	(3)	(69,802)
(50)	(3)	-	(837)
<u>156,288</u>	<u>8,697</u>	<u>110</u>	<u>2,612,860</u>
-	-	-	678
<u>186,017</u>	<u>8,874</u>	<u>145</u>	<u>3,337,530</u>
7	1	-	610
38,714	1,542	91	979,243
-	401	-	401
<u>38,721</u>	<u>1,944</u>	<u>91</u>	<u>980,254</u>
147,296	6,930	54	2,357,276
-	688	-	688
<u>147,296</u>	<u>7,618</u>	<u>54</u>	<u>2,357,964</u>
830,682	45,198	645	13,648,782
<u>\$ 977,978</u>	<u>\$ 52,816</u>	<u>\$ 699</u>	<u>\$ 16,006,746</u>

STATE OF CONNECTICUT

Combined Statement of Changes in Fund Balances

Higher Education Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Current Funds		Endowment and Similar Funds
	Unrestricted	Restricted	
Revenues and Other Additions:			
Current Funds Revenue.....	\$ 485,133	\$ 141,060	\$ -
Federal Grants and Contracts.....	-	-	-
Private Gifts and Grants.....	-	-	6
Investment Earnings.....	-	-	194
Interest on Loans Receivable.....	-	-	-
Expended for Plant Facilities.....	-	-	-
Retirement of Indebtedness.....	-	-	-
Foundation Revenues.....	-	-	-
Miscellaneous.....	-	-	20
Total Revenues and Other Additions.....	485,133	141,060	220
Expenditures and Other Deductions:			
Education and General.....	799,468	132,225	-
Auxiliary Enterprises.....	100,957	128	-
Patient Care.....	50,338	163	-
Indirect Costs Recovered.....	-	13,872	-
Loan Cancellations and Write-offs.....	-	-	-
Interest on Indebtedness.....	-	-	-
Capital Expenditures.....	-	-	-
Disposal of Plant Facilities.....	-	-	-
Administrative Costs.....	-	-	-
Retirement of Indebtedness.....	-	-	-
Foundation Expenditures.....	-	-	-
Other.....	-	63	51
Total Expenditures and Other Deductions.....	950,763	146,451	51
Transfers Among Funds - Additions (Deductions)			
Mandatory:			
Retirement of Indebtedness.....	(3,598)	-	-
Nonmandatory:			
Transfer From Foundation.....	-	5,364	-
Transfer To Foundation.....	(3,804)	-	-
Other.....	(10,329)	2,630	7
Total Transfers Among Funds	(17,731)	7,994	7
Operating Transfers from the State's Governmental Funds.....	472,967	-	9,113
Net Increase (Decrease) in Fund Balances.....	(10,394)	2,603	9,289
Fund Balances (deficit) - July 1 (as restated).....	71,255	27,260	5,155
Fund Balances (deficit) - June 30.....	\$ 60,861	\$ 29,863	\$ 14,444

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

Loan Funds	Plant Funds	Affiliated Organization	Total
\$ -	\$ -	\$ -	\$ 626,193
18	-	-	18
81	-	-	87
159	6,460	-	6,813
470	-	-	470
-	178,553	-	178,553
-	10,058	-	10,058
-	-	32,781	32,781
120	24,117	-	24,257
<u>848</u>	<u>219,188</u>	<u>32,781</u>	<u>879,230</u>
-	-	-	931,693
-	-	-	101,085
-	-	-	50,501
-	-	-	13,872
1,709	-	-	1,709
-	1,131	-	1,131
-	149,805	-	149,805
-	8,582	-	8,582
136	-	-	136
-	10,058	-	10,058
-	-	8,003	8,003
925	19,486	-	20,525
<u>2,770</u>	<u>189,062</u>	<u>8,003</u>	<u>1,297,100</u>
-	3,598	-	-
-	-	(5,364)	-
-	-	3,804	-
(49)	7,741	-	-
<u>(49)</u>	<u>11,339</u>	<u>(1,560)</u>	<u>-</u>
-	125,486	-	607,566
(1,971)	166,951	23,218	189,696
32,059	1,526,931	82,661	1,745,321
<u>\$ 30,088</u>	<u>\$ 1,693,882</u>	<u>\$ 105,879</u>	<u>\$ 1,935,017</u>

STATE OF CONNECTICUT

Combined Statement of Revenues, Expenditures, and Other Changes

Higher Education Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Current Funds		Total
	Unrestricted	Restricted	
Revenues and Transfers from Foundation:			
Student Tuition and Fees.....	\$ 249,846	\$ -	\$ 249,846
Federal Grants and Contracts.....	14,999	93,289	108,288
Private Gifts and Grants.....	8,258	18,723	26,981
Patient Service.....	49,846	-	49,846
Sales and Services.....	143,143	163	143,306
Investment Earnings.....	8,349	1,152	9,501
Endowment Income.....	-	1	1
Miscellaneous.....	10,692	13,824	24,516
Total Revenues.....	485,133	127,152	612,285
Transfer from Foundation.....	-	5,364	5,364
Total Revenues and Transfer from Foundation.....	485,133	132,516	617,649
Expenditures and Mandatory Transfers:			
Education and General:			
Instruction.....	\$ 358,106	\$ 14,649	\$ 372,755
Research.....	22,151	61,090	83,241
Public Service.....	19,086	10,502	29,588
Academic Support.....	89,027	3,170	92,197
Student Services.....	49,409	3,315	52,724
Institutional Support.....	143,527	3,924	147,451
Scholarship and Fellowships.....	36,472	35,282	71,754
Plant Operations and Maintenance.....	81,690	293	81,983
Total Educational and General Expenditures.....	799,468	132,225	931,693
Patient Care.....	50,338	163	50,501
Auxiliary Enterprises.....	100,957	128	101,085
Mandatory Transfers:			
Retirement of Indebtedness.....	3,598	-	3,598
Total Expenditures and Mandatory Transfers.....	954,361	132,516	1,086,877
Other Transfers - Additions (Deductions):			
Operating Transfers from the State's			
Governmental Funds.....	472,967	-	472,967
Transfer to Foundation.....	(3,804)	-	(3,804)
Other Non-mandatory Transfers.....	(10,329)	2,630	(7,699)
Excess of Restricted Receipts over Transfers			
to Revenues.....	-	36	36
Refunded to Grantors.....	-	(63)	(63)
Total Other Transfers and Additions (Deductions)..	458,834	2,603	461,437
Net Increase (Decrease) in Fund Balances.....	\$ (10,394)	\$ 2,603	\$ (7,791)

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

STATE OF CONNECTICUT

Notes to the Financial Statements

June 30, 1997

(Amounts in thousands unless otherwise stated)

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), except for the financial statements of the University of Connecticut Foundation, Incorporated (an affiliated organization). Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

During the year, the State implemented the following GASB Statements:

No. 25 - *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

No. 27 - *Accounting for Pensions by State and Local Governmental Employers.*

No. 28 - *Accounting and Financial Reporting for Securities Lending Transactions.*

Statement No. 25 applies to defined benefit pension plans included in the State's financial reporting entity (pension trust funds). For those pension plans, the State must provide (a) a statement of plan net assets, (b) a statement of changes in plan net assets, and (c) certain note disclosures and supplementary information (see Note 9).

Statement No. 27 requires the State to measure and disclose an amount for (a) annual pension cost and (b) net pension obligation for defined benefit pension plans for which the State is the sole employer or nonemployer contributor. The State is also required

to provide certain note disclosures for those plans, as long as the disclosures are not required by Statement No. 25 (see Note 9).

Statement No. 28 requires the State to provide certain note disclosures regarding its securities lending transactions during the year (see Note 4).

b. Financial Reporting Entity

As required by generally accepted accounting principles, the accompanying financial statements include (1) all funds, agencies, boards, commissions, and account groups that comprise the State's legal entity, (2) legally separate organizations that are financially accountable to the State (component units), and (3) a legally separate organization for which the nature and significance of its relationship with the State is such that exclusions would cause the State's financial statements to be misleading (affiliated organization). Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board and (2) the State is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

Component Units

Component units are reported in the combined financial statements either in a separate column (discrete presentation) or in combination with similar funds of the State (blending presentation).

Discretely Presented Component Units

This column includes legally separate organizations for which the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's debt or provides significant funding for the organization's programs (applies only to the Connecticut Innovations, Incorporated). The financial data of the following organizations is included in this column.

STATE OF CONNECTICUT

Notes to the Financial Statements

Connecticut Development Authority

The Authority is a public instrumentality and political subdivision of the State. It was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond, Umbrella, and Insurance programs as well as other economic development programs.

Connecticut Housing Finance Authority

The Authority is a public instrumentality and political subdivision of the State. It was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 1996.

Connecticut Resources Recovery Authority

The Authority is a public instrumentality and political subdivision of the State. It is responsible for implementing the State Solid Waste Management Plan by determining the location of and constructing solid waste management projects, owning, operating, and maintaining waste management projects, or making provisions for operation and maintenance by contracting with private industry.

Connecticut Higher Education Supplemental Loan Authority

The Authority is a public instrumentality and political subdivision of the State. It was created to assist students, their parents and institutions of higher education to finance the cost of higher education through its Bond funds.

Connecticut Health and Educational Facilities Authority

The Authority is a public instrumentality and political subdivision of the State. The purpose of the Authority is to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Innovations, Incorporated

The Authority is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Condensed financial information for the major component units is disclosed in Note 21. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Blended Component Unit

The Connecticut Lottery Corporation was created in July 1996 as a public instrumentality and political subdivision of the State. The purposes of the Corporation are to generate and manage the State's lottery in an entrepreneurial and business-like manner and to provide continuing and increased revenue to the people of the State. The State appoints a voting majority of the Corporation's governing board, and the Corporation provides revenue to the State. In the combined financial statements, the Corporation is included in the Enterprise funds group (Primary Government).

Affiliated Organization

The University of Connecticut Foundation, Incorporated is a nonprofit corporation created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut. The Foundation is not financially accountable to the University. However, the Foundation is included as a component unit because the nature and significance of its relationship to the University are such that exclusion would cause the University's financial statements to be misleading. The Foundation is reported in a separate column in the higher education funds group (Primary Government).

STATE OF CONNECTICUT

Notes to the Financial Statements

c. Fund Accounting

The financial activities of the State are accounted for in individual funds and account groups.

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. In the financial statements, individual funds are classified in four fund categories and component units. The four fund categories are: governmental funds, proprietary funds, fiduciary funds, and higher education funds.

Account groups are accounting entities used to account for the State's general fixed assets and long-term debt. These account groups are not funds because they do not reflect available financial resources and related liabilities. In the financial statements, the account groups are the general fixed asset account group and the general long-term debt account group.

Because the State of Connecticut has a significant number of legal funds, a functional basis combining presentation was chosen to facilitate the preparation and readability of the Comprehensive Annual Financial Report (CAFR). More detailed information on the legal funds can be found in the Annual Report of the Comptroller - a "modified cash" basis document also produced by the Office of the Comptroller.

Following is a description of the fund categories, account groups, and component units used in the accompanying financial statements.

Governmental Funds

1. General Fund - The General Fund is the general operating fund of the State. It is used to account for all financial resources obtained and spent for those services normally provided by the State (e.g. health, social assistance, education, etc.), which are not

accounted for in other funds.

2. Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, major capital projects, and higher education sources) that are legally restricted to expenditures for specified purposes. For example, motor fuel taxes levied to fund Department of Transportation costs.

3. Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term bonds and notes.

4. Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure projects (other than those financed by proprietary funds and higher education funds).

Proprietary Funds

1. Enterprise Funds - These funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private or-

STATE OF CONNECTICUT

Notes to the Financial Statements

gанизations, other governmental units, and other funds. These funds include expendable trust funds, nonexpendable trust funds, pension trust funds, and agency funds.

Account Groups

1. General Fixed Asset Account Group - This account group includes all the fixed assets (excluding infrastructure) that are not accounted for in the proprietary and higher education funds.

2. General Long-Term Debt Account Group - This account group includes all long-term obligations which are to be financed from governmental funds. These long-term obligations include the following:

- Unmatured principal on general obligation and transportation related bonds and notes.
- Other non-current liabilities for capital leases, compensated absences, unfunded pension costs, and workers' compensation claims.

Higher Education Funds

The financial activities of the State's higher education institutions (University of Connecticut, State universities, and community-technical colleges) and an affiliated organization are accounted for in these funds, which are reported in a separate column in the combined financial statements (Primary Government).

The following fund categories and affiliated organization are included:

1. Current Funds - These funds are used to account for resources that will be expended in the near future for operating purposes. Included in the current fund category are unrestricted funds that the governing boards retain full control of, in achieving the institutions' purposes and restricted funds that may be utilized only in accordance with external restrictions.

2. Endowment Funds - These funds account for gifts that are restricted as to principal by the donor.

3. Loan Funds - These funds are used to account for loans to students and for resources available for such purposes.

4. Plant Funds - These funds account for resources that have been or will be used for institutional property acquisition, renewal and replacement, and resources accumulated for the retirement of debt associated with institutional properties.

5. Agency Funds - These funds are funds held by an institution as custodian or fiscal agent for others such as student organizations, individual students, or faculty members.

6. Affiliated Organization - This column accounts for the financial activities of the University of Connecticut Foundation, Inc., a component unit of the University of Connecticut.

Component Units

The component units include proprietary type organizations that are legally separate from the State but are considered part of the reporting entity.

d. Basis of Accounting

The Accounting and financial reporting treatments applied to a fund is determined by its measurement focus and basis of accounting, which are described as follows:

Governmental Funds and Expendable Trust Funds

These funds are accounted for using a current financial resources measurement focus and a modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are normally included on the balance sheet. Fund balance represents a measure of "available spendable resources." Under the modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual (i.e. both measurable and available). The word "available" means that the revenue is collectible within the current period or soon enough thereafter to pay current period liabilities. Expenditures are recorded

STATE OF CONNECTICUT

Notes to the Financial Statements

when the related fund liability is incurred except for principal and interest on general long-term debt which are recorded as expenditures when due. Major revenue sources that are treated as susceptible to accrual include sales and use taxes, personal income taxes, public service corporation taxes, petroleum company taxes, and gasoline and special fuel taxes. Revenues from federal grants are recorded when the related expenditure has been incurred.

Proprietary Funds, Nonexpendable Trust Funds, Pension Trust Funds, and Component Units

These funds are accounted for using a flow of economic resources measurement focus and an accrual basis of accounting. Under the flow of economic resources measurement focus all assets and liabilities are included on the balance sheet. Fund equity (proprietary funds and component units) is segregated into contributed capital and retained earnings components. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred.

According to GASB Statement No. 20, these funds must comply with all applicable GASB pronouncements and all applicable pronouncements issued by the Financial Accounting Standards Board (FASB) and its predecessors as follows (provided those pronouncements do not conflict with or contradict GASB pronouncements).

Fund Type	FASB Statements Issued on or Prior to 11/30/89	FASB Statements Issued to Date
Proprietary Funds	X	
Nonexpendable Trust Funds	X	
Pension Trust Funds	X	
Component Units:		
Conn. Development Authority		X
Conn Housing Finance Authority	X	
Conn. Resources Recovery Authority	X	
Conn. Higher Education Supplemental Loan Authority	X	
Conn. Health & Educational Facilities Authority		X
Conn. Innovations, Inc.	X	

Agency Funds

These funds are accounted for using a modified accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not measure nor report results of operations.

Higher Education Funds

These funds are accounted for using a current financial resources measurement focus and an accrual basis of accounting with the following exceptions:

- All assets and liabilities are included on the balance sheet.
- Depreciation expense related to plant fund assets is not recorded.
- Revenues and expenditures of an academic term covering more than one fiscal year are reported in the fiscal year in which the program is predominately conducted.

e. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund and Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established

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in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the CAFR. 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. Expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act is maintained by the allotment process.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3% of the fund or 5% of the appropriation amount. Modifications beyond those limits, but not in excess of 5% of the total funds, require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5% of the total appropriated fund can be made only with the approval of the General Assembly.

All funds except fiduciary funds use encumbrance accounting. Using this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carry forwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the

succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carried-forward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "modified cash" basis of accounting under which revenues are recognized when received, except for certain taxes and Federal and other restricted grant revenues of the General and Transportation funds which are recognized when earned. Tax revenues recognized when earned include the following: sales and use, personal income, corporation, public service corporations, petroleum companies, cigarettes, alcoholic beverages, gasoline, special motor fuel, and motor carrier road. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for all governmental funds for which a budget is legally adopted. During the 1997 fiscal year, the original adopted budget was adjusted by several supplementary appropriations authorized by the General Assembly and the Finance Advisory Committee.

f. Budgetary vs GAAP Basis of Accounting

The major differences between the budgetary (legal) and the GAAP (generally accepted accounting principles) basis of accounting are as follows:

1. Revenues are recorded when received in cash except for certain year-end accruals (budgetary basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis) (see Note 1d).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis) (see Note 1d).
3. For budgetary reporting purposes, continuing appropriations are included with expenditures to

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determine the budgetary surplus or deficit because they are considered uses of spending authority for the fiscal year. But under the GAAP basis, continuing appropriations are not included as expenditures.

4. Certain special revenue funds are not subject to legal budgets.

Because of the above differences, a reconciliation between the budgetary and GAAP basis is presented in Note 2.

g. Assets and Liabilities

Cash and Cash Equivalents

In addition to petty cash and bank accounts, this account includes cash equivalents - short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents include investments in the short-term investment fund (see Note 4), the tax exempt proceeds fund (a money market fund) and repurchase agreements. Cash equivalents are carried at cost.

Investments

Equity in combined investment funds is carried at fair value (see Note 4).

Other investments are carried at cost or amortized cost, except for investments in the following funds which are carried at market value: Deferred Compensation Fund, an agency fund; the University of Connecticut Foundation, Incorporated, an affiliated organization of the higher education funds; and the Connecticut Innovations, Incorporated, the Connecticut Development Authority, and the Connecticut Health and Educational Facilities Authority (restricted investments only), component units.

The State invests in derivatives. These investments are held by the short-term investment fund and the combined investment funds (see Note 4).

Inventories

Inventories are valued at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable

supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

Fixed Assets and Depreciation

General fixed assets are recorded at historical or estimated historical cost. Donated fixed assets are valued at estimated fair value on the date donated. Interest costs incurred during construction and infrastructure fixed assets (highways, bridges, etc.) are not capitalized. No depreciation is provided for general fixed assets.

Fixed assets in the enterprise and internal service funds are carried at cost. Interest costs incurred during construction at Bradley International Airport are capitalized as part of the assets. Depreciation of the fixed assets is determined using the straight-line method and is based upon the assets' estimated useful lives.

Fixed assets in the higher education funds are carried at cost. No depreciation is recorded in these funds.

Fixed assets of the component units are carried at cost. Depreciation of the fixed assets is determined using the straight-line method and is based upon the assets' estimated useful lives.

Food Stamps

The cash value of undistributed food stamps at year end is recorded as other assets offset by deferred revenue in the balance sheet of the General fund. Additionally, food stamps distributed to recipients during the year are recognized as both an expenditure and a revenue in the operating statement.

Securities Lending Transactions

Cash collateral received under securities lending transactions and related obligations are allocated ratably to the pension and nonexpendable trust funds based on their equity in the combined investment funds. Similarly, the income and costs arising from

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securities lending transactions are allocated to those funds.

Deferred Revenues

This liability account represents:

- Cash received by the State before the State has a legal claim to it (e.g. grant monies received before the incurring of qualifying expenditures).
- Revenues considered measurable but not available during the current period.

In subsequent periods, when the State has a legal claim to the cash received, or when the revenues become available, the liability for deferred revenues is removed from the balance sheet and revenue is recognized.

This account also includes the offset amount to food stamps which are recorded as other assets.

Capital Appreciation Bonds

Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds which pay interest semiannually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial purchase price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the general long-term debt account group at its net or accreted value rather than at face value.

Other Long-term Obligations

The portion of unfunded pension costs, workers' compensation claims, and accumulated compensated absences that is expected to be liquidated with available expendable financial resources is reported as an expenditure and a fund liability of the governmental and expendable trust funds that will pay it. The remaining portion that is not expected to be

liquidated with available expendable financial resources is reported in the general long-term debt account group. In the proprietary funds, non-expendable and pension trust funds, higher education funds, and component units such obligations are recorded as fund liabilities.

Vacation and sick policy is as follows. Employees hired on or before June 30, 1977, can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

h. Fund Equity

Contributed Capital

The amount of permanent fund capital in the enterprise funds, internal service funds, and component units which is contributed by governments and others.

Reserved Retained Earnings

The portion of retained earnings in the enterprise funds and component units which is legally restricted for specific future use.

Reserved Fund Balances

The portion of fund balances in the governmental, fiduciary, and higher education fund types which is legally reserved for a specific future use or which is not available for appropriation or expenditure.

i. Revenues, Expenditures, and Interfund Transactions

Taxes

Certain tax revenues that accrue to the State are considered "available" if the payer incurs the obligation to the State before year-end and payment is received within sixty days after year-end (see Note 6).

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Licenses, Permits, and Fees

These items are not susceptible to accrual and are recognized as revenues when the cash is collected.

Interest Rate Swap Agreements

The State has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements (see Note 15).

Interfund Transactions

Interfund transactions are recorded as follows:

(1) Transfers which are from funds that are receiving revenues to funds in which the resources are to be expended are classified as operating transfers.

(2) Transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the State are treated similarly by the funds of the State.

(3) Reimbursements from one fund to another are treated as expenditures or expenses of the reimbursing fund and as a reduction of the expenditures or expenses of the reimbursed fund.

(4) Non-recurring or non-routine transfers of equity between funds and contributions to the capital or proprietary funds are classified as equity transfers.

j. Pension Trust Funds Transactions

Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

k. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

Actual results could differ from those estimates.

l. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present the financial position, the results of operations or cash flow in conformity with generally accepted accounting principles nor is such data comparable to a consolidation.

Note 2

BUDGETARY BASIS VS. GAAP

The following is a reconciliation of the excess (deficiency) of revenues and other sources over expenditures and other uses as accounted between the budgetary and GAAP basis of accounting:

<u>Financial Statements Fund Types</u>	<u>General</u>	<u>Special Revenue</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Budgetary basis)	\$262,639	\$32,774
Adjustments:		
Increases (decreases) in revenue accruals:		
Government Receivables	31,418	1,106
Other Receivables	(3,074)	4
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(38,314)	(842)
Salaries and Fringe Benefits Payable	(29,270)	982
Increase (decrease) in Continuing Appropriations	110,974	2,568
Reclass of equity adjustments:		
To Other Financing Uses	(89,471)	-
To Residual Equity Transfer Out	<u>7,952</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis) - budgeted funds	252,854	36,592
To record excess of revenues and other sources over expenditures and other uses for nonbudgeted funds	<u>-</u>	<u>45,582</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$252,854</u>	<u>\$82,174</u>

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Notes to the Financial Statements

Note 3

FUND DEFICITS

The following funds have deficit balances at June 30, 1997, in either unreserved fund balances or unreserved retained earnings, none of which constitutes a violation of statutory provisions.

<u>General Fund</u>	\$670,014
<u>Special Revenue</u>	
Consumer Counsel and Public Utility Control	\$1,627
<u>Enterprise Funds</u>	
Bradley International Airport	\$17,491
<u>Component Units</u>	
Connecticut Development Authority (CDA)	\$5,107
Connecticut Innovations, Incorporated	\$10,690

The General Fund and Consumer Counsel and Public Utility Control Fund deficits have been addressed by Public Act 93-402, subsequently modified by Public Act 97-305, which among other things, requires any GAAP deficits for budgeted funds existing as of June 30, 1999 to be amortized in fifteen equal increments beginning with the annual budget for fiscal year 2000-01.

While the unreserved retained earnings of Bradley, CII, and CDA have a deficit balance, the total fund equity of each fund is still positive.

Note 4

CASH DEPOSITS AND INVESTMENTS

In this note, the State's deposits and investments are classified in categories of "custodial credit risk." This is the risk that the State will not be able to (a) recover deposits if the depository bank fails or (b) recover the value of investments or collateral securities that are in the custody of an outside party if the counterparty to the investment or deposit transaction fails. Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low. The level of

potential custodial credit risk is higher for those deposits or investments classified in category 2, and highest for those in category 3.

Cash deposits

At June 30, 1997, the carrying amount of the State's deposits was \$6,412 for the Primary Government and \$174,361 for the Component Units. The corresponding bank balance for such deposits was \$145,722 for the Primary Government and \$180,749 for the Component Units. Of the bank balance for the Primary Government \$72,388 was insured by the Federal Deposit Insurance Corporation and private insurance (Category 1), \$7,612 was collateralized (Category 3), and \$65,722 was uninsured and uncollateralized (Category 3). Of the bank balance for the Component Units, \$12,198 was insured by the Federal Deposit Insurance Corporation (Category 1), \$2,025 was collateralized (Category 3), and \$166,526 was uninsured and uncollateralized (Category 3).

Collateralized deposits are deposits which are protected by State statute. Under the statute, any bank holding public deposits must at all times maintain eligible collateral in an amount equal to 10%, 25%, 100%, or 120% of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio - a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments

The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. Investment policies and guidelines are established by the State Treasurer with the advise of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries. Currently, the State Treasurer manages one short-term investment fund and seven combined investment funds, including one international investment fund.

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The short-term investment fund is a money market investment pool which is available for investment to the State, municipal entities, and political subdivisions of the State. The State Treasurer is authorized to invest monies of the short-term investment fund in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. These investments are carried at amortized cost (which approximates fair value) and are included in the investments schedule.

