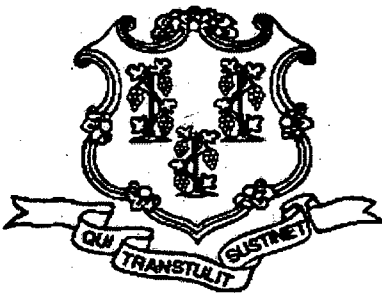


**STATE OF  
CONNECTICUT**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

**Fiscal Year Ended  
June 30, 2004**



**Nancy Wyman  
State Comptroller**

**2004**



***STATE OF CONNECTICUT***

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

**For Fiscal Year Ended  
June 30, 2004**

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

**NANCY WYMAN  
STATE COMPTROLLER**

This publication is available on the Office of the State Comptroller's home page:  
<http://www.osc.state.ct.us/2004cafr/>

*This publication will be made available, upon request, in large print, braille or audiocassette pursuant to the requestor's requirements.*

## *Office of the State Comptroller*

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

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

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

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***Connecticut***

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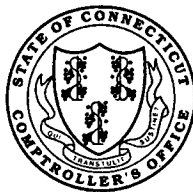


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# ***Introductory Section***

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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, 2006

To the Citizens of the State of Connecticut

It is our privilege to present this Comprehensive Annual Financial Report (CAFR) of the State of Connecticut for the fiscal year ended June 30, 2004. This report was prepared in its entirety by the Office of the State Comptroller. The Comptroller is responsible for state accounting practices and is committed to sound financial management and governmental accountability.

We believe that the financial statements are fairly presented in all material aspects. They are designed to set forth the financial position of the state, its operating results and the changes in net assets or fund balances of the major funds and non-major funds in the aggregate. All required disclosures have been included to assist the public, state policy makers, and the financial community in understanding the state's financial affairs.

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 as well as the reporting requirements prescribed by the Government Finance Officers Association. The Management's Discussion and Analysis (MDA) contains information that prior to 2002 was found within the letter of transmittal. In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables.

The Fiscal Year 2004 CAFR was published late due to reporting delays caused by the implementation of a new financial and human resources management system concurrent with a major downsizing in the state's workforce. These factors are discussed in more detail below.

## **PROFILE OF THE STATE OF CONNECTICUT**

Connecticut became the fifth state of the United States on January 9, 1788. Its borders encompass 5,009 square miles. Within its compact borders, Connecticut has forested hills, new urban skylines, shoreline beaches, and historic village greens. There are classic Ivy League schools, modern expressways, corporate offices, and small farms.

Connecticut is a thriving center of business as well as a vacation location. It is both a New England State, and suburban to New York City. The population of Connecticut was 3,498,966 according to the July 1, 2004 U.S. Census estimates. Five large cities, Bridgeport, New Haven, Hartford (the State Capitol since 1875), Stamford and Waterbury, have populations in excess of 100,000 residents.

State Government in Connecticut has three branches: executive, legislative and judicial. Voters elect six state officers: Governor, Lieutenant Governor, Treasurer, Comptroller, Secretary of State and Attorney General. All have four-year terms. Connecticut also elects two U.S. Senators and five U.S. Representatives. Connecticut's General Assembly or legislature has a Senate and a House of Representatives.

The regular sessions of the General Assembly are held every year. These sessions run from January through June in odd-number years and from February through May in even-number years. The General Assembly reconvenes in special session to deal with emergencies or bills or appropriations vetoed by the Governor. Members of both houses represent districts based on population. There are currently 36 State Senators and 151 State Representatives. Members of the General Assembly are elected to two-year terms. The Judicial Department is composed of the Superior, Appellate and Supreme courts. Except for judges of the probate court, who are elected by the voters of the town or district that they serve, all judges are nominated by the Governor and appointed by the General Assembly.

Connecticut has no system of county government. Below the state level, governing units consist of 169 municipalities. The General Statutes of Connecticut provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the state and the ancillary powers that are necessarily implied by the powers explicitly granted.

## **ECONOMIC CONDITION AND OUTLOOK**

After almost eight years of solid economic growth, Connecticut began to experience payroll job losses in Fiscal Year 2001. In Fiscal Years 2001, 2002 and 2003 the state's payroll job losses totaled 13,800, 12,600 and 27,200 respectively. After three successive years of job losses, in Fiscal Year 2004, the state again experienced gains in payroll employment. In Fiscal Year 2004, Connecticut added 6,800 payroll jobs.

Connecticut's payroll employment totaled 1,648,600 at the end of Fiscal Year 2004. The Fiscal Year 2004 job gain represented a 0.4 percent rise in employment as compared to a 1.2 percent job increase nationally during the same period.

Over the past ten years, Connecticut has experienced a shift in the industrial make-up of its workers with manufacturing jobs being replaced by service sector jobs. This is a trend that began several decades ago. In the last ten years, manufacturing employment in Connecticut has declined by just over 20 percent while during the same period employment in professional and business services grew by 11.5 percent and financial services saw growth in excess of 7 percent. Despite these shifts, manufacturing continues to play an important role in Connecticut's economic life contributing approximately 12 percent of Gross State Product. Between 2003 and 2004 real Gross State Product in Connecticut grew at a 4.5 percent rate as compared to a national growth rate of 4.3 percent.

Connecticut's unemployment rate was 4.8 percent at the end of Fiscal Year 2004 compared to a national rate of 5.6 percent. One reason for the state's relatively low unemployment rate is stagnation in its labor force growth. Between Fiscal Years 1994 and 2004, Connecticut's labor force grew just 2.3 percent. Nationally during this period the labor force grew 12.9 percent. Reversing the trend of a declining state labor force will prove important to Connecticut's long-term economic growth potential. A slight acceleration in the state's population growth has been observed since 1996. A continuation of this trend should also contribute to labor force growth.

Connecticut continues to be a national leader in income measurements. Connecticut's 2004 per capita income of \$45,506 was 37.7 percent above the national average of \$33,041. Connecticut's inflation adjusted median household income for 2004 of \$73,458 was second only to New Jersey.

Connecticut's housing market remained strong throughout the recent recession. Historically low interest rates contributed to the strong real estate activity. Home sales advanced at double-digit growth rates as did home prices.

## MAJOR GOVERNMENT INITIATIVES

### Technology Initiative

In July 2003, the state implemented the first phase of a new fully integrated, Internet based financial management and human resources system called Core-CT. The system provides a single point of entry for all state financial, human resources and payroll data. Core-CT contains central and agency accounting, purchasing, accounts payable, assets, inventory, payroll, time and attendance, worker's compensation, personnel and other business systems. The human resources/ payroll component of Core-CT came on-line in October 2003.

The implementation of Core-CT is the product of several years of work to improve the state's financial reporting and management information systems. This work continued in Fiscal Year 2004 with the development of additional system modules. Core-CT will ultimately allow the state to gather more detailed financial and personnel data than had been available in the past, and to better analyze the effectiveness and efficiency of governmental programs. Over the next decade it is anticipated that Core-CT will help the state to improve its delivery of services to the people of Connecticut and to reduce program costs through efficiencies.

This historic upgrade to the state's financial system occurred coincident with a significant downsizing of the state's workforce, which took place through a combination of layoffs and early retirements. Hundreds of employees that had been trained in the new technology and had decades of experience in state finance were suddenly gone. This sudden downsizing and start-up issues with software explain the delay in this report.

### Use of Fiscal Year 2004 Surplus

Section 48 of Public Act 04-216 increased General Fund appropriations by \$112.4 million (beyond the amount required to cover normal operating deficiencies) to fund education grants, Husky health coverage, contract settlements, and other miscellaneous items. Section 10 of Public Act 04-216 reserved \$125.3 million of Fiscal Year 2004 revenue to cover Fiscal Year 2005 spending. Absent this legislation, these amounts would have become Fiscal Year 2004 surplus and subject to transfer to the Budget Reserve Fund.

A remaining surplus of \$302.2 million as calculated on the modified cash basis of accounting was transferred to the Budget Reserve Fund. Prior to this transfers reserves in the fund had been completely depleted. The statutory target for reserves is 10 percent of net General Fund appropriations. At the end of Fiscal Year 2004, reserves totaled just 2.3 percent of such appropriations.

## **BUDGETARY AND OTHER CONTROL SYSTEMS**

In November 1992, electors approved an amendment to the State Constitution providing that the amount of general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year.

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

The spending cap can be lifted if the Governor declares the existence of extraordinary circumstances and the General Assembly by a three-fifths vote approves appropriations in excess of the cap. This has occurred in several fiscal years to allow direct appropriations of surplus to be substituted for debt financing, and other permit other spending initiatives from surplus funds.

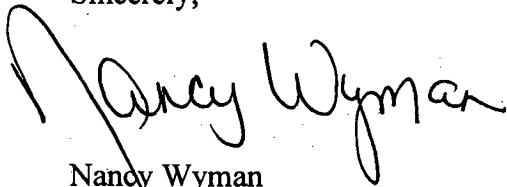
Budget control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills. The allotment process exercises control over obligations or commitments. The Governor, through his budget office, allots funds for both budgeted and non-budgeted accounts and funds. The Governor is permitted to modify appropriations through the allotment process under certain circumstances and within percentage limitations specified by the General Assembly.

Elected officials, agency commissioners, directors of public benefit corporations and agency managers are responsible for establishing internal control structures. Good internal control systems ensure 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. The Office of the State Comptroller has worked to improve the overall internal control environment in state government. This work has included improvements to the central state accounting system that advance internal control efforts.

## ACKNOWLEDGEMENTS

I wish to express my personal thanks to the many individuals in various agencies and reporting units whose cooperation and assistance have made this report possible. In addition, I would like to thank the staff of my Budget and Financial Analysis Division for their diligent work on this report.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Wyman". The signature is written in black ink and is positioned to the left of the printed name and title.

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, 2003

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.



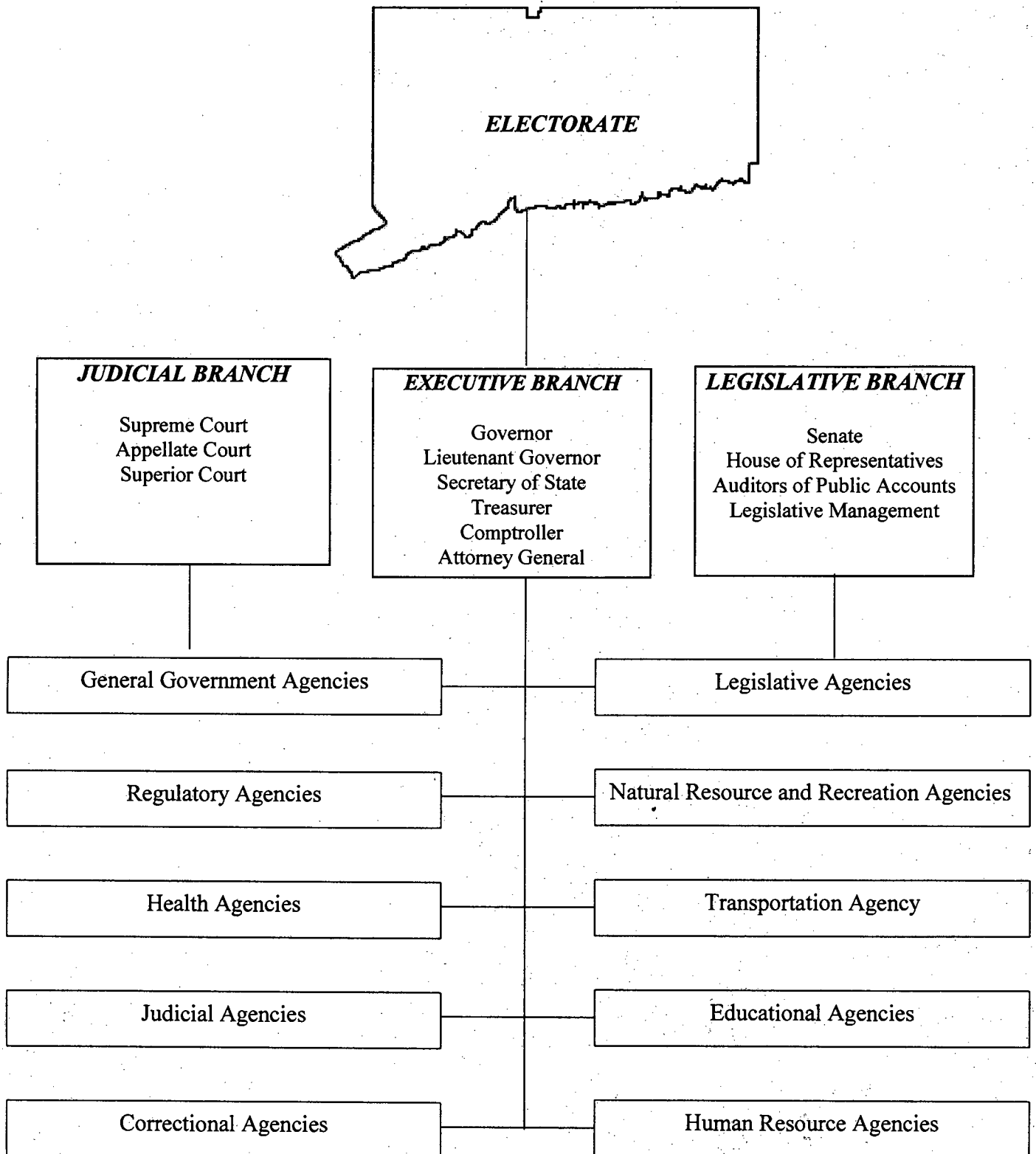
*Nancy L. Ziehl*

President

*Jeffrey R. Enos*

Executive Director

## Organization Chart



***Selected State Officials  
(as of June 30, 2004)***

***EXECUTIVE***

M. Jodi Rell  
*Governor*

Kevin B. Sullivan  
*Lieutenant Governor*

Susan Bysiewicz  
*Secretary of State*

Denise L. Nappier  
*Treasurer*

Nancy Wyman  
*Comptroller*

Richard Blumenthal  
*Attorney General*

***JUDICIAL***

William J. Sullivan  
*Chief Justice*

***LEGISLATIVE***

Donald Williams  
*President Pro Tempore of the State Senate*  
(36 Senators)

James Amann  
*Speaker of the House of Representatives*  
(151 Representatives)

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# ***Financial Section***

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

210 CAPITOL AVENUE

HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

## INDEPENDENT AUDITORS' REPORT

Governor M. Jodi Rell  
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2004, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

### Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund, the Transportation Special Tax Obligations account within the Debt Service Fund, and the Clean Energy Fund account within the Environmental Programs Fund, which in the aggregate, represent seven percent of the assets and seven percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital, University of Connecticut Foundation, Connecticut State University, and Connecticut Community Colleges accounts within the Higher Education Fund, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 59 percent of the assets and 50 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units;

### Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 98 percent of the assets and 98 percent of the revenues of the Transportation Fund;

- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the Clean Energy Fund account, which represents 25 percent of the assets and 36 percent of the revenues of the Environmental Programs Fund;
- the financial statements of the John Dempsey Hospital, University of Connecticut Foundation, Connecticut State University, and Connecticut Community-Technical Colleges accounts within the Higher Education Fund; Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 59 percent of the assets and 50 percent of the revenues of the Enterprise Funds;

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that the audits of certain entities 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 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.