The combined investment funds are open-end, unitized portfolios which are available for investment to pension and other trust funds. The State Treasurer is also authorized to invest monies of the combined investment funds in common stock, commercial equity real estate, foreign companies stocks and bonds, commercial and residential mortgages, foreign governments obligations, mortgage-backed securities, and venture capital partnerships. These investments are carried at fair value and are included in the investments schedule. There is a restriction that not more than 55% of the book value of the investments of each pension and other trust fund can consist of common stock.

The fair value of investments was determined as follows: (1) securities traded on security exchanges are valued at the last reported sales price on the last business day of the fiscal year, (2) securities traded in over-the-counter markets and securities listed on security exchanges for which no sale was reported on the valuation date are valued at the mean of bid and asked prices, (3) mortgages are valued on the basis of future principal and interest payments, and are discounted at a rate commensurate with the risk inherent in the loans, (4) real estate investments are valued on the basis of estimates provided by investment advisors, which are reviewed by State Treasurer's staff and adjusted, if necessary, and (5) investments in certain limited partnerships are valued on the basis of estimates provided by the general partners.

For financial reporting purposes, the short-term investment fund and the combined investment funds are not included in the combined financial statements. Instead, each fund type's investment in these funds is reported as "cash equivalents" or as "equity in combined investment funds" in the combined balance sheet. Complete financial information about the short-term investment fund and the combined investment funds can be obtained from financial statements issued by the State Treasurer.

Certain State agencies and component units are also authorized to invest in investment contracts and state and municipal bonds.

The combined investment funds account for the purchase and sale of investments using "trade date" accounting. This means that investments are increased or decreased on the date the purchase or sales order is made although the investments are not received or delivered until a later date (settlement date). In the investments schedule for these funds, investments under unsettled sales are included because the investments are still subject to custodial credit risk that could result in losses prior to settlement. Conversely, investments under unsettled purchases are excluded because the investments are still in the hands of the dealers.

The schedules on the following pages disclose the carrying amount and market value of the State's investments in total and by investment type as of June 30, 1997. Further, the carrying amounts of these investments are classified according to the following categories of custodial credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agency but not in the State's name.

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Notes to the Financial Statements

INVESTMENTS-PRIMARY GOVERNMENT SHORT-TERM INVESTMENT FUND

Investment Type	Carrying Amount		Fair Value
	Category 1		
Repurchase Agreements	\$1,232,565		\$1,232,565
Certificates of Deposit	602,933		603,032
Asset-Backed Notes	64,981		65,195
Commercial Paper	257,426		257,456
Corporate Notes	13,006		13,036
Bank Notes	164,960		165,000
Bankers' Acceptances	89,910		89,906
Federal Agency Securities	11,473		11,502
Student Loan-Backed Revolving Loans	73,969		73,969
State of Israel Bonds	4,000		4,000
Total Investments	<u>\$2,515,223</u>		<u>\$2,515,661</u>

INVESTMENTS-PRIMARY GOVERNMENT COMBINED INVESTMENT FUNDS

Investment Type	Carrying Amount (Fair Value)		
	Category 1	Category 3	Total
Bank Notes	\$39,968	\$	\$ 39,968
Certificates of Deposit	528,094	196	528,290
Commercial Paper	486,303	49	486,352
Repurchase Agreements	4,250		4,250
Government Securities	326,579	49,561	376,140
Government Agency Securities	826,483		826,483
Mortgage Backed Securities	270,238		270,238
Corporate Debt	2,012,786		2,012,786
Convertible Securities	247,803		247,803
Common Stock	8,573,277	22,827	8,596,104
Preferred Stock	134,608	20	134,628
REIT's	14,516	165	14,681
	<u>\$13,464,905</u>	<u>\$72,818</u>	13,537,723

Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:

Mutual Fund	9,658
Trusts	761,883
Limited Partnerships	53,904
Partnerships	36,619
Annuities	24,276
Securities Lending Short-Term Collateral Investment Pool	1,548,768
Securities Loaned for Cash Collateral under Securities Lending Agreements	<u>1,486,521</u>
Total Investments	<u>\$17,459,352</u>

The pension trust funds own approximately 100% of the investments that are in categories 1 and 3.

Securities listed under Category 3 are on loan for letter of credit or security collateral under securities lending agreements.

INVESTMENTS-PRIMARY GOVERNMENT OTHER

Investment Type	Carrying Amount			Total	Market Value
	Category 1	Category 2	Category 3		
Collateralized Investment Agreements	\$363,541	\$ 101,178	\$ -	\$ 464,719	\$ 463,519
State/Municipal Bonds	315,699	-	-	315,699	315,922
U.S. Government & Agency Securities	103,586	-	-	103,586	106,400
Repurchase Agreements	-	-	4,095	4,095	4,095
Commercial Paper	-	35,536	-	35,536	35,536
Common Stock	1,152	-	-	1,152	3,909
Other	<u>2,545</u>	<u>-</u>	<u>-</u>	<u>2,545</u>	<u>3,899</u>
	<u>\$786,523</u>	<u>\$136,714</u>	<u>\$4,095</u>	927,332	933,280

Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:

Deferred Compensation Plan Mutual Investments	512,227	512,227
Tax Exempt Proceeds Fund	122,273	122,273
Other	<u>1,240</u>	<u>1,240</u>
Total Investments	<u>\$1,563,072</u>	<u>\$1,569,020</u>

The Transportation fund owns approximately 52% and the Special Assessment fund owns 100% of the investments that are in categories 1 and 2, respectively.

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INVESTMENTS - COMPONENT UNITS

Investment Type	Carrying Amount			Total	Market Value
	Category 1	Category 2	Category 3		
U.S. Government & Agency Securities	\$ 562,622	\$ 84,901	\$20,118	\$ 667,641	\$ 656,724
Common Stock	11,899	-	-	11,899	11,899
Repurchase Agreements	174,862	-	-	174,862	174,862
Collateralized Investment Agreements	-	-	28,327	28,327	28,327
Product Development and Marketing Investments	22,418	-	-	22,418	22,418
Cash Equivalents	9,381	-	-	9,381	9,381
Annuity Contracts	30,507	-	-	30,507	30,507
Other	1,805	2,597	59	4,461	4,462
	<u>\$813,494</u>	<u>\$87,498</u>	<u>\$48,504</u>	949,496	938,580
Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:					
Guaranteed Investment Contracts				364,316	364,316
Fidelity Funds				38,723	38,723
Limited Partnerships				1,978	1,978
Other				84,794	84,794
Total Investments				<u>\$1,439,307</u>	<u>\$1,428,391</u>

CHFA owns 100% and CHESLA owns 85% of the investments that are in categories 2 and 3, respectively.

Derivatives

GASB Technical Bulletin Number 94-1 defines derivatives as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. According to this definition, the following State's investments or contracts are considered to be derivatives:

- Short-term investment fund - Adjustable rate asset-backed, corporate, federal agency, student loan-backed revolving loans, certificates of deposit, and State of Israel securities whose interest rates vary directly with short-term money market indices and are reset daily, monthly, quarterly, and semi-annually.
- Combined investment funds - Adjustable rate and asset backed securities, indexed Treasury securities, option contracts, collateralized mortgage obligations (CMOs), common stock, and foreign exchange contracts (CMOs are disclosed as mortgage-backed securities on the investments schedule).

The State invests in derivatives in order to increase earnings on investments or to hedge against fluctuations in the value of foreign currencies (as in the case of foreign exchange contracts).

CMO's are bonds which are issued by a special purpose trust and which are collateralized by an

underlying pool of mortgage loans. The bonds pay interest at fixed or variable rates and have stated maturity dates. Interest payments on the bonds are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity of the bonds is unpredictable and is sensitive to changes in interest rates, but is generally prior to the stated maturity date. As of June 30, 1997 the State held CMOs valued at \$220.3 million.

The common stock represents an investment in an underlying derivative consisting of a subordinated "residual interest" in a securitized portfolio of commercial mortgage loans (the CMO residual). These loans were sold by the State to the corporate issuer who, in turn, issued bonds collateralized by the loans. The residual interest represents the difference between the principal of the underlying mortgage loans and the outstanding principal of the bonds. The underlying loans pay a fixed interest rate while the bonds pay a variable interest rate. The State is subject to the market risk that if the interest rate on the bonds increases, more of the cash flows generated by the loans will go to the bondholders, thereby, reducing the amount available to the State, and the value of the investment will decline. At June 30, 1997, the CMO residual had an estimated fair

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value of \$95.3 million, and the weighted average yield on the underlying loans was 10.63% while the variable rate on the bonds was 5.72%.

Foreign exchange contracts are used to facilitate transactions in foreign securities and to manage the funds currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the funds' investments against currency fluctuations. Losses may arise from changes in the value of foreign currencies or failure of the counterparties to perform under the contracts' terms.

Security Lending Transactions

Certain of the combined investment funds are permitted by State statutes to lend its securities through a lending agent to authorized broker-dealers and banks for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

During the year, the funds' lending agent lent securities similar to the types on loan at year-end and received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The funds' lending agent did

not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 104.5% of the market value of the loaned securities. In the event any borrower fails to return the loaned securities or pay distributions thereon, the funds' lending agent is contractually obligated to purchase replacement securities, or return the cash collateral. At year end, the funds had no credit exposure to borrowers because the amounts the funds owed the borrowers exceeded the amounts the borrowers owed the funds.

All securities loans can be terminated on demand by either the funds or the borrowers. Cash collateral is invested in the lending agent's investment collateral pool, which at year-end had a weighted-average maturity of 35 days. A percentage of the investment collateral pool is invested in overnight instruments and money market mutual funds to enable it to meet normal liquidity needs.

Note 5

LOANS

Loans receivable for the primary government and its component units, as of June 30, 1997, consisted of the following:

	Primary Government					Component Units
	Special Revenue	Enterprise	Trust and Agency	Higher Education	Total	
Mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,469,724
Industrial	-	-	-	-	-	160,250
Housing	209,294	93,260	-	-	302,554	-
Clean Water	-	-	382,921	-	382,921	-
Student	-	-	-	23,615	23,615	-
Other	<u>178,532</u>	-	<u>71</u>	<u>6,775</u>	<u>185,378</u>	<u>72,446</u>
Less:						
Allowance for Losses	-	<u>2,425</u>	-	<u>2,388</u>	<u>4,813</u>	<u>2,500</u>
Loans Receivable Net	<u>\$387,826</u>	<u>\$90,835</u>	<u>\$382,992</u>	<u>\$28,002</u>	<u>\$889,655</u>	<u>\$2,699,920</u>

STATE OF CONNECTICUT

Notes to the Financial Statements

The mortgage loan program consists of home, multi-family and construction loan mortgages made by the Connecticut Housing Finance Authority. Most loans are insured by the Federal Housing Administration or by private mortgage insurance companies. In addition, home mortgage loans are guaranteed up to certain amounts by the Veterans Administration. Permanent loans earn interest at rates ranging from 0% to 13.5% and have initial terms of 10 to 40 years. Construction loans earn interest at rates ranging from 0% to 10.88%. Upon completion of each development, the related permanent mortgage loan, which will generally be provided by the Authority, will be payable over 30 to 40 years at annual interest rates ranging from 0% to 10.38%.

The Clean Water fund loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20 year period at an annual interest rate of 2% and are secured by the full faith and credit or revenue pledges of the municipalities, or both.

The industrial loan program consists of loans made by the Connecticut Development Authority to finance the purchase of land, buildings, and equipment by qualified applicants and to finance other economic development programs of the Authority. These loans and installment contracts receivable are collateralized by assets acquired from the proceeds of the related loans. These receivables have originating terms of 1 to 25 years and earn interest at rates ranging from 4% to 12.00%. As of June 30, 1997, loans in the amount of \$59,828 (including loans of \$9,586 made by other lending institutions) were insured by an insurance fund created by the Authority and by the faith and credit pledged by the State. This insurance fund had net assets of \$7,966 at year end. Thus, the State is contingently liable in the event of any defaulted loans that could not be paid out of the assets of the insurance fund.

Note 6

TAXES RECEIVABLE

Taxes receivable consisted of the following as of June 30, 1997.

	Funds	
	<u>General</u>	<u>Special Revenue</u>
Sales and Use	\$311,228	\$ -
Income Taxes	56,542	-
Public Service Corporations	34,336	-
Hospital Gross Receipts	40,098	-
Gasoline and Special Fuel	-	47,015
Various Other	<u>42,611</u>	<u>-</u>
Taxes Receivable	<u>\$484,815</u>	<u>\$47,015</u>

STATE OF CONNECTICUT

Notes to the Financial Statements

Note 7

RESTRICTED ASSETS

Restricted assets are defined as resources which are restricted by legal or contractual requirements. As of June 30, 1997, restricted assets for the primary government and its component units were comprised of the following:

	Primary Government				Total	Component Units				Total
	Enterprise		Trust and Agency Clean Water Fund	Total		Connecticut Housing Finance Authority (12-31-96)	Connecticut Resources Recovery Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	
	Debt Service	Bradley Int'l Airport								
Cash and Cash Equivalents	\$ 49,874	\$55,135	\$8,514	\$ -	\$113,523	\$ -	\$74,711	\$ -	\$ 133,563	\$ 208,274
Investments	426,839	660	1,198	272,127	700,824	305,843	19,110	25,270	478,245	828,468
Interest Receivable	-	383	-	-	383	3,530	879	-	2,336	6,745
Mortgage & Lease Receivable	-	-	-	-	-	-	-	-	2,277,571	2,277,571
Other	-	9	-	-	9	-	-	-	-	-
Total	\$476,713	\$56,187	\$9,712	\$272,127	\$814,739	\$309,373	\$94,700	\$25,270	\$2,891,715	\$3,321,058

Note 8

PROPERTY, PLANT, AND EQUIPMENT

(1) A summary of changes in general fixed assets is as follows:

	Balance 7/1/96	Additions	Retirements	Balance 6/30/97
Land	\$ 324,447	\$ 6,655	\$ 381	\$ 330,721
Buildings	1,849,474	129,651	78,829	1,900,296
Improvements Other Than Buildings	201,836	64,734	2,322	264,248
Machinery and Equipment	940,858	220,871	48,230	1,113,499
Construction in Progress	186,156	134,875	109,415	211,616
Total	\$3,502,771	\$556,786	\$239,177	\$3,820,380

(2) Property, plant, and equipment for the primary government and its component units consisted of the following as of June 30, 1997:

	Primary Government			Total	Component Units
	Enterprise	Internal Service	Higher Education and University Hospital		
Land	\$ 2,840	\$ -	\$ 38,381	\$ 41,221	\$ 21,937
Buildings	131,473	-	983,662	1,115,135	169,760
Improvements Other than Buildings	115,368	107	84,537	200,012	110
Machinery and Equipment	72,678	114,376	517,135	704,189	183,060
Construction In Progress	2,811	-	114,043	116,854	3,498
Subtotal	325,170	114,483	1,737,758	2,177,411	378,365
Less Accumulated Depreciation	127,391	75,015	565	202,971	125,635
Total	\$197,779	\$39,468	\$1,737,193	\$1,974,440	\$252,730

For proprietary and component units funds, the following estimated useful lives are used to compute depreciation: Buildings 10-40 years; Land Improvements 20-50 years; Machinery and Equipment 2-21 years.

STATE OF CONNECTICUT

Notes to the Financial Statements

Note 9

STATE RETIREMENT SYSTEMS

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS) - consisting of Tier I (contributory) and Tier II (noncontributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS).

SERS and JRS are administered by the State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Division. TRS is administered by the Teachers' Retirement Board. None of the above mentioned plans issue stand alone financial reports.

Plan Descriptions, Funding Policy, and Annual Pension Cost and Net Pension Obligation

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS <u>6/30/96</u>	TRS <u>6/30/96</u>	JRS <u>9/30/96</u>
Retirees and beneficiaries receiving benefits	27,835	17,950	189
Terminated plan members entitled to but not yet receiving benefits	662	5,950	-
Active plan members	<u>54,929</u>	<u>41,370</u>	<u>190</u>
Total	<u>83,426</u>	<u>65,270</u>	<u>379</u>

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living adjustments, contributions requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement,

disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

Tier I Plan B and Hazardous Duty members are required to contribute 2% and 4% respectively, of their salary up to the Social Security Taxable Wage Base plus 5% above that level; Tier I Plan C members are required to contribute 5% of their annual salary. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the state legislature. For fiscal year 1997, the annual required contribution (ARC) was \$542,781, however, in accordance with the provisions of collectively negotiated agreements, the State only contributed \$349,231 to the plan. Administrative costs of the plan are funded by the State.

Teachers Retirement System

Plan Description

TRS is a single-employer defined-benefit pension plan covering any teacher, principal, superintendent or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State and other plan provisions are described in Sections 10-183b to 10-183nn of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

Plan members are required to contribute 6% of their annual salary. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the State legislature. For fiscal year 1997, the ARC was \$173,982, however, the State contributed \$147,885 to the plan, reflecting a reduction of \$26.1 million by the legislature to the State's TRS appropriation. Administrative costs of the plan are funded by the State.

STATE OF CONNECTICUT

Notes to the Financial Statements

Judicial Retirement System

Plan Description

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

Plan members are required to contribute 6% of their annual salary. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the State legislature. Administrative costs of the plan are funded by the State.

Annual Pension Cost, Net Pension Obligation, and Related Information

The State's annual pension cost and net pension obligation to SERS, TRS, and JRS for the current year were as follows:

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Annual required contribution	\$542,781	\$173,982	\$9,342
Interest on net pension obligation	106,585	62,831	3
Adjustment to annual required contribution	<u>(48,253)</u>	<u>(30,703)</u>	<u>(2)</u>
Annual pension cost	601,113	206,110	9,343
Contributions made	<u>349,231</u>	<u>147,885</u>	<u>9,342</u>
Increase (decrease) in net pension obligation	251,882	58,225	1
Net pension obligation beginning of year	<u>1,253,940</u>	<u>739,191</u>	<u>32</u>
Net pension obligation end of year	<u>\$1,505,822</u>	<u>\$797,416</u>	<u>\$ 33</u>

Actuarial information related to the calculation of the annual required contribution for SERS, TRS, and JRS is as follows:

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Actuarial valuation date	6/30/96	6/30/96	9/30/96
Actuarial cost method	Projected unit credit	Entry age	Projected unit credit
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	36 years	17-36 years	35 years
Asset valuation method	5-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions:			
Investment rate of return*	8.5%	8.5%	8.5%
Projected salary increases*	3.3%-14.0%	5.0% - 8.1%	5.5%
*Includes inflation at	N/A	5.0%	5.5%
Cost-of-living adjustments	3.0%-4.5%	4.0%	3.0%-5.5%

Three-Year Trend Information

	<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
SERS	1995	\$573,325	50.7%	\$1,038,241
	1996	550,811	60.8	1,253,940
	1997	601,113	58.1	1,505,822
TRS	1995	\$182,486	72.6%	\$ 684,264
	1996	194,880	71.8	739,191
	1997	206,110	71.8	797,416
JRS	1995	\$ 8,971	100%	\$ 31
	1996	9,209	100	32
	1997	9,343	100	33

STATE OF CONNECTICUT

Notes to the Financial Statements

In accordance with GASB Statement 27, *Accounting for Pensions by State and Local Governmental Employers*, the net pension obligation (NPO) at transition and the difference between the NPO and the prior pension liability are disclosed below.

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>
Prior Pension Liability at Transition	\$1,851,998	\$3,618,088	\$14,014
Pension Liability at Transition	<u>1,253,940</u>	<u>739,191</u>	<u>32</u>
Difference	<u>\$ 598,058</u>	<u>\$2,878,897</u>	<u>\$13,982</u>

Defined Contribution Plan

The State also sponsors the Connecticut Alternate Retirement Program (CARP), a defined contribution plan. CARP is administered by the State Comptroller's Retirement Office under the direction of the Connecticut State Employees Retirement Division. Plan provisions, including contributions requirements of plan members and the State, are described in Section 5-156 of the General Statutes.

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5% of their annual salaries. The State is required to contribute 8% of covered salary. During the year, plan members and the State contributed \$12,582 and \$20,144, respectively.

Note 10

OTHER RETIREMENT SYSTEMS ADMINISTERED BY THE STATE

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (CMERS) and the Connecticut Probate Judges and Employees' Retirement System (CPJERS). Although these retirement systems are included as pension trust funds in the State's financial statements, the State makes no contribution and has no financial liability other than a fiduciary responsibility.

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	<u>CMERS</u> <u>6/30/96</u>	<u>CPJERS</u> <u>12/31/95</u>
Retirees and beneficiaries receiving benefits	3,905	183
Terminated plan members entitled to but not receiving benefits	77	23
Active plan members	<u>7,506</u>	<u>356</u>
Total	<u>11,488</u>	<u>562</u>
Number of participating employers	159	1

Connecticut Municipal Employees' Retirement System

Plan Description

CMERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 2.25% to 5.0% of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the participating municipalities.

Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is a single-employer defined benefit pension plan that covers judges and employees of probate courts in the State. Plan benefits, cost-of-living adjustments, required contributions of plan members

STATE OF CONNECTICUT

Notes to the Financial Statements

and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 1.0% to 3.75% of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Note 11

DEFERRED COMPENSATION PLAN

The State of Connecticut offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees in a permanent position, including elected and appointed officials and members of the General assembly, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination of employment, disability, unforeseeable emergency or death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. At this time, the State believes that it is unlikely that it will use the assets of the plan to satisfy the claims of general creditors in the future.

Based on Article V of the State of Connecticut Deferred Compensation Plan, the State has no liability for losses under any employee selected plan. The State does have the duty of due care that would be of an ordinary prudent investor.

Note 12

POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the State provides postretirement health care and life insurance benefits, in accordance with State statutes, Sections 5-257(d) and 5-259(a), to all employees who retire from the State.

Currently 31,642 retirees meet those eligibility requirements. When employees retire, the State pays 100% of their health care insurance premium cost (including dependent's coverage). In addition, the State pays 100% of the premium cost for a portion of the employees' life insurance continued after retirement. The amount of life insurance, continued at no cost to the retiree, is determined based on the number of years of service that the retiree had with the State at time of retirement as follows: a) if the retiree had 25 years or more of service, the amount of insurance will be one-half of the amount of insurance for which the retiree was insured immediately prior to retirement, but the reduced amount cannot be less than \$7,500; (b) if the retiree had less than 25 years of service, the amount of insurance will be the proportionate amount that such years of service is to 25, rounded to the nearest \$100. The State finances the cost of postretirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund. During the year ended June 30, 1997, \$101.8 million was paid in postretirement benefits.

Note 13

CAPITAL AND OPERATING LEASES

a. State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future

STATE OF CONNECTICUT

Notes to the Financial Statements

lease revenues for the next five years and thereafter are as follows:

net minimum capital lease payments discounted at approximately 6% as of June 30, 1996:

1998	\$ 16,835
1999	16,918
2000	17,023
2001	17,123
2002	17,222
Thereafter	<u>24,503</u>
Total	<u>\$109,624</u>

Contingent revenues for the year ended June 30, 1997, were \$1,741.

b. State as Lessee

Obligations under capital leases and operating leases as of June 30, 1997, were \$76,619 for capital leases and \$74,548 for noncancelable operating leases in excess of one year. The following is a schedule of annual future minimum payments under these obligations along with the present value of the related

	Operating Leases	Capital Leases General Long-term
1998	\$16,163	\$8,039
1999	14,770	5,944
2000	10,844	5,156
2001	7,916	4,437
2002	5,379	4,129
Thereafter	<u>19,476</u>	<u>48,914</u>
Total future minimum payments	<u>\$74,548</u>	76,619
Less: Imputed interest		<u>27,405</u>
Present value of net minimum lease payments		<u>\$49,214</u>

Rental and lease payments for equipment charged to expenditures during the year ended June 30, 1997, totaled \$39,425.

Note 14

CHANGES IN GENERAL LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 1997:

	Balance July 1, 1996	Issuances and Other Increases	Retirements and Other Decreases	Increase (Decrease) Accreted Value	Balance June 30, 1997
General Obligation Notes	\$ 236,055	\$ -	\$ 79,000	\$ -	\$ 157,055
General Obligation Bonds	5,999,596	818,282	532,654	53,623	6,338,847
Transportation Related Bonds	3,201,076	230,460	223,278	1,513	3,209,771
Expendable Trust Fund Obligations	911,505	140,000	97,000	-	954,505
Unfunded Pension Costs	5,484,100	310,108	3,490,937	-	2,303,271
Compensated Absences	261,616	26,392	27,670	-	260,338
Worker's Compensation	268,150	58,391	43,766	-	282,775
Capital Leases	54,397	1,725	6,908	-	49,214
Claims and Judgements	<u>21,963</u>	<u>-</u>	<u>8,365</u>	<u>-</u>	<u>13,598</u>
Total General Long-Term Debt Account Group	<u>\$16,438,458</u>	<u>\$1,585,358</u>	<u>\$4,509,578</u>	<u>\$55,136</u>	<u>\$13,569,374</u>

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types reflects the net proceeds from the sale of bonds and notes in the amount of \$1,176.1 million. This amount includes discounts on the sale of certain bonds and premium and accrued interest received at the time of sale in the amount of \$5.3 million.

Additionally, the \$818.3 million of issuances and other increases for general obligation bonds includes \$18 million of bonds issued by the Connecticut Development Authority (CDA) for which the State of Connecticut has agreed to pay the principal and interest.

STATE OF CONNECTICUT

Notes to the Financial Statements

Note 15

DEBT

a. Short-Term Debt

Up to \$400 million of general obligation temporary notes may be issued by the State with these notes having the full faith and credit of the State pledged for payment of principal and interest. As of June 30, 1997, no notes were outstanding. Additionally, revolving lines of credit have been secured from Swiss Bank and Credit Suisse. These amounts may be advanced with respect to the payment of the principal of the above notes. As of June 30, 1997, no amount was outstanding on the lines of credit (and the lines of credit expired on 9/1/97).

b. Long-Term Debt

Economic Recovery Notes

In November 1995, \$236.1 million of General Obligation Economic Recovery notes were issued to refinance \$240.7 million in notes which were due in 1995-96.

The economic recovery notes outstanding at June 30 were \$157.1 million. These notes mature on various dates through 1999 and bear original interest rates from 4.25% to 5%.

The following is a description of the future amounts needed to pay principal and interest on economic recovery notes outstanding at June 30, 1997.

Year Ending June 30,	Principal	Interest	Total
1998	\$ 79,000	\$6,768	\$ 85,768
1999	<u>78,055</u>	<u>2,829</u>	<u>80,884</u>
Total	<u>\$157,055</u>	<u>\$9,597</u>	<u>\$166,652</u>

General Obligation Bonds

General obligation bonds are those bonds that are paid out of the revenues of the General fund and that

are supported by the full faith and credit of the State. General obligation bonds outstanding and bonds authorized but unissued at June 30 were as follows:

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	1997-2017	4.218-9.875%	\$1,913,178	\$274,847
School Construction	1997-2012	3.75-7.441%	774,369	66,744
Municipal				
Redevelopment	1996-2015	3.7-9.5%	1,601,298	348,098
Elderly Housing	1996-2011	7-7.5%	28,055	-
Elimination of Water				
Pollution	1998-2018	4.40-7.525%	301,145	34
General Obligation				
Refunding	1997-2012	2.40-9.75%	1,244,886	-
Miscellaneous	1997-2010	4.625-8.95%	<u>55,482</u>	<u>16,378</u>
			5,918,413	\$706,101
Accretion-Variou Capital Appreciation Bonds			<u>420,434</u>	
		Total	<u>\$6,338,847</u>	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 1997, were as follows:

Year Ending June 30	Principal	Interest	Total
1998	\$ 491,814	\$ 310,222	\$ 802,036
1999	482,194	302,798	784,992
2000	464,345	305,660	770,005
2001	448,851	270,664	719,515
2002	421,519	244,997	666,516
Thereafter	<u>3,609,690</u>	<u>1,896,287</u>	<u>5,505,977</u>
Total	<u>\$5,918,413</u>	<u>\$3,330,628</u>	<u>\$9,249,041</u>

Transportation Related Bonds

Transportation related bonds include special tax obligation bonds and general obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the debt service fund for retirement of principal and interest.

STATE OF CONNECTICUT

Notes to the Financial Statements

Transportation related bonds outstanding and bonds authorized but unissued at June 30 were as follows:

<u>Purpose of Bonds</u>	<u>Final Maturity Dates</u>	<u>Original Interest Rates</u>	<u>Amount Outstanding</u>	<u>Authorized But Unissued</u>
Transportation	1998-1999	6.6-6.7%	\$ 10,000	\$ 3
Specific Highways				
Infrastructure			-	19,900
Improvements	1997-2016	2.65%-10%	3,128,912	413,237
General Obligation				
Refunding	2004	5.15-9.75%	41,515	-
Other	1997-2010	4.218-9.25%	<u>19,239</u>	<u>317</u>
			3,199,666	<u>\$433,457</u>
Accretion-Various Capital Appreciation Bonds			<u>10,105</u>	
Total			<u>\$3,209,771</u>	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30 were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 161,045	\$ 172,796	\$ 333,841
1999	171,794	163,493	335,287
2000	180,914	157,840	338,754
2001	192,280	144,221	336,501
2002	193,755	133,664	327,419
Thereafter	<u>2,299,878</u>	<u>776,822</u>	<u>3,076,700</u>
Total	<u>\$3,199,666</u>	<u>\$1,548,836</u>	<u>\$4,748,502</u>

Demand Bonds

Included in general obligation bonds, there are variable rate demand bonds in the amount of \$100 million. The bonds were issued in May 1997 to fund various State programs (e.g., community conservation development, economic development and manufacturing assistance, regional economic development, etc.) and will mature in the year 2014. Starting in the year 2005, the bonds will be subject to mandatory annual redemption in the principal amount of \$10 million plus accrued interest (these amounts are included in the debt service schedule). Concerning the issuance of the bonds, the State signed various agreements, including a "Remarketing Agreement" with a broker/dealer firm and a "Standby Bond Purchase Agreement" with a foreign bank.

The bonds bear interest at a weekly rate or at a flexible rate for a flexible rate period, which cannot be longer than 270 days. Initially, all bonds bear interest at the weekly rate. After that, the bonds may be converted from time to time to the flexible rate or weekly rate at the option of the State. The State's remarketing agent determines the weekly or flexible rate and applicable flexible rate period.

Bonds bearing interest at the weekly rate are subject to purchase at the option of the holder at a purchase price equal to principal and accrued interest, if any, on a minimum seven days' notice and delivery to the State's agent. In addition, all bonds are subject to mandatory purchase upon (1) conversion from the weekly rate to the flexible rate or vice versa, (2) the end of each flexible rate period, and (3) expiration or substitution of the Standby Bond Purchase Agreement. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase.

The Standby Bond Purchase Agreement requires the bank to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus (for bonds bearing interest at the weekly rate) accrued interest up to 35 days at an annual interest rate not to exceed 15%. Bonds purchased by the bank will bear an interest rate initially equal to (1) for bonds held for up to 30 days after the purchase date, the Federal funds rate plus .50%; (2) for bonds held for more than 30 days but less than 90 days after the purchase date, the Federal rate plus 1.00%; and (3) for bonds held for more than 90 days after the purchase date, the higher of (a) the base commercial lending rate announced from time to time by the bank, or (b) the Federal funds rate plus .50%.

The State is required under the Standby Bond Purchase Agreement to pay to the bank a quarterly fee of .065% per annum of the available commitment as of each payment date. The available commitment is an amount equal to the sum of the bond principal and accrued interest that the bank is committed to purchase under the agreement. Such amount was initially set in the agreement at \$101.4 million and is

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adjusted from time to time according to provisions in the agreement. If the rating on the bonds were to fall below certain levels, or be withdrawn or suspended, the bank fee could go as high as .135% per annum.

The Standby Bond Purchase Agreement expires in the year 2002 and could be extended annually for another year. If certain events of default described in the agreement were to occur, the agreement could be terminated prior to that date.

Expendable Trust Fund Obligations

In July, August, and September 1993, the State issued \$1,020.7 million of Special Assessment Unemployment Compensation Advance Fund revenue bonds. The issuance of these special obligation revenue bonds was for the purpose of repaying loans made by the United States to Connecticut for payment of unemployment compensation benefits and assisting the State in meeting a portion of its unemployment compensation benefit obligations until increased employer assessments are levied. These bonds mature on various dates through 2001 and bear interest rates from 3.1% to 5.5% and shall be payable solely from the Unemployment Compensation Advance Fund and revenues and requisitional funds specifically pledged for their payment.

The State has no contingent obligation either directly or indirectly with the payment of these bonds.

Future amounts needed to pay principal and interest on special assessment unemployment compensation bonds were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 95,000	\$ 35,325	\$130,325
1999	115,000	31,109	146,109
2000	143,270	25,988	169,258
2001	150,265	18,058	168,323
2002	<u>310,970</u>	<u>6,121</u>	<u>317,091</u>
Total	<u>\$814,505</u>	<u>\$116,601</u>	<u>\$931,106</u>

On November 1996, the State issued \$100 million of Second Injury Fund special assessment revenue bonds. The bonds were issued to reduce long-term

liabilities of the fund by settling claims on a one-time lump sum basis. The bonds bear fixed interest rates ranging from 4.25% to 6.00% and mature each year at various amounts through the year 2012, starting on January 1 of 1998. Because the bonds will be paid solely from future assessment revenue of the fund, the State has no contingent obligation either directly or indirectly for the payment of such bonds.

Future amounts needed to pay principal and interest on Second Injury Fund special assessment revenue bonds were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 3,940	\$ 6,445	\$ 10,385
1999	4,880	4,988	9,868
2000	5,100	4,770	9,870
2001	5,330	4,540	9,870
2002	5,595	4,274	9,869
Thereafter	<u>75,155</u>	<u>23,514</u>	<u>98,669</u>
Total	<u>\$100,000</u>	<u>\$48,531</u>	<u>\$148,531</u>

Additionally, the bond indenture allows for the periodic issuance of subordinated Bond Anticipation Notes (BANS) in the form of commercial paper. In June 1997, \$40 million of commercial paper was issued, bearing an interest rate of 3.55% and maturing on August 1997. The State intends on replacing these BANS with long-term bonds in the future, and has entered into a Revolving Credit Agreement that ensures that the BANS can be refinanced on a long-term basis.

Interest Rate Swap Agreements

The State has entered into interest rate swap agreements for the following outstanding debt:

<u>Type</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Transportation - STO's	\$210,600	variable	2010

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Based on these agreements, the State pays a fixed interest rate to the counterparty to the swap, and the counterparty pays the State a variable interest rate that is determined by the agreement. The State continues to make payments to the bondholders, and only the net difference in interest payments is exchanged with the counterparty. By entering into these agreements, the State has in effect exchanged its variable rate liability for a fixed rate obligation.

The agreements call for the following exchange of interest rates:

Counterparty	Face Value	Interest Rate Assumed by State	Interest Rate Assumed by Counterparty
AIG Corp.	\$126,400	5.75%	65% of 1 - month LIBOR* rate
Sumitomo Bank	\$84,200	5.71%	65% of 1 - month LIBOR* rate

* The primary fixed income index reference rates used in the Euro-markets. Most international floating rates are quoted as LIBOR plus or minus spread.

Regarding these agreements, the State is exposed to the market risk relating to the relationship between the variable interest rate on the bonds (which is reset weekly) and the rate that it receives under the swap agreements (which is 65% of 1-month LIBOR).

Both agreements are guaranteed by the counterparties, and the agreement with AIG Corp. has a collateral agreement which goes into effect if the credit rating of AIG falls below a defined level.

Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the enterprise funds, nonexpendable trust funds, higher education funds, and component units. Revenue bonds outstanding at June 30 were as follows:

Fund Type	Maturity Dates	Interest Rates	Amounts Outstanding
Primary government:			
Enterprise:			
Bradley International Airport	2012	7 - 9.125%	\$ 87,720
Rental Housing	2000 - 2002	5.25 - 9.15%	121,455
John Dempsey Hospital (as of 9-30-96)	1997-2009	5.25 - 8.25%	1,542
Nonexpendable:			
Clean Water Fund	2011 - 2018	4.05 - 11.0%	373,025
Higher Education :			
Investment in Plant	2000-2017	4.30 - 8.25%	103,028
Premium on Clean Water			
Fund bonds sold			4,344
	Total		<u>\$ 691,114</u>
Component Units:			
CT Development			
Authority	1997-2019	3.5 - 8.75%	\$ 133,575
CT Housing Finance			
Authority (as of 12-31-97)	1997-2027	3.4 - 9.8%	2,924,245
CT Resources Recovery			
Authority	1998-2022	3.8 - 8.625%	333,798
CT Higher Education			
Supplemental Loan Authority	1997-2107	4.4 - 7.5%	93,975
CT Health & Educational			
Facilities Authority	1997-2024	4.32 - 14.94%	2,388,675
Discount on CHFA Bonds Sold			(30,050)
	Total		<u>\$5,844,218</u>

Revenue bonds issued by the component units do not constitute a liability or debt of the State, and the State is only contingently liable for these bonds as discussed in this section.

The following is a description of revenue bonds with restrictive covenants:

Primary Government:

Bradley International Airport's revenue bonds were issued in 1982 in the amount of \$100,000 to finance costs of improvements to the airport. As of June 30, 1997, the following bonds were outstanding:

- Airport revenue refunding bonds in the amount of \$84,210. These bonds were issued in October, 1992, to redeem the 1982 revenue bonds,

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and are secured by and payable solely from the gross operating revenues generated by the State from the operations of the airport and other receipts, funds or monies pledged in the bond indenture. In accordance with this indenture, certain assets of this fund have been restricted for the payment of bond principal and interest, construction projects and other uses.

- b) Airport subordinated refunding bonds in the amount of \$3,510. These bonds were issued in 1989 to help pay for certain expenses (e.g. issuance costs, redemption premium) incurred in the issuance of the 1992 refunding bonds.

In 1994, the State of Connecticut issued Clean Water Fund revenue bonds in the amount of \$325,245. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of waste water treatment projects.

Component Units

Connecticut Development Authority's revenue bonds are issued to finance such projects as the acquisition of land or the construction of buildings, and purchase and installation of machinery, equipment, and pollution control facilities. The Authority finances these projects through its Self-Sustaining Bond Program and Umbrella Program. Under the Umbrella Program, bonds outstanding at June 30, 1997, were \$72,235. Assets totaling \$76,270 are pledged under the terms of the bond resolution for the payment of principal and interest on these bonds until such time as it is determined that there are surplus funds as defined in the bond resolution. Bonds issued under the Self-Sustaining Bond Program are discussed in the no-commitment debt section. In addition, the Authority had \$61,340 in general obligation bonds outstanding at year end. These bonds were issued to finance the lease of an entertainment/sports facility, the purchase of a hockey team, and the construction of a music amphitheatre.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate income families and persons throughout the State.

According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's general fund, and (3) all monies and securities of the Authority's general and capital reserve funds. In addition, all assets of the Authority's general and capital reserve funds (\$3,177,036) are restricted until such time as they are determined to be "surplus funds." The bond resolution describes "surplus funds" as being the excess of pledged receipts over funds required for the payment of operating expenses, principal and interest and requirements of the capital reserve fund during the most recent twelve months as determined annually between November 12 and December 1 and designated as such by the Authority.

Connecticut Resources Recovery Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Connecticut Health and Educational Facilities Authority's revenue bonds are issued to assist certain health care institutions, institutions of higher education and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions. The Authority generally holds title to, or has first mortgages on, the buildings and

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related facilities financed by the bonds. The terms of the lease, mortgage and loan payments receivable from the institutions correspond to the amortization requirements of related bonds payable. On final payment of a bond issue, the title to or security interest in the building and related facilities reverts to the institution. Prior to July 1, 1979, the Authority issued general obligation bonds for which the Authority is ultimately responsible for the payment of principal and interest when due. After July 1, 1979, the Authority has issued only special obligation bonds for which the principal and interest is payable solely from the revenues of the institutions. At year end, the Authority had \$10,595 and \$2,378,080 in outstanding general obligation and special obligation bonds, respectively.

Each Authority has established special capital reserve funds which secure all the outstanding bonds of the Authority at year end (except as discussed below). These funds are usually maintained at an amount equal to next year's bond debt service

requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so. For the Connecticut Resources Recovery Authority and the Connecticut Health and Educational Facilities Authority, bonds outstanding at year end in the amount of \$305,283 and \$254,610, respectively, were secured by the special capital reserve funds.

At June 30, 1997, two nursing homes were in receivership and had defaulted on their loan payments to the Connecticut Health and Educational Facilities Authority (CHEFA). These loan payments were to be used by CHEFA to make scheduled principal and interest payments on \$60,645 of its outstanding special obligation bonds, which are secured by the special capital reserve funds. It is unknown at this time what the loss to the State will be as a result of the loan defaults. However, the State has appropriated \$4,000 to be advanced to the nursing homes for the payment of principal and interest on the bonds in fiscal years 1998 and 1999.

Future amounts required to pay principal and interest on revenue bonds outstanding at June 30, 1997, were as follows:

Year	Primary Government								
	Enterprise Funds		Nonexpendable Trust		Higher Education Funds		Component Units		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
Ending June 30									
1998	\$ 8,300	\$ 14,221	\$ 18,725	\$ 18,947	\$ 6,267	\$ 5,616	\$ 218,309	\$ 336,691	
1999	15,079	13,977	19,705	17,958	6,262	5,285	189,637	323,385	
2000	14,455	13,009	20,130	16,910	5,379	4,948	209,376	313,327	
2001	16,374	11,748	20,575	15,850	5,174	4,685	229,313	300,742	
2002	4,028	10,425	21,100	14,748	7,131	4,388	279,649	285,008	
Thereafter	<u>152,481</u>	<u>45,113</u>	<u>272,790</u>	<u>96,634</u>	<u>72,815</u>	<u>26,149</u>	<u>4,747,984</u>	<u>3,223,649</u>	
	<u>\$210,717</u>	<u>\$108,493</u>	<u>\$373,025</u>	<u>\$181,047</u>	<u>\$103,028</u>	<u>\$51,071</u>	<u>\$5,874,268</u>	<u>\$4,782,802</u>	

No-commitment Debt

Under the Self-Sustaining Bond Program, the Connecticut Development Authority issues revenue bonds to finance such projects as described previously in the component units section. These bonds are paid solely from payments received from participating companies (or from proceeds of sale of

the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances and activity of the Self-Sustaining Bond Program are not included in the Authority's financial statements. Total bonds issued at June 30, 1997 were \$59.0 million.

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The Connecticut Resources Recovery Authority has issued several bonds to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under lease or loan agreements between the Authority and the operators. Certain of these bonds are secured by letters of credit. The Authority does not become involved in the construction activities or the repayment of the debt (other than the portion allocable to Authority purposes). In the event of default, payment of the debt is not guaranteed by the Authority or the State except for the State's contingent liability discussed below. Thus, the assets and liabilities related to these bond issues are not included in the Authority's financial statements. Total bonds outstanding at June 30, 1997 were \$333.7 million bearing interest rates ranging from 3.8% to 8.625%. Of this amount, \$167.8 million was secured by a special capital reserve fund. The State may be contingently liable for any deficiencies in the fund as explained previously in the component units section.

Debt Refundings

During the year, the State advance refunded the following bonds (amounts in million).

Refunded Bonds	Average Interest Rate	Bond Type	Refunding Bonds	Average Interest Rate
\$77.4	6.59%	General Obligation	\$81.5	5.09%
\$79.7	6.35%	Special Tax Obligation	\$79.8	5.99%

The proceeds of the refunding bonds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The State advance refunded these bonds to reduce its total debt service payments over the next ten years by \$7.0 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$5.1 million. As of June 30, 1997, \$1,888.4 million of outstanding general obligation, special tax obligation, and revenue bonds (including prior year's refundings) are considered defeased.

Note Payable

An installment note for \$12.3 million to acquire a telecommunication system was established between the University of Connecticut and Connecticut Bank and Trust Co. in 1988 with an interest rate of 7.55% and final maturity in April 1999. Future amounts required to pay principal and interest on the note outstanding were as follows:

Year Ending June 30,	Principal	Interest	Total
1998	\$1,502	\$524	\$2,026
1999	<u>1,618</u>	<u>408</u>	<u>2,026</u>
	<u>\$3,120</u>	<u>\$932</u>	<u>\$4,052</u>

Note 16

RISK MANAGEMENT

The risk financing and insurance program of the State is managed by the State Insurance Purchasing Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule below lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

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Risk of Loss	Risk Financed by	
	Purchase of Commercial Insurance	Self-Insurance
Liability (Torts):		
General (State buildings, parks, or grounds)		X
Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions:		
Professional liability	X	
Medical malpractice (University Hospital)		X
Injuries to employees		X
Natural disasters	X	

Regarding liability risk, the State is generally immune from liability due to having sovereign immunity. This means that the State cannot be sued for liability without its permission. For this reason, the State is self-insured for general liability risk. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract. When purchasing commercial insurance, the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various liability risks. The highest amount is a \$25 million self-insured retention carried in a railroad liability policy.

Regarding risk of, theft of, or damage to assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than \$100 thousand.

administrator. If total incurred claims fall between 97% and 103% of the target, the State would assume the risk or retain the savings entirely. As of June 30, 1997, claims incurred by the plan exceeded claims paid by the plan by \$60.3 million.

The State records its risk management activities in the General fund, except for activities related to the medical malpractice risk which are recorded in the John Dempsey Hospital fund. At year end, a liability for unpaid claims is recorded in each fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported. The portion of the General fund liability considered to be long-term is recorded in the General Long-Term Debt account group. Changes in the claims liability accounts during the last two fiscal years were as follows:

	General Liability	Medical Malpractice*	Workers' Compensation	Health Plan
Balance 6-30-95	\$ 780	\$ 9,649	\$286,954	\$ 8,315
Incurred claims	683	-	29,178	247,760
Paid claims	(780)	(585)	(47,982)	(229,742)
Balance 6-30-96	683	9,064	268,150	26,333
Incurred claims	1,859	-	58,391	282,632
Paid claims	(683)	(276)	(43,766)	(248,643)
Balance 6-30-97	<u>\$1,859</u>	<u>\$8,788</u>	<u>\$282,775</u>	<u>\$ 60,322</u>

* Changes in the liability account are for fiscal years ending on 9-30-95 and 9-30-96.

Most State employees and retirees participate in four health plans. For one of these plans, the State is self-insured. This plan is administered by a vendor that is responsible for the processing and payment of claims. The State is responsible for making monthly contributions to the plan administrator to pay for claims processed in the following month. At the end of the fiscal year, the State determines whether total incurred claims (including incurred but not reported claims) paid by the plan administrator meet a contractual target. If total incurred claims are more than 103% of the target, the State would share the risk equally with the plan administrator. If total incurred claims are less than 97% of the target, the State would share the savings equally with the plan

Note 17

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 1997, were as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$ 11,695	\$93,547
Special Revenue:		
Transportation	9,445	762
Workers' Compensation	178	157
Banking	-	218
Consumer Counsel & Public Utility Control	-	181
Insurance	-	187

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Criminal Injuries	76	-
Regional Market	-	11
Soldiers, Sailors, & Marines	1,030	949
Employment Security	2,016	1,119
Grant and Loan Programs	-	12,253
Environmental Programs	74	269
Housing Programs	-	87
Other	4,532	134
	<u>17,351</u>	<u>16,327</u>
Debt Service	-	6,977
Capital Projects:		
State Facilities	12,969	18,550
Infrastructure	4,441	1,070
Transportation	-	78
	<u>17,410</u>	<u>19,698</u>
Enterprise:		
Rental Housing	5,426	3,893
Bradley	-	633
John Dempsey Hospital (as of 9-30-96)	1,708	6,779
CT Lottery Corporation	7,953	-
Other	-	9
	<u>15,087</u>	<u>11,314</u>
Internal Service:		
Correction Industries	60	2
Administrative Services	3,455	1,916
	<u>3,515</u>	<u>1,918</u>
Expendable Trust:		
Employment Security	797	8,359
Nonexpendable Trust:		
Soldiers, Sailors, & Marines	-	1,029
Other	3	149
	<u>3</u>	<u>1,178</u>
Pension Trust:		
State Employees	4,701	592
Agency:		
Payroll & Fringe Benefit	2,496	-
Receipts & Pending Distribution	-	6,684
Other	2,447	-
	<u>4,943</u>	<u>6,684</u>
Higher Education & University Hospital:		
Current Unrestricted	56,141	5,717
Current Restricted	1,481	998
Endowment & Similar Funds	9,113	2
Loan	-	152
Plant Funds	96,033	82,120
Agency Funds	-	11
	<u>162,768</u>	<u>89,000</u>
Component Units		
CT Development Authority	11,624	-
CT Innovations	672	-
CT Health & Educational Facilities Authority	81,525	81,568
	<u>93,821</u>	<u>81,568</u>
Totals	<u>\$332,091</u>	<u>\$337,162</u>

As of June 30, 1997, interfund payables exceeded interfund receivables by \$5,071; operating transfers in exceeded operating transfers out by \$160; and residual equity transfer out exceeded residual equity transfer in by \$317. These differences were caused by the different reporting period used by John Dempsey Hospital, which is 9-30-96.

Note 18

RESTATEMENT OF FUND BALANCES/NET ASSETS

As of June 30, 1997, the beginning fund balances/net assets for the following funds were restated as follows:

Fund	Balance 6-30-96 Previously Reported	Fund Reclas- sification	Correction of Reported Assets/ Liabilities	Balance 6-30-96 As Restated
Special Revenue:				
Lottery	\$ 2,777	\$ (2,777)	\$ -	\$ -
Environ. Programs	158,411	-	(6,113)	152,298
Other	28,125	2,777	14,154	45,056
Enterprise:				
John Dempsey Hospital*	-	93,468	-	93,468
Internal Service:				
Adm. Services	32,453	-	1,101	33,554
Expendable Trust:				
Retired Teachers Health				
Benefits Plan	-	14,988	3,692	18,680
Local Property				
Tax Relief	194	(194)	-	-
Other	1,778	194	-	1,972
Pension Trust:				
State Employees	5,249,497	-	(12,256)	5,237,241
State Teachers	7,466,352	(14,988)	-	7,451,364
Conn. Mun. Emp.	832,627	-	(1,945)	830,682
Higher Education:				
Unrestricted	74,120	(515)	(2,350)	71,255
Restricted	27,094	515	(349)	27,260
Hospital	33,809	(33,809)	-	-
Plant	1,649,598	(128,585)	5,918	1,526,931

*Restatement is as of 9-30-95.

For regulatory purposes, the fiscal year of hospitals ends on September 30. Accordingly, the John Dempsey Hospital issues audited financial statements each September 30. Starting on June 30,

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1997, the State elected to include the Hospital's financial statements (dated 9-30-96) in its combined financial statements. The Hospital's financial statements were prepared according to the guidance found in the American Institute of Certified Public Accountants Audit and Accounting Guide, Audits of Providers of Health Care Services. Because the accounting recommended in that guide can be best accommodated in the Enterprise funds, the Hospital's financial statements were included in that funds group. In prior years, the Hospital was reported in the Higher Education funds group.