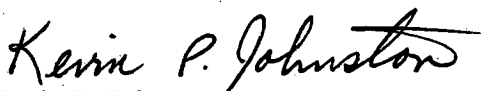
In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Connecticut as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21 of the financial statements, the State of Connecticut adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units* an amendment of GASB Statement 14. This standard modifies the criteria for defining component units of a governmental entity. As a result of the implementation of this standard, the University of Connecticut Foundation, Inc. has been added as a component unit.

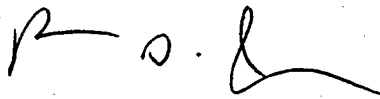
In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2005, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages 17 through 28 and budgetary comparison information on pages 40 and 41, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Kevin P. Johnston  
Auditor of Public Accounts



Robert G. Jaekle  
Auditor of Public Accounts

December 30, 2005  
State Capitol  
Hartford, Connecticut



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)**

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. It is by necessity highly summarized, and in order to gain a thorough understanding of the state's financial position, the financial statements and footnotes should be viewed in their entirety.

### **FINANCIAL HIGHLIGHTS**

#### **Government-wide:**

Assets of the state's governmental activities were \$5.4 billion less than liabilities, a deterioration in financial position of \$0.2 billion related to current year operations. Assets of the state's business type activities exceeded liabilities by \$3.7 billion, which are by and large unchanged from that of the prior year. In terms of the total, net assets declined from negative \$1.6 billion to a negative \$1.8 billion, a decrease in total net assets of \$0.2 billion.

As noted above, the governmental portion of state liabilities exceeded state governmental assets by \$5.4 billion as of June 30, 2004. Of this amount, the unrestricted net asset portion was a negative \$10.4 billion. One reason for the negative balance is the state's reliance on issuing bonds to fund certain operating grants. General Obligation bonds outstanding as of June 30, 2004 that related to municipal school construction, and other operating grants and loans totaled \$3.1 billion. Additionally, long-term obligations such as net pension, compensated absences and worker's compensation obligations of \$4.1 billion, with no offsetting assets, further contributed to the state's negative net assets.

#### **Fund Level:**

Total Governmental fund assets exceeded liabilities resulting in a fund balance of \$1.9 billion, all of which was reserved leaving a net unreserved fund balance of just under zero. The portion of unreserved undesignated fund balance that pertains to the General Fund was a negative \$0.9 billion at June 30, 2004.

Total Enterprise Fund assets exceeded liabilities resulting in net assets of \$3.7 billion, substantially all of which was restricted or invested in capital assets.

#### **Debt Issued and Outstanding:**

Long-term bonded debt of governmental activities totaled \$12.9 billion (see Note 16). In addition, \$0.3 billion in Economic Recovery Notes was outstanding on June 30, 2004. Other long-term liabilities totaled \$4.2 billion.

## **OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION**

There are three major parts to the basic financial statements: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **GOVERNMENT-WIDE STATEMENTS (Reporting the State as a Whole)**

Governments have traditionally focused their reporting on groupings of funds rather than on the government taken as a whole. The GASB 34 financial reporting model, upon which this report is based, retains this traditional focus on funds and adds an additional focus on the overall government's financial position and operations.

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the state as a whole and its activities. These statements help to demonstrate how the state's financial position as a whole changed due to the year's operating activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting.

The Statement of Net Assets presents all of the state's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the state's financial position is improving or not.

The Statement of Activities presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will result in future fiscal year cash flows (e.g., earned but unused vacation time).

Both statements report three activities:

- *Governmental Activities* - Most of the state's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The legislature, the judiciary, and the general operations of the executive departments fall within the governmental activities.
- *Business-Type Activities* - These activities are primarily funded by charges to external parties for the cost of goods and services provided. These activities are generally reported in Enterprise Funds in the fund level statements. The operations of Bradley International Airport, the Connecticut Lottery Corporation and Employment Security, are examples of business-type activities.
- *Discretely Presented Component Units* - Component units are legally separate organizations for which the state is financially accountable. More information on discretely presented component units can be found in Note 1 of the Notes to Financial Statement section.

Financial reporting for governmental activities traditionally has focused on changes in current spendable resources rather than on changes in total resources. This traditional focus has been retained for purposes of fund reporting. However, as governmental activities are included with other activities in the government-wide financial statement format, the focus for these activities shifts to changes in total resources. In other words, all activities reported in government-wide financial statements are reported in a manner similar to private-sector accounting. To increase the readers understanding, a summary reconciliation of the difference between the governmental fund financial statements and the government-wide financial statements is provided as part of the basic financial statements.

## **FUND LEVEL STATEMENTS**

Fund financial statements focus on individual parts of the state's operations in more detail than the government-wide statements. Funds are accounting devices that governments use to keep track of specific sources of funding and spending for particular purposes. The state of Connecticut is required to report four categories of fund statements – governmental, proprietary, and fiduciary funds, to the extent that state activities meet the criteria for using these funds, and “combining statements” for its component units.

As a practical matter, governments have traditionally been combining similar individual funds into groupings or “fund types” (i.e., general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, internal service funds and trust & agency funds). In the past, it was these fund types, rather than individual funds, that have been the focus of the combined financial statements presented in financial reports. Under the GASB 34 financial reporting model, as presented here, governments focus on major individual funds rather than on fund types (with aggregated information presented for the total of all non-major funds).

### **Major Governmental Fund Financial Statements:**

Governmental fund reporting focuses primarily on the sources uses and balances of current financial resources and often has a budgetary orientation. The state's major government funds include the General Fund, the Transportation Fund and the Debt Service Fund.

General Fund. The General Fund functions as the chief operating fund for the state government. All of the state's activities are reported in the General Fund unless there is a compelling reason to report them elsewhere.

Transportation Fund. The Transportation Fund is a special revenue fund that accounts for motor vehicle taxes, receipts and transportation related federal revenues collected for payment of debt service requirements and budgeted expenditures of the Department of Transportation and the Department of Motor Vehicles. The Department of Transportation is responsible for all aspects of the planning, development, maintenance and improvement of the state transportation system.

Debt Service Fund. The Debt Service Fund is a governmental fund, which accounts for the accumulation of resources for, and the payment of, Special Tax obligation principal and interest.

Changes in budgetary reporting. Traditionally, governments have included a budget-to-actual comparison as one of their basic financial statements. The final amended budget has provided the

budgetary amounts used for this presentation. The GASB 34 financial reporting model brought three important changes to traditional practice.

- Budgetary comparisons present the original budget in addition to the final amended budget.
- In the past budgetary comparisons were presented by fund type (e.g., total budgeted special revenue funds). The GASB 34 financial reporting model requires a budgetary comparison for the General Fund and individual major special-revenue funds.
- Governments are permitted to present the budgetary comparison as a basic financial statement if they wish to do so, thereby retaining it within the scope of the independent audit. The state of Connecticut has elected to do so even though it is only required to present non-audited budgetary comparison statements as "required supplementary information".

### **Major Proprietary Fund Financial Statements:**

Proprietary funds (enterprise and internal service) are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting where all assets and liabilities are reported on the balance sheet. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with the requirements of the GASB 34 reporting model utilized in preparation of this report:

- Proprietary fund reporting distinguish current assets and liabilities from non-current assets and liabilities.
- Traditionally, the equity of proprietary funds was divided between "contributed capital" and "retained earnings." Under the GASB 34 reporting model, such a distinction is no longer made. Three classifications are used under the GASB 34 reporting model to classify equity for proprietary funds and for the government-wide financial statements. These three classifications are 1) "invested in capital assets net of related debt," 2) "restricted" (distinguishing between major categories of restrictions) and 3) "unrestricted."

Enterprise funds report activities that provide goods or services to the general public. An example is the Connecticut Lottery. Internal service funds report activities that provide supplies and services to the state's other programs and activities. An example is the state's motor fleet operations. Internal service funds are reported as governmental activities on the government-wide statements

### **Fiduciary Fund Financial Statements:**

The fiduciary fund category includes pension (and other employee benefit) trust funds, investment-trust fund, private-purpose-trust fund and agency funds. These fund types should be used to report resources held and administered by the state when it is acting in a fiduciary capacity for individuals, private organizations or other governments. Some of the important changes to traditional reporting include the following:

Limitation on the use of fiduciary funds. The use of fiduciary funds has been limited to accounting for resources that are not available to support a government's operations and programs. This limitation resulted in the non-fiduciary reclassification of numerous expendable and non-expendable trust funds reported in the *Comprehensive Annual Financial Report* prior to Fiscal Year 2002.

Changes in fiduciary funds. The distinction between expendable and non-expendable trust funds has been eliminated. Instead, some expendable trust funds have been reclassified and are now reported as special revenue funds while others have been replaced by the "private-purpose" trust fund. This fund type is used to report all trust arrangements under which principal and income are to be used to benefit individuals, private organizations or other governments. Non-expendable or endowment-like arrangements available to support the operations or programs of the government (e.g., cemetery perpetual care funds) are accounted for in a governmental fund type, newly created by GASB statement 34, called "permanent funds."

#### **Component Unit Combining Statements:**

The same GASB 34 reporting rules regarding the determination of major funds are applied to the states component units. The Component units of the State of Connecticut are:

Connecticut Housing Finance Authority. Classified as a major component unit, the CHFA is a public instrumentality and political subdivision 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.

Connecticut Health and Educational Facilities Authority. Classified as a major component unit, CHEFA's purpose is to provide resources for financing major projects for health and educational institutions.

Connecticut Development Authority. CDA's purpose is to stimulate commercial development.

Connecticut Resources Recovery Authority. CRRA's purpose is solid waste management.

Connecticut Higher Education Supplemental Loan Authority. CHESLA's purpose is to provide resources for student loans.

Connecticut Innovations, Incorporated. CI's purpose is to stimulate application of new technology.

Capital City Economic Development Authority. CCEDA's purpose is to stimulate economic development in the city of Hartford.

University of Connecticut Foundation, Inc. The foundation's purpose is to solicit, receive, and administer gifts and financial resources from private sources for the benefit of the University of Connecticut.

**FINANCIAL SECTION CONTENTS OTHER THAN FINANCIAL STATEMENTS**

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

**Required Supplementary Information.** The RSI provides additional information regarding the States progress on funding its obligation to provide pension benefits to its employees.

**Combining Financial Statements.** Combining statements for non-major funds are not required to be presented or audited under generally accepted accounting principals. Nevertheless, Connecticut presents these statements as supplementary information, in the optional part of this report.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE****NET ASSETS**

The following table was derived from the government-wide Statement of Net Assets. The state's combined net assets declined \$0.2 billion over the course of Fiscal Year 2004 operations. The net assets of governmental activities decreased by the same \$0.2 billion, while net assets from business-type activities remained by and large unchanged from the prior year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
<b>ASSETS:</b>						
Current and Other Assets	\$ 3,902.0	\$ 3,142.0	\$ 3,575.4	\$ 3,515.9	\$ 7,477.4	\$ 6,657.9
Capital Assets	9,618.8	9,531.9	2,857.0	2,621.5	12,475.8	12,153.4
<b>Total Assets</b>	<b>13,520.8</b>	<b>12,673.9</b>	<b>6,432.4</b>	<b>6,137.4</b>	<b>19,953.2</b>	<b>18,811.3</b>
<b>LIABILITIES:</b>						
Current Liabilities	2,914.2	2,345.6	606.9	549.8	3,521.1	2,895.4
Long-term Liabilities	16,046.9	15,638.3	2,165.6	1,964.3	18,212.5	17,602.6
<b>Total Liabilities</b>	<b>18,961.1</b>	<b>17,983.9</b>	<b>2,772.5</b>	<b>2,514.1</b>	<b>21,733.6</b>	<b>20,498.0</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets,						
Net of Related Debt	3,264.1	2,622.4	2,209.5	2,093.9	5,473.6	4,716.3
Restricted	1,686.1	1,245.3	1,409.9	1,402.1	3,096.0	2,647.4
Unrestricted	(10,390.5)	(9,177.7)	40.5	127.3	(10,350.0)	(9,050.4)
<b>Total Net Assets</b>	<b>\$ (5,440.3)</b>	<b>\$ (5,310.0)</b>	<b>\$ 3,659.9</b>	<b>\$ 3,623.3</b>	<b>\$ (1,780.4)</b>	<b>\$ (1,686.7)</b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects the nature of the state's change in net assets throughout Fiscal Year 2004.