As part of implementing GASB Statement No. 25 (see Note 1a), the State reclassified the Retired Teachers Health Benefits Plan as an Expendable Trust fund for financial reporting purposes. In prior years, the plan was reported in the State Teachers' Pension Trust fund. The plan provides health care benefits to retired teachers and is administered by the Teachers' Retirement Board.

During the year the State added a new component unit to its financial reporting entity, the Connecticut Lottery Corporation (see Note 1a). Previously, the financial activities of the State lottery were reported in the Lottery fund, a special revenue fund. Now this fund has been eliminated and its remaining financial activities are reported in other special revenue funds.

Note 19

RESERVED RETAINED EARNINGS, RESERVED FUND BALANCES, AND CONTRIBUTED CAPITAL

Reserved Retained Earnings

Bradley International Airport, an enterprise fund, has \$29,712 restricted for debt service requirements and other programs of the airport. The Connecticut Lottery Corporation, an enterprise fund, has \$8,471 restricted for programs of the Corporation. The Connecticut Housing Finance Authority, a component unit, has \$366,820 restricted for debt service requirements and other programs of the Authority. The Connecticut Resources Recovery Authority, a

component unit, has \$18,277 restricted for specific purposes.

Contributed Capital

The following is a summary of changes in the contributed capital accounts for the year ended June 30, 1997:

	Primary Government		Component Units		
	Bradley International Airport	Administrative Services	Connecticut Resources Recovery Authority	Connecticut Innovations, Incorporated	Connecticut Development Authority
Balance July 1, 1996	\$101,059	\$2,200	\$2,275	\$70,892	\$150,340
Contributions	305	-	-	4,560	15,000
Items added back to retained earnings	-	-	(167)	-	-
Adjustments	(3)	(1,100)	-	-	(3,000)
Balance June 30, 1997	<u>\$101,361</u>	<u>\$1,100</u>	<u>\$2,108</u>	<u>\$75,452</u>	<u>\$162,340</u>

Reserved Fund Balances

These balances are comprised as follows:

Reserved For	Fund Type				
	General	Special Revenue	Debt Service	Trust and Agency	Higher Education
Petty Cash	\$ 996	\$ -	\$ -	\$ -	\$ -
Budget Reserve	336,909	-	-	-	-
Inventories	32,674	11,287	-	-	-
Continuing Appropriations	184,485	21,489	-	-	-
Debt Service	166,700	-	476,731	-	-
Loans	-	387,826	-	-	-
Pension Obligations	-	-	-	16,006,746	-
Trust Activities	-	-	-	120,828	-
Restricted	-	-	-	-	235,549
	<u>\$721,764</u>	<u>\$420,602</u>	<u>\$476,731</u>	<u>\$16,127,574</u>	<u>\$235,549</u>

Reserved for continuing appropriations represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved amounts in Higher Education represent amounts restricted for specific educational programs by federal grants, private gifts and endowments, and amounts reserved for student loans and debt service.

STATE OF CONNECTICUT

Notes to the Financial Statements

Note 20

SEGMENT INFORMATION - ENTERPRISE FUNDS

The State maintains five enterprise funds which provide financing for State housing programs, airport services, hospital operations, lottery programs, and vocational education. Segment information for the year ended June 30, 1997, is as follows:

	Rental Housing	Bradley International Airport	John Dempsey Hospital (9-30-96)	CT Lottery Corporation	Other
Operating Revenue	\$ 3,001	\$ 32,731	\$129,872	\$769,790	\$2,228
Depreciation and Amortization Expense	4	7,982	6,002	351	8
Operating Income (Loss)	(4,889)	5,003	3,842	252,577	(83)
Operating Transfers In	4,849	-	160	-	-
Operating Transfers Out	(408)	-	-	(252,993)	-
Net Non-operating Revenues (Expenses)	4,328	(655)	724	935	-
Net Income (Loss)	3,880	4,348	4,726	519	(83)
Contributed Capital	-	101,361	-	-	350
Property, Plant & Equipment Additions (Deletions)	(5)	1,661	6,249	1,264	20
Net Working Capital	65,982	9,535	33,566	2,330	1,014
Total Assets	164,276	207,078	136,171	75,961	1,217
Bond and Other Long-Term Liabilities Payable from Operating Revenue	121,455	87,720	1,542	-	-
Total Equity	35,373	113,582	97,877	8,471	1,053

Note 21

CONDENSED FINANCIAL STATEMENTS - COMPONENT UNITS

	Balance Sheets					Total
	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-96)	Connecticut Resources Recovery Authority	Connecticut Health & Educational Facilities Authority	Other	
Assets:						
Current assets	\$ 123,028	\$ 552,051	\$ 66,794	\$ 94,267	\$ 72,689	\$ 908,829
Property, plant, and equipment	17,664	2,538	232,056	209	263	252,730
Restricted assets	-	309,373	94,700	2,891,715	25,270	3,321,058
Other assets	<u>169,674</u>	<u>2,529,268</u>	<u>23,662</u>	<u>-</u>	<u>64,442</u>	<u>2,787,046</u>
Total Assets	<u>\$310,366</u>	<u>\$3,393,230</u>	<u>\$417,212</u>	<u>\$2,986,191</u>	<u>\$162,664</u>	<u>\$7,269,663</u>
Liabilities and Equity:						
Liabilities:						
Current liabilities	\$ 19,523	\$ 37,086	\$ 21,781	\$ 164,446	\$ 3,772	\$ 246,608
Revenue bonds	133,575	2,894,195	333,798	2,388,675	93,975	5,844,218
Other liabilities	<u>35</u>	<u>92,396</u>	<u>24,961</u>	<u>420,601</u>	<u>-</u>	<u>537,993</u>
Total Liabilities	<u>153,133</u>	<u>3,023,677</u>	<u>380,540</u>	<u>2,973,722</u>	<u>97,747</u>	<u>6,628,819</u>
Equity:						
Contributed Capital	162,340	-	2,108	-	75,452	239,900
Retained earnings	<u>(5,107)</u>	<u>369,553</u>	<u>34,564</u>	<u>12,469</u>	<u>(10,535)</u>	<u>400,944</u>
Total Equity	<u>157,233</u>	<u>369,553</u>	<u>36,672</u>	<u>12,469</u>	<u>64,917</u>	<u>640,844</u>
Total liabilities and Equity	<u>\$310,366</u>	<u>\$3,393,230</u>	<u>\$417,212</u>	<u>\$2,986,191</u>	<u>\$162,664</u>	<u>\$7,269,663</u>

STATE OF CONNECTICUT

Notes to the Financial Statements

Statements of Revenues, Expenditures, and Changes in Equity

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-96)	Connecticut Resources Recovery Authority	Connecticut Health & Educational Facilities Authority	Other	Total
Operating Revenues	\$ 22,190	\$ 188,985	\$149,203	\$135,350	\$ 8,875	\$504,603
Operating Expenses:						
Depreciation and amortization	366	5,197	16,192	51	256	22,062
Other	21,345	212,236	112,458	134,862	11,446	492,347
Operating Income (Loss)	479	(28,448)	20,553	437	(2,827)	(9,806)
Nonoperating Revenues (Expenses)	4,855	47,895	(12,986)	690	11,817	52,271
Net Income (Loss) for the Year	5,334	19,447	7,567	1,127	8,990	42,465
Equity - beginning	139,899	350,106	29,105	11,342	51,367	581,819
Capital contributions	12,000	-	-	-	4,560	16,560
Equity - ending	\$157,233	\$ 369,553	\$ 36,672	\$ 12,469	\$64,917	\$640,844

Note 22

RELATED ORGANIZATIONS

Related organizations are legally separate organizations which are not financially accountable to the State. However, these organizations are still related to the State as discussed next.

The State appoints a voting majority of the following organizations' governing boards, the Community Economic Development Fund and the Connecticut Student Loan Foundation. The State's accountability for these organizations does not extend beyond making the appointments. As of June 30, 1997, the Connecticut Student Loan Foundation owed the State \$75.1 million under a revolving loan agreement.

Note 23

COMMITMENTS AND CONTINGENCIES

A. Commitments

At June 30, 1997, the State, including its component units, had the following outstanding commitments:

- 1) Infrastructure (highways, roads, etc.) and other construction contracts and miscellaneous con-

tracts with various vendors totaling approximately \$1,993 million of which \$1,386 million is expected to be reimbursed by Federal grants.

- 2) School construction and alteration grants with various towns for \$838 million and interest costs of \$337 million for a total of \$1,175 million. Funding for these projects is expected to come from bond sales.
- 3) Loan commitments, mortgage and grant programs, and loan guarantees totaling approximately \$348 million. Funding for these programs is expected to come from bond sales.

B. Contingent Liabilities

The Division of Special Revenue, the agency responsible for the Lottery Fund, has entered into agreements with insurance companies under which the Lottery Fund purchases annuities under group contracts which provide payments corresponding to the State's obligation to prize winners. Notwithstanding these annuity contracts, the State of Connecticut is contingently liable for the prize payments due lottery winners. At June 30, 1997, amounts due lottery winners totaled \$859 million. As of July 1, 1997, legislation has authorized the transfer to the Connecticut Lottery Corporation the

STATE OF CONNECTICUT

Notes to the Financial Statements

above prize liabilities along with the annuity contracts to liquidate these liabilities.

The Legislature has enacted legislation to assist the City of West Haven by authorizing the State to guarantee debt issued by the City in an amount up to \$35 million. At year end, the debt outstanding guaranteed by the State was \$21 million.

The State has entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

The State has coordinated a review of its computer systems to identify areas that could be affected by the "year 2000" issue and has begun to modify computer programs to fix the problem of computer programs being written using two digits rather than four to define the applicable year. The State presently believes that, with modifications to existing software and converting to new software, the year 2000 problem will not post significant operational problems for the State's computer systems as so modified and converted. However, if such modifications and conversions are not completed in a timely manner, the year 2000 problem may have a material impact on the operations of the State.

C. Litigation

The State, its units and employees are parties to numerous legal proceedings many of which normally occur in governmental operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the State.

Note 24

SUBSEQUENT EVENTS

In August, \$260 million of general obligation bonds were issued, maturing at various dates through 2017 and having interest rates of 4.25% to 5.5%.

In September, \$126.8 million of general obligation bonds were issued. These bonds were issued for the purpose of advance refunding and will mature at various dates through 2012, bearing interest rates of 4% to 5.5%.

Also in September, the State issued \$110 million of Special Obligation Clean Water Fund Revenue Bonds maturing at various dates through 2020 and having interest rates of 4.35% to 6%. Additionally, \$24.2 million of general obligation bonds were issued in conjunction with Clean Water Revenue Bonds. These bonds mature at various dates through 2020 and bear interest rates of 5.081%.

In October, \$215.4 million of special tax obligation bonds for transportation infrastructure programs were issued. These consisted of \$150 million of serial bonds and \$65.4 million of refunding serial bonds maturing on various dates through 2017 and bearing interest rates of 4% to 6%. The refunding bonds were used to advance refund of \$63.7 million of bonds bearing interest rates of 6.1% to 6.6%.

Required

PERS

Supplementary

Information

STATE OF CONNECTICUT

Required Supplementary Information

Schedules of Funding Progress

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
SERS						
6/30/91	\$3,208.0	\$5,982.7	\$2,774.7	53.6%	\$1,956.6	141.8%
6/30/92	\$3,425.9	\$6,668.7	\$3,242.8	51.4%	\$1,931.4	167.9%
6/30/93	\$3,696.2	\$7,189.7	\$3,493.5	51.4%	\$2,144.8	162.9%
6/30/94	\$3,944.5	\$7,329.2	\$3,384.7	53.8%	\$2,155.9	157.0%
6/30/95	\$4,209.2	\$7,838.2	\$3,629.0	53.7%	\$2,325.8	156.0%
6/30/96	\$4,604.2	\$8,335.1	\$3,730.9	55.2%	\$2,385.5	156.4%
TRS						
6/30/91	\$4,692.0	\$8,152.7	\$3,460.7	57.6%	\$1,792.5	193.1%
6/30/92	\$4,848.0	\$7,278.2	\$2,430.2	66.6%	\$1,841.9	131.9%
6/30/93 *	-	-	-	-	-	-
6/30/94	\$5,602.1	\$8,222.6	\$2,620.5	68.1%	\$2,030.4	129.1%
6/30/95 *	-	-	-	-	-	-
6/30/96	\$6,648.2	\$9,626.8	\$2,978.6	69.1%	\$2,151.6	138.4%
*No actuarial valuations were performed as of June 30, 1993 and June 30, 1995.						
JRS						
9/30/91	\$47.1	\$120.4	\$73.3	39.1%	\$15.3	479.1%
9/30/92	\$52.0	\$130.6	\$78.6	39.8%	\$16.2	485.2%
9/30/93	\$57.2	\$141.3	\$84.1	40.5%	\$18.1	464.6%
9/30/94	\$63.2	\$148.0	\$84.8	42.7%	\$18.5	458.4%
9/30/95	\$70.5	\$154.7	\$84.2	45.6%	\$19.2	438.5%
9/30/96	\$77.8	\$161.5	\$83.7	48.2%	\$19.5	429.2%
MERS						
6/30/91	\$489.0	\$533.0	\$44.0	91.7%	\$195.0	22.6%
6/30/92	\$545.0	\$539.0	\$(6.0)	101.1%	\$203.0	(3.0)%
6/30/93	\$601.0	\$586.0	\$(15.0)	102.6%	\$214.6	(7.0)%
6/30/94	\$653.0	\$635.0	\$(18.0)	102.8%	\$226.0	(8.0)%
6/30/95	\$711.0	\$661.0	\$(50.0)	107.6%	\$237.0	(21.1)%
6/30/96	\$782.0	\$692.2	\$(89.8)	113.0%	\$242.8	(37.0)%
PJRS						
6/30/90	\$28.8	\$27.5	\$(1.3)	104.7%	\$6.8	(19.1)%
6/30/91	\$31.2	\$30.5	\$(0.7)	102.3%	\$7.7	(9.1)%
6/30/92	\$33.0	\$32.5	\$(0.5)	101.5%	\$8.0	(6.3)%
6/30/93	\$34.8	\$34.7	\$(0.1)	100.3%	\$8.2	(1.2)%
6/30/94	\$36.2	\$40.3	\$4.1	89.8%	\$8.6	47.7%
6/30/95	\$39.1	\$42.9	\$3.8	91.1%	\$8.9	42.7%

STATE OF CONNECTICUT

Required Supplementary Information

Schedules of Employer Contributions

(Expressed in Millions)

Fiscal Year	<u>SERS</u>		<u>TRS</u>		<u>JRS</u>		<u>MERS</u>		<u>PJRS</u>	
	Annual Required Contribution	Percentage Contributed								
1992	\$431.2	58.1%	\$308.7	43.1%	\$7.1	99.6%	\$22.4	100.0%	\$-	0.0%
1993	\$444.2	65.5%	\$299.6	37.3%	\$7.8	100.0%	\$24.1	100.0%	\$-	0.0%
1994	\$480.4	64.6%	\$145.8	85.2%	\$8.3	100.0%	\$23.1	100.0%	\$-	0.0%
1995	\$535.3	54.3%	\$154.0	86.0%	\$9.0	100.0%	\$22.2	100.0%	\$-	0.0%
1996	\$501.1	66.9%	\$164.7	85.0%	\$9.2	100.0%	\$23.2	100.0%	\$0.35	100.0%
1997	\$542.8	64.3%	\$174.0	85.0%	\$9.3	100.0%	\$21.3	100.0%	\$0.32	100.0%

Note: During 1992-1995, the only contributions to the Probate Judges Retirement System were the required member contributions.

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

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>	<u>MERS</u>	<u>PJRS</u>
Valuation date	6/30/96	6/30/96	9/30/96	6/30/96	12/31/95
Actuarial cost method	Projected unit credit	Entry age	Projected unit credit	Entry age	Entry age
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay	Flexible amortization	-
Remaining amortization period	36 years	17-36 years	35 years	25 years	
Asset valuation method	5 year smoothed market	4 year smoothed market	4 year smoothed market	Adjusted market	Adjusted market
Actuarial assumptions:					
Investment rate of return	8.5%	8.5%	8.5%	8.5%	8.5%
Projected salary increases	3.3-14.0%	5.0-8.1%	5.5%	7.0-7.5%	7.50%
Includes inflation at	n/a	5%	5.5%	4.5%	3.5%
Cost-of-living adjustment	3.0-4.5%	4%	3.0-5.5%	3.0-5.0%	3%

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*Combining
Financial
Statements*

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STATE OF CONNECTICUT

Special Revenue Funds

Special Revenue funds account for the proceeds of specific revenue sources (other than expendable trusts, major capital projects, and higher education sources) that are legally restricted for specified purposes. Significant Special Revenue Funds include the following:

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.

Workers' Compensation Administration:

to account for assessments collected for the purpose of covering the administrative costs of the Workers' Compensation Commission.

Banking:

to account for monies collected from various banking institutions throughout the state.

Consumer Counsel and Public Utility Control:

to account for monies collected from various public utility companies.

Insurance:

to account for monies collected from authorized insurers within the state.

Criminal Injuries Compensation:

to account for monies collected from the criminal injuries board.

Regional Market Fund:

to account for rents and other monies collected for the purpose of providing for the payment of expenses relating to the operation and maintenance of the regional market.

Mashantucket Pequot Fund:

to account for casino gambling monies collected from the Mashantucket Pequot Tribe in Ledyard to be used for the purpose of distribution to towns.

Soldiers, Sailors, and Marines Fund:

to account for interest earned for the purpose of furnishing food, wearing apparel, medical or surgical care, or funeral expenses of soldiers, sailors, and marines who served in any branch of military service.

Employment Security Administration:

to account for monies collected from various sources for the purpose of defraying the cost of the administration of unemployment compensation.

Grants and Loan Programs:

to account for monies collected for the purpose of giving various grants to local governments, organizations, and individuals.

Environmental Programs:

to account for monies collected for the purpose of providing funds for various environmental programs throughout the state.

Housing Programs:

to account for monies collected for the purpose of providing funds for various housing programs throughout the state.

STATE OF CONNECTICUT

Combining Balance Sheet

Special Revenue Funds

June 30, 1997

(Expressed in Thousands)

		Workers'	Consumer	Criminal		
	Transportation	Compensation	Banking	Control	Insurance	Injuries
Assets:						
Cash and Cash Equivalents.....	\$ 83,138	\$ 11,193	\$10,880	\$ 2,362	\$ 5,877	\$ 1,463
Investments:						
Other.....	-	-	-	-	-	-
Receivables:						
Taxes.....	47,015	-	-	-	-	-
Accounts, Net of Allowances.....	3,286	-	-	-	-	-
Loans, Net of Allowances.....	-	-	-	-	-	-
Interest.....	-	-	-	-	-	-
Federal Grants Receivable.....	6,910	-	-	-	-	-
Non Federal Grants Receivable.....	10,347	-	-	-	-	-
Due From Other Funds.....	9,445	178	-	-	-	76
Advances to Other Funds.....	-	-	-	-	-	-
Receivable From Other Governments.....	5,510	-	-	-	-	-
Inventories and Prepaid Items.....	11,287	-	-	-	-	-
Total Assets.....	\$ 176,938	\$ 11,371	\$10,880	\$ 2,362	\$ 5,877	\$ 1,539
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable and Accrued Liabilities.....	\$ 23,374	\$ 792	\$ 420	\$ 2,229	\$ 554	\$ 215
Due to Other Funds.....	762	157	218	181	187	-
Due to Component Units.....	-	-	-	-	-	-
Deferred Revenue.....	14,776	-	-	1,579	3,090	-
Total Liabilities.....	38,912	949	638	3,989	3,831	215
Fund Balances:						
Reserved for Inventories.....	11,287	-	-	-	-	-
Reserved for Loans.....	-	-	-	-	-	-
Reserved for Continuing Appropriations.....	19,564	925	1,000	-	-	-
Unreserved, undesignated.....	107,175	9,497	9,242	(1,627)	2,046	1,324
Total Fund Balances.....	138,026	10,422	10,242	(1,627)	2,046	1,324
Total Liabilities and Fund Balances.....	\$ 176,938	\$ 11,371	\$10,880	\$ 2,362	\$ 5,877	\$ 1,539

Mashantucket Pequot Fund	Regional Market	Soldiers, Sailors & Marines	Employment Security Administration	Grant & Loan Programs	Environmental Programs	Housing Programs	Other	Total
\$ 9	\$ 177	\$ -	\$ 12,213	\$ 166,551	\$ 64,310	\$ 6,513	\$ 59,685	\$ 424,371
-	-	-	-	-	22,822	-	-	22,822
-	-	-	-	-	-	-	-	47,015
-	-	-	-	558	-	938	3,995	8,777
-	-	-	-	110,947	67,585	209,294	-	387,826
-	-	-	-	488	33	39	39	599
-	-	-	-	-	-	-	-	6,910
-	-	-	-	-	-	-	-	10,347
-	-	1,030	2,016	-	74	-	-	12,819
-	-	-	-	-	-	-	4,532	4,532
-	-	-	13,863	115	-	2,726	-	22,214
-	-	-	-	-	-	-	-	11,287
\$ 9	\$ 177	\$ 1,030	\$ 28,092	\$ 278,659	\$ 154,824	\$ 219,510	\$ 68,251	\$ 959,519
\$ -	\$ 28	\$ 81	\$ 7,573	\$ 12,213	\$ 3,221	\$ 243	\$ 4,840	\$ 55,783
-	11	949	1,119	18	269	87	134	4,092
-	-	-	-	12,235	-	-	-	12,235
-	-	-	1,112	473	3,192	3,391	4	27,617
-	39	1,030	9,804	24,939	6,682	3,721	4,978	99,727
-	-	-	-	-	-	-	-	11,287
-	-	-	-	110,947	67,585	209,294	-	387,826
-	-	-	-	-	-	-	-	21,489
9	138	-	18,288	142,773	80,557	6,495	63,273	439,190
9	138	-	18,288	253,720	148,142	215,789	63,273	859,792
\$ 9	\$ 177	\$ 1,030	\$ 28,092	\$ 278,659	\$ 154,824	\$ 219,510	\$ 68,251	\$ 959,519

STATE OF CONNECTICUT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Funds

For The Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

		Workers'	Consumer	Criminal		
	Transportation	Compensation	Banking	Public Utility	Control	Insurance
						Injuries
Revenues:						
Taxes.....	\$ 544,342	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees.....	264,571	-	11,939	7	325	1,510
Intergovernmental.....	76,075	-	-	-	-	6
Charges for Services.....	22,004	-	-	-	-	-
Fines, Forfeits and Rents.....	-	-	241	34	-	-
Investment Earnings.....	11,598	973	-	-	-	72
Miscellaneous.....	-	6,774	75	12,838	13,031	27
Total Revenues.....	918,590	7,747	12,255	12,879	13,356	1,615
Expenditures:						
Current:						
General Government.....	2,351	-	-	-	1,241	-
Regulation and Protection.....	111,442	19,528	11,879	12,794	11,859	-
Consevation & Development.....	-	-	-	-	-	-
Health & Hospitals.....	-	-	-	-	-	-
Transportation.....	357,061	-	-	-	-	-
Human Services.....	-	-	-	-	-	-
Education, Libraries, and Museums.....	-	-	-	-	-	-
Corrections.....	-	-	-	-	-	-
Judicial.....	-	-	-	-	-	1,396
Federal and Other Grants.....	72,512	-	-	-	-	-
Debt Service:						
Principal Retirement.....	7,113	-	-	-	-	-
Interest and Fiscal Charges.....	38,254	-	-	-	-	-
Total Expenditures.....	588,733	19,528	11,879	12,794	13,100	1,396
Excess (Deficiency) of Revenues						
Over Expenditures.....	329,857	(11,781)	376	85	256	219
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds.....	-	-	-	-	-	-
Operating Transfers In.....	30,802	-	-	-	-	-
Operating Transfers Out.....	(313,223)	-	-	-	-	-
Capital Lease Obligations.....	98	28	-	4	-	-
Total Other Financing Sources (Uses).....	(282,323)	28	-	4	-	-
Excess (Deficiency) of Revenues and Other						
Sources Over Expenditures and Other Uses.....	47,534	(11,753)	376	89	256	219
Fund Balances (deficit) - July 1 (as restated).....	92,193	22,175	9,866	(1,716)	1,790	1,105
Equity Trans. to Component Units Contributed Capital..	-	-	-	-	-	-
Changes in Reserves for Inventories.....	(1,701)	-	-	-	-	-
Fund Balances (deficit) - June 30.....	\$ 138,026	\$ 10,422	\$10,242	\$ (1,627)	\$ 2,046	\$ 1,324

Mashantucket Pequot Fund	Regional Market	Soldiers, Sailors & Marines	Employment Security Administration	Grant & Loan Programs	Environmental Programs	Housing Programs	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,096	\$ -	\$ 1	\$ 557,439
-	33	-	2	-	13,869	-	30,271	322,527
-	-	-	115,334	-	150	-	6,572	198,137
-	-	-	4	-	1,940	-	901	24,849
-	804	-	-	-	102	-	295	1,476
-	8	-	696	3,848	2,335	1,338	1,105	21,973
-	14	-	723	7,354	1,250	2,299	8,134	52,519
-	859	-	116,759	11,202	32,742	3,637	47,279	1,178,920
85,000	-	213	-	40,561	2,383	2,300	27,879	161,928
-	-	194	106,812	982	-	-	23,518	299,008
-	647	-	-	91,216	48,510	43,390	525	184,288
-	-	-	-	1,477	-	-	1,176	2,653
-	-	-	-	2,571	-	-	84	359,716
-	-	2,893	-	12,474	-	100	1,201	16,668
-	-	-	-	157,477	-	-	1,530	159,007
-	-	-	-	3,539	-	-	1,606	5,145
-	-	-	-	-	-	-	12,860	14,256
-	-	-	-	-	-	-	-	72,512
-	135	-	-	-	-	-	-	7,248
-	72	-	-	-	487	-	-	38,813
85,000	854	3,300	106,812	310,297	51,380	45,790	70,379	1,321,242
(85,000)	5	(3,300)	9,947	(299,095)	(18,638)	(42,153)	(23,100)	(142,322)
-	-	-	-	323,611	28,235	34,878	42,000	428,724
85,000	-	3,300	4,392	2,010	456	-	-	125,960
-	-	-	-	(250)	(14,463)	(1,996)	(688)	(330,620)
-	-	-	-	40	254	3	5	432
85,000	-	3,300	4,392	325,411	14,482	32,885	41,317	224,496
-	5	-	14,339	26,316	(4,156)	(9,268)	18,217	82,174
9	133	-	3,949	246,964	152,298	225,057	45,056	798,879
-	-	-	-	(19,560)	-	-	-	(19,560)
-	-	-	-	-	-	-	-	(1,701)
\$ 9	\$ 138	\$ -	\$ 18,288	\$ 253,720	\$ 148,142	\$ 215,789	\$ 63,273	\$ 859,792