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

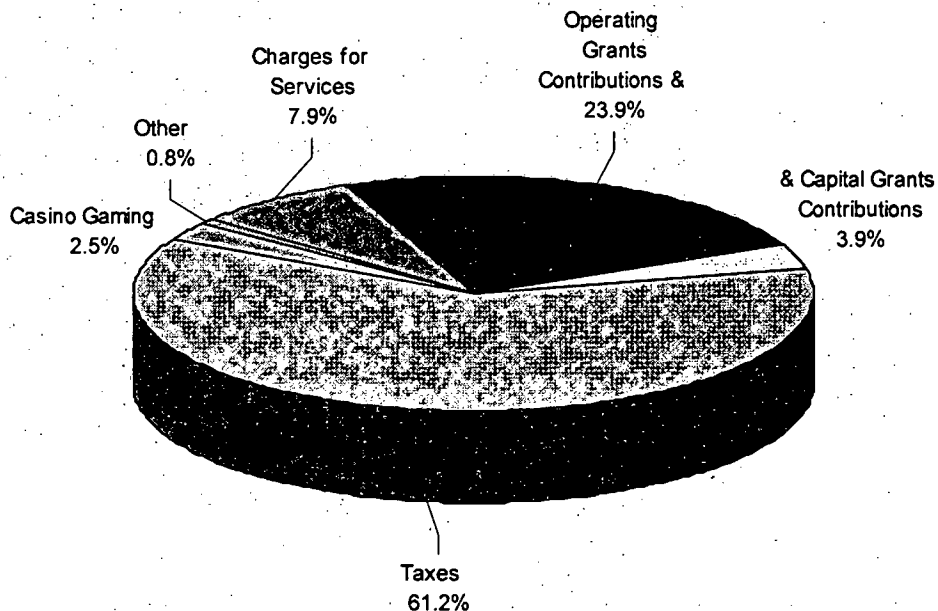
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2004	2003	2004	2003	2004	2003
<b>REVENUES</b>						
Program Revenues						
Charges for Services	1,253.7	1,072.9	\$ 2,936.0	\$ 2,594.8	\$ 4,189.7	\$ 3,667.7
Operating Grants and Contributions	3,850.1	3,489.2	227.7	456.2	4,077.8	3,945.5
Capital Grants and Contributions	543.8	562.6	9.3	10.2	553.1	572.8
General Revenues						
Taxes	9,741.8	8,644.7	-	-	9,741.8	8,644.7
Casino Gaming Payments	402.7	387.3	-	-	402.7	387.3
Other	134.9	435.8	90.5	111.3	225.4	547.1
<b>Total Revenues</b>	<u>15,927.0</u>	<u>14,592.5</u>	<u>3,263.5</u>	<u>3,172.5</u>	<u>19,190.5</u>	<u>17,765.1</u>
<b>EXPENSES</b>						
Legislative	89.5	80.2	-	-	89.5	80.2
General Government	1,100.7	1,145.6	-	-	1,100.7	1,145.6
Regulation and Protection	590.4	574.7	-	-	590.4	574.7
Conservation and Development	448.0	410.2	-	-	448.0	410.2
Health and Hospitals	1,683.4	1,711.1	-	-	1,683.4	1,711.1
Transportation	1,153.9	941.3	-	-	1,153.9	941.3
Human Services	4,630.2	4,138.9	-	-	4,630.2	4,138.9
Education, Libraries and Museums	3,174.3	3,090.6	-	-	3,174.3	3,090.6
Corrections	1,579.0	1,450.4	-	-	1,579.0	1,450.4
Judicial	546.2	555.8	-	-	546.2	555.8
Interest and Fiscal Charges	577.4	595.9	-	-	577.4	595.9
University of Connecticut	-	-	1,254.4	1,187.7	1,254.4	1,187.7
State Universities	-	-	469.7	463.3	469.7	463.3
Bradley International Airport	-	-	59.3	54.3	59.3	54.3
CT Lottery Corporation	-	-	656.7	643.2	656.7	643.2
Employment Security	-	-	811.5	963.2	811.5	963.2
Clean Water	-	-	24.8	29.4	24.8	29.4
Other	-	-	361.4	364.6	361.4	364.6
<b>Total Expenses</b>	<u>15,573.0</u>	<u>14,694.7</u>	<u>3,637.8</u>	<u>3,705.8</u>	<u>19,210.8</u>	<u>18,400.5</u>
Excess (Deficiency) Before Transfers, Special and Extraordinary Items	354.0	(102.2)	(374.3)	(533.3)	(20.3)	(635.5)
Transfers	(417.1)	(640.2)	417.1	640.3	-	0.1
Special and Extraordinary Items	(157.2)	-	(6.2)	(6.5)	(163.4)	(6.5)
<b>Increase (Decrease) in Net Assets</b>	<u>(220.3)</u>	<u>(742.4)</u>	<u>36.6</u>	<u>100.5</u>	<u>(183.7)</u>	<u>(641.9)</u>
Net Assets (Deficit) - Beginning (Restated)	<u>(5,220.0)</u>	<u>(4,567.6)</u>	<u>3,623.3</u>	<u>3,522.8</u>	<u>(1,596.7)</u>	<u>(1,044.8)</u>
<b>Net Assets (Deficit) - Ending</b>	<u><u>(5,440.3)</u></u>	<u><u>(5,310.0)</u></u>	<u><u>\$ 3,659.9</u></u>	<u><u>\$ 3,623.3</u></u>	<u><u>(1,780.4)</u></u>	<u><u>\$ (1,686.7)</u></u>

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

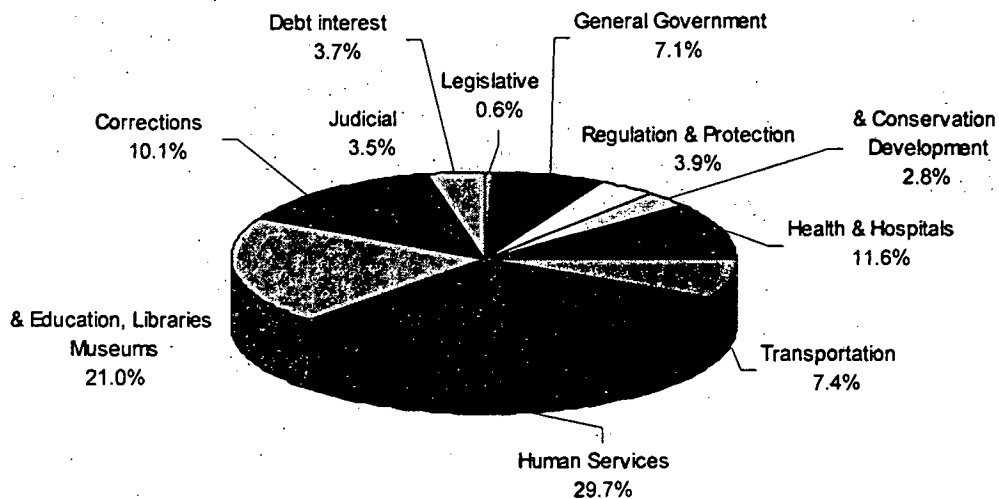
## GOVERNMENTAL ACTIVITIES

The following charts depict the distribution of revenues and expenses for Fiscal Year 2004.

**Revenues - Governmental Activities  
Fiscal Year 2004**

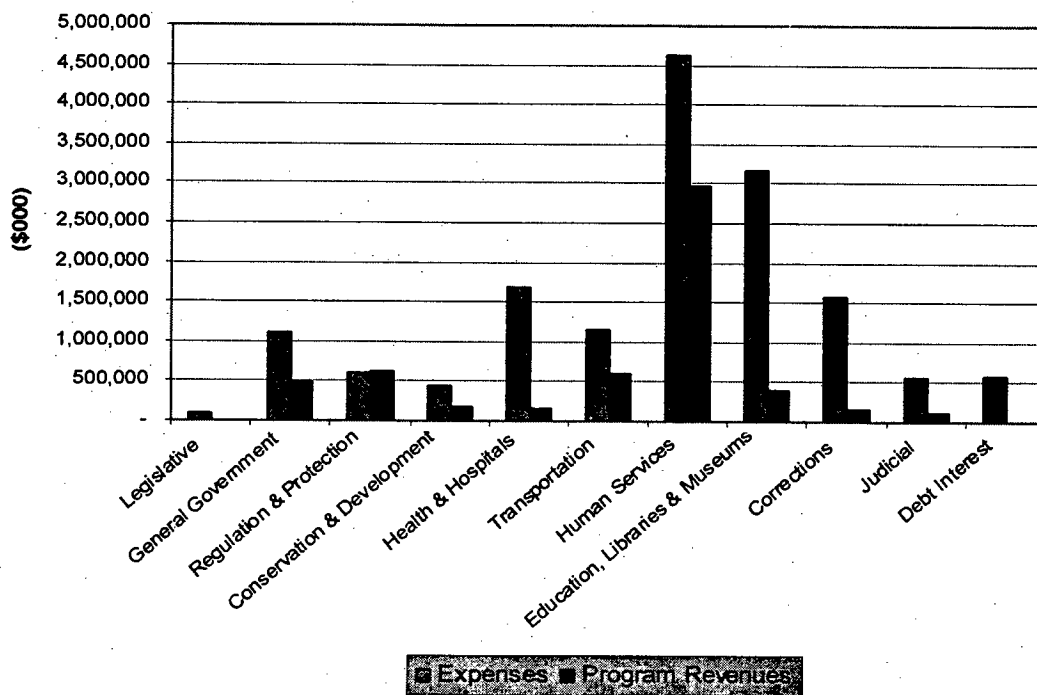


**Expenses - Governmental Activities  
Fiscal Year 2004**





**Expenses and Program Revenues - Governmental Activities  
Fiscal Year 2004**



Within governmental activities, Fiscal Year 2004 program expenses were \$9.9 billion higher than program revenues. However, this excess of expenses over related program revenue was offset by general revenue in the amount of \$9.7 billion, resulting in a decrease in net assets of \$0.2 billion for the year. Had a transfer of loans to component units of \$0.2 billion (a Special Item) not occurred, there would have been almost no change in net assets for the year.

During the fiscal year 2004, budget projections indicated that budgeted revenues would exceed the budgeted level of expenditures (on a modified cash basis of accounting) producing an operating surplus in the General Fund. As a result, legislation was enacted (Public Act 04-216) to restore funding for various program activities that had been cut as part of the state's Fiscal Year 2003 deficit mitigation efforts. The restored funding totaled \$112.4 million in Fiscal Year 2004. In addition, \$150.3 million of the Fiscal Year 2004 General Fund operating surplus was reserved to support Fiscal Year 2005 anticipated spending requirements.

Business-Type activities achieved a near breakeven on operations for fiscal year 2004. Expenses of the Higher Education institutions, which include the University of Connecticut, the State University System and Connecticut Community Colleges, accounted for 61.7 percent of business-type expenses and 44.2 percent of program revenues. Program revenues exceeded expenses in the Connecticut Lottery Corporation by \$0.2 billion.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

The state completed Fiscal Year 2004 with a fund balance of \$2.0 billion in its governmental funds. The unreserved portion of fund balance, totaling a deficit of \$47.0 million, is net of a \$0.9 billion short fall in the general fund unreserved fund balance. Governmental fund expenditures exceeded fund revenues by \$0.5 billion before other financing sources and special items totaling \$0.9 billion. As a result fund balance for all governmental funds increased by \$0.4 billion in fiscal year 2004.

### **General Fund**

The General Fund is the chief operating fund of the state. At the end of Fiscal Year 2004, the General Fund had a negative fund balance of \$0.2 billion of which a negative \$0.9 billion was unreserved. The excess of general fund revenues over expenditures totaled \$0.7 billion. Net other financing uses totaling \$0.5 billion included a transfer of \$0.3 billion to establish a new special revenue fund, the Restricted Grants & Accounts fund. This resulted in an increase in fund balance of \$0.2 billion for the fiscal year. Tax increases and other revenue enhancements enacted by the legislature and signed by the governor during Fiscal Year 2003 (Public Acts 03-2 and 03-1 of the June Special Session) generated over \$800 million in additional Fiscal Year 2004 revenue, and spending reductions implemented in fiscal year 2003 and continued and annualized into fiscal year 2004 were projected to save over \$300 million (the estimates are on a budgetary basis or modified cash basis of accounting). These actions helped avert a large General Fund operating deficit in Fiscal Year 2004 and to ultimately generate a General Fund surplus .

### **Transportation Fund**

The Transportation Fund ended Fiscal Year 2004 with a fund balance of \$0.2 billion of which \$0.1 billion was unreserved. Fund balance was reduced by \$2.0 million through Fiscal Year 2004 operations.

### **Other Funds**

The other funds category includes the state's special revenue, capital projects and permanent funds. These funds had a balance of \$1.3 billion on June 30, 2004 of which \$0.7 billion was unreserved. In fiscal 2004 the Clean Energy fund, which in prior years was combined with the CT Innovations, Inc. component unit, was presented as part of the environmental fund, a special revenue fund of the state.

In Fiscal Year 2004, expenditures exceeded revenues by \$1.2 billion in the other funds category. Bonds issued in the amount of \$1.3 billion provided an offset to this deficit. The state has a long history of utilizing bond proceeds to offset operating deficits within these funds.

**CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets.**

The State of Connecticut's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounts to \$12.4 billion (net of accumulated depreciation). The total of capital assets for governmental activities remained largely unchanged from the prior year while the increase for business-type activities was 9.0%. Depreciation charges for the fiscal year totaled \$0.8 billion.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003 (1)	2004	2003(2)	2004	2003
Land	\$ 935.0	\$ 911.8	\$ 51.9	\$ 44.8	\$ 986.9	\$ 956.6
Buildings	1,036.3	879.9	1,916.1	1,706.1	2,952.4	2,586.0
Improvements Other than Buildings	133.9	63.2	245.5	230.0	379.4	293.2
Equipment	445.8	458.4	350.0	355.5	795.8	813.9
Infrastructure	6,731.4	6,758.4	-	-	6,731.4	6,758.4
Construction in Progress	336.5	460.3	293.4	285.1	629.9	745.4
Total	<u>\$ 9,618.9</u>	<u>\$ 9,532.0</u>	<u>\$ 2,856.9</u>	<u>\$ 2,621.5</u>	<u>\$ 12,475.8</u>	<u>\$ 12,153.5</u>

(1) Totals differ with that of the prior year due to the recording of software costs. See footnote number 21.

(2) Totals differ with that of the prior year due to the implementation of GASB 39. See footnote number 21.

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

**Long-term Debt.**

The state, pursuant to various public and special acts, has authorized a variety of types of debt which fall into the following categories: direct general obligation debt, which is payable from the state's general fund; special tax obligation debt, which is payable from the debt service fund and revenue debt, which is payable from specified revenues of enterprise funds.

**State of Connecticut's Outstanding Debt  
General Obligation and Revenue Bonds (in Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 9,606.6	\$ 9,216.4	\$ -	\$ -	\$ 9,606.6	\$ 9,216.4
Transportation Related Bonds	3,153.9	3,205.8	-	-	3,153.9	3,205.8
Revenue Bonds	-	-	1,713.8	1,547.5	1,713.8	1,547.5
Total	<u>\$ 12,760.5</u>	<u>\$ 12,422.2</u>	<u>\$ 1,713.8</u>	<u>\$ 1,547.5</u>	<u>\$ 14,474.3</u>	<u>\$ 13,969.7</u>

In Fiscal Year 2004 the state increased outstanding bonds by \$0.6 billion. For the year, outstanding debt in governmental activities increased by 2.7 percent and for business-type activities the increase was 10.8 percent. It should also be noted that the state also issued \$97.7 million in economic recovery notes (see note 17). The state's General Obligation bonds are rated Aa3, AA and AA by Moodys, Standard and Poors and Fitch respectively. Special Tax Obligation bonds are rated A1, AA-, AA- by Moodys, Standard and Poors and Fitch respectively.