STATE OF CONNECTICUT
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
Budgeted Special Revenue Funds

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	<u>Transportation</u>			<u>Workers' Compensation</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:						
Budgeted						
Taxes, Net of Refunds.....	\$ 546,700	\$ 544,592	\$ (2,108)	\$ -	\$ -	\$ -
Operating Transfers In.....	-	-	-	-	-	-
Licenses, Permits, and Fees.....	264,900	264,250	(650)	-	-	-
Other.....	41,500	42,006	506	21,000	7,748	(13,252)
Federal Grants.....	3,600	3,563	(37)	-	-	-
Operating Transfers Out.....	(250)	(250)	-	-	-	-
Total Budgeted.....	856,450	854,161	(2,289)	21,000	7,748	(13,252)
Federal and Other Restricted.....	71,406	71,406	-	-	-	-
Total Revenues.....	927,856	925,567	(2,289)	21,000	7,748	(13,252)
Expenditures:						
Budgeted						
General Government.....	2,560	2,417	143	-	-	-
Regulation and Protection.....	87,951	85,826	2,125	21,934	19,797	2,137
Conservation and Development.....	-	-	-	-	-	-
Transportation.....	307,687	295,823	11,864	-	-	-
Human Services.....	-	-	-	-	-	-
Non Functional.....	452,499	425,096	27,403	-	-	-
Appropriations Lapsed.....	(21,971)	-	(21,971)	(600)	-	(600)
Total Budgeted.....	828,726	809,162	19,564	21,334	19,797	1,537
Federal and Other Restricted.....	71,406	71,406	-	-	-	-
Total Expenditures.....	900,132	880,568	19,564	21,334	19,797	1,537
Excess (Deficiency) of Revenues						
Over Expenditures.....	27,724	44,999	17,275	(334)	(12,049)	(11,715)
Other Financing Sources (Uses):						
Prior Year Appropriations Carried Forward.....	16,905	16,905	-	1,266	1,266	-
Appropriations Continued to Fiscal Year 1997-98.....	-	(19,564)	(19,564)	-	(925)	(925)
Transfers Between Funds.....	-	-	-	-	-	-
Miscellaneous Adjustments.....	-	569	569	-	-	-
Total Other Financing Sources (Uses).....	16,905	(2,090)	(18,995)	1,266	341	(925)
Excess (Deficiency) of Revenues and Other						
Sources Over Expenditures and Other Uses.....	\$ 44,629	42,909	\$ (1,720)	\$ 932	(11,708)	\$ (12,640)
Budgetary Fund Balances - July 1.....		257,908			23,420	
Changes in Reserves.....		49,784			(341)	
Budgetary Fund Balances - June 30.....		\$ 350,601			\$ 11,371	

<u>Banking</u>			<u>Consumer Counsel & Public Utility Control</u>			<u>Insurance</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
15,100	12,256	(2,844)	-	-	-	-	-	-
-	-	-	14,200	12,577	(1,623)	12,100	12,290	190
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>15,100</u>	<u>12,256</u>	<u>(2,844)</u>	<u>14,200</u>	<u>12,577</u>	<u>(1,623)</u>	<u>12,100</u>	<u>12,290</u>	<u>190</u>
-	-	-	-	-	-	325	325	-
<u>15,100</u>	<u>12,256</u>	<u>(2,844)</u>	<u>14,200</u>	<u>12,577</u>	<u>(1,623)</u>	<u>12,425</u>	<u>12,615</u>	<u>190</u>
-	-	-	-	-	-	-	-	-
15,868	11,852	4,016	14,133	12,164	1,969	12,412	11,380	1,032
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(500)	-	(500)	(400)	-	(400)	(315)	-	(315)
<u>15,368</u>	<u>11,852</u>	<u>3,516</u>	<u>13,733</u>	<u>12,164</u>	<u>1,569</u>	<u>12,097</u>	<u>11,380</u>	<u>717</u>
-	-	-	-	-	-	143	143	-
<u>15,368</u>	<u>11,852</u>	<u>3,516</u>	<u>13,733</u>	<u>12,164</u>	<u>1,569</u>	<u>12,240</u>	<u>11,523</u>	<u>717</u>
<u>(268)</u>	<u>404</u>	<u>672</u>	<u>467</u>	<u>413</u>	<u>(54)</u>	<u>185</u>	<u>1,092</u>	<u>907</u>
750	750	-	-	-	-	-	-	-
-	(1,000)	(1,000)	-	-	-	-	-	-
-	-	-	-	-	-	-	(158)	(158)
-	-	-	-	12	12	-	(30)	(30)
<u>750</u>	<u>(250)</u>	<u>(1,000)</u>	<u>-</u>	<u>12</u>	<u>12</u>	<u>-</u>	<u>(188)</u>	<u>(188)</u>
<u>\$ 482</u>	154	<u>\$ (328)</u>	<u>\$ 467</u>	425	<u>\$ (42)</u>	<u>\$ 185</u>	904	<u>\$ 719</u>
	10,475			1,937			4,973	
	250			-			-	
	<u>\$ 10,879</u>			<u>\$ 2,362</u>			<u>\$ 5,877</u>	

Continued on next page

STATE OF CONNECTICUT
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
Budgeted Special Revenue Funds (Continued)

For the Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	<u>Criminal Injuries Compensation</u>			<u>Mashantucket Pequot Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:						
Budgeted						
Taxes, Net of Refunds.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In.....	-	-	-	85,000	85,000	-
Licenses, Permits, and Fees.....	-	-	-	-	-	-
Other.....	1,500	1,615	115	-	-	-
Federal Grants.....	-	-	-	-	-	-
Operating Transfers Out.....	-	-	-	-	-	-
Total Budgeted.....	1,500	1,615	115	85,000	85,000	-
Federal and Other Restricted.....	-	-	-	-	-	-
Total Revenues.....	1,500	1,615	115	85,000	85,000	-
Expenditures:						
Budgeted						
General Government.....	-	-	-	-	-	-
Regulation and Protection.....	1,500	1,500	-	-	-	-
Conservation and Development.....	-	-	-	-	-	-
Transportation.....	-	-	-	-	-	-
Human Services.....	-	-	-	-	-	-
Non Functional.....	-	-	-	85,000	85,000	-
Appropriations Lapsed.....	-	-	-	-	-	-
Total Budgeted.....	1,500	1,500	-	85,000	85,000	-
Federal and Other Restricted.....	-	-	-	-	-	-
Total Expenditures.....	1,500	1,500	-	85,000	85,000	-
Excess (Deficiency) of Revenues						
Over Expenditures.....	-	115	115	-	-	-
Other Financing Sources (Uses):						
Prior Year Appropriations Carried Forward.....	-	-	-	-	-	-
Appropriations Continued to Fiscal Year 1997-98.....	-	-	-	-	-	-
Transfers Between Funds.....	-	-	-	-	-	-
Miscellaneous Adjustments.....	-	-	-	-	-	-
Total Other Financing Sources (Uses).....	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other						
Sources Over Expenditures and Other Uses.....	\$ -	115	\$ 115	\$ -	-	\$ -
Budgetary Fund Balances - July 1.....		1,424			9	
Changes in Reserves.....		-			-	
Budgetary Fund Balances - June 30.....		\$ 1,539			\$ 9	

<u>Regional Market</u>			<u>Soldiers, Sailors, and Marines</u>			<u>Total</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 546,700	\$ 544,592	\$ (2,108)
-	-	-	-	-	-	85,000	85,000	-
-	-	-	-	-	-	280,000	276,506	(3,494)
1,000	860	(140)	3,800	3,236	(564)	95,100	80,332	(14,768)
-	-	-	-	-	-	3,600	3,563	(37)
-	-	-	-	-	-	(250)	(250)	-
<u>1,000</u>	<u>860</u>	<u>(140)</u>	<u>3,800</u>	<u>3,236</u>	<u>(564)</u>	<u>1,010,150</u>	<u>989,743</u>	<u>(20,407)</u>
-	-	-	-	-	-	71,731	71,731	-
<u>1,000</u>	<u>860</u>	<u>(140)</u>	<u>3,800</u>	<u>3,236</u>	<u>(564)</u>	<u>1,081,881</u>	<u>1,061,474</u>	<u>(20,407)</u>
-	-	-	253	215	38	2,813	2,632	181
-	-	-	200	200	-	153,998	142,719	11,279
783	645	138	-	-	-	783	645	138
-	-	-	-	-	-	307,687	295,823	11,864
-	-	-	3,536	2,854	682	3,536	2,854	682
207	207	-	-	-	-	537,706	510,303	27,403
(20)	-	(20)	(170)	-	(170)	(23,976)	-	(23,976)
<u>970</u>	<u>852</u>	<u>118</u>	<u>3,819</u>	<u>3,269</u>	<u>550</u>	<u>982,547</u>	<u>954,976</u>	<u>27,571</u>
-	-	-	-	-	-	71,549	71,549	-
<u>970</u>	<u>852</u>	<u>118</u>	<u>3,819</u>	<u>3,269</u>	<u>550</u>	<u>1,054,096</u>	<u>1,026,525</u>	<u>27,571</u>
<u>30</u>	<u>8</u>	<u>(22)</u>	<u>(19)</u>	<u>(33)</u>	<u>(14)</u>	<u>27,785</u>	<u>34,949</u>	<u>7,164</u>
-	-	-	-	-	-	18,921	18,921	-
-	-	-	-	-	-	-	(21,489)	(21,489)
-	-	-	-	-	-	-	(158)	(158)
-	-	-	-	-	-	-	551	551
-	-	-	-	-	-	<u>18,921</u>	<u>(2,175)</u>	<u>(21,096)</u>
<u>\$ 30</u>	<u>8</u>	<u>\$ (22)</u>	<u>\$ (19)</u>	<u>(33)</u>	<u>\$ (14)</u>	<u>\$ 46,706</u>	<u>32,774</u>	<u>\$ 28,260</u>
	169			(270)			300,045	
	-			-			49,693	
	<u>\$ 177</u>			<u>(303)</u>			<u>\$ 382,512</u>	

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STATE OF CONNECTICUT

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure (other than those financed by proprietary funds, trust funds, and higher education and university hospital funds). Significant Capital Projects Funds are described as follows:

State Facilities:

to account for proceeds of bond issues and other sources and the subsequent expenditures for the construction of various state buildings and structures.

Other Transportation:

to account for the proceeds of bond issues and related grants to be used for other transportation related capital projects.

Infrastructure:

to account for the proceeds of bond issues and related capital project grants to finance the state's transportation infrastructure program over a ten-year period. This program encompasses the planning, acquisition, removal, construction, equipping, reconstruction, repair, rehabilitation and improvement of, and acquisition of easements and rights-of-way with respect to, State highways and bridges, projects on the interstate highway system, alternate highway projects in the interstate substitution program (the "interstate trade-in program"), waterway facilities, aeronautic facilities (excluding Bradley International Airport), the highway safety program, maintenance garages and administrative facilities of the Department, payment of the State's share of the costs of the local bridge program and payment of State contributions to the local bridge revolving fund.

STATE OF CONNECTICUT

Balance Sheet

Capital Projects Funds

June 30, 1997

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infra- Structure</u>	<u>Transportation</u>	<u>Total</u>
Assets:				
Cash and Cash Equivalents.....	\$ 232,339	\$ 73,423	\$ 38,628	\$ 344,390
Receivables:				
Accounts, Net of Allowances.....	5	486	218	709
Federal Grants Receivable.....	-	11,002	506	11,508
Due From Other Funds.....	12,969	4,441	-	17,410
Receivable From Other Governments.....	63	50,263	585	50,911
Total Assets.....	\$ 245,376	\$ 139,615	\$ 39,937	\$ 424,928
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities.....	\$ 30,186	\$ 61,205	\$ 1,406	\$ 92,797
Due to Other Funds.....	18,550	1,070	78	19,698
Deferred Revenue.....	5	1,698	218	1,921
Total Liabilities.....	48,741	63,973	1,702	114,416
Fund Balances:				
Unreserved, undesignated.....	196,635	75,642	38,235	310,512
Total Fund Balances.....	196,635	75,642	38,235	310,512
Total Liabilities and Fund Balances.....	\$ 245,376	\$ 139,615	\$ 39,937	\$ 424,928

STATE OF CONNECTICUT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Capital Projects Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infra- Structure</u>	<u>Transportation</u>	<u>Total</u>
Revenues:				
Intergovernmental.....	\$ 519	\$ 381,813	\$ 19,667	\$ 401,999
Miscellaneous.....	-	173	-	173
Total Revenues.....	<u>519</u>	<u>381,986</u>	<u>19,667</u>	<u>402,172</u>
Expenditures:				
Capital Projects.....	178,054	598,393	24,833	801,280
Total Expenditures.....	<u>178,054</u>	<u>598,393</u>	<u>24,833</u>	<u>801,280</u>
Excess (Deficiency) of Revenues Over Expenditures.....	<u>(177,535)</u>	<u>(216,407)</u>	<u>(5,166)</u>	<u>(399,108)</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Bonds.....	290,002	136,480	665	427,147
Operating Transfers Out.....	(133,579)	-	-	(133,579)
Total Other Financing Sources (Uses).....	<u>156,423</u>	<u>136,480</u>	<u>665</u>	<u>293,568</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses.....	<u>(21,112)</u>	<u>(79,927)</u>	<u>(4,501)</u>	<u>(105,540)</u>
Fund Balances (deficit) - July 1.....	<u>217,747</u>	<u>155,569</u>	<u>42,736</u>	<u>416,052</u>
Fund Balances (deficit) - June 30	<u>\$ 196,635</u>	<u>\$ 75,642</u>	<u>\$ 38,235</u>	<u>\$ 310,512</u>

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STATE OF CONNECTICUT

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Significant Enterprise Funds of the State of Connecticut are described as follows:

Rental Housing Fund:

The Rental Housing Fund is used to account for the financing of various housing programs offered by the State from bond proceeds and the retirement of such obligations. Revenue is received from interest earned on program loans and investment income.

Bradley International Airport:

The airport is owned by the State of Connecticut and is operated by the Bureau of Aeronautics of the State of Connecticut, Department of Transportation. In 1982, the State issued the Airport, 1982 series, Revenue Bonds in the aggregate principal amount of \$100,000,000. The bonds were refunded in 1992 with the issuance of \$94,065,000 in refunding bonds. The refunding bonds are secured by and payable solely from the gross operating revenues generated by the State from the operations of the Airport and other receipts, funds or monies pledged in the Indenture.

John Dempsey Hospital:

Accounts for the assets, liabilities, revenues and expenses of the Hospital including the Dental Clinics and the Thames River Campus. The Governor appoints the Board of Trustees of the University of Connecticut Health Center, including the Hospital. The Hospital's fiscal year is for the period ending September 30, 1996.

The Connecticut Lottery Corporation:

The Connecticut Lottery Corporation, a public instrumentality and political subdivision of the State of Connecticut was created on July 1, 1996 for the purpose of generating revenues for the State of Connecticut's General Fund through the operation of a lottery.

STATE OF CONNECTICUT

Combining Balance Sheet

Enterprise Funds

June 30, 1997

(Expressed in Thousands)

	Rental Housing	Bradley International Airport	John Dempsey Hospital (9-30-96)	Connecticut Lottery Corporation	Other	Total
Assets:						
Cash and Cash Equivalents.....	\$ -	\$ 11,757	\$ 26,716	\$ 20,249	\$ 785	\$ 59,507
Investments:						
Other.....	59,590	-	211	30,507	-	90,308
Receivables:						
Accounts, Net of Allowances.....	-	3,142	30,764	11,111	349	45,366
Loans, Net of Allowances.....	90,835	-	-	-	-	90,835
Interest.....	8,414	-	7	-	-	8,421
Due From Other Funds.....	5,426	-	1,708	7,953	-	15,087
Receivable From Other Governments.....	-	296	-	-	-	296
Inventories and Prepaid Items.....	-	116	2,124	-	22	2,262
Restricted Assets.....	-	56,187	9,712	-	-	65,899
Property, Plant & Equipment.....	11	131,724	64,929	1,054	61	197,779
Other Assets.....	-	3,856	-	5,087	-	8,943
Total Assets.....	\$ 164,276	\$ 207,078	\$ 136,171	\$ 75,961	\$ 1,217	\$ 584,703
Liabilities and Equity:						
Liabilities:						
Accounts Payable and Accrued Liabilities...	\$ 3,555	\$ 5,143	\$ 21,185	\$ 66,634	\$ 127	\$ 96,644
Due to Other Funds.....	3,893	633	6,779	-	9	11,314
Deferred Revenue.....	-	-	-	856	6	862
Malpractice Liability.....	-	-	8,788	-	-	8,788
Revenue Bonds.....	121,455	87,720	1,542	-	-	210,717
Compensated Absences.....	-	-	-	-	22	22
Total Liabilities.....	128,903	93,496	38,294	67,490	164	328,347
Equity:						
Contributed Capital.....	-	101,361	-	-	350	101,711
Retained Earnings:						
Reserved for Lottery Operations.....	-	-	-	8,471	-	8,471
Reserved for Airport Operations.....	-	29,712	-	-	-	29,712
Unreserved.....	35,373	(17,491)	97,877	-	703	116,462
Total Retained Earnings.....	35,373	12,221	97,877	8,471	703	154,645
Total Equity.....	35,373	113,582	97,877	8,471	1,053	256,356
Total Liabilities and Equity.....	\$ 164,276	\$ 207,078	\$ 136,171	\$ 75,961	\$ 1,217	\$ 584,703

STATE OF CONNECTICUT

Combining Statement of Revenues, Expenses and Changes in Retained Earnings Enterprise Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Rental Housing	Bradley International Airport	John Dempsey Hospital (9-30-96)	Connecticut Lottery Corporation	Other	Total
Operating Revenues:						
Charges for Services.....	\$ -	\$ 32,731	\$ -	\$ -	\$ 2,201	\$ 34,932
Interest on Financing Activities.....	3,001	-	-	-	-	3,001
Patient Service Revenue.....	-	-	128,551	-	-	128,551
Lottery Sales.....	-	-	-	769,790	-	769,790
Miscellaneous.....	-	-	1,321	-	27	1,348
Total Operating Revenues.....	3,001	32,731	129,872	769,790	2,228	937,622
Operating Expenses:						
Administrative.....	72	19,746	36,972	6,493	2,303	65,586
Cost of Sale & Services.....	-	-	-	510,369	-	510,369
Depreciation and Amortization.....	4	7,982	6,002	351	8	14,347
Interest on Financing Activities.....	7,814	-	-	-	-	7,814
Patient Care.....	-	-	83,056	-	-	83,056
Total Operating Expenses.....	7,890	27,728	126,030	517,213	2,311	681,172
Operating Income (Loss).....	(4,889)	5,003	3,842	252,577	(83)	256,450
Nonoperating Revenues (Expenses):						
Interest and Investment Income.....	4,328	3,721	775	2,061	-	10,885
Interest and Fiscal Charges.....	-	(6,718)	(51)	(1,239)	-	(8,008)
Other.....	-	2,342	-	113	-	2,455
Total Nonoperating Income (Expense).....	4,328	(655)	724	935	-	5,332
Income (Loss) Before Operating Transfers	(561)	4,348	4,566	253,512	(83)	261,782
Operating Transfers:						
Operating Transfers In.....	4,849	-	160	-	-	5,009
Operating Transfers Out.....	(408)	-	-	(252,993)	-	(253,401)
Net Income (Loss).....	3,880	4,348	4,726	519	(83)	13,390
Retained Earnings (deficit) - July 1 (as restated).	31,493	7,873	93,468	-	786	133,620
Residual Equity Transfer Out.....	-	-	(317)	-	-	(317)
Residual Equity Transfer In.....	-	-	-	7,952	-	7,952
Retained Earnings (deficit) - June 30.....	\$ 35,373	\$ 12,221	\$ 97,877	\$ 8,471	\$ 703	\$ 154,645

STATE OF CONNECTICUT

Combining Statement of Cash Flows

Enterprise Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Rental Housing	Bradley International Airport	John Dempsey Hospital (9-30-96)
Cash Flows From Operating Activities:			
Operating Income (Loss).....	\$ (4,889)	\$ 5,003	\$ 3,842
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Amortization and Depreciation.....	4	7,982	6,002
Provision for Loan Losses.....	39		4,353
Interest Expense.....	7,814		-
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables.....	2,544	6	(12,598)
(Increase) Decrease in Due From Other Funds.....	(5,425)	-	(547)
(Increase) Decrease in Receivable From Other Governments.....	-	3,292	-
(Increase) Decrease in Inventories and Prepaid Items.....	-	(25)	(87)
Increase (Decrease) in Accounts Payable & Accrued Liabilit	(56)	153	(2,693)
Increase (Decrease) in Due to Other Funds.....	3,222	(1,144)	3,480
Miscellaneous Operating Activities.....	(29)	(24)	-
Net Cash Provided by (Used in) Operating Activities.....	3,224	15,243	1,752
Cash Flows From Noncapital Financing Activities:			
Retirement of Bonds and Notes Payable.....	(2,175)	-	-
Interest on Bonds and Notes Payable.....	(7,899)	-	-
Transfers From Other Funds.....	4,647	-	160
Transfers to Other Funds.....	(408)	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities.....	(5,835)	-	160
Cash Flows From Capital And Related Financing Activities:			
Purchase of Fixed Assets.....	-	(1,661)	(6,249)
Retirement of Bonds Payable.....	-	(2,820)	(216)
Interest on Bonds and Notes Payable.....	-	(6,771)	(54)
Capital Contributions or Grants.....	-	58	-
Miscellaneous Capital and Related Financing Activities-Deleti	-	-	(1,130)
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	-	(11,194)	(7,649)
Cash Flows From Investing Activities:			
Proceeds From Sale of Investment Securities.....	5,826	9,000	137
Purchase of Investment Securities.....	(11,997)	-	-
Interest and Income on Investments.....	4,146	3,679	740
Net Cash Provided by (Used in) Investing Activities.....	(2,025)	12,679	877
Increase (Decrease) in Cash.....	(4,636)	16,728	(4,860)
Cash and Cash Equivalents, July 1.....	4,636	50,164	40,090
Cash and Cash Equivalents, June 30.....	\$ -	\$ 66,892	\$ 35,230

<u>Connecticut Lottery Corporation</u>	<u>Other</u>	<u>Total</u>
\$ 252,577	\$ (83)	\$ 256,450
351	8	14,347
35	-	4,427
	-	7,814
(11,092)	51	(21,089)
-	-	(5,972)
-	-	3,292
(1,147)	250	(1,009)
44,261	(88)	41,577
-	(2)	5,556
(2,783)	-	(2,836)
<u>282,202</u>	<u>136</u>	<u>302,557</u>
-	-	(2,175)
-	-	(7,899)
-	-	4,807
(252,993)	-	(253,401)
<u>(252,993)</u>	<u>-</u>	<u>(258,668)</u>
(1,264)	(20)	(9,194)
-	-	(3,036)
-	-	(6,825)
-	-	58
-	-	(1,130)
<u>(1,264)</u>	<u>(20)</u>	<u>(20,127)</u>
-	-	14,963
(29,269)	-	(41,266)
822	-	9,387
<u>(28,447)</u>	<u>-</u>	<u>(16,916)</u>
(502)	116	6,846
20,751	669	116,310
<u>\$ 20,249</u>	<u>\$ 785</u>	<u>\$ 123,156</u>

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STATE OF CONNECTICUT

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governments, on a cost-reimbursement basis. The following operations are included in these funds:

Correction Industries:

to account for the revenues and expenses associated with the sale of goods resulting from the industrial activities of the inmates at correctional institutions.

Administrative Services:

to account for the various activities of the Department of Administrative Services including the purchasing of supplies and data processing equipment for the State, the operations of the motor pool, the operations of data processing services and certain other activities. Revenues consist of user charges to agencies.