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

**CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT**

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

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***Basic  
Financial  
Statements***

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## Statement of Net Assets

June 30, 2004

(Expressed in Thousands)

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 986,019	\$ 436,936	\$ 1,422,955	\$ 139,538
Deposits with U.S. Treasury	-	477,197	477,197	-
Investments	106,120	171,156	277,276	233,307
Receivables, (Net of Allowances)	1,969,678	559,784	2,529,462	63,626
Due from Component Units	1,484	-	1,484	-
Due from Primary Government	-	-	-	22,179
Inventories	55,152	8,637	63,789	-
Restricted Assets	-	12,334	12,334	1,308,138
Internal Balances	(134,416)	134,416	-	-
Other Current Assets	16,242	7,413	23,655	7,135
Total Current Assets	3,000,279	1,807,873	4,808,152	1,773,923
<b>Noncurrent Assets:</b>				
Cash and Cash Equivalents	-	102,145	102,145	-
Due From Component Units	10,606	-	10,606	-
Investments	-	367,558	367,558	68,794
Loans, (Net of Allowances)	208,875	549,380	758,255	137,447
Restricted Assets	634,596	540,904	1,175,500	3,318,946
Capital Assets, (Net of Accumulated Depreciation)	9,618,867	2,856,957	12,475,824	227,926
Other Noncurrent Assets	47,657	207,572	255,229	32,068
Total Noncurrent Assets	10,520,601	4,624,516	15,145,117	3,785,181
Total Assets	13,520,880	6,432,389	19,953,269	5,559,104
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	589,450	192,507	781,957	50,827
Due to Component Units	22,179	-	22,179	-
Due to Primary Government	-	-	-	1,484
Due to Other Governments	124,514	-	124,514	-
Current Portion of Long-Term Obligations	1,328,704	171,112	1,499,816	167,885
Amount Held for Institutions	-	-	-	431,010
Deferred Revenue	10,917	142,314	153,231	36
Medicaid Liability	561,118	-	561,118	-
Liability for Escheated Property	77,106	-	77,106	-
Other Current Liabilities	200,256	100,935	301,191	24,156
Total Current Liabilities	2,914,244	606,868	3,521,112	675,398
<b>Noncurrent Liabilities:</b>				
Non-Current Portion of Long-Term Obligations	16,046,894	2,165,604	18,212,498	3,565,108
Total Noncurrent Liabilities	16,046,894	2,165,604	18,212,498	3,565,108
Total Liabilities	18,961,138	2,772,472	21,733,610	4,240,506
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	3,264,134	2,209,541	5,473,675	42,867
<b>Restricted For:</b>				
Statutory Budget Reserve Requirements	302,155	-	302,155	-
Transportation	102,268	-	102,268	-
Debt Service	605,123	68,094	673,217	-
Capital Projects	215,136	68,507	283,643	-
Unemployment Compensation	-	635,902	635,902	-
Clean Water Projects	-	449,055	449,055	-
Bond Indenture Requirements	-	-	-	684,009
<b>Permanent Investments or Endowments:</b>				
Expendable	88,820	-	88,820	77,929
Nonexpendable	-	11,499	11,499	174,761
Other Purposes	368,116	176,858	544,974	95,016
Unrestricted (Deficit)	(10,390,481)	40,461	(10,350,020)	244,016
Total Net Assets (Deficit)	\$ (5,444,729)	\$ 3,659,917	\$ (1,784,812)	\$ 1,318,598

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

**Statement of Activities**

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services, Fees, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
Legislative	\$ 89,532	\$ 2,410	\$ 58	\$ -
General Government	1,100,700	306,472	170,124	-
Regulation and Protection	590,377	502,182	107,716	-
Conservation and Development	448,077	106,922	73,643	-
Health and Hospitals	1,683,465	45,206	110,279	-
Transportation	1,153,888	57,277	-	543,805
Human Services	4,630,154	93,407	2,876,193	-
Education, Libraries, and Museums	3,174,305	19,953	381,877	-
Corrections	1,579,043	20,730	125,137	-
Judicial	546,163	99,113	5,105	-
Interest and Fiscal Charges	577,448	-	-	-
Total Governmental Activities	15,573,152	1,253,672	3,850,132	543,805
Business-Type Activities:				
University of Connecticut	1,254,402	677,819	149,998	8,243
State Universities	469,712	282,447	31,908	-
Bradley International Airport	59,338	51,157	-	1,096
Connecticut Lottery Corporation	656,716	907,866	-	-
Employment Security	811,483	778,797	-	-
Clean Water	24,759	16,518	1,991	-
Other	361,367	221,351	43,777	-
Total Business-Type Activities	3,637,777	2,935,955	227,674	9,339
Total Primary Government	\$ 19,210,929	\$ 4,189,627	\$ 4,077,806	\$ 553,144
<b>Component Units</b>				
Connecticut Housing Finance Authority (12-31-03)	\$ 207,982	\$ 182,868	\$ -	\$ -
Connecticut Health and Educational Facilities Authority	4,184	4,253	-	-
Other	240,922	231,826	4,929	4,995
Total Component Units	\$ 453,088	\$ 418,947	\$ 4,929	\$ 4,995
<b>General Revenues:</b>				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Other				
Casino Gaming Payments				
Tobacco Settlement				
Unrestricted Investment Earnings				
Contributions to Endowments				
<b>Special Items:</b>				
Statutory Payment from Component Units				
Payment from Lease/Lease Back Transaction				
Transfer of Loans to Component Unit				
Statutory Payment to State				
Loss on Disposal of Assets				
Extraordinary Item-Loss on Early Retirement of Debt				
Transfers-Internal Activities				
Total General Revenues, Contributions, Special Items, Extraordinary Item, and Transfers				
Change in Net Assets				
Net Assets (Deficit)- Beginning (as restated)				
Net Assets (Deficit)- Ending				

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



Net (Expense) Revenue and Changes in Net Assets

Primary Government		Total	Component Units
Governmental Activities	Business-Type Activities		
\$ (87,064)	\$ -	\$ (87,064)	\$ -
(624,104)	-	(624,104)	-
19,521	-	19,521	-
(267,512)	-	(267,512)	-
(1,527,980)	-	(1,527,980)	-
(552,806)	-	(552,806)	-
(1,660,554)	-	(1,660,554)	-
(2,772,475)	-	(2,772,475)	-
(1,433,176)	-	(1,433,176)	-
(441,945)	-	(441,945)	-
(577,448)	-	(577,448)	-
(9,925,543)	-	(9,925,543)	-
-	(418,342)	(418,342)	-
-	(155,357)	(155,357)	-
-	(7,085)	(7,085)	-
-	251,150	251,150	-
-	(32,686)	(32,686)	-
-	(6,250)	(6,250)	-
-	(96,239)	(96,239)	-
-	(464,809)	(464,809)	-
(9,925,543)	(464,809)	(10,390,352)	-
-	-	-	(25,114)
-	-	-	69
-	-	-	828
-	-	-	(24,217)
4,392,403	-	4,392,403	-
473,505	-	473,505	-
3,061,423	-	3,061,423	-
1,274,149	-	1,274,149	-
470,001	-	470,001	-
70,411	-	70,411	-
402,733	-	402,733	-
116,578	-	116,578	-
18,350	90,486	108,836	25,137
-	-	-	41,339
17,500	-	17,500	-
29,357	-	29,357	-
(204,117)	-	(204,117)	-
-	-	-	(15,000)
-	(4,190)	(4,190)	-
-	(1,983)	(1,983)	-
(417,062)	417,062	-	-
9,705,231	501,375	10,206,606	51,476
(220,312)	36,566	(183,746)	27,259
(5,219,946)	3,623,351	(1,596,595)	1,291,339
\$ (5,440,258)	\$ 3,659,917	\$ (1,780,341)	\$ 1,318,598

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## ***Governmental Fund Financial Statements***

### ***Major Funds***

#### ***General Fund:***

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

#### ***Debt Service Fund:***

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

#### ***Transportation Fund:***

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

### ***Nonmajor Funds***

Nonmajor governmental funds are presented, by fund type beginning on page 90.

**Balance Sheet****Governmental Funds**

June 30, 2004

(Expressed in Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Transportation</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ -	\$ -	\$ 124,227	\$ 843,046	\$ 967,273
Investments	-	-	-	106,120	106,120
Securities Lending Collateral	-	-	-	15,346	15,346
Receivables:					
Taxes, Net of Allowances	830,383	-	45,443	-	875,826
Accounts, Net of Allowances	186,672	-	10,922	57,943	255,537
Loans, Net of Allowances	-	-	-	208,875	208,875
From Other Governments	590,687	-	-	193,780	784,467
Interest	-	4,487	170	-	4,657
Other	-	-	-	70	70
Due from Other Funds	19,740	1,083	5,964	287,572	314,359
Advances to Other Funds	4,700	-	-	-	4,700
Due from Component Units	12,090	-	-	-	12,090
Inventories	37,478	-	13,069	-	50,547
Restricted Assets	-	634,596	-	-	634,596
Other Assets	57	-	-	-	57
<b>Total Assets</b>	<b>\$ 1,681,807</b>	<b>\$ 640,166</b>	<b>\$ 199,795</b>	<b>\$ 1,712,752</b>	<b>\$ 4,234,520</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 277,531	\$ -	\$ 22,484	\$ 188,034	\$ 488,049
Due to Other Funds	250,775	4,487	534	99,679	355,475
Due to Component Units	-	-	-	22,179	22,179
Due to Other Governments	122,053	-	-	2,461	124,514
Deferred Revenue	392,102	-	10,339	35,089	437,530
Medicaid Liability	561,118	-	-	-	561,118
Liability For Escheated Property	77,106	-	-	-	77,106
Securities Lending Obligation	-	-	-	15,346	15,346
Other Liabilities	180,712	-	-	2,709	183,421
<b>Total Liabilities</b>	<b>1,861,397</b>	<b>4,487</b>	<b>33,357</b>	<b>365,497</b>	<b>2,264,738</b>
<b>Fund Balances</b>					
Reserved For:					
Petty Cash	996	-	-	-	996
Inventories	37,478	-	13,069	-	50,547
Loans	16,790	-	-	208,875	225,665
Continuing Appropriations	212,862	-	34,166	3,975	251,003
Debt Service	-	635,679	-	-	635,679
Restricted Purposes	-	-	-	400,450	400,450
Statutory Surplus Reserve- FYE '05	150,300	-	-	-	150,300
Transfer to Budget Reserve Fund	302,155	-	-	-	302,155
Unreserved Reported In:					
General Fund	(900,171)	-	-	-	(900,171)
Transportation Fund	-	-	119,203	-	119,203
Special Revenue Funds	-	-	-	512,106	512,106
Capital Project Funds	-	-	-	221,849	221,849
<b>Total Fund Balances</b>	<b>(179,590)</b>	<b>635,679</b>	<b>166,438</b>	<b>1,347,255</b>	<b>1,969,782</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,681,807</b>	<b>\$ 640,166</b>	<b>\$ 199,795</b>	<b>\$ 1,712,752</b>	<b>\$ 4,234,520</b>

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

# Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2004

(Expressed in Thousands)

Total Fund Balance - Governmental Funds \$ 1,969,782

Net assets reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds. These assets consist of:

Buildings	2,756,332	
Equipment	1,138,144	
Infrastructure	11,290,148	
Other Capital Assets	1,260,843	
Accumulated Depreciation	<u>(6,870,548)</u>	9,574,919

Debt issue costs are recorded as expenditures in the funds. However,  
these costs are deferred (reported as other assets) and amortized over the  
life of the bonds in the Statement of Net Assets. 45,890

Some of the state's revenues will be collected after year-end but are not  
available soon enough to pay for the current period's expenditures  
and therefore are deferred in the funds. 426,742

Internal service funds are used by management to charge the costs of  
certain activities to individual funds. The assets and liabilities of the internal  
service funds are included in governmental activities in the Statement of  
Net Assets. (9,133)

Long-term liabilities are not due and payable in the current period and therefore  
are not reported in the funds (Note 16).

Net Pension Obligation	(3,440,354)	
Worker's Compensation	(276,681)	
Capital Leases	(53,761)	
Compensated Absences	(365,559)	
Claims and Judgments	<u>(13,183)</u>	(4,149,538)

Long-term bonded debt is not due and payable in the current period and  
therefore is not reported in the funds. Unamortized premiums, loss on  
refundings, and interest payable are not reported in the funds. However,  
these amounts are included in the Statement of Net Assets. This is the net  
effect of these balances on the statement (Note 16).

Economic Recovery Note	(273,215)	
Bonds Payable	(12,760,560)	
Unamortized Premiums	(457,491)	
Less: Deferred Loss on Refundings	276,124	
Accrued Interest Payable	<u>(83,778)</u>	<u>(13,298,920)</u>

Net Assets of Governmental Activities \$ (5,440,258)

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

# Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Transportation</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 9,181,928	\$ -	\$ 535,460	\$ 25,413	\$ 9,742,801
Assessments	-	-	-	25,827	25,827
Licenses, Permits and Fees	154,159	-	310,811	50,079	515,049
Tobacco Settlement	-	-	-	116,578	116,578
Intergovernmental	2,827,350	-	-	1,556,148	4,383,498
Charges for Services	39,714	-	55,054	3,457	98,225
Fines, Forfeits and Rents	107,843	-	27,138	3,638	138,619
Casino Gaming Payments	402,733	-	-	-	402,733
Investment Earnings	1,262	12,304	2,534	11,431	27,531
Miscellaneous	131,157	-	5,795	319,889	456,841
Total Revenues	<u>12,846,146</u>	<u>12,304</u>	<u>936,792</u>	<u>2,112,460</u>	<u>15,907,702</u>
<b>Expenditures</b>					
Current:					
Legislative	82,134	-	-	2,138	84,272
General Government	716,950	-	1,582	337,937	1,056,469
Regulation and Protection	267,305	-	68,743	223,171	559,219
Conservation and Development	106,668	-	-	325,922	432,590
Health and Hospitals	1,399,824	-	-	242,973	1,642,797
Transportation	6,511	-	437,277	83,538	527,326
Human Services	4,209,227	-	-	329,542	4,538,769
Education, Libraries, and Museums	2,214,534	-	-	876,602	3,091,136
Corrections	1,486,471	-	-	39,333	1,525,804
Judicial	506,420	-	-	26,364	532,784
Capital Projects	-	-	-	780,194	780,194
Debt Service:					
Principal Retirement	724,973	236,300	4,035	5	965,313
Interest and Fiscal Charges	398,406	179,030	13,125	57,236	647,797
Total Expenditures	<u>12,119,423</u>	<u>415,330</u>	<u>524,762</u>	<u>3,324,955</u>	<u>16,384,470</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>726,723</u>	<u>(403,026)</u>	<u>412,030</u>	<u>(1,212,495)</u>	<u>(476,768)</u>
<b>Other Financing Sources (Uses)</b>					
Bonds/Notes Issued	97,700	-	-	1,297,845	1,395,545
Premiums on Bonds Issued	-	200,328	-	68,730	269,058
Transfers In	607,456	428,328	26,906	617,168	1,679,858
Transfers Out	(1,242,481)	(26,605)	(440,789)	(388,750)	(2,098,625)
Refunding Bonds Issued	-	1,961,040	-	-	1,961,040
Payment to Refunded Bond Escrow Agent	-	(2,146,469)	-	-	(2,146,469)
Total Other Financing Sources (Uses)	<u>(537,325)</u>	<u>416,622</u>	<u>(413,883)</u>	<u>1,594,993</u>	<u>1,060,407</u>
Special Items:					
Statutory Payment from Component Units	17,500	-	-	-	17,500
Transfer of Loans to Component Units	-	-	-	(204,117)	(204,117)
Payment From Lease/Lease Back Transaction	-	-	-	29,357	29,357
Net Change in Fund Balances	<u>206,898</u>	<u>13,596</u>	<u>(1,853)</u>	<u>207,738</u>	<u>426,379</u>
Fund Balances - Beginning (as restated)	(381,843)	622,083	168,303	1,139,517	1,548,060
Changes in Reserves for Inventories	(4,645)	-	(12)	-	(4,657)
Fund Balances - Ending	<u>\$ (179,590)</u>	<u>\$ 635,679</u>	<u>\$ 166,438</u>	<u>\$ 1,347,255</u>	<u>\$ 1,969,782</u>

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

# Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

June 30, 2004

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 426,379

Amounts reported for governmental activities in the Statement of Activities are different because:

Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statement of Net Assets. Bond proceeds were received this year from:

Bonds Issued	(1,395,545)	
Refunding Bonds Issued	(1,961,040)	
Premium on Bonds Issued	<u>(269,058)</u>	(3,625,643)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt repayments this year consisted of:

Principal Retirement	965,313	
Payments to Refunded Bond Escrow Agent (\$25,100 reported in debt service)	2,171,568	
Capital Lease Payments	<u>14,227</u>	3,151,108

Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital Outlays	690,099	
Depreciation Expense	<u>(654,603)</u>	35,496

Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which consumption exceeded purchases of inventories.

(4,657)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in Accrued Interest	5,510	
Decrease in Interest Accreted on Capital Appreciation Debt	8,835	
Amortization of Bond Premium	26,234	
Amortization of Loss on Debt Refundings	(16,865)	
Increase in Compensated Absences Liability	(23,210)	
Increase in Workers Compensation Liability	(11,036)	
Increase in Claims and Judgments Liability	(5,571)	
Increase in Net Pension Obligation	<u>(183,757)</u>	(199,860)

Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year.

17,857

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities.

(42,526)

Debt issue costs are recorded as expenditures in the governmental funds. However, these costs are amortized over the life of the bonds in the Statement of Activities.

In the current year, these amounts are:

Debt Issue Costs Payments	24,356	
Amortization of Debt Issue Costs	<u>(2,822)</u>	21,534

Change in Net Assets of Governmental Activities

\$ (220,312)

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

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

## Budget and Actual - Non-GAAP Budgetary Basis

### General and Transportation Funds

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	General Fund			Variance with Final Budget positive (negative)
	Budget			
	Original	Final	Actual	
<b>Revenues</b>				
Budgeted:				
Taxes, Net of Refunds	\$ 8,624,000	\$ 9,121,600	\$ 9,182,569	\$ 60,969
Operating Transfers In	380,600	401,300	401,277	(23)
Casino Gaming Payments	410,000	402,700	402,733	33
Licenses, Permits, and Fees	149,500	149,800	154,595	4,795
Other	238,800	268,900	271,804	2,904
Federal Grants	2,527,000	2,539,800	2,564,256	24,456
Transfer to the Resources of the General Fund	207,700	-	232,305	232,305
Refunds of Payments	(500)	(600)	(574)	26
Operating Transfers Out	(85,000)	(3,000)	(85,000)	(82,000)
Transfer out- Transportation Strategy Board	-	-	-	-
Total Revenues	12,452,100	12,880,500	13,123,965	243,465
<b>Expenditures</b>				
Budgeted:				
Legislative	62,033	66,284	57,221	9,063
General Government	436,640	444,573	394,193	50,380
Regulation and Protection	217,255	217,790	198,945	18,845
Conservation and Development	72,474	99,486	81,580	17,906
Health and Hospitals	1,259,016	1,377,476	1,206,942	170,534
Transportation	8,953	7,613	5,931	1,682
Human Services	3,779,660	3,875,193	3,776,416	98,777
Education, Libraries, and Museums	2,834,745	2,860,859	2,789,367	71,492
Corrections	1,172,902	1,200,187	1,165,666	34,521
Judicial	390,253	390,824	368,327	22,497
Non Functional	2,564,981	2,615,747	2,502,331	113,416
Total Expenditures	12,798,912	13,156,032	12,546,919	609,113
Appropriations Lapsed	260,311	285,300	-	(285,300)
Excess (Deficiency) of Revenues Over Expenditures	(86,501)	9,768	577,046	567,278
<b>Other Financing Sources (Uses)</b>				
Prior Year Appropriations Carried Forward	86,647	86,647	86,647	-
Appropriations Continued to Fiscal Year 2004-2005	-	-	(212,862)	(212,862)
Miscellaneous Adjustments	-	105,881	1,624	(104,257)
Total Other Financing Sources (Uses)	86,647	192,528	(124,591)	(317,119)
Net Change in Fund Balance	\$ 146	\$ 202,296	452,455	\$ 250,159
Budgetary Fund Balances (deficit) - July 1			792,654	
Changes in Reserves			(578,796)	
Budgetary Fund Balances - June 30			\$ 666,313	

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



## Transportation Fund

Budget		Variance with Final Budget positive (negative)	
<u>Original</u>	<u>Final</u>	<u>Actual</u>	
\$ 535,400	\$ 538,500	\$ 535,298	\$ (3,202)
-	-	-	-
-	-	-	-
353,400	370,900	374,233	3,333
30,700	27,800	28,254	454
3,300	-	-	-
-	-	-	-
(2,800)	(2,500)	(2,507)	(7)
(8,500)	(8,500)	(8,500)	-
(10,000)	(23,000)	(22,850)	150
<u>901,500</u>	<u>903,200</u>	<u>903,928</u>	<u>728</u>
-	-	-	-
2,250	2,250	1,589	661
55,932	56,406	48,690	7,716
-	-	-	-
-	-	-	-
361,462	361,613	340,996	20,617
-	-	-	-
-	-	-	-
-	-	-	-
<u>519,852</u>	<u>519,226</u>	<u>502,032</u>	<u>17,194</u>
939,496	939,495	893,307	46,188
22,064	10,675	-	(10,675)
<u>(15,932)</u>	<u>(25,620)</u>	<u>10,621</u>	<u>36,241</u>
19,866	19,866	19,866	-
-	-	(34,166)	(34,166)
-	-	4	4
<u>19,866</u>	<u>19,866</u>	<u>(14,296)</u>	<u>(34,162)</u>
<u>\$ 3,934</u>	<u>\$ (5,754)</u>	<u>(3,675)</u>	<u>\$ 2,079</u>
		356,314	
		(189,200)	
		<u>\$ 163,439</u>	

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## ***Proprietary Fund Financial Statements***

### ***Major Funds***

#### ***University of Connecticut and Health Center::***

This fund is used to account for the operations of the University of Connecticut a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

#### ***State Universities:***

This fund is used to account for the operations of the State University System which consist of four universities: Central, Eastern, Southern, and Western.

#### ***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.

#### ***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.

#### ***Employment Security:***

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

#### ***Clean Water:***

to account for resources used to provide loans to municipalities to finance waste water treatment projects.

### ***Nonmajor Funds***

Nonmajor proprietary funds are presented, by fund type beginning on page 112.

## Statement of Net Assets

## Proprietary Funds

June 30, 2004

(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut	State Universities	Bradley International Airport	Connecticut Lottery Corporation
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 247,584	\$ 69,179	\$ 19,637	\$ 23,802
Deposits with U.S. Treasury	-	-	-	-
Investments	587	122,849	-	47,720
Receivables:				
Accounts, Net of Allowances	91,409	96,211	4,927	9,799
Loans, Net of Allowances	2,229	1,425	-	-
Interest	-	-	-	14,263
From Other Governments	-	1,874	1,163	-
Due from Other Funds	50,204	36,683	-	-
Inventories	7,641	-	-	-
Restricted Assets	157	-	12,177	-
Other Current Assets	2,296	1,195	690	1,977
Total Current Assets	402,107	329,416	38,594	97,561
Noncurrent Assets:				
Cash and Cash Equivalents	1,450	100,695	-	-
Investments	11,514	-	-	334,568
Loans, Net of Allowances	10,083	10,243	-	-
Restricted Assets	25,925	-	129,105	-
Capital Assets, Net of Accumulated Depreciation	1,624,428	595,865	312,335	2,484
Other Noncurrent Assets	9,498	2,600	6,236	4,713
Total Noncurrent Assets	1,682,898	709,403	447,676	341,765
Total Assets	2,085,005	1,038,819	486,270	439,326
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	95,653	33,846	9,075	11,785
Due to Other Funds	8,908	1,636	2,071	-
Current Portion of Long-Term Obligations	45,971	16,372	8,780	50,661
Deferred Revenue	36,732	101,371	656	438
Other Current Liabilities	23,707	18,505	3,397	38,671
Total Current Liabilities	210,971	171,730	23,979	101,555
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	287,359	356,468	242,514	334,568
Total Noncurrent Liabilities	287,359	356,468	242,514	334,568
Total Liabilities	498,330	528,198	266,493	436,123
<b>Net Assets (Deficit)</b>				
Invested in Capital Assets, Net of Related Debt	1,372,885	462,358	103,800	2,484
Restricted For:				
Debt Service	10,794	-	35,241	-
Unemployment Compensation	-	-	-	-
Clean Water Projects	-	-	-	-
Capital Projects	21,743	-	46,764	-
Nonexpendable Purposes	10,962	517	-	-
Other Purposes	19,648	27,340	22,868	3,203
Unrestricted	150,643	20,406	11,104	(2,484)
Total Net Assets	\$ 1,586,675	\$ 510,621	\$ 219,777	\$ 3,203

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

<b>Business-Type Activities</b>				<b>Governmental</b>
<b>Enterprise Funds</b>				<b>Activities</b>
<b>Employment Security</b>	<b>Clean Water</b>	<b>Other Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
\$ -	\$ 2,966	\$ 73,768	\$ 436,936	\$ 18,746
477,197	-	-	477,197	-
-	-	-	171,156	-
155,490	-	26,317	384,153	8,515
-	136,926	3,773	144,353	-
-	6,705	436	21,404	-
6,428	409	-	9,874	-
1,474	-	63,357	151,718	6,008
-	-	996	8,637	4,605
-	-	-	12,334	-
-	-	1,255	7,413	839
<u>640,589</u>	<u>147,006</u>	<u>169,902</u>	<u>1,825,175</u>	<u>38,713</u>
-	-	-	102,145	-
-	-	21,476	367,558	-
-	479,120	49,934	549,380	-
-	307,315	78,559	540,904	-
-	-	321,845	2,856,957	43,948
-	163,080	21,445	207,572	1,767
-	949,515	493,259	4,624,516	45,715
<u>640,589</u>	<u>1,096,521</u>	<u>663,161</u>	<u>6,449,691</u>	<u>84,428</u>
-	6,432	35,716	192,507	12,940
4,687	-	-	17,302	63,387
-	38,207	11,121	171,112	212
-	-	3,117	142,314	129
-	2,589	14,066	100,935	1,489
<u>4,687</u>	<u>47,228</u>	<u>64,020</u>	<u>624,170</u>	<u>78,157</u>
-	543,339	401,356	2,165,604	15,404
-	543,339	401,356	2,165,604	15,404
<u>4,687</u>	<u>590,567</u>	<u>465,376</u>	<u>2,789,774</u>	<u>93,561</u>
-	-	268,014	2,209,541	43,948
-	-	22,059	68,094	-
635,902	-	-	635,902	-
-	449,055	-	449,055	-
-	-	-	68,507	-
-	-	20	11,499	-
-	-	103,799	176,858	-
-	56,899	(196,107)	40,461	(53,081)
<u>\$ 635,902</u>	<u>\$ 505,954</u>	<u>\$ 197,785</u>	<u>\$ 3,659,917</u>	<u>\$ (9,133)</u>

# Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For The Fiscal Year Ended June 30, 2004  
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut	State Universities	Bradley International Airport	Connecticut Lottery Corporation
<b>Operating Revenues</b>				
Charges for Sales and Services	\$ 585,961	\$ 161,814	\$ 37,587	\$ 907,656
Assessments	-	-	-	-
Intergovernmental	160,962	30,545	-	-
Private Gifts and Grants	31,809	1,363	-	-
Interest on Loans	-	-	-	-
Other	49,085	73,282	-	192
Total Operating Revenues	827,817	267,004	37,587	907,848
<b>Operating Expenses</b>				
Cost of Sales and Services	157,333	-	-	611,844
Salaries, Wages and Administrative	798,488	287,956	29,464	11,881
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	89,684	37,549	16,477	458
Other	188,337	144,207	-	3,126
Total Operating Expenses	1,233,842	469,712	45,941	627,309
Operating Income (Loss)	(406,025)	(202,708)	(8,354)	280,539
<b>Nonoperating Revenue (Expenses)</b>				
Interest and Investment Income	4,513	5,023	3,705	29,758
Interest and Fiscal Charges	(10,198)	-	(13,397)	(29,407)
Other	(10,362)	47,351	13,570	18
Total Nonoperating Revenues (Expenses)	(16,047)	52,374	3,878	369
Income (Loss) Before Capital Contributions, Grants, Special Item, Extraordinary Item and Transfers	(422,072)	(150,334)	(4,476)	280,908
Capital Contributions	8,243	-	1,096	-
Federal Grants	-	-	-	-
Special Item-Loss on Disposal of Capital Assets	(4,190)	-	-	-
Extraordinary Item-Loss on Early Retirement of Debt	-	-	-	-
Transfers In	479,467	206,705	8,695	-
Transfers Out	-	-	-	(280,763)
Change in Net Assets	61,448	56,371	5,315	145
Total Net Assets - Beginning (as restated)	1,525,227	454,250	214,462	3,058
Total Net Assets - Ending	\$ 1,586,675	\$ 510,621	\$ 219,777	\$ 3,203