STATE OF CONNECTICUT

Combining Balance Sheet

Internal Service Funds

June 30, 1997

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Administrative Services</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents.....	\$ 6,016	\$ -	\$ 6,016
Receivables:			
Accounts, Net of Allowances.....	138	4,755	4,893
Due From Other Funds.....	60	3,455	3,515
Inventories and Prepaid Items.....	1,793	821	2,614
Property, Plant & Equipment.....	629	38,839	39,468
Other Assets.....	-	1,068	1,068
Total Assets.....	\$ 8,636	\$ 48,938	\$ 57,574
Liabilities and Equity:			
Liabilities:			
Accounts Payable and Accrued Liabilities.....	\$ 907	\$ 3,192	\$ 4,099
Due to Other Funds.....	2	1,916	1,918
Deferred Revenue.....	-	30	30
Compensated Absences.....	457	1,173	1,630
Total Liabilities.....	1,366	6,311	7,677
Equity:			
Contributed Capital.....	5,730	1,100	6,830
Retained Earnings:			
Unreserved.....	1,540	41,527	43,067
Total Equity.....	7,270	42,627	49,897
Total Liabilities and Equity.....	\$ 8,636	\$ 48,938	\$ 57,574

STATE OF CONNECTICUT
Combining Statement of Revenues, Expenses, and
Changes in Retained Earnings
Internal Service Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Administrative Services</u>	<u>Total</u>
Operating Revenues:			
Charges for Services.....	\$ 13,967	\$ 90,633	\$ 104,600
Total Operating Revenues.....	<u>13,967</u>	<u>90,633</u>	<u>104,600</u>
Operating Expenses:			
Cost of Sales and Services.....	3,861	65,631	69,492
Administrative.....	7,356	439	7,795
Depreciation and Amortization.....	-	16,590	16,590
Total Operating Expenses.....	<u>11,217</u>	<u>82,660</u>	<u>93,877</u>
Operating Income (Loss).....	<u>2,750</u>	<u>7,973</u>	<u>10,723</u>
Net Income (Loss).....	2,750	7,973	10,723
Retained Earnings - July 1 (as restated).....	(1,210)	33,554	32,344
Retained Earnings - June 30.....	<u>\$ 1,540</u>	<u>\$ 41,527</u>	<u>\$ 43,067</u>

STATE OF CONNECTICUT
Combining Statement of Cash Flows
Internal Service Funds

For The Fiscal Year Ended June 30, 1997
(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Administrative Services</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Operating Income (Loss).....	\$ 2,750	\$ 7,973	\$ 10,723
Adjustments to Reconcile Operating Income to Net			
Cash Provided by (Used in) Operating Activities:			
Amortization and Depreciation.....	-	16,590	16,590
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables.....	(48)	(2,992)	(3,040)
(Increase) Decrease in Due from Other Funds.....	171	463	634
(Increase) Decrease in Inventories and Prepaid Items.....	146	211	357
Increase (Decrease) in Accounts Payable and Accrued Liabilities...	742	(2,897)	(2,155)
Increase (Decrease) in Due to Other Funds.....	(5)	(9,070)	(9,075)
Miscellaneous Operating Activities.....	428	(1,457)	(1,029)
Net Cash Provided by (Used in) Operating Activities.....	<u>4,184</u>	<u>8,821</u>	<u>13,005</u>
Cash Flows From Capital And Related Financing Activities:			
Purchase of Fixed Assets.....	(80)	(8,821)	(8,901)
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	<u>(80)</u>	<u>(8,821)</u>	<u>(8,901)</u>
Increase (Decrease) in Cash.....	4,104	-	4,104
Cash and Cash Equivalents, July 1.....	1,912	-	1,912
Cash and Cash Equivalents, June 30.....	<u>\$ 6,016</u>	<u>\$ -</u>	<u>\$ 6,016</u>

STATE OF CONNECTICUT

Fiduciary Funds

Trust and Agency Funds are maintained to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations or other funds. These Fiduciary Funds include expendable trust, nonexpendable trust, pension trust, and agency funds. Significant Trust and Agency Funds of the State are described as follows:

Trust Funds

Employment Security:

to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Second Injury and Compensation Assurance:

an extension of the Worker's Compensation Act, the fund is currently used to pay claimants whose injuries are made more severe because of a pre-existing condition, and in cases where an injured worker receiving worker's compensation subsequently undergoes an incapacitating relapse.

Soldiers', Sailors', and Marines':

to account for the principal and interest earned on investments of this fund. Interest earned has been earmarked by the General Assembly for the benefit of resident veterans to provide such things as food, wearing apparel, medical or surgical aid, care and relief or funeral benefits.

Pension:

See notes 9 and 10 for a description of the Pension Funds.

Agency Funds

Investment Pool/Non-State Portion:

to account for the portion of Short Term Investment Fund (STIF) that is made up of non-state monies. STIF is made up of excess cash balances which can be added or withdrawn on a daily basis. The fund's investments consist primarily of short-term investments.

Insurance Companies Securities:

to account for securities that are deposited with the Treasurer to be held for policyholders of insurance companies as a prerequisite to such companies transacting business in the State.

Deferred Compensation:

to account for the investments accumulated in the State's IRC Section 457 deferred compensation plan.

STATE OF CONNECTICUT

Combining Balance Sheet

Fiduciary Funds

June 30, 1997

(Expressed in Thousands)

	<u>Expendable Trust</u>				
	<u>Employment Security</u>	<u>Special Assessment</u>	<u>Retired Teachers' Health Benefits Plan</u>	<u>Second Injury & Compensation Assurance</u>	<u>Other</u>
Assets:					
Cash and Cash Equivalents.....	\$ -	\$ 1,618	\$ 12,297	\$ 87,064	\$ 1,770
Investments:					
Equity in Combined Investment Fund.....	-	-	-	-	-
Other.....	-	136,715	-	-	-
Securities Lending Collateral.....	-	-	-	-	-
Receivables:					
Accounts, Net of Allowances.....	9,891	4,574	1,108	3,128	-
Loans Receivable.....	-	-	-	-	-
Interest.....	-	7	-	17	-
Deposits with U.S. Treasury.....	463,605	-	-	-	-
Due From Other Funds.....	797	-	-	-	-
Receivable From Other Governments.....	2,259	-	-	-	-
Inventories and Prepaid Items.....	-	-	3,797	194	-
Restricted Assets.....	-	-	-	-	-
Other Assets.....	-	-	-	-	-
Total Assets.....	\$ 476,552	\$ 142,914	\$ 17,202	\$ 90,403	\$ 1,770
Liabilities and Equity:					
Liabilities:					
Accounts Payable and Accrued Liabilities.....	\$ -	\$ -	\$ -	\$ 22,867	\$ -
Due to Other Funds.....	8,359	-	-	-	-
Payable to Other Governments.....	514	-	-	-	-
Deferred Revenue.....	4,569	4,278	-	-	-
Deferred Compensation Liability.....	-	-	-	-	-
Agency Deposit Liabilities.....	-	-	-	-	-
Revenue Bonds.....	-	-	-	-	-
Securities Lending Obligation.....	-	-	-	-	-
Total Liabilities.....	# 13,442	4,278	-	22,867	-
Fund Balances:					
Reserved Trust Activities.....	-	-	-	-	-
Reserved Pension Benefits.....	-	-	-	-	-
Unreserved, undesignated.....	463,110	138,636	17,202	67,536	1,770
Total Fund Balances.....	463,110	138,636	17,202	67,536	1,770
Total Liabilities and Fund Balances.....	\$ 476,552	\$ 142,914	\$ 17,202	\$ 90,403	\$ 1,770

Nonexpendable Trust

Clean Water Fund	Soldiers, Sailors, & Marines	Other	Pension	Agency	Total
\$ 21,675	\$ -	\$ 3,577	\$ 26,906	\$ 821,937	\$ 976,844
-	55,426	20,355	15,953,109	-	16,028,890
-	-	-	-	513,603	650,318
-	2,970	1,242	1,544,474	-	1,548,686
-	-	-	12,112	1,074	31,887
382,921	-	-	-	71	382,992
5,123	-	27	3,000	205	8,379
-	-	-	-	-	463,605
-	-	3	4,701	4,943	10,444
106	-	-	7,520	22	9,907
-	-	-	-	29	4,020
272,127	-	-	-	-	272,127
4,046	-	-	-	560,226	564,272
\$ 685,998	\$ 58,396	\$ 25,204	\$ 17,551,822	\$ 1,902,110	\$ 20,952,371
\$ 6,035	\$ -	\$ -	\$ 10	\$ 5,271	\$ 34,183
-	1,029	149	592	6,684	16,813
-	-	-	-	-	514
-	-	-	-	-	8,847
-	-	-	-	512,227	512,227
-	-	-	-	1,377,928	1,377,928
377,369	-	-	-	-	377,369
-	2,970	1,242	1,544,474	-	1,548,686
383,404	3,999	1,391	1,545,076	1,902,110	3,876,567
42,618	54,397	23,813	-	-	120,828
-	-	-	16,006,746	-	16,006,746
259,976	-	-	-	-	948,230
302,594	54,397	23,813	16,006,746	-	17,075,804
\$ 685,998	\$ 58,396	\$ 25,204	\$ 17,551,822	\$ 1,902,110	\$ 20,952,371

STATE OF CONNECTICUT

Combining Statement of Plan Net Assets

Pension Trust Funds (Defined Benefit Pension Plans)

June 30, 1997

(Expressed in Thousands)

	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>
Assets:			
Cash and Cash Equivalents.....	\$ -	\$ 26,633	\$ 49
Receivables:			
Accounts, Net of Allowances.....	2,102	6,782	11
Interest.....	1,485	1,213	39
Total Receivables.....	<u>3,587</u>	<u>7,995</u>	<u>50</u>
Investments:			
Equity in Combined Investment Fund.....	6,166,455	8,660,134	98,731
Total Investments.....	<u>6,166,455</u>	<u>8,660,134</u>	<u>98,731</u>
Securities Lending Collateral.....	590,798	848,020	8,868
Due From Other Funds.....	4,701	-	-
Receivable From Other Governments.....	-	7,520	-
Total Assets.....	<u>\$ 6,765,541</u>	<u>\$ 9,550,302</u>	<u>\$ 107,698</u>
Liabilities and Equity:			
Liabilities:			
Accounts Payable and Accrued Liabilities.....	\$ 10	\$ -	\$ -
Due to Other Funds.....	592	-	-
Securities Lending Obligation.....	590,798	848,020	8,868
Total Liabilities.....	<u>591,400</u>	<u>848,020</u>	<u>8,868</u>
Fund Balance:			
Fund Balance Reserved For Pension Benefits.....	6,174,141	8,702,282	98,830
Total Fund Balance.....	<u>6,174,141</u>	<u>8,702,282</u>	<u>98,830</u>
Total Liabilities and Fund Balances.....	<u>\$ 6,765,541</u>	<u>\$ 9,550,302</u>	<u>\$ 107,698</u>

Connecticut Municipal Employees	Probate Judges	Other	Total
\$ 145	\$ 15	\$ 64	\$ 26,906
3,217	-	-	12,112
255	6	2	3,000
3,472	6	2	15,112
974,361	52,795	633	15,953,109
974,361	52,795	633	15,953,109
91,464	5,324	-	1,544,474
-	-	-	4,701
-	-	-	7,520
\$ 1,069,442	\$ 58,140	\$ 699	\$ 17,551,822
\$ -	\$ -	\$ -	\$ 10
-	-	-	592
91,464	5,324	-	1,544,474
91,464	5,324	-	1,545,076
977,978	52,816	699	16,006,746
977,978	52,816	699	16,006,746
\$ 1,069,442	\$ 58,140	\$ 699	\$ 17,551,822

STATE OF CONNECTICUT
Combining Balance Sheet
Agency Funds

June 30, 1997

(Expressed in Thousands)

	<u>Payroll & Fringe Benefit Clearing</u>	<u>Receipts Pending Distribution</u>	<u>Investment Pool Non-State Portion</u>
Assets:			
Cash and Cash Equivalents.....	\$ 1,047	\$ 21,498	\$ 718,697
Investments:			
Other.....	-	-	-
Receivables:			
Accounts, Net of Allowances.....	-	526	-
Loans Receivable.....	-	-	-
Interest.....	-	-	140
Due From Other Funds.....	2,496	-	-
Receivable From Other Governments.....	-	22	-
Inventories and Prepaid Items.....	-	-	-
Other Assets.....	-	-	-
Total Assets.....	<u>\$ 3,543</u>	<u>\$ 22,046</u>	<u>\$ 718,837</u>
Liabilities:			
Accounts Payable and Accrued Liabilities.....	\$ -	\$ 3,762	\$ -
Due to Other Funds.....	-	6,684	-
Deferred Compensation Liability.....	-	-	-
Agency Deposit Liabilities.....	3,543	11,600	718,837
Total Liabilities.....	<u>\$ 3,543</u>	<u>\$ 22,046</u>	<u>\$ 718,837</u>

<u>Insurance Companies' Securities</u>	<u>State Institution Activity</u>	<u>Deferred Compensation</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ 10,638	\$ -	\$ 70,057	\$ 821,937
-	-	512,227	1,376	513,603
-	536	-	12	1,074
-	71	-	-	71
-	3	-	62	205
-	-	-	2,447	4,943
-	-	-	-	22
-	29	-	-	29
<u>558,556</u>	<u>1,670</u>	<u>-</u>	<u>-</u>	<u>560,226</u>
<u>\$ 558,556</u>	<u>\$ 12,947</u>	<u>\$ 512,227</u>	<u>\$ 73,954</u>	<u>\$ 1,902,110</u>
\$ -	\$ 1,322	\$ -	\$ 187	\$ 5,271
-	-	-	-	6,684
-	-	512,227	-	512,227
<u>558,556</u>	<u>11,625</u>	<u>-</u>	<u>73,767</u>	<u>1,377,928</u>
<u>\$ 558,556</u>	<u>\$ 12,947</u>	<u>\$ 512,227</u>	<u>\$ 73,954</u>	<u>\$ 1,902,110</u>

STATE OF CONNECTICUT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Expendable Trust Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	<u>Employment Security</u>	<u>Special Assessment</u>	<u>Retired Teachers' Health Benefits Plan</u>
Revenues:			
Unemployment Taxes.....	\$ 615,194	\$ -	\$ -
Licenses, Permits and Fees.....	-	-	-
Health Insurance Contributions.....	-	-	26,566
Investment Earnings.....	20,134	8,914	803
Assessments.....	-	136,550	-
Miscellaneous.....	-	-	-
Total Revenues.....	<u>635,328</u>	<u>145,464</u>	<u>27,369</u>
Expenditures:			
Current:			
General Government.....	-	-	-
Regulation and Protection.....	406,977	-	-
Education, Libraries, and Museums.....	-	-	28,847
Debt Service:			
Principal Retirement.....	-	97,000	-
Interest and Fiscal Charges.....	-	40,398	-
Total Expenditures.....	<u>406,977</u>	<u>137,398</u>	<u>28,847</u>
Excess (Deficiency) of Revenues Over Expenditures.....	<u>228,351</u>	<u>8,066</u>	<u>(1,478)</u>
Other Financing Sources (Uses):			
Proceeds of General Obligation Bonds.....	-	-	-
Operating Transfers Out.....	(3,729)	(1,003)	-
Total Other Financing Sources (Uses).....	<u>(3,729)</u>	<u>(1,003)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other			
Sources Over Expenditures and Other Uses.....	224,622	7,063	(1,478)
Fund Balances (deficit) - July 1 (as restated).....	238,488	131,573	18,680
Fund Balances (deficit) - June 30.....	<u>\$ 463,110</u>	<u>\$ 138,636</u>	<u>\$ 17,202</u>

**Second Injury
& Compensation
Assurance**

Other

Total

\$	-	\$	-	\$	615,194
	-		15		15
	-		-		26,566
	3,730		660		34,241
	117,464		-		254,014
	4,456		25		4,481
	<u>125,650</u>		<u>700</u>		<u>934,511</u>
	16,788		-		16,788
	209,488		795		617,260
	-		-		28,847
	-		-		97,000
	-		-		40,398
	<u>226,276</u>		<u>795</u>		<u>800,293</u>
	<u>(100,626)</u>		<u>(95)</u>		<u>134,218</u>
	140,915		-		140,915
	-		(107)		(4,839)
	<u>140,915</u>		<u>(107)</u>		<u>136,076</u>
	40,289		(202)		270,294
	27,247		1,972		417,960
\$	<u>67,536</u>	\$	<u>1,770</u>	\$	<u>688,254</u>

STATE OF CONNECTICUT

Combining Statement of Revenues, Expenses and Changes in Fund Balances Nonexpendable Trust Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	<u>Clean Water Fund</u>	<u>Soldiers Sailors & Marines</u>	<u>Other</u>	<u>Total Nonexpendable</u>
Operating Revenues:				
Investment Earnings.....	17,083	6,168	4,917	28,168
Interest on Financing Activities.....	7,999	-	-	7,999
Intergovernmental.....	21,811	-	-	21,811
Miscellaneous.....	262	-	620	882
Total Operating Revenues.....	<u>47,155</u>	<u>6,168</u>	<u>5,537</u>	<u>58,860</u>
Operating Expenses:				
Administrative.....	1,173	-	-	1,173
Other Program Expenses.....	2	-	540	542
Interest on Financing Activities.....	21,914	-	-	21,914
Total Operating Expenses.....	<u>23,089</u>	<u>-</u>	<u>540</u>	<u>23,629</u>
Operating Income (Loss).....	<u>24,066</u>	<u>6,168</u>	<u>4,997</u>	<u>35,231</u>
Operating Transfers:				
Operating Transfers In.....	13,900	-	-	13,900
Operating Transfers Out.....	-	(3,300)	(330)	(3,630)
Net Income (Loss).....	<u>37,966</u>	<u>2,868</u>	<u>4,667</u>	<u>45,501</u>
Fund Balances - July 1.....	<u>264,628</u>	<u>51,529</u>	<u>19,146</u>	<u>335,303</u>
Fund Balances - June 30.....	<u>\$ 302,594</u>	<u>\$ 54,397</u>	<u>\$ 23,813</u>	<u>\$ 380,804</u>

STATE OF CONNECTICUT

Combining Statement of Cash Flows

Nonexpendable Trust Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Clean Water Fund	Soldiers, Sailors, & Marines	Other	Total
Cash Flows From Operating Activities:				
Operating Income (Loss).....	\$ 24,066	\$ 6,168	\$ 4,997	\$ 35,231
Adjustments to Reconcile Operating Income to Net				
Cash Provided by (Used in) Operating Activities:				
Investment Income.....	(17,083)	(6,168)	(4,917)	(28,168)
Interest Expense.....	21,914	-	-	21,914
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables.....	(782)	-	-	(782)
Increase (Decrease) in Accounts Payable and Accrued Liabilities.....	(1,262)	-	(66)	(1,328)
Miscellaneous Operating Activities.....	303	-	-	303
Issuance of Loans.....	(35,953)	-	-	(35,953)
Net Cash Provided by (Used in) Operating Activities.....	(8,797)	-	14	(8,783)
Cash Flows From Noncapital Financing Activities:				
Retirement of Bonds.....	(15,395)	-	-	(15,395)
Interest on Bonds.....	(22,434)	-	-	(22,434)
Transfer From Other Funds.....	13,900	-	-	13,900
Transfer to Other Funds.....	-	(3,300)	(330)	(3,630)
Net Cash Provided by (Used in) Noncapital Financing Activities.....	(23,929)	(3,300)	(330)	(27,559)
Cash Flows From Investing Activities:				
Proceeds From Sale of Investment Securities.....	35,851	-	-	35,851
Interest and Income on Investments.....	17,565	3,300	574	21,439
Net Cash Provided by (Used in) Investment Activities.....	53,416	3,300	574	57,290
Increase (Decrease) in Cash.....	20,690	-	258	20,948
Cash and Cash Equivalents, July 1.....	985	-	3,319	4,304
Cash and Cash Equivalents, June 30.....	\$ 21,675	\$ -	\$ 3,577	\$ 25,252

STATE OF CONNECTICUT

Combining Statement of Changes in Assets & Liabilities

All Agency Funds

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
<u>Payroll and Fringe Benefit Clearing</u>				
ASSETS				
Cash and Cash Equivalents.....	\$ 970	\$ 77	\$ -	\$ 1,047
Due From Other Funds.....	2,247	249	-	2,496
Total Assets.....	<u>\$ 3,217</u>	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ 3,543</u>
LIABILITIES				
Agency Deposit Liability.....	\$ 3,217	\$ 326	\$ -	\$ 3,543
Total Liabilities.....	<u>\$ 3,217</u>	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ 3,543</u>

Receipts Pending Distribution

ASSETS				
Cash and Cash Equivalents.....	\$ 24,866	\$ -	\$ 3,368	\$ 21,498
Accounts, Net of Allowances.....	830	-	304	526
Receivable From Other Governments.....	17	5	-	22
Total Assets.....	<u>\$ 25,713</u>	<u>\$ 5</u>	<u>\$ 3,672</u>	<u>\$ 22,046</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities.....	\$ 2,693	\$ 1,069	\$ -	\$ 3,762
Due to Other Funds.....	12,289		5,605	6,684
Agency Deposit Liability.....	10,731	1,460	591	11,600
Total Liabilities.....	<u>\$ 25,713</u>	<u>\$ 2,529</u>	<u>\$ 6,196</u>	<u>\$ 22,046</u>

Investment Pool Non-State Portion

ASSETS				
Cash and Cash Equivalents.....	\$ 678,285	\$ 62,997	\$ 22,585	\$ 718,697
Interest.....	3,270	140	3,270	140
Total Assets.....	<u>\$ 681,555</u>	<u>\$ 63,137</u>	<u>\$ 25,855</u>	<u>\$ 718,837</u>
LIABILITIES				
Agency Deposit Liability.....	681,555	38,567	1,285	718,837
Total Liabilities.....	<u>\$ 681,555</u>	<u>\$ 38,567</u>	<u>\$ 1,285</u>	<u>\$ 718,837</u>

continued on next page

STATE OF CONNECTICUT

Combining Statement of Changes in Assets & Liabilities

All Agency Funds (Continued)

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 1996</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1997</u>
<u>Insurance Companies' Securities</u>				
ASSETS				
Other Assets.....	\$ 570,879	\$ -	\$ 12,323	\$ 558,556
Total Assets.....	<u>\$ 570,879</u>	<u>\$ -</u>	<u>\$ 12,323</u>	<u>\$ 558,556</u>
LIABILITIES				
Agency Deposit Liability.....	\$ 570,879	\$ -	\$ 12,323	\$ 558,556
Total Liabilities.....	<u>\$ 570,879</u>	<u>\$ -</u>	<u>\$ 12,323</u>	<u>\$ 558,556</u>
<u>State Institution Activity</u>				
ASSETS				
Cash and Cash Equivalents.....	\$ 18,783	\$ 12,855	\$ 21,000	\$ 10,638
Accounts, Net of Allowances	378	158	-	536
Loans, Net of Allowances.....	98	-	27	71
Interest.....	47	3	47	3
Inventories and Prepaid Items.....	373	-	344	29
Other Assets.....	1,685	-	15	1,670
Total Assets.....	<u>\$ 21,364</u>	<u>\$ 13,016</u>	<u>\$ 21,433</u>	<u>\$ 12,947</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities.....	\$ 3,631	\$ -	\$ 2,309	\$ 1,322
Agency Deposit Liability.....	17,733	12,824	18,932	11,625
Total Liabilities.....	<u>\$ 21,364</u>	<u>\$ 12,824</u>	<u>\$ 21,241</u>	<u>\$ 12,947</u>
<u>Deferred Compensation</u>				
ASSETS				
Investments.....	\$ 411,870	\$ 100,357	\$ -	\$ 512,227
Total Assets.....	<u>\$ 411,870</u>	<u>\$ 100,357</u>	<u>\$ -</u>	<u>\$ 512,227</u>
LIABILITIES				
Deferred Compensation Liability.....	\$ 411,870	\$ 100,357	\$ -	\$ 512,227
Total Liabilities.....	<u>\$ 411,870</u>	<u>\$ 100,357</u>	<u>\$ -</u>	<u>\$ 512,227</u>

STATE OF CONNECTICUT

Combining Statement of Changes in Assets & Liabilities

All Agency Funds (Continued)

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Balance July 1, 1996	Additions	Deletions	Balance June 30, 1997
Other				
ASSETS				
Cash and Cash Equivalents.....	\$ 73,754	\$ -	\$ 3,697	\$ 70,057
Accounts, Net of Allowances.....	12	-	-	12
Investments.....	-	1,376	-	1,376
Interest.....	288	-	226	62
Due From Other Funds.....	3,111	-	664	2,447
Total Assets.....	\$ 77,165	\$ 1,376	\$ 4,587	\$ 73,954
LIABILITIES				
Accounts Payable and Accrued Liabilities.....	\$ 48	\$ 139	\$ -	\$ 187
Agency Deposit Liability.....	77,117	5,088	8,438	73,767
Total Liabilities.....	\$ 77,165	\$ 5,227	\$ 8,438	\$ 73,954
Totals - All Agency Funds				
ASSETS				
Cash and Cash Equivalents.....	\$ 796,658	\$ 75,929	\$ 50,650	\$ 821,937
Investments.....	411,870	101,733	-	513,603
Accounts, Net of Allowances	1,220	158	304	1,074
Loans, Net of Allowances.....	98	-	27	71
Interest.....	3,605	143	3,543	205
Due From Other Funds.....	5,358	249	664	4,943
Receivable From Other Governments.....	17	5	-	22
Inventories and Prepaid Items.....	373	-	344	29
Other Assets.....	572,564	-	12,338	560,226
Total Assets.....	\$ 1,791,763	\$ 178,217	\$ 67,870	\$ 1,902,110
LIABILITIES				
Accounts Payable and Accrued Liabilities.....	\$ 6,372	\$ 1,208	\$ 2,309	\$ 5,271
Due To Other Funds.....	12,289	-	5,605	6,684
Deferred Compensation Liability	411,870	100,357	-	512,227
Agency Deposit Liability.....	1,361,232	58,265	41,569	1,377,928
Total Liabilities.....	\$ 1,791,763	\$ 159,830	\$ 49,483	\$ 1,902,110

STATE OF CONNECTICUT

General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for land, buildings, improvements, and equipment which are accounted for in the governmental type funds. Fixed Assets of the proprietary fund types and similar trusts and the Higher Education Funds are accounted for within those funds. Infrastructures, including highways, bridges, and rights-of-way are not capitalized.