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

<b>Business-Type Activities</b>				<b>Governmental</b>
<b>Enterprise Funds</b>				<b>Activities</b>
<b>Employment Security</b>	<b>Clean Water</b>	<b>Other Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ -	\$ -	\$ 83,199	\$ 1,776,217	\$ 91,090
628,026	-	93,965	721,991	-
150,771	-	36,944	379,222	-
-	-	935	34,107	-
-	12,268	1,216	13,484	-
-	-	41,799	164,358	1,026
<u>778,797</u>	<u>12,268</u>	<u>258,058</u>	<u>3,089,379</u>	<u>92,116</u>
-	-	7,077	776,254	74,151
-	604	279,701	1,408,094	38,585
811,483	-	-	811,483	-
-	-	36,496	36,496	-
-	-	14,721	158,889	20,248
-	-	12,610	348,280	1,659
<u>811,483</u>	<u>604</u>	<u>350,605</u>	<u>3,539,496</u>	<u>134,643</u>
<u>(32,686)</u>	<u>11,664</u>	<u>(92,547)</u>	<u>(450,117)</u>	<u>(42,527)</u>
25,451	18,829	3,207	90,486	62
-	(24,155)	(10,762)	(87,919)	(61)
-	4,250	1,172	55,999	-
<u>25,451</u>	<u>(1,076)</u>	<u>(6,383)</u>	<u>58,566</u>	<u>1</u>
<u>(7,235)</u>	<u>10,588</u>	<u>(98,930)</u>	<u>(391,551)</u>	<u>(42,526)</u>
-	-	-	9,339	-
-	1,991	5,898	7,889	-
-	-	-	(4,190)	-
-	-	(1,983)	(1,983)	-
-	10,282	208,384	913,533	-
<u>(3,262)</u>	<u>(659)</u>	<u>(211,787)</u>	<u>(496,471)</u>	<u>-</u>
<u>(10,497)</u>	<u>22,202</u>	<u>(98,418)</u>	<u>36,566</u>	<u>(42,526)</u>
<u>646,399</u>	<u>483,752</u>	<u>296,203</u>	<u>3,623,351</u>	<u>33,393</u>
<u>\$ 635,902</u>	<u>\$ 505,954</u>	<u>\$ 197,785</u>	<u>\$ 3,659,917</u>	<u>\$ (9,133)</u>

## Statement of Cash Flows

## Proprietary Funds

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	Uconn	State Universities	Bradley International Airport	Connecticut Lottery Corporation
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	\$ 597,353	\$ 256,882	\$ 37,255	\$ 907,015
Payments to Suppliers	(341,499)	(32,796)	(18,316)	(20,917)
Payments to Employees	(741,620)	(278,039)	(10,855)	(10,090)
Other Receipts (Payments)	247,666	(107,232)	-	(595,347)
Net Cash Provided by (Used in) Operating Activities	(238,100)	(161,185)	8,084	280,661
<b>Cash Flows from Noncapital Financing Activities</b>				
Proceeds from Sale of Bonds	-	-	-	-
Retirement of Bonds and Annuities Payable	-	-	-	(51,090)
Interest on Bonds and Annuities Payable	-	-	-	(31,207)
Transfers In	327,745	189,417	8,695	-
Transfers Out	-	-	-	(280,763)
Other Receipts (Payments)	7,987	47,524	-	-
Net Cash Flows from Noncapital Financing Activities	335,732	236,941	8,695	(363,060)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Additions to Property, Plant and Equipment	(212,734)	(124,022)	(28,481)	(1,549)
Proceeds from Capital Debt	123,410	117,731	-	-
Principal Paid on Capital Debt	(51,795)	(68,312)	(6,140)	-
Interest Paid on Capital Debt	(35,293)	-	(13,783)	-
Transfer In	71,317	-	-	-
Federal Grant	-	-	-	-
Capital Contributions	-	15,289	2,840	-
Other Receipts (Payments)	34,112	231	11,051	-
Net Cash Flows from Capital and Related Financing Activities	(70,983)	(59,083)	(34,513)	(1,549)
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sales and Maturities of Investments	-	62	70,849	50,559
Purchase of Investment Securities	(27,563)	(23,778)	-	-
Interest on Investments	4,249	4,987	4,658	31,557
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	-	40	-	-
Net Cash Flows from Investing Activities	(23,314)	(18,689)	75,507	82,116
Net Increase (Decrease) in Cash and Cash Equivalents	3,335	(2,016)	57,773	(1,832)
Cash and Cash Equivalents - Beginning of Year	271,127	171,890	85,473	25,634
Cash and Cash Equivalents - End of Year	\$ 274,462	\$ 169,874	\$ 143,246	\$ 23,802
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Operating Income (Loss)	\$ (406,025)	\$ (202,708)	\$ (8,354)	\$ 280,539
Adjustments not Affecting Cash:				
Depreciation and Amortization	89,684	37,549	16,477	458
Others	47,295	300	-	51
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	8,625	(14,266)	(654)	(285)
(Increase) Decrease in Due from Other Funds	1,515	(2,999)	-	-
(Increase) Decrease in Inventories and Other Assets	547	13,574	-	(19)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	19,501	7,311	615	(83)
Increase (Decrease) in Due to Other Funds	758	54	-	-
Total Adjustments	167,925	41,523	16,438	122
Net Cash Provided by (Used In) Operating Activities	\$ (238,100)	\$ (161,185)	\$ 8,084	\$ 280,661
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>				
Cash and Cash Equivalents - Current	\$ 247,584	\$ 69,179	\$ 19,637	
Cash and Cash Equivalents - Noncurrent	1,450	100,695	-	
Cash and Cash Equivalents - Restricted	25,428	-	123,609	
	\$ 274,462	\$ 169,874	\$ 143,246	

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



<b>Business-Type Activities</b>				<b>Governmental</b>
<b>Enterprise Funds</b>				<b>Activities</b>
<b>Employment Security</b>	<b>Clean Water</b>	<b>Other</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ 761,758	\$ 50,278	\$ 182,525	\$ 2,793,066	\$ 99,088
-	-	(59,302)	(472,830)	(50,865)
-	(602)	(215,791)	(1,256,997)	(38,567)
(807,963)	(48,665)	(1,330)	(1,312,871)	-
(46,205)	1,011	(93,898)	(249,632)	9,656
-	314,609	245,982	560,591	-
-	(36,723)	(58,207)	(146,020)	-
-	(22,717)	(8,414)	(62,338)	-
-	9,623	168,885	704,365	-
(3,262)	-	(211,787)	(495,812)	-
-	(271,441)	(3,997)	(219,927)	-
(3,262)	(6,649)	132,462	340,859	-
-	-	(7,101)	(373,887)	(1,085)
-	-	-	241,141	-
-	-	-	(126,247)	-
-	-	(3,582)	(52,658)	-
-	-	40,425	111,742	-
-	1,714	5,011	6,725	-
-	-	-	18,129	-
-	-	(6,461)	38,933	-
-	1,714	28,292	(136,122)	(1,085)
-	-	-	121,470	-
-	-	(40,095)	(91,436)	-
25,451	19,130	3,195	93,227	62
-	-	2,788	2,788	-
24,016	(12,684)	(12,839)	(1,467)	-
49,467	6,446	(46,951)	124,582	62
-	2,522	19,905	79,687	8,633
-	444	62,641	617,209	10,113
\$ -	\$ 2,966	\$ 82,546	\$ 696,896	\$ 18,746
\$ (32,686)	\$ 11,664	\$ (92,547)	\$ (450,117)	\$ (42,527)
-	-	14,721	158,889	20,248
-	-	(23,492)	24,154	-
(15,667)	(10,653)	(17,743)	(50,643)	4,932
3,252	-	-	1,768	(1,227)
-	-	15,274	29,376	326
-	-	9,889	37,233	3,643
(1,104)	-	-	(292)	24,261
(13,519)	(10,653)	(1,351)	200,485	52,183
\$ (46,205)	\$ 1,011	\$ (93,898)	\$ (249,632)	\$ 9,656

\$ 73,768  
 8,778  
\$ 82,546

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## ***Fiduciary Fund Financial Statements***

### ***Investment Trust Fund***

#### ***External Investment Pool:***

to account for the portion of the Short-Term Investment Fund that belongs to participants that are not part of the State's financial reporting entity.

### ***Private Purpose Trust Fund***

#### ***Escheat Securities:***

to account for securities that are held by the State Treasurer for individuals under escheat laws of the State.

Individual fund descriptions and financial statements begin on the following pages:

Pension (and Other Employee Benefit) Trust Funds, page 123

Agency Funds, page 129

## Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2004

(Expressed in Thousands)

	<b>Pension &amp; Other Employee Benefit Trust Funds</b>	<b>Investment Trust Fund External Investment Pool</b>	<b>Private- Purpose Trust Fund Escheat Securities</b>	<b>Agency Funds</b>	<b>Total</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 6,088	\$ -	\$ -	\$ 160,629	\$ 166,717
Receivables:					
Accounts, Net of Allowances	12,475	-	-	2,477	14,952
From Other Funds	8,108	-	-	4,675	12,783
Interest	382	871	-	63	1,316
Investments	20,099,983	791,474	-	-	20,891,457
Inventories	-	-	-	440	440
Securities Lending Collateral	2,107,047	-	-	-	2,107,047
Other Assets	5,107	6	104,272	525,322	634,707
Total Assets	<u>22,239,190</u>	<u>792,351</u>	<u>104,272</u>	<u>\$ 693,606</u>	<u>23,829,419</u>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	-	758	-	1,523	2,281
Securities Lending Obligation	2,107,047	-	-	-	2,107,047
Due to Other Funds	48,704	-	-	-	48,704
Other Liabilities	-	90	-	2,751	2,841
Funds Held for Others	-	-	-	689,332	689,332
Total Liabilities	<u>2,155,751</u>	<u>848</u>	<u>-</u>	<u>\$ 693,606</u>	<u>2,850,205</u>
<b>Net Assets</b>					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	20,049,761	-	-	-	20,049,761
Other Employee Benefits	33,678	-	-	-	33,678
Individuals, Organizations, and Other Governments	-	791,503	104,272	-	895,775
Total Net Assets	<u>\$ 20,083,439</u>	<u>\$ 791,503</u>	<u>\$ 104,272</u>		<u>\$ 20,979,214</u>

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

# Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<b>Pension &amp; Other Employee Benefit Trust Funds</b>	<b>Investment Trust Fund External Investment Pool</b>	<b>Private- Purpose Trust Fund Escheat Securities</b>	<b>Total</b>
<b>Additions</b>				
Contributions:				
Plan Members	\$ 308,193	\$ -	\$ -	\$ 308,193
State	679,485	-	-	679,485
Municipalities	17,290	-	-	17,290
Total Contributions	1,004,968	-	-	1,004,968
Investment Income	2,777,351	14,854	-	2,792,205
Less: Investment Expense	(65,717)	(368)	-	(66,085)
Net Investment Income	2,711,634	14,486	-	2,726,120
Escheat Securities Received	-	-	69,718	69,718
Transfers In	1,705	-	-	1,705
Other	1,097	-	9,027	10,124
Total Additions	3,719,404	14,486	78,745	3,812,635
<b>Deductions</b>				
Administrative Expense	1,947	-	-	1,947
Benefit Payments and Refunds	1,880,051	-	-	1,880,051
Escheat Securities Returned or Sold	-	-	9,041	9,041
Pool's Share Transactions	-	257,544	-	257,544
Distributions to Pool Participants	-	14,486	-	14,486
Other	2,057	-	-	2,057
Total Deductions	1,884,055	272,030	9,041	2,165,126
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	1,835,349	-	-	1,835,349
Individuals, Organizations, and Other Governments	-	(257,544)	69,704	(187,840)
Net Assets - Beginning	18,248,090	1,049,047	34,568	19,331,705
Net Assets - Ending	\$ 20,083,439	\$ 791,503	\$ 104,272	\$ 20,979,214

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

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## ***Component Unit Financial Statements***

### ***Major Component Units***

#### ***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 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.

### ***Nonmajor***

The nonmajor component units are presented beginning on page 134.

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# Statement of Net Assets

## Component Units

June 30, 2004

(Expressed in Thousands)

	Connecticut Housing Finance Authority (12-31-03)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 20,045	\$ 119,493	\$ 139,538
Investments	-	159	233,148	233,307
Receivables:				
Accounts, Net of Allowances	-	345	32,361	32,706
Loans, Net of Allowances	-	-	29,878	29,878
Other	-	-	1,042	1,042
Due from Primary Government	-	-	22,179	22,179
Restricted Assets	812,442	433,266	62,430	1,308,138
Other Current Assets	-	139	6,996	7,135
Total Current Assets	<u>812,442</u>	<u>453,954</u>	<u>507,527</u>	<u>1,773,923</u>
Noncurrent Assets:				
Investments	-	-	68,794	68,794
Loans, Net of Allowances	-	-	137,447	137,447
Restricted Assets	3,222,000	-	96,946	3,318,946
Capital Assets, Net of Accumulated Depreciation	3,438	187	224,301	227,926
Other Noncurrent Assets	-	-	32,068	32,068
Total Noncurrent Assets	<u>3,225,438</u>	<u>187</u>	<u>559,556</u>	<u>3,785,181</u>
Total Assets	<u>4,037,880</u>	<u>454,141</u>	<u>1,067,083</u>	<u>5,559,104</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	19,325	592	30,910	50,827
Current Portion of Long-Term Obligations	137,335	-	30,550	167,885
Amount Held for Institutions	-	431,010	-	431,010
Due to Primary Government	-	-	1,484	1,484
Deferred Revenue	-	-	36	36
Other Liabilities	16,417	-	7,739	24,156
Total Current Liabilities	<u>173,077</u>	<u>431,602</u>	<u>70,719</u>	<u>675,398</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	<u>3,177,356</u>	<u>2,250</u>	<u>385,502</u>	<u>3,565,108</u>
Total Noncurrent Liabilities	<u>3,177,356</u>	<u>2,250</u>	<u>385,502</u>	<u>3,565,108</u>
Total Liabilities	<u>3,350,433</u>	<u>433,852</u>	<u>456,221</u>	<u>4,240,506</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	3,438	187	39,242	42,867
Restricted:				
Bond Indentures	684,009	-	-	684,009
Expendable Endowments	-	-	77,929	77,929
Nonexpendable Endowments	-	-	174,761	174,761
Other Purposes	-	-	95,016	95,016
Unrestricted	-	20,102	223,914	244,016
Total Net Assets	<u>\$ 687,447</u>	<u>\$ 20,289</u>	<u>\$ 610,862</u>	<u>\$ 1,318,598</u>

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

## Statement of Activities

### Component Units

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u> <u>Capital Grants and Contributions</u>
Connecticut Housing Finance Authority (12/31/03)	\$ 207,982	\$ 182,868	\$ -      \$ -
Connecticut Health and Educational Facilities Authority	4,184	4,253	-      -
Other Component Units	240,922	231,826	4,929      4,995
Total Component Units	<u>\$ 453,088</u>	<u>\$ 418,947</u>	<u>\$ 4,929</u> <u>\$ 4,995</u>

General Revenues:

Investment Income (Loss)

Contributions to Endowments

Special Item:

Statutory Payment to State

Total General Revenues,

Contributions, and Special Item

Change in Net Assets

Net Assets - Beginning (as restated)

Net Assets - Ending

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

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Connecticut Housing Finance Authority (12-31-03)</b>	<b>Connecticut Health &amp; Educational Facilities Authority</b>	<b>Other Component Units</b>	<b>Totals</b>
\$ (25,114)	\$ -	\$ -	\$ (25,114)
-	69	-	69
-	-	828	828
(25,114)	69	828	(24,217)
25,342	245	(450)	25,137
-	-	41,339	41,339
-	-	(15,000)	(15,000)
25,342	245	25,889	51,476
228	314	26,717	27,259
687,219	19,975	584,145	1,291,339
<u>\$ 687,447</u>	<u>\$ 20,289</u>	<u>\$ 610,862</u>	<u>\$ 1,318,598</u>

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# Notes to the Financial Statements

June 30, 2004

## 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, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit). Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

### b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. 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. The State also includes a nongovernmental nonprofit corporation as a component unit because it would be misleading to exclude the corporation from the reporting entity. Component units are reported in the financial statements in a separate column (discrete presentation), or as part of the primary government (blending presentation).

### *Discretely Presented Component Units*

Discretely presented component units include 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 funding for the organization's programs (applies only to the Connecticut Innovations, Incorporated and the Capital City Economic Development Authority). In addition, a nongovernmental nonprofit corporation is included as a discretely presented component unit because of the nature and significance of its relationship with the State are such that it would be misleading to exclude the corporation from the State's reporting entity. The following organizations are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the primary government:

#### *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-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2003.

#### *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.

#### *Capital City Economic Development Authority*

The Authority is a public instrumentality and political subdivision of the State. It was established in 1998 to stimulate new investment in Connecticut; to attract and service large conventions, tradeshow, exhibitions, conferences, and local consumer shows, exhibitions and events; to encourage the diversification of the state economy; to strengthen Hartford's role as the region's major business and industry employment center and seat of government; to encourage residential housing development in downtown Hartford; and to construct, operate, maintain and market a convention center project in Hartford.

#### *University of Connecticut Foundation, Incorporated*

The University of Connecticut Foundation, Incorporated is a nongovernmental 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, a major Enterprise fund.

Financial statements for the major component units are included in the accompanying financial statements after the fund

financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

#### **Blended Component Units**

##### **Connecticut Lottery Corporation**

The Connecticut Lottery Corporation is a legally separate organization for which the State appoints a voting majority of the Corporation's governing board and which provides a significant amount of revenues to the State. The corporation is reported as part of the primary government's business-type activities in the government-wide financial statements and as a major Enterprise fund in the fund financial statements.

#### **c. Government-wide and Fund Financial Statements**

##### **Government-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds issued to buy, construct, or improve those assets.
2. Restricted net assets result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

#### **Fund Financial Statements**

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The State reports the following major governmental funds:

**General Fund** - This is the State's primary operating fund. It is used to account for all financial resources which are not required to be accounted in other funds and which are spent for those services normally provided by the State (e.g., health, social assistance, education, etc.).

**Debt Service** - This fund is used to account for the resources accumulated and payments made for principal and interest on special tax obligation bonds of the Transportation fund.

**Transportation** - This fund is used to account for motor vehicle taxes, receipts, and transportation related federal revenues collected for the purpose of payment of transportation related bonds and budgeted appropriations of 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.

The State reports the following major enterprise funds:

**University of Connecticut** - This fund is used to account for the operations of the University of Connecticut a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

**State Universities** - This fund is used to account for the operations of the State University System which consists of four universities: Central, Eastern, Southern, and Western.

**Bradley International Airport** - This fund is used to account for the financial activities of the Bradley International Airport, which is owned and operated by the State.

**Connecticut Lottery Corporation** - This fund is used to account for the financial activities of the State's lottery. The Corporation was created in 1996 for the purpose of generating revenues for the State's General Fund.

**Employment Security** - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

**Clean Water** - This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment facilities.

In addition, the State reports the following fund types:

**Internal Service Funds** - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

**Pension (and Other Employee Benefits) Trust Funds** - These funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, a defined contribution plan, and other employee benefits plans. These plans are discussed more fully in Notes 11 and 12.

**Investment Trust Fund** - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

**Private-Purpose Trust Fund** - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

**Agency Funds** - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

**d. Measurement Focus and Basis of Accounting  
Government-wide, Proprietary, and Fiduciary Fund  
Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not

conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. This option is followed by the following component units of the State: the Connecticut Development Authority and the Connecticut Health and Educational Facilities Authority.

**Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Sales and use taxes, personal income taxes, public service corporation taxes, special fuel taxes, federal grants, and casino gaming payments are considered to be susceptible to accrual. Licenses, permits, and fees are not considered to be susceptible to accrual and are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources, as they are needed.

**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 the 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 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. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

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 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent 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 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds, except fiduciary funds, use encumbrance accounting. Under 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. Carry 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 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 the General and Transportation funds. During the 2004 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

#### **f. Assets and Liabilities**

##### ***Cash and Cash Equivalents (see Note 4)***

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 ("STIF") and the Tax Exempt Proceeds Fund, Inc. ("TEPF"). TEPF is a short-term, tax-

exempt money market fund reported under the Investment Company Act of 1940. Investments in STIF and TEPF are reported at the fund's share price.

##### ***Investments (see Note 4)***

Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using matrix pricing.
- The fair value of equity and debt securities held by the Connecticut Innovations, Incorporated, a component unit. The fair value of these investments is determined by the Valuation Committee of the Corporation, after giving consideration to pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer's securities, sales growth, progress toward business goals, and other operating data.

The State invests in derivatives. These investments are held by the Combined Investment Funds and are reported at fair value in each fund's statement of net assets.

##### ***Inventories***

Inventories are reported 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.

##### ***Capital Assets and Depreciation***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.



Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

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

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

Assets	Years
Buildings	40
Improvements Other than Buildings	10-20
Machinery and Equipment	5-30
Infrastructure	20-28

#### ***Securities Lending Transactions (see Note 4)***

Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

#### ***Deferred Revenues***

In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

#### ***Long-term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Other long-term obligations include compensated absences, workers' compensation claims, capital leases, claims and judgements, annuities payable, and the net pension obligation.

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

#### ***Capital Appreciation Bonds***

Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, 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 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 government-wide statement of net assets at its net or accreted value rather than at face value.

#### ***Compensated Absences***

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and managers regardless of date hired 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.

Pursuant to Public Act No. 03-02 the General Assembly enacted an Early Retirement Incentive Program in order to mitigate the deficit of the General Fund. Under the provisions of this program any employee participating in the program shall be eligible for payment of accrued sick days and for the balance of unused vacation leave in accordance with the existing rules as stated above, with the exception of one modification. The modification provides that the balance of any compensated absences shall be paid in three equal installments beginning in fiscal year ending June 30, 2006. The State may, at its option, make the payment in one installment on or before July, 2005 if the amount of the payment is less than \$2,000.

#### ***g. Fund Balance***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### ***h. 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 17).

**i. Interfund Activities**

In the fund financial statements, interfund activities are reported as follows:

**Interfund receivables/payables** - The current portion of interfund loans outstanding at the end of the fiscal year is reported as due from/to other funds; the noncurrent portion as advances to/from other funds. All other outstanding balances between funds are reported as due from/to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Interfund services provided and used** - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. In the statement of activities, transactions between the primary government and its discretely presented component units are reported as revenues and expenses, unless they represent repayments of loans or similar activities.

**Interfund transfers** - Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

**Interfund reimbursements** - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not reported in the financial statements.

**j. Food Stamps**

Food stamps distributed to recipients during the year are recognized as both an expenditure and a revenue in the governmental fund financial statements.

**k. External Investment Pool**

Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 4). Pool income is determined based on distributions made to the pool's participants.

**l. 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.

**Note 2 Budgetary vs. GAAP Basis of Accounting**

The following is a reconciliation of the net change in fund balances as reported in the budgetary and GAAP basis of accounting statements of revenues, expenditures, and changes in fund balances (amounts in thousands):

	General Fund	Transportation Fund
Net change in fund balances (budgetary basis)	\$ 452,455	\$ (3,675)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	116,791	9,350
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(165,655)	(7,634)
Salaries and Fringe Benefits Payable	(97,256)	(5,036)
Transfer of Restricted Resources	(304,358)	(10,026)
Proceeds of Economic Recovery Notes	96,615	-
Increase in Continuing Appropriations	126,215	14,299
Net Adjustments to Fund Balance	(17,909)	-
Fund Reclassification-Bus Operations	-	869
Net change in fund balances (GAAP basis)	\$ 206,898	\$ (1,853)

The major differences between the budgetary (legal) and the GAAP (generally accepted accounting principles) basis of accounting as reconciled above 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).
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).
3. For budgetary reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as reserved fund balance.

**Note 3 Nonmajor Fund Deficits**

The following funds have deficit balances at June 30, 2004, none of which constitutes a violation of statutory provisions (amounts in thousands).

**Special Revenue Fund**

Consumer Counsel and Public Utility Control \$ 2,237

**Enterprise**

Second Injury & Compensation Assurance \$ 11,896  
Bradley Parking Garage \$ 8,624  
Rate Reduction Bond Operations \$ 194,336

**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 (amounts in million)**

At June 30, 2004, the reported amount of the State's deposits was \$(43.6) for the Primary Government and Fiduciary Funds (pooled deposits) and \$16.5 for the Component Units. The corresponding bank balance for such deposits was \$176.1 for the Primary Government and Fiduciary Funds and \$18.7 for the Component Units. Of the bank balance for the Primary Government and Fiduciary Funds \$91.3 was insured by the Federal Deposit Insurance Corporation or held in the State's name (Category 1) and \$84.8 was uninsured and uncollateralized (Category 3). Of the bank balance for the Component Units, \$6.3 was insured by the Federal Deposit Insurance Corporation or held in the Component Units' name (Category 1), and \$12.4 was uninsured and uncollateralized (Category 3).

Category 3 deposits include some deposits that are collateralized as required by state statute. Under the statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to 10 percent, 25 percent, 100 percent, or 120 percent of its public deposits. However, the collateral is held 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. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund ("STIF") and seven Combined Investment Funds (the "CIFS"), including one international investment fund.

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net assets and are disclosed in this note.

For financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State's financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the financial statements. Instead, each fund's investment in the internal portion of STIF is reported as "cash equivalents" in the government-wide and fund financial statements.

The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS 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. CIFS' investments are reported at fair value in each fund's statement of net assets and are disclosed in this note.

For financial reporting purposes, the CIFS are considered to be internal investment pools and are not reported in the financial statements. Instead, each fund's equity in the CIFS is reported as investments in the government-wide and fund financial statements. Complete financial information about STIF and the CIFS can be obtained from financial statements issued by the State Treasurer.

As of June 30, 2004, investments consisted of the following (amounts in thousands):

	Primary Government		Component	Fiduciary
	Governmental	Business-Type	Units	Funds
	Activities	Activities		
Equity in CIFS	\$ 88,820	\$ 587	\$ -	\$ 20,099,983
Other Investments	17,300	170,569	233,307	791,474
Total Investments-Current	\$ 106,120	\$ 171,156	\$ 233,307	\$ 20,891,457
Other Investments-Noncurrent	\$ -	\$ 367,558	\$ 68,794	\$ -
Other Investments-Restricted	\$ 509,641	\$ 325,561	\$ 1,131,807	\$ -

The following investment schedules disclose the reported amount and fair value of the State's investment in total and by investment type as of June 30, 2004. Further, the reported 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 agent but not in the State's name.

**Investments-Primary Government and Fiduciary Funds  
Short-Term Investment Fund  
(amounts in thousands)**

Investment Type	Reported Amount Category 1	Fair Value
Certificates of Deposit	\$ 819,000	\$ 819,000
Commercial Paper	1,773,914	1,773,851
Corporate Notes	393,002	393,363
Bankers' Acceptances	24,899	24,863
Money Market Funds	117,506	117,506
Federal Agency Securities	10,000	9,994
Extendable Commercial Notes	490,792	490,811
Repurchase Agreements	200,000	200,000
Total Investments	\$ 3,829,113	\$ 3,829,388

**Investments-Primary Government and Fiduciary Funds**

**Combined Investment Funds**

(amounts in thousands)

Investment Type	Reported Amount (Fair Value)		Total
	Category 1	Category 3	
Certificates of Deposit-Negotiable	\$ -	\$ 449,490	\$ 449,490
Asset Backed Securities	573,352	-	573,352
U.S. Government and Agency Securities:			
Not on Securities Loan	1,360,258	-	1,360,258
On Securities Loan for Securities or Letter of Credit Collateral	-	54,528	54,528
Mortgage Backed Securities	538,702	-	538,702
Corporate Debt	2,745,364	1,669,430	4,414,794
Convertible Securities	34,989	-	34,989
U. S. Corporate Stock:			-
Not on Securities Loan	7,336,000	-	7,336,000
On Securities Loan for Securities or Letter of Credit Collateral	-	12,501	12,501
International Equity Securities:			
Not on Securities Loan	3,150,791	-	3,150,791
On Securities Loan for Securities or Letter of Credit Collateral	-	1,476	1,476
Preferred Stock	75,269	-	75,269
	<u>\$ 15,814,725</u>	<u>\$ 2,187,425</u>	<u>18,002,150</u>
Investments not categorized because they are not evidenced by securities that exist in physical or book entry form.			
Real Estate Investment Trusts			76,727
Mutual Funds			179,393
Limited Liability Corporations			22,948
Trusts			46,404
Limited Partnerships			1,836,286
Annuities			1,314
Securities Held by Brokers-Dealers under Security Loans for Cash Collateral:			
U.S. Government and Agency Securities			916,311
U. S. Corporate Stock			436,761
International Equity Securities			533,527
Domestic Fixed Securities			178,874
International Fixed Securities			1,038
			<u>\$ 22,231,733</u>

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

The CIFS account for the purchase and sale of investments using "trade date" accounting – 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). Thus, the above schedule was prepared taking into account unsettled sales and purchases of investments. This means that investments under unsettled sales are included in the schedule, 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 from the schedule, because the investments are still in the hands of the dealers:

## Connecticut

### Other Investments-Primary Government (amounts in thousands)

Investment Type	Reported Amount (Fair Value)		
	Category 1	Category 3	Total
Collateralized Investment Agreements	\$ 271,378	\$ -	\$ 271,378
State/Municipal Bonds	33,739	-	33,739
U.S. Government & Agency Securities	405,573	115,963	521,536
Mortgage Backed Securities	-	6,886	6,886
Other	9,452	-	9,452
	<u>\$ 720,142</u>	<u>\$ 122,849</u>	<u>842,991</u>

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

Annuity Contracts	382,288
Guaranteed Investment Contracts	158,640
Tax Exempt Proceeds Fund	46,294
Other	6,710
Total Investments	<u>\$ 1,436,923</u>

The Transportation fund owns approximately 53 percent and the State Universities own 100 percent of the investments in Category 1 and 3, respectively.