The General Fixed Assets Account Group is stated at historical cost or estimated historical cost, with no provision made for depreciation.

STATE OF CONNECTICUT
General Fixed Assets Account Group

June 30, 1997

(Expressed in Thousands)

SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE

General Fixed Assets:

Land	\$ 330,721
Buildings	1,900,296
Improvements Other Than Buildings	264,248
Machinery and Equipment	1,113,499
Construction in Progress	211,616
Total General Fixed Assets	<u>\$ 3,820,380</u>

Investment in General Fixed Assets:

Investment in Property Acquired Prior to June 30, 1988-Source Unidentified	\$ 1,050,379
General Fund	169,104
Special Revenue Funds	353,787
Capital Project Funds	2,222,724
Other	24,386
Total Investment in General Fixed Assets	<u>\$ 3,820,380</u>

STATE OF CONNECTICUT

General Fixed Assets Account Group

June 30, 1997

(Expressed in Thousands)

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION

<u>Function</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Totals</u>
Legislative.....	\$ -	\$ 154,363	\$ -	\$ 14,721	\$ 169,084
General Government.....	19,181	180,369	3,464	58,697	261,711
Regulation and Protection.....	9,664	125,649	9,035	116,745	261,093
Conservation and Development.....	208,312	24,868	13,791	31,651	278,622
Health and Hospitals.....	7,863	159,408	27,602	26,302	221,175
Transportation.....	67,193	261,137	116,870	475,479	920,679
Human Services.....	-	-	-	7,160	7,160
Education, Libraries and Museums.....	1,213	157,515	49,564	290,509	498,801
Corrections.....	10,865	719,894	42,711	44,746	818,216
Judicial.....	6,430	117,093	1,211	47,489	172,223
Total General Fixed Assets					
Allocated to Functions.....	\$ 330,721	\$ 1,900,296	\$ 264,248	\$ 1,113,499	\$ 3,608,764
Construction in Progress.....					211,616
Total General Fixed Assets.....					\$ 3,820,380

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

<u>Function</u>	<u>General Fixed Assets</u>			<u>General Fixed Assets</u>
	<u>7/1/96</u>	<u>Additions</u>	<u>Deletions</u>	
Legislative.....	\$ 172,090	\$ 1,576	\$ 4,582	\$ 169,084
General Government.....	262,438	30,075	30,802	261,711
Regulation and Protection.....	233,511	34,780	7,198	261,093
Conservation and Development.....	288,695	7,626	17,699	278,622
Health and Hospitals.....	217,092	10,671	6,588	221,175
Transportation.....	840,743	98,703	18,767	920,679
Human Services.....	6,035	2,581	1,456	7,160
Education, Libraries and Museums.....	358,585	143,132	2,916	498,801
Corrections.....	769,972	87,255	39,011	818,216
Judicial.....	167,454	5,512	743	172,223
Construction in Progress.....	186,156	134,875	109,415	211,616
Total General Fixed Assets.....	\$ 3,502,771	\$ 556,786	\$ 239,177	\$ 3,820,380

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STATE OF CONNECTICUT

Higher Education Funds

Higher Education and University Hospital Funds are used to account for all transactions relating to public institutions of higher education including a teaching hospital and an affiliated organization. Higher Education institutions include five universities and twelve community-technical colleges. The following university and college funds and affiliated organization are used:

Current Unrestricted Fund:

accounts for currently expendable resources which may be either designated or not designated by the colleges and universities for specific purposes.

Current Restricted Fund:

accounts for resources restricted by the donor or external agency for a specific use or program.

Loan Funds:

accounts for loans made to assist students in the financing of their education.

Endowment Funds:

accounts for resources which are restricted by the gift instruments requiring that the principal be invested and only the income be expended.

Agency Funds:

accounts for amounts held in custody for students, university-related organizations, and others.

Plant Funds:

accounts for activities relating to institutional properties. These activities include funds used for the acquisition, renewal, and replacement of institutional properties, funds set aside for debt service requirements of institutional properties, and funds invested in institutional properties.

Affiliated Organization:

accounts for the financial activities of the University of Connecticut Foundation, Inc., a component unit of the University of Connecticut.

STATE OF CONNECTICUT

Combining Balance Sheet

Higher Education Funds

June 30, 1997

(Expressed in Thousands)

	Current Funds		Endowment and	Loan
	Unrestricted	Restricted	Similar Funds	Funds
Assets:				
Cash and Cash Equivalents.....	\$ 140,911	\$ 18,939	\$ 2,344	\$ 2,159
Investments:				
Equity in Combined Investment Funds.....	-	-	457	-
Other.....	4,502	-	2,532	-
Receivables:				
Accounts, Net of Allowances.....	20,763	15,167	-	-
Tuition.....	8,632	-	-	-
Loans, Net of Allowances.....	-	-	-	27,959
Interest.....	-	-	-	176
Due From Other Funds.....	56,141	1,481	9,113	-
Due From Component Units.....	-	-	-	-
Inventories and Prepaid Items.....	8,202	-	-	-
Property, Plant & Equipment.....	-	-	-	-
Other Assets.....	2,463	349	-	-
Total Assets.....	\$ 241,614	\$ 35,936	\$ 14,446	\$ 30,294
Liabilities and Equity:				
Liabilities:				
Accounts Payable and Accrued Liabilities.....	\$ 78,507	\$ 4,676	\$ -	\$ 54
Due to Other Funds.....	5,717	998	2	152
Due to Component Units.....	-	-	-	-
Deferred Revenue.....	36,983	399	-	-
Notes and Loans Payable.....	-	-	-	-
Agency Deposit Liabilities.....	-	-	-	-
Revenue Bonds.....	-	-	-	-
Compensated Absences.....	59,546	-	-	-
Total Liabilities.....	180,753	6,073	2	206
Equity:				
Investment in Fixed Assets.....	-	-	-	-
Fund Balances:				
Reserved:				
Retirement of Indebtedness.....	-	-	-	-
Other.....	-	29,863	14,444	30,088
Unreserved, undesignated:				
Unexpended Plant.....	-	-	-	-
Other.....	60,861	-	-	-
Total Equity.....	60,861	29,863	14,444	30,088
Total Liabilities and Equity.....	\$ 241,614	\$ 35,936	\$ 14,446	\$ 30,294

<u>Agency Funds</u>	<u>Plant Funds</u>	<u>Affiliated Organization</u>	<u>Total</u>
\$ 5,940	\$ 69,259	\$ 109	\$ 239,661
-	-	-	457
-	-	95,910	102,944
118	-	11,521	47,569
-	-	-	8,632
43	-	-	28,002
-	-	-	176
-	14,465	-	81,200
-	81,568	-	81,568
24	151	-	8,377
402	1,736,325	466	1,737,193
353	1,367	733	5,265
<u>\$ 6,880</u>	<u>\$ 1,903,135</u>	<u>\$ 108,739</u>	<u>\$ 2,341,044</u>

\$ 299	\$ 19,664	\$ 2,860	\$ 106,060
11	595	-	7,475
-	81,525	-	81,525
49	-	-	37,431
-	4,441	-	4,441
6,521	-	-	6,521
-	103,028	-	103,028
-	-	-	59,546
<u>6,880</u>	<u>209,253</u>	<u>2,860</u>	<u>406,027</u>

-	1,624,902	-	1,624,902
-	60,147	-	60,147
-	-	101,007	175,402
-	8,833	-	8,833
-	-	4,872	65,733
-	1,693,882	105,879	1,935,017
<u>\$ 6,880</u>	<u>\$ 1,903,135</u>	<u>\$ 108,739</u>	<u>\$ 2,341,044</u>

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STATE OF CONNECTICUT

Component Units

The Component Units are organizations which are legally separate from the State of Connecticut for which the State is financially accountable. The Component Units of the State of Connecticut are described as follows:

Connecticut Development Authority:

the Connecticut Development Authority is a public instrumentality and political subdivision of the State. The Authority was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond Program, its Umbrella Program and its Insurance Program.

Connecticut Housing Finance Authority:

the Connecticut Housing Finance Authority is a public instrumentality and political subdivision of the State created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate income families throughout the State.

Connecticut Resources Recovery Authority:

the Connecticut Resources Recovery Authority is a public instrumentality and political subdivision of the State. The Authority is responsible for implementing the State's solid waste management plan, which includes design, construction and operation of resources recovery facilities and the marketing of recovered products.

Connecticut Higher Education Supplemental Loan Authority:

the Connecticut Higher Education Supplementary Loan Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist students, their parents and institutions of higher education to finance the cost of higher education through its bond funds.

Connecticut Health and Educational Facilities Authority:

the Connecticut Health and Educational Facilities Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Innovations, Incorporated:

Connecticut Innovations is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut by providing financial technical assistance.

STATE OF CONNECTICUT

Combining Balance Sheet

Component Units

June 30, 1997

(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-96)	Connecticut Resources Recovery Authority
Assets:			
Cash and Cash Equivalents.....	\$ 79,331	\$ 93,608	\$ 41,052
Investments:			
Other.....	27,784	431,712	-
Receivables:			
Accounts, Net of Allowances.....	-	-	11,573
Loans Receivable.....	160,250	2,469,724	6,850
Interest.....	2,524	26,731	14,169
Due From Primary Government.....	11,624	-	-
Inventories and Prepaid Items.....	1,765	-	-
Restricted Assets.....	-	309,373	94,700
Property, Plant & Equipment.....	17,664	2,538	232,056
Other Assets.....	9,424	59,544	16,812
Total Assets.....	\$ 310,366	\$ 3,393,230	\$ 417,212
Liabilities and Equity:			
Liabilities:			
Accounts Payable and Accrued Liabilities.....	\$ 12,536	\$ 37,086	\$ 21,781
Due To Primary Government.....	-	-	-
Deferred Revenue.....	6,987	-	-
Escrow Deposits.....	35	92,396	-
Revenue Bonds.....	133,575	2,894,195	333,798
Liability for Landfill Closure Costs.....	-	-	24,961
Amount Held for Institutions.....	-	-	-
Total Liabilities.....	153,133	3,023,677	380,540
Equity:			
Contributed Capital.....	162,340	-	2,108
Retained Earnings:			
Reserved for Housing Financing.....	-	366,820	-
Reserved for Resources Recovery.....	-	-	18,277
Unreserved.....	(5,107)	2,733	16,287
Total Retained Earnings.....	(5,107)	369,553	34,564
Total Equity.....	157,233	369,553	36,672
Total Liabilities and Equity.....	\$ 310,366	\$ 3,393,230	\$ 417,212

Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Connecticut Innovations, Incorporated	Total
\$ 3,853	\$ 200	\$ 39,851	\$ 257,895
3,118	12,292	24,397	499,303
-	72	139	11,784
63,096	-	-	2,699,920
654	112	-	44,190
-	81,525	672	93,821
-	66	5	1,836
25,270	2,891,715	-	3,321,058
-	209	263	252,730
1,346	-	-	87,126
<u>\$ 97,337</u>	<u>\$ 2,986,191</u>	<u>\$ 65,327</u>	<u>\$ 7,269,663</u>
\$ 975	\$ 82,878	\$ 463	\$ 155,719
-	81,568	-	81,568
2,232	-	102	9,321
-	-	-	92,431
93,975	2,388,675	-	5,844,218
-	-	-	24,961
-	420,601	-	420,601
<u>97,182</u>	<u>2,973,722</u>	<u>565</u>	<u>6,628,819</u>
-	-	75,452	239,900
-	-	-	366,820
-	-	-	18,277
155	12,469	(10,690)	15,847
155	12,469	(10,690)	400,944
155	12,469	64,762	640,844
<u>\$ 97,337</u>	<u>\$ 2,986,191</u>	<u>\$ 65,327</u>	<u>\$ 7,269,663</u>

STATE OF CONNECTICUT

Combining Statement of Revenues, Expenses and Changes in Retained Earnings Component Units

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-96)	Connecticut Resources Recovery Authority
Operating Revenues:			
Charges for Services.....	\$ 2,277	\$ -	\$ 141,377
Interest on Financing Activities.....	11,143	179,389	-
Civic Center Lease Operations.....	7,324	-	-
Miscellaneous.....	1,446	9,596	7,826
Total Operating Revenues.....	22,190	188,985	149,203
Operating Expenses:			
Administrative.....	4,258	19,141	4,872
Depreciation and Amoritization.....	366	5,197	16,192
Other Program Expenses.....	273	14,061	18,401
Interest on Financing Activities.....	7,101	179,034	-
Civic Center Lease Operations.....	9,713	-	-
Solid Waste Operations.....	-	-	89,185
Total Operating Expenses.....	21,711	217,433	128,650
Operating Income (Loss).....	479	(28,448)	20,553
Nonoperating Revenues (Expenses):			
Interest and Investment Income.....	5,148	43,995	5,833
Interest and Fiscal Charges.....	-	-	(20,631)
Other.....	(293)	3,900	1,812
Total Nonoperating Income (Expense).....	4,855	47,895	(12,986)
Net Income (Loss).....	5,334	19,447	7,567
Add Items Affecting Contributed Capital:			
Depreciation on Equipment Acquired through Capital Grants.....	-	-	167
Total Add Back Items.....	-	-	167
Retained Earnings-July 1.....	(10,441)	350,106	26,830
Retained Earnings-June 30.....	\$ (5,107)	\$ 369,553	\$ 34,564

Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Connecticut Innovations, Incorporated	Total
\$ -	\$ -	\$ -	\$ 143,654
5,564	132,867	1,378	330,341
-	-	-	7,324
605	2,483	1,328	23,284
<u>6,169</u>	<u>135,350</u>	<u>2,706</u>	<u>504,603</u>
1,167	1,177	2,490	33,105
168	51	88	22,062
1,377	818	616	35,546
5,796	132,867	-	324,798
-	-	-	9,713
-	-	-	89,185
<u>8,508</u>	<u>134,913</u>	<u>3,194</u>	<u>514,409</u>
<u>(2,339)</u>	<u>437</u>	<u>(488)</u>	<u>(9,806)</u>
1,956	690	4,019	61,641
-	-	-	(20,631)
-	-	5,842	11,261
<u>1,956</u>	<u>690</u>	<u>9,861</u>	<u>52,271</u>
<u>(383)</u>	<u>1,127</u>	<u>9,373</u>	<u>42,465</u>
-	-	-	167
-	-	-	167
538	11,342	(20,063)	358,312
<u>\$ 155</u>	<u>\$ 12,469</u>	<u>\$ (10,690)</u>	<u>\$ 400,944</u>

STATE OF CONNECTICUT

Combining Statement of Cash Flows

Component Units

For The Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-96)	Connecticut Resources Recovery Authority
Cash Flows From Operating Activities:			
Operating Income (Loss).....	\$ 479	\$ (28,448)	\$ 20,553
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Amortization and Depreciation.....	1,427	5,197	16,192
Provision for Loan Losses.....	-	3,230	4
Interest Expense.....	8,414	179,034	-
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables.....	305	(209)	920
(Increase) Decrease in Due From Other Funds.....	(1,014)	-	-
(Increase) Decrease in Inventories and Prepaid Expenses.....	-	(5,798)	(2,907)
Increase (Decrease) in Accounts Pay. & Accrued Liabilities....	1,878	1,391	4,028
Miscellaneous Operating Activities.....	1,230	4,132	12,231
Issuance of Loans, Notes & Installment Contracts Receivable....	(21,998)	(429,696)	-
Collection of Loans, Notes & Installment Contracts Receivable..	35,340	223,515	-
Net Cash Provided by (Used in) Operating Activities.....	26,061	(47,652)	51,021
Cash Flows From Noncapital Financing Activities:			
Contributed Capital.....	15,000	-	-
Proceeds From Sale of Bonds and Notes.....	-	550,810	-
Retirement of Bonds and Notes Payable.....	(8,685)	(398,950)	-
Interest on Bonds and Notes Payable.....	(8,474)	(177,451)	-
Bond Issuance and/or Redemption Costs.....	-	(8,992)	-
Miscellaneous Noncapital Financing Activities-Additions.....	-	3,045	-
Miscellaneous Noncapital Financing Activities-Deletions.....	(80)	-	(150)
Net Cash Provided by (Used in) Noncapital Financing Activities.....	(2,239)	(31,538)	(150)
Cash Flows From Capital And Related Financing Activities:			
Purchase of Fixed Assets.....	(2,337)	-	(5,510)
Proceeds From Sale of Bonds and Notes.....	-	-	209,675
Retirement of Bonds and Notes Payable.....	-	-	(237,062)
Interest on Bonds and Notes Payable.....	-	-	(20,552)
Miscellaneous Capital & Related Financing Activities-Additions	788	-	1,252
Miscellaneous Capital & Related Financing Activities-Deletions	-	-	(10,405)
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	(1,549)	-	(62,602)
Cash Flows From Investing Activities:			
Proceeds From Sales of Investment Securities.....	1,057	255,317	4,261
Purchases of Investment Securities.....	(100)	(141,634)	(17)
Interest and Income on Investments.....	4,947	42,660	6,192
Reduction in Loan Receivable.....	-	-	10,063
Net Cash Provided by (Used in) Investing Activities.....	5,904	156,343	20,499
Increase (Decrease) in Cash.....	28,177	77,153	8,768
Cash and Cash Equivalents, July 1.....	51,154	16,455	106,995
Cash and Cash Equivalents, June 30.....	\$ 79,331	\$ 93,608	\$ 115,763

Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Connecticut Innovations, Incorporated	Total
\$ (2,339)	\$ 437	\$ (488)	\$ (9,806)
168	51	88	23,123
1,155	135	-	4,524
5,796	-	-	193,244
(76)	(109)	33	864
-	-	189	(825)
(465)	(1)	23	(9,148)
335	161	(97)	7,696
(98)	691	-	18,186
(16,846)	(272,915)	-	(741,455)
10,377	53,281	-	322,513
<u>(1,993)</u>	<u>(218,269)</u>	<u>(252)</u>	<u>(191,084)</u>
	-	4,560	19,560
25,000	-	-	575,810
(5,125)	-	-	(412,760)
(5,564)	-	-	(191,489)
-	-	-	(8,992)
-	-	-	3,045
-	-	-	(230)
<u>14,311</u>	<u>-</u>	<u>4,560</u>	<u>(15,056)</u>
-	(83)	(26)	(7,956)
-	550,333	-	760,008
-	(146,615)	-	(383,677)
-	(130,601)	-	(151,153)
-	35,274	-	37,314
-	-	-	(10,405)
<u>-</u>	<u>308,308</u>	<u>(26)</u>	<u>244,131</u>
5,202	679,238	12,637	957,712
(19,209)	(721,114)	(8,199)	(890,273)
1,901	32,652	2,363	90,715
-	-	-	10,063
<u>(12,106)</u>	<u>(9,224)</u>	<u>6,801</u>	<u>168,217</u>
212	80,815	11,083	206,208
3,641	52,948	28,768	259,961
<u>\$ 3,853</u>	<u>\$ 133,763</u>	<u>\$ 39,851</u>	<u>\$ 466,169</u>

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Statistical
Section

STATE OF CONNECTICUT

General Governmental Expenditures by Function

Last Ten Fiscal Years

(Expressed in Thousands)

SOURCE (1)	(3)			
	1988	1989	1990	1991
1. Legislative	\$ 27,419	\$ 38,453	\$ 40,748	\$ 41,798
2. General Government	466,452	1,056,167	1,143,948	1,020,494
3. Regulation and Protection	251,099	312,359	313,466	322,473
4. Conservation and Development	83,282	133,746	163,589	191,727
5. Health and Hospitals	587,700	802,655	845,026	907,938
6. Transportation	322,876	421,240	432,350	396,077
7. Human Services	1,262,257	1,488,276	1,780,134	2,130,706
8. Education, Libraries, and Museum	1,635,888 (2)	2,061,221 (2)	2,220,106 (2)	2,144,504 (2)
9. Corrections	250,366	358,188	423,239	499,079
10. Judicial	110,184	160,821	173,594	189,774
11. Nonfunctional	613,773	-	-	-
12. Federal and Other Grants	420,533 (2)	561,107 (2)	533,033 (2)	538,069 (2)
13. Debt Service	340,518	384,730	464,586	547,505
Total Expenditures	\$ 6,372,347	\$ 7,778,963	\$ 8,533,819	\$ 8,930,144

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) Includes Higher Education Expenditures Treated as Operating Transfers from the State's General Fund.

(3) Beginning in 1989, Nonfunctional Expenditures were Reclassified to the Proper Function of Government.

Revenues by Source

Last Ten Fiscal Years

(Expressed in Thousands)

SOURCE (1)	1988	1989	1990	1991
1. Taxes	\$ 4,079,663	\$ 4,565,136	\$ 4,961,739	\$ 4,639,536
2. Licenses, Permits, and Fees	320,441	330,802	380,011	365,780
3. Intergovernmental	1,159,223	1,331,263	1,479,412	1,688,731
4. Charges for Services	382,915	65,051	59,863	61,153
5. Fines, Forfeits, and Rents	12,866	25,177	44,178	21,811
6. Investment Earnings	38,824	44,727	45,579	69,715
7. Lottery	-	697,672	718,473	731,095
8. Miscellaneous	125,591	115,543	145,004	144,715
Total Revenues	\$ 6,119,523	\$ 7,175,371	\$ 7,834,259	\$ 7,722,536

(1) Includes General, Special Revenue, and Debt Service Funds.

NOTE: Beginning in 1989 Lottery revenues were split from Charges for Services and reported at gross proceeds. In 1997, the Lottery revenues are no longer reported under Special Revenue Funds, but are included in the Enterprise Funds.

SOURCE: Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
\$ 38,057	\$ 44,040	\$ 45,820	\$ 46,618	\$ 47,422	\$ 51,802
996,980	1,055,645	1,033,897	1,109,507	1,182,673	715,844
316,333	348,787	395,662	397,131	415,308	414,873
203,926	232,130	227,024	263,748	221,383	264,742
862,534	749,402	757,731	793,447	826,501	895,809
337,467	381,135	350,413	352,160	358,144	359,716
2,278,812	2,639,093	2,916,838	3,395,130	3,450,082	3,512,640
2,216,166 (2)	2,113,031 (2)	2,258,516 (2)	2,339,278	2,420,982 (2)	2,445,732 (2)
509,268	620,821	737,946	800,822	846,305	947,932
213,602	207,803	229,108	241,690	271,571	304,686
-	-	-	-	-	-
791,892 (2)	1,068,775	1,008,904	922,518	875,430	679,559
776,274	1,033,014	972,368	1,262,425	1,305,017	1,158,034
<u>\$ 9,541,311</u>	<u>\$ 10,493,676</u>	<u>\$ 10,934,227</u>	<u>\$ 11,924,474</u>	<u>\$ 12,220,818</u>	<u>\$ 11,751,369</u>

<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
\$ 5,596,447	\$ 6,140,718	\$ 6,436,828	\$ 6,822,277	\$ 7,339,263	\$ 7,611,339
372,146	398,979	425,480	418,660	429,803	447,333
2,135,220	2,616,995	2,641,448	2,734,163	2,830,481	2,782,901
62,364	88,852	176,757	201,434	211,829	269,349
27,151	35,843	33,226	37,145	25,359	31,356
65,284	75,141	62,218	74,574	73,235	90,689
709,423	692,528	552,992	670,801	706,860	-
172,494	156,391	262,590	228,624	192,358	180,458
<u>\$ 9,140,529</u>	<u>\$ 10,205,447</u>	<u>\$ 10,591,539</u>	<u>\$ 11,187,678</u>	<u>\$ 11,809,188</u>	<u>\$ 11,413,425</u>

STATE OF CONNECTICUT

Computation of Legal Debt Margin

December 1, 1997

(Expressed in Thousands)

Estimated General Fund Tax Receipts for the Fiscal Year Ending June 30, 1998	\$ 6,815,800
Factor	<u>1.6</u>
Statutory Debt Limit for Debt Incurred	10,905,280
Less: Authorized Bonds, Notes, and Other Obligations subject to certain limitations.	<u>8,876,001</u>
Legal Debt Margin	<u><u>\$ 2,029,279</u></u>

SOURCE: State of Connecticut General Obligation Bonds Offering Statement
Dated December 1, 1997.

Net General Long-Term Bonded Debt Per Capita

Last Ten Fiscal Years

(Thousands)

YEAR	POPULATION	GENERAL LONG-TERM DEBT			NET DEBT PER CAPITA
		TOTAL DEBT	LESS DEBT SERVICE FUND	NET	
1988	3,272	\$2,394,513	\$159,802	\$2,234,711	\$683
1989	3,283	3,232,491	209,175	3,023,316	921
1990	3,287	4,249,439	291,621	3,957,818	1,204
1991	3,288	5,650,182	349,206	5,300,976	1,612
1992	3,277	6,503,455	388,425	6,115,030	1,866
1993	3,273	7,385,997	432,522	6,953,475	2,124
1994	3,270	7,927,705	489,584	7,438,121	2,275
1995	3,267	8,516,066	420,163	8,095,903	2,478
1996	3,267	9,200,672	455,740	8,744,932	2,677
1997	3,270	9,548,618	476,731	9,071,887	2,774

SOURCES: U.S. Census Bureau
Combined Balance Sheet

STATE OF CONNECTICUT

Ratio of Annual Debt Service

General Bonded Debt To Total General Expenditures

Last Ten Fiscal Years

(Expressed in Thousands)

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL DEBT SERVICE</u>	<u>(1) TOTAL GENERAL EXPENDITURES</u>	<u>RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES</u>
1988	\$179,950	\$160,568	\$340,518	\$6,372,347	5.3%
1989	201,203	183,527	384,730	7,778,963	4.9%
1990	230,876	233,710	464,586	8,533,819	5.4%
1991	248,544	298,961	547,505	8,930,144	6.1%
1992	312,571	378,214	690,785	9,541,311	7.2%
1993	362,356	398,550	760,906	10,493,676	7.3%
1994	404,921	387,722	792,643	10,934,227	7.2%
1995	560,746	438,172	998,918	11,924,474	8.4%
1996	523,090	448,880	971,970	12,220,818	8.0%
1997	597,819	470,744	1,068,563	11,751,369	9.1%

(1) Includes General, Special Revenue, and Debt Service Funds, also included are

Higher Education Expenditures Treated as Operating Transfers from the State's General fund.