### Other Investments-Component Units (amounts in thousands)

Investment Type	Reported Amount (Fair Value)			
	Category 1	Category 2	Category 3	Total
U.S. Government & Agency Securities	\$ 733	\$ -	\$ 1,788	\$ 2,521
Common Stock	69,956	1,034	-	70,990
Repurchase Agreements	65,091	-	-	65,091
Collateralized Investment Agreements	1,953	-	1,636	3,589
Mortgage Backed Securities and Obligations	602,438	-	-	602,438
Corporate Debt	45,551	44,561	-	90,112
Other	21,775	-	-	21,775
	<u>\$ 807,497</u>	<u>\$ 45,595</u>	<u>\$ 3,424</u>	<u>856,516</u>

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

Guaranteed Investment Contracts	88,447
Fidelity Funds	306,079
Investment Agreements	17,713
Mutual Funds	71,816
Limited Partnerships	6,688
Other	86,649
Total Investments	<u>\$ 1,433,908</u>

CHFA owns approximately 92 percent and 48 percent of the investments that are in categories 1 and 3, respectively.

### Security Lending Transactions

Certain of the Combined Investment Funds are permitted by State statute 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), U.S. Government securities, 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 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 percent 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, 105 percent of the market value of the loaned securities. The funds did not impose any restrictions during the fiscal year on the amount of loans that the lending agent made on their behalf and the lending agent indemnified the funds by agreeing to purchase replacement securities, or return the cash collateral thereof in the event any borrowers failed to return the loaned securities or pay distributions thereon. At year-end, the funds had no credit exposure to the 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 by the funds' lending agent, and the average duration of the investments can not exceed (a) 120 days or (b) the average duration of the loans by more than 45 days. At year-end, the average duration of the collateral investments was 63 days; the average duration of the loans was unknown, although it is assumed to remain at one day.

#### Note 5 Receivables

As of June 30, 2004, receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	\$ 933,848	\$ -	\$ -
Accounts	1,198,844	467,546	32,854
Loans-Current Portion	-	144,354	32,478
Other Governments	784,467	10,323	-
Interest	4,657	21,404	1,042
Other	40,676	-	-
Total Receivables	2,962,492	643,627	66,374
Allowance for Uncollectibles	(992,814)	(83,843)	(2,748)
Receivables, net	\$ 1,969,678	\$ 559,784	\$ 63,626

#### Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2004 (amounts in thousands):

	Governmental Activities		
	General	Transportation	Total
	Fund	Fund	
Sales and Use	\$ 431,331	\$ -	\$ 431,331
Income Taxes	188,837	-	188,837
Corporations	87,590	-	87,590
Gasoline and Special Fuel	-	45,636	45,636
Various Other	180,454	-	180,454
Total Taxes Receivable	888,212	45,636	933,848
Allowance for Uncollectibles	(57,829)	(193)	(58,022)
Taxes Receivable, net	\$ 830,383	\$ 45,443	\$ 875,826

#### Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2004, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
<b>Governmental Activities:</b>					
Debt Service	\$ 124,955	\$ 509,641	\$ -	\$ -	\$ 634,596
Total-Governmental Activities	\$ 124,955	\$ 509,641	\$ -	\$ -	\$ 634,596
<b>Business-Type Activities:</b>					
Bradley International Airport	\$ 123,609	\$ 15,136	\$ -	\$ 2,537	\$ 141,282
Uconn	25,428	654	-	-	26,082
Clean Water	50,852	256,463	-	-	307,315
Other Proprietary	25,251	53,308	-	-	78,559
Total-Business-Type Activities	\$ 225,140	\$ 325,561	\$ -	\$ 2,537	\$ 553,238
<b>Component Units:</b>					
CHFA	\$ 682,518	\$ 710,628	\$ 2,543,494	\$ 97,802	\$ 4,034,442
CHEFA	38,675	394,393	-	198	433,266
Other Component Units	132,443	26,786	-	147	159,376
Total-Component Units	\$ 853,636	\$ 1,131,807	\$ 2,543,494	\$ 98,147	\$ 4,627,084

#### Note 7 Loans Receivable

Loans receivable (noncurrent portion) for the primary government and its component units, as of June 30, 2004, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Industrial	\$ -	\$ -	\$ 76,792
Housing	2,555	-	-
Clean Water	42,912	479,120	-
Education	-	28,509	71,502
Other	164,985	49,222	-
Total Loans	210,452	556,851	148,294
Allowance for Uncollectibles	(1,577)	(7,471)	(10,847)
Loans Receivable, Net	\$ 208,875	\$ 549,380	\$ 137,447

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 percent 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 are collateralized by assets acquired from the proceeds of the related loans and have originating terms of 1 to 25 years and earn interest at rates ranging from 1.39 percent to 11.15 percent. As of June 30, 2004, loans in the amount of \$12.0 million (including loans of \$6.4 million 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 \$6.4 million 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 9 Accounts Payable and Accrued Liabilities**

As of June 30, 2004, accounts payable and accrued liabilities consisted of the following:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Interest</u>	<u>Other</u>	<u>Total Payables &amp; Accrued Liabilities</u>
<b>Governmental Activities:</b>					
General	\$ 133,029	\$ 144,502	\$ -	\$ -	\$ 277,531
Transportation	14,524	7,960	-	-	22,484
Other Governmental	172,676	15,100	258	-	188,034
Internal Service	4,195	2,270	-	6,475	12,940
Reconciling amount from fund financial statements to government-wide financial statements	-	-	83,778	4,683	88,461
<b>Total-Governmental Activities</b>	<b>\$ 324,424</b>	<b>\$ 169,832</b>	<b>\$ 84,036</b>	<b>\$ 11,158</b>	<b>\$ 589,450</b>
<b>Business-Type Activities:</b>					
University of Connecticut	\$ 49,185	\$ 46,468	\$ -	\$ -	\$ 95,653
State Universities	6,471	25,135	2,240	-	33,846
Other Proprietary	39,944	13,004	10,060	-	63,008
<b>Total-Business-Type Activities</b>	<b>\$ 95,600</b>	<b>\$ 84,607</b>	<b>\$ 12,300</b>	<b>\$ -</b>	<b>\$ 192,507</b>

**Note 10 Capital Assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 911,754	\$ 28,160	\$ 4,955	\$ 934,959
Construction in Progress-Infrastructure	1,276,607	383,532	324,706	1,335,433
Construction in Progress	530,693	107,895	302,086	336,502
<b>Total Capital Assets not being Depreciated</b>	<b>2,719,054</b>	<b>519,587</b>	<b>631,747</b>	<b>2,606,894</b>
<b>Other Capital Assets:</b>				
Buildings	2,539,216	225,317	7,483	2,757,050
Improvements Other than Buildings	311,390	90,954	275	402,069
Equipment	1,353,217	162,541	211,481	1,304,277
Infrastructure	9,217,408	324,706	-	9,542,114
<b>Total Other Capital Assets at Historical Cost</b>	<b>13,421,231</b>	<b>803,518</b>	<b>219,239</b>	<b>14,005,510</b>
<b>Less: Accumulated Depreciation For:</b>				
Buildings	1,659,297	68,926	7,483	1,720,740
Improvements Other than Buildings	248,218	20,283	275	268,226
Equipment	894,755	175,185	211,481	858,459
Infrastructure	3,735,656	410,456	-	4,146,112
<b>Total Accumulated Depreciation</b>	<b>6,537,926</b>	<b>674,850</b>	<b>219,239</b>	<b>6,993,537</b>
<b>Other Capital Assets, Net</b>	<b>6,883,305</b>	<b>128,668</b>	<b>-</b>	<b>7,011,973</b>
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 9,602,359</b>	<b>\$ 648,255</b>	<b>\$ 631,747</b>	<b>\$ 9,618,867</b>
* Depreciation expense was charged to functions as follows:				
<b>Governmental Activities:</b>				
Legislative	\$ 4,902			
General Government	32,166			
Regulation and Protection	30,426			
Conservation and Development	10,504			
Health and Hospitals	12,079			
Transportation	481,186			
Human Services	3,009			
Education, Libraries and Museums	32,739			
Corrections	33,175			
Judicial	14,417			
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	20,247			
<b>Total Depreciation Expense</b>	<b>\$ 674,850</b>			

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 44,774	\$ 7,345	\$ 210	\$ 51,909
Construction in Progress	285,139	185,980	177,695	293,424
<b>Total Capital Assets not being Depreciated</b>	<b>329,913</b>	<b>193,325</b>	<b>177,905</b>	<b>345,333</b>
<b>Capital Assets being Depreciated:</b>				
Buildings	2,400,582	293,755	9,323	2,685,014
Improvements Other Than Buildings	361,994	32,362	1,156	393,200
Equipment	718,721	68,905	37,851	749,775
<b>Total Other Capital Assets at Historical Cost</b>	<b>3,481,297</b>	<b>395,022</b>	<b>48,330</b>	<b>3,827,989</b>
<b>Less: Accumulated Depreciation For:</b>				
Buildings	694,516	79,484	5,278	768,722
Improvements Other Than Buildings	131,946	15,809	100	147,655
Equipment	363,210	56,275	19,497	399,988
<b>Total Accumulated Depreciation</b>	<b>1,189,672</b>	<b>151,568</b>	<b>24,875</b>	<b>1,316,365</b>
<b>Other Capital Assets, Net</b>	<b>2,291,625</b>	<b>243,454</b>	<b>23,455</b>	<b>2,511,624</b>
<b>Business-Type Activities, Capital Assets, Net</b>	<b>\$ 2,621,538</b>	<b>\$ 436,779</b>	<b>\$ 201,360</b>	<b>\$ 2,856,957</b>

**b. Component Units**

Capital assets of the component units consisted of the following as of June 30, 2004:

Land	\$ 27,774
Buildings	197,211
Improvements other than Buildings	1,591
Machinery and Equipment	237,181
Construction in Progress	501
Total Capital Assets	464,258
Accumulated Depreciation	(236,332)
Capital Assets, net	<u>\$ 227,926</u>

**Note 11 State Retirement Systems**

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

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Division administers SERS and JRS. The Teachers' Retirement Board administers TRS. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for SERS, TRS, and JRS are presented in Note No. 13.

**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:

	<b>SERS</b>	<b>TRS</b>	<b>JRS</b>
	<b>6/30/2004</b>	<b>6/30/2004</b>	<b>6/30/2004</b>
Retirees and beneficiaries receiving benefits	36,749	24,297	217
Terminated plan members entitled to but not yet receiving benefits	1,744	1,250	3
Active plan members	<u>47,926</u>	<u>49,946</u>	<u>220</u>
Total	<u>86,419</u>	<u>75,493</u>	<u>440</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, contribution 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**

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Tier I Plan B and Hazardous Duty members are required to contribute 2 percent and 4 percent respectively, of their salary up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier IIA members are required to contribute 2 percent and hazardous duty members are required to contribute 5 percent. The State is required to contribute at an actuarially

determined rate. 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 10-183pp 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**

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. For fiscal year 2004, the annual required contribution (ARC) was \$270.5 million; however, the State contributed \$185.3 million to the plan, reflecting a reduction of \$85.2 million by the legislature to the State's TRS appropriation. Administrative costs of the plan are funded by the State.

**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**

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. 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 (amounts in thousands):

	<b>SERS</b>	<b>TRS</b>	<b>JRS</b>
Annual required contribution	\$ 470,333	\$ 270,544	\$ 11,598
Interest on net pension obligation	176,941	99,866	4
Adjustment to annual required contribution	<u>(113,083)</u>	<u>(65,167)</u>	<u>(2)</u>
Annual pension cost	534,191	305,243	11,600
Contributions made	<u>470,333</u>	<u>185,348</u>	<u>11,598</u>
Increase (decrease) in net pension obligation	63,858	119,895	2
Net pension obligation beginning of year	<u>2,081,663</u>	<u>1,174,895</u>	<u>41</u>
Net pension obligation end of year	<u>\$ 2,145,521</u>	<u>\$ 1,294,790</u>	<u>\$ 43</u>



Three-year trend information is as follows (amounts in thousands):

	<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
SERS	2002	\$ 479,501	86.7%	\$ 2,017,588
	2003	485,527	86.8%	2,081,663
	2004	534,191	88.0%	2,145,521
TRS	2002	\$ 246,404	83.0%	\$ 1,099,721
	2003	254,996	70.6%	1,174,893
	2004	305,243	60.7%	1,294,790
JRS	2002	\$ 9,599	100%	\$ 40
	2003	10,127	100%	41
	2004	11,600	100%	43

#### **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 contribution 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 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed \$24.0 million and \$37.9 million, respectively.

#### **Note 12 Other Retirement Systems Administered by the State of Connecticut**

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). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for CMERS and CPJERS are presented in Note No. 13.

#### **Plan Descriptions and Contribution Information**

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

	<b>CMERS 6/30/2003</b>	<b>CPJERS 12/31/2002</b>
Retirees and beneficiaries receiving benefits	4,743	226
Terminated plan members entitled to but not receiving benefits	419	34
Active plan members	8,420	371
<b>Total</b>	<b>13,582</b>	<b>631</b>
Number of participating employers	164	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 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

#### **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 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 percent to 3.75 percent 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 13 Pension Trust Funds Financial Statements**

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. 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. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds. (see Note No. 4)

Statement of Fiduciary Net Assets (000's)							
	State Employees	State