Note: Beginning in 1992, principal and interest amounts do not include amounts expended for General Obligation Notes.

SOURCE: Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

STATE OF CONNECTICUT

Revenue Bond Coverage

Rental Housing

Last Ten Fiscal Years

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS RECEIPTS		NET REVENUE	DEBT SERVICE REQUIREMENTS			
	USED FOR DEBT SERVICES (1)	DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
1988	\$7,985	\$2,483	\$5,502	\$5,950	\$6,090	\$12,040	0.46
1989	13,206	3,210	9,996	1,550	7,480	9,030	1.11
1990	16,106	4,205	11,901	1,550	8,694	10,244	1.16
1991	18,113	3,234	14,879	1,550	11,360	12,910	1.15
1992	10,071	1,267	8,804	1,550	8,562	10,112	0.87
1993	17,163	1,585	15,578	1,000	7,805	8,805	1.77
1994	16,102	-	16,102	2,038	12,991	15,029	1.07
1995	14,012	61	13,951	1,052	8,310	9,362	1.49
1996	10,225	1,329	8,896	2,305	7,856	10,161	0.88
1997	7,329	33	7,296	2,175	7,814	9,989	0.73

(1) Includes Operating and Non-Operating Revenues and Principal Collections.

(2) Includes Operating Expenses Less Depreciation, Amortization, Interest Expenses, and Provision for Loan Losses.

SOURCES: Combining Statement of Revenues, Expenses, and Changes in Retained Earnings
Combining Statement of Cash Flows

Bradley International Airport

Last Ten Fiscal Years

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	NET REVENUE		DEBT SERVICE REQUIREMENTS			
		DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
1988	\$25,619	\$13,487	\$12,132	\$-	\$10,283	\$10,283	1.18
1989	32,049	14,395	17,654	995	10,093	11,088	1.59
1990	37,000	15,711	21,289	1,075	10,250	11,325	1.88
1991	33,589	16,312	17,277	1,175	10,305	11,480	1.50
1992	31,307	16,675	14,632	1,285	10,384	11,669	1.25
1993	30,399	17,859	12,540	1,405	8,157	9,562	1.31
1994	34,355	18,966	15,389	2,295	7,275	9,570	1.61
1995	40,217	18,757	21,460	2,455	7,104	9,559	2.25
1996	38,313	20,575	17,738	2,630	6,919	9,549	1.86
1997	38,794	19,746	19,048	2,820	6,718	9,538	2.00

(1) Includes Operating and Non-Operating Revenues.

(2) Includes Operating Expenses Less Depreciation, & Interest Expenses.

SOURCES: Bradley International Airport Financial Statements

STATE OF CONNECTICUT

Revenue Bond Coverage

John Dempsey Hospital

For The Last Fiscal Year

(Expressed in Thousands)

FOR THE YEAR ENDED SEPT 30,	GROSS RECEIPTS		AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			TOTAL COVERAGE
	USED FOR DEBT SERVICES(1)	DIRECT OPERATING EXPENSES(2)		PRINCIPAL	INTEREST	COVERAGE	
1996	\$130,647	\$115,675	\$14,972	\$216	\$51	\$267	56.07

(1) Includes Operating and Non-Operating Revenues

(2) Includes Operating Expenses Less Depreciation, Amortization, and Interest Expenses, and Provision for Loan Losses.

SOURCE: John Dempsey Hospital Financial Statements

Connecticut Development Authority

Last Ten Fiscal Years

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS RECEIPTS		NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			TOTAL COVERAGE
	USED FOR DEBT SERVICES (1)	DIRECT OPERATING EXPENSES (2)		PRINCIPAL	INTEREST	COVERAGE	
1988	\$272,954	\$2,034	\$270,920	\$122,331	\$137,169	\$259,500	1.04
1989	341,359	2,494	338,865	192,285	139,536	331,821	1.02
1990	236,158	2,880	233,278	83,363	144,287	227,650	1.02
1991	308,592	8,812	299,780	177,784	122,300	300,084	1.00
1992(3)	32,205	8,068	24,137	7,340	15,651	22,991	1.05
1993	39,344	9,678	29,666	14,300	10,988	25,288	1.17
1994	54,748	16,584	38,164	30,606	6,424	37,030	1.03
1995	55,459	11,365	44,094	41,715	9,221	50,936	0.87
1996	52,459	12,767	39,692	17,665	7,610	25,275	1.57
1997	62,678	14,244	48,434	8,685	7,101	15,786	3.07

(1) Includes Operating and Non-Operating Revenues and Principal Collected on Loans.

(2) Includes Operating Expenses Less Depreciation, Amortization, and Interest Expenses.

(3) Beginning in 1992, the Authority no longer includes the assets and liabilities of its Self-Sustaining Bond Program in its financial statements. See Note 15b.

SOURCE: Connecticut Development Authority Financial Statements

STATE OF CONNECTICUT

Revenue Bond Coverage

Connecticut Housing Finance Authority

Last Ten Fiscal Years

(Expressed in Thousands)

FOR THE YEAR ENDED DEC. 31,	GROSS RECEIPTS		NET REVENUE		DEBT SERVICE REQUIREMENTS			COVERAGE
	USED FOR DEBT SERVICES (1)	DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL		
1987	\$451,530	\$11,282	\$440,248	\$241,835	\$179,003	\$420,838	1.05	
1988	367,793	15,444	352,349	140,915	175,957	316,872	1.11	
1989	362,041	23,911	338,130	105,335	190,882	296,217	1.14	
1990	382,364	40,999	341,365	260,750	202,547	463,297	0.74	
1991	385,139	34,819	350,320	103,405	207,415	310,820	1.13	
1992	456,281	28,611	427,670	455,505	206,268	661,773	0.65	
1993	556,670	42,778	513,892	544,375	192,589	736,964	0.70	
1994	483,683	30,910	452,773	622,215	173,843	796,058	0.57	
1995	421,706	38,373	383,333	452,210	174,752	626,962	0.61	
1996	460,395	33,202	427,193	398,950	179,034	577,984	0.74	

(1) Includes Operating and Non-Operating Revenues and Principal Collected on Loans.

(2) Includes Operating Expenses Less Depreciation, Amortization, and Interest Expenses

SOURCE: Connecticut Housing Finance Authority Financial Statements.

Connecticut Resources Recovery Authority

Last Nine Fiscal Years

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES (1)	NET REVENUE		DEBT SERVICE REQUIREMENTS			COVERAGE
		DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	
1989	\$97,303	\$68,681	\$28,622	\$3,164	\$27,766	\$30,930	0.93
1990	133,435	93,086	40,349	6,531	27,700	34,231	1.18
1991	128,491	90,228	38,263	10,989	28,778	39,767	0.96
1992	128,186	92,291	35,895	12,198	27,650	39,848	0.90
1993	132,569	102,081	30,488	16,029	26,558	42,587	0.72
1994	147,753	97,787	49,966	19,108	26,665	45,773	1.09
1995	160,645	104,917	55,728	28,983	25,937	54,920	1.01
1996	151,468	101,592	49,876	23,473	24,782	48,255	1.03
1997	155,036	112,458	42,578	27,387	20,552	47,939	0.89

(1) Includes Operating Revenues and Investment Income.

(2) Includes Operating Expenses Less Depreciation and Amortization and Write Off of Development Costs.

NOTE: Prior to 1989, Connecticut Resources Recovery Authority was considered a development stage enterprise as many of its facilities were still being constructed.

SOURCE: Connecticut Resources Recovery Authority Financial Statements

STATE OF CONNECTICUT

Revenue Bond Coverage

Connecticut Higher Education Supplemental Loan Authority

Last Four Fiscal Years

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30.	GROSS REVENUES(1)	NET REVENUE		DEBT SERVICE REQUIREMENTS			TOTAL COVERAGE
		DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	
1994	\$8,778	\$1,083	\$7,695	\$5,630	\$3,858	\$9,488	0.81
1995	10,511	1,509	9,002	2,940	5,097	8,037	1.12
1996	11,525	1,795	9,730	3,970	4,939	8,909	1.09
1997	18,502	2,544	15,958	5,125	5,796	10,921	1.46

(1) Includes Operating and Non-Operating Revenues and Principal Collections.

(2) Includes Operating Expenses Less Depreciation, Amortization and Interest Expenses.

SOURCE: Connecticut Higher Education Supplemental Loan Authority Financial Statements

Connecticut Health and Educational Facilities Authority

Last Four Fiscal Years

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30.	GROSS REVENUES(1)	NET REVENUE		DEBT SERVICE REQUIREMENTS			TOTAL COVERAGE
		DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	
1994	\$180,915	\$1,854	\$179,061	\$161,640	\$84,867	\$246,507	0.73
1995	148,045	1,716	146,329	36,257	108,203	144,460	1.01
1996	154,981	2,074	152,907	60,869	117,743	178,612	0.86
1997	189,321	1,860	187,461	146,615	132,867	279,482	0.67

(1) Includes Operating and Non-Operating Revenues and Principal Collections.

(2) Includes Operating Expenses Less Depreciation, Amortization and Interest Expenses and Provision for Loan Losses.

SOURCE: Connecticut Health and Educational Facilities Authority Financial Statements

STATE OF CONNECTICUT

Bank Deposits

Last Ten Fiscal Years
(Expressed in Thousands)

TOTAL AS OF	BANK DEPOSITS
1988	\$64,533,081
1989	67,747,035
1990	69,505,683
1991	44,897,318
1992	38,322,461
1993	55,532,661
1994	54,836,057
1995	53,640,331
1996	39,120,816
1997	38,936,046

NOTES: Beginning in 1991 totals are as of 6/30, before 1991 totals were as of 12/31.

For the years 1993 -1996, bank deposits for credit unions were not included.

The reduction in deposits in 1996 can be attributed to out of state bank mergers: Deposits with banks not headquartered in Connecticut are no longer included.

SOURCES: Department of Banking

Connecticut Population Statistics

(Thousands)

YEAR	TOTAL POPULATION	POPULATION UNDER 5	POPULATION 65 OR OLDER	NET DOMESTIC MIGRATION**
1988	3,272	221	434	N/A
1989	3,283	227	441	N/A
1990	3,287	233	444	N/A
1991	3,288	236	451	(27.2)
1992	3,277	236	456	(40.5)
1993	3,273	235	461	(28.0)
1994	3,270	232	464	(27.0)
1995	3,267	226	467	(26.3)
1996	3,267	223	470	(20.5)
1997	3,270	N/A	N/A	N/A

SOURCE: U.S. Census Bureau

**Net Domestic Migration represents the difference between annual population movement into and out of Connecticut where both the origin and destination are within the United States. Specific Net Domestic Migration data were not collected prior to the 1990 census.

STATE OF CONNECTICUT

Employment Statistics

Resident Employment and Unemployment Rates (Seasonally Adjusted)

<u>Year</u>	<u>Non-Farm Payroll Employment</u>	<u>Percent Change in Employment</u>	<u>Unemployment Rate</u>
1987	1,657,400	-	3.3 %
1988	1,672,300	0.90 %	3.0 %
1989	1,652,300	-1.20 %	3.7 %
1990	1,591,500	-3.68 %	5.2 %
1991	1,536,100	-3.48 %	6.8 %
1992	1,520,100	-1.04 %	7.6 %
1993	1,535,200	0.99 %	6.3 %
1994	1,553,300	1.18 %	5.6 %
1995	1,567,200	0.89 %	5.5 %
1996	1,596,500	1.87 %	5.7 %
1997 (Oct.)	1,622,000	N/A	4.7 %

Source: Bureau of Labor Statistics, Benchmark year: 1996.

Percent of Total Non-Farm Employment By Industry for the United States and Connecticut (1987 & 1996)

<u>Industry</u>	<u>United States 1987</u>	<u>Connecticut 1987</u>	<u>United States 1996</u>	<u>Connecticut 1996</u>
Agricultural Services	0.77 %	0.56 %	0.97 %	0.76 %
Mining	0.66 %	0.09 %	0.46 %	0.04 %
Construction	4.74 %	4.72 %	4.48 %	3.33 %
Manufacturing	17.50 %	22.31 %	14.69 %	16.65 %
Transportation & Public Utilities	4.96 %	4.13 %	4.98 %	4.41 %
Wholesale Trade	5.45 %	5.06 %	5.19 %	4.90 %
Retail Trade	17.46 %	16.95 %	17.60 %	16.60 %
Finance, Ins. & Real Estate	6.12 %	8.81 %	5.58 %	8.10 %
Services	24.04 %	24.00 %	28.90 %	31.40 %
Government	18.30 %	13.38 %	17.15 %	13.80 %

Source: Bureau of Economic Analysis, Personal Income Series.

STATE OF CONNECTICUT

Wage, Salary and Income Statistics

Percent of Wage and Salary Disbursements By Industry for the United States and Connecticut (1987 & 1996)

<u>Industry</u>	<u>United States</u> <u>1987</u>	<u>Connecticut</u> <u>1987</u>	<u>United States</u> <u>1996</u>	<u>Connecticut</u> <u>1996</u>
Agricultural Services	0.05 %	0.39 %	0.58 %	0.47 %
Mining	1.06 %	0.16 %	0.77 %	0.06 %
Construction	5.33 %	5.76 %	4.77 %	3.51 %
Manufacturing	22.07 %	28.05 %	18.68 %	21.82 %
Transportation & Public Utilities	6.83 %	5.13 %	6.39 %	5.07 %
Wholesale Trade	6.90 %	6.93 %	6.82 %	6.76 %
Retail Trade	10.04 %	9.79 %	9.58 %	8.36 %
Finance, Ins. & Real Estate	7.85 %	11.04 %	8.19 %	13.05 %
Services	21.17 %	20.15 %	26.70 %	27.44 %
Government	18.24 %	12.60 %	17.52 %	13.47 %

Source: Bureau of Economic Analysis, Personal Income Series.

Connecticut Per Capita Income Compared with the United States and the New England Region

<u>Year</u>	<u>United States</u>	<u>Percent Change</u>	<u>New England</u>	<u>Percent Change</u>	<u>Connecticut</u>	<u>Percent Change</u>
1987	\$15,990	-	\$19,138	-	\$21,670	-
1988	\$17,062	6.70 %	\$20,842	8.90 %	\$23,741	9.56 %
1989	\$18,172	6.51 %	\$22,128	6.17 %	\$25,440	7.16 %
1990	\$19,191	5.61 %	\$22,783	2.96 %	\$26,507	4.19 %
1991	\$19,689	2.59 %	\$23,146	1.59 %	\$26,810	1.14 %
1992	\$20,631	4.78 %	\$24,234	4.70 %	\$28,455	6.14 %
1993	\$21,365	3.56 %	\$25,058	3.40 %	\$29,442	3.47 %
1994	\$22,180	3.81 %	\$26,040	3.92 %	\$30,462	3.46 %
1995	\$23,348	5.27 %	\$27,688	6.33 %	\$32,341	6.17 %
1996	\$24,426	4.62 %	\$28,989	4.70 %	\$33,875	4.74 %

Source: Bureau of Economic Analysis, September 1997 Personal Income Tables.

STATE OF CONNECTICUT

Wage, Salary and Income Statistics

Connecticut Disposable Per Capita Income Compared with the United States and the New England Region

Year	United States	New England	Connecticut	Percentage by	Percentage by
				which CT exceeds	which CT exceeds
				United States	New England
1987	\$13,873	\$16,249	\$18,258	31.61 %	12.36 %
1988	\$14,891	\$17,932	\$20,287	36.24 %	13.13 %
1989	\$15,767	\$19,026	\$21,799	38.26 %	14.57 %
1990	\$16,692	\$19,660	\$22,846	36.87 %	16.21 %
1991	\$17,213	\$20,022	\$23,057	33.95 %	15.16 %
1992	\$18,084	\$20,862	\$24,096	33.24 %	15.50 %
1993	\$18,693	\$21,505	\$24,832	32.84 %	15.47 %
1994	\$19,345	\$22,284	\$25,722	32.96 %	15.43 %
1995	\$20,327	\$23,582	\$27,063	33.14 %	14.76 %
1996	\$21,087	\$24,387	\$27,913	32.37 %	14.46 %

Source: Bureau of Economic Analysis, September 1997 Personal Income Tables. Note, disposable per capita income is the amount of per capita income remaining after the payment of federal, state, and local personal taxes and fees. It represents income available for spending and savings.

Resident Median Household Income Comparison For the United States and Connecticut

Year	United States	Percent Change	Connecticut	Percent Change	Difference in	Percent
					Dollars	Difference
					(CT vs. US)	(CT vs. US)
1986	\$35,642	-	\$46,842	-	\$11,200	31.42 %
1987	\$35,891	0.70 %	\$45,388	-3.10 %	\$ 9,497	26.46 %
1988	\$36,108	0.60 %	\$48,029	5.82 %	\$11,921	33.01 %
1989	\$36,575	1.29 %	\$53,550	11.50 %	\$16,975	46.41 %
1990	\$35,945	-1.72 %	\$46,662	-12.86 %	\$10,717	29.81 %
1991	\$34,705	-3.45 %	\$48,561	4.07 %	\$13,856	39.93 %
1992	\$34,261	-1.28 %	\$45,673	-5.95 %	\$11,412	33.31 %
1993	\$33,922	-0.99 %	\$42,907	-6.06 %	\$ 8,985	26.49 %
1994	\$34,158	0.70 %	\$43,510	1.41 %	\$ 9,352	27.38 %
1995	\$35,082	2.71 %	\$41,431	-4.78 %	\$ 6,349	18.10 %
1996	\$35,492	1.17 %	\$42,119	1.66 %	\$ 6,627	18.67 %

Source: U.S. Census Bureau.

STATE OF CONNECTICUT

Connecticut Total Gross State Product Compared to the United States and New England Region

(millions of fixed weighted 1992 dollars)

<u>United States</u>	<u>Percentage Change</u> <u>New England</u>	<u>Percentage Change</u> <u>Connecticut</u>	<u>Percentage</u> <u>Change</u>
1985 \$5,154,888		\$85,509	
1986 \$5,284,257	2.51%	\$89,704	4.91%
1987 \$5,482,101	3.74%	\$96,292	7.34%
1988 \$5,721,367	4.36%	\$102,866	6.83%
1989 \$5,927,883	3.61%	\$104,935	2.01%
1990 \$5,995,883	1.15%	\$104,920	-0.01%
1991 \$5,955,311	-0.68%	\$101,935	-2.85%
1992 \$6,135,028	3.02%	\$102,651	0.70%
1993 \$6,267,307	2.16%	\$102,565	-0.08%
1994 \$6,509,565	3.87%	\$104,480	1.87%

Source: June 1997, SURVEY OF CURRENT BUSINESS, Comprehensive Revision of Gross State Product by Industry, 1977-94

Note: Data was available through 1994 as of the publication of this report.

Connecticut Economic Rankings

<u>Category</u>	<u>Connecticut</u>	<u>Rank</u>	<u>United States</u>
Home Ownership Rates			
1990	65.5%	34	64.1%
1995	68.2%	21	64.7%
Retail Sales per Household			
1990	\$22,535	7	\$19,655
1994	\$26,413	5	\$23,363
Percent of Civilian Population Employed			
1990	67.6%	6	62.8%
1995	64.1%	25	62.9%
Public Aid Recipients / % of Population			
1990	4.7%	32	6.5%
1994	6.4%	29	7.7%
Percent of Population Below Poverty			
1990	6.0%	50	13.5%
1994	10.8%	32	14.5%
Average Annual Pay			
1990	\$28,995	2	\$23,602
1994	\$33,811	1	\$26,939

Source: U. S. Census Bureau, 1996 Statistical Abstract

STATE OF CONNECTICUT

Top Twenty Private Sector Employers

June 30, 1997

<u>Rank</u> <u>1996</u>	<u>Rank</u> <u>1995</u>	<u>Name</u>	<u>Headquarters</u>	<u>Total CT Employees</u>	
				<u>1996</u>	<u>1995</u>
1	2	Stop & Shop	Quincy, Mass.	13,000	12,412
2	1	Pratt & Whitney	East Hartford	12,542	13,000
3	4	Foxwoods Resort Casino	near Ledyard	10,135	11,154
4	3	Aetna Life & Casualty	Hartford	9,732	11,688
5	6	Yale University	New Haven	9,589	9,629
6	7	The Hartford Group	Hartford	9,500	8,967
7	9	SNET	New Haven	8,846	8,360
8	5	Electric Boat	Groton	8,750	10,578
9	8	Sikorsky Aircraft	Stratford	7,500	8,375
10	10	Travelers Group Inc.	New York	7,491	8,090
11	12	Hartford Hospital	Hartford	6,500	6,436
12	14	Yale-New Haven Hospital	New Haven	6,200	6,000
13	16	CIGNA Corp.	Philadelphia	5,976	6,162
14	13	Northeast Utilities	Berlin	6,000	6,150
15	14	Pitney Bowes Inc.	Stamford	6,000	6,000
16	19	Hamilton Standard	Windsor Locks	5,665	5,000
17	17	Fleet Financial Group	Boston	5,414	5,794
18	18	General Electric Co	Fairfield	5,400	5,300
19	-	Mohegan Sun Casino	Montville	5,096	0
20	20	J. C. Penney	Plano, Texas	4,000	3,569

Source: The Hartford Courant (dated 6/2/97)

STATE OF CONNECTICUT

Major Revenue Sources - General Fund

Last Ten Fiscal Years

(Millions)

FISCAL YEAR	SALES & USE TAX	% OF TOTAL REVENUE	PERSONAL INCOME TAX	% OF TOTAL REVENUE	CORPORATION TAX	% OF TOTAL REVENUE	CAPITAL GAINS TAX	% OF TOTAL REVENUE
1988	2,000.4	41.2%	-	-	661.3	13.6%	386.3	7.9%
1989	2,097.5	38.1%	-	-	870.0	15.8%	508.7	9.2%
1990	2,479.0	40.6%	-	-	794.1	13.0%	624.7	10.2%
1991	2,417.8	41.6%	-	-	669.0	11.5%	520.5	8.9%
1992	2,080.2	28.2%	1,976.6	26.7%	641.4	8.7%	-	-
1993	2,056.2	27.2%	2,392.0	31.6%	715.2	9.4%	-	-
1994	2,181.4	27.6%	2,517.7	31.8%	703.5	8.9%	-	-
1995	2,368.1	27.9%	2,589.9	30.6%	724.7	8.6%	-	-
1996	2,460.1	27.0%	2,879.4	31.6%	748.1	8.2%	-	-
1997	2,611.5	27.3%	3,110.9	32.5%	677.9	7.1%	-	-

NOTES: Effective in 1992, the Capital Gains Tax became an integral part of the newly implemented Personal Income Tax. Gross Revenues Including Statutory Accruals.

SOURCE: Annual Report of the State Comptroller (Schedule B-2)

Sales and Use Tax - Major Industrial Categories

June 30, 1997

(Millions)

INDUSTRY	TAX	PERCENT
Manufacturing	\$165.5	6.7%
Wholesale	123.6	5.0%
Retail:		
Hardware	70.2	2.8%
General Merchandise	133.8	5.4%
Food Products	87.0	3.5%
Auto Products	283.8	11.5%
Apparel	36.2	1.5%
Home Appliances & Furnishings	152.8	6.2%
Eating & Drinking Establishments	148.3	6.0%
Miscellaneous Shopping Stores	254.2	10.3%
Business	547.5	22.2%
All Other Businesses	466.7	18.9%
Total Sales & Use Tax	\$2,469.6	

NOTE: The figures shown are based on returns filed on a timely basis and do not include audits or late returns.

SOURCE: Department of Revenue Services

STATE OF CONNECTICUT

Miscellaneous Statistics

June 30, 1997

Date of Ratification	January 9, 1788
Form of Government	Legislative - Executive - Judicial
Miles of State Highway	4,094
Land Area	5,009 Square Miles

State Police Protection:

Number of Stations	12
Number of State Police	973

Higher Education (Universities, Colleges and Community Colleges):

Number of Campuses in State	26
Number of Educators	3,431
Number of Students	101,339

Recreation:

Number of State Parks	91
Area of State Parks	31,729 Acres
Area of State Forests	144,768 Acres

Employees:

Full-Time	50,570
Part-Time (Permanent)	2,758

SOURCE: Connecticut State Register and Manual

STATE OF CONNECTICUT
Office of the State Comptroller Organization

Nancy Wyman
State Comptroller

Mark E. Ojakian
Deputy Comptroller

MANAGEMENT SERVICES DIVISION

Bernard McLoughlin
Director

ACCOUNTS PAYABLE DIVISION

Mark Aronowitz
Director

RETIREMENT & EMPLOYEE BENEFITS DIVISION

Steven Weinberger
Director

COMPUTER SERVICES DIVISION

Carl Kask
Director

POLICY SERVICES DIVISION

Jeanne Berube
Director

PAYROLL SERVICES DIVISION

Gary Reardon
Director

BUDGET & FINANCIAL ANALYSIS DIVISION

John Clark
Director

Accounting Services

Robert Krueger - *Assistant Director*
Hazel Brown

Financial Reporting

Gerardo Villa, CPA
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Robert Gribbon
Dennis Odum
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Accounting Operations

Patrick Collins
Carmen Guzman
Karen Hurst
Yvette Jenkins
Debra Morris
Diane Nolan

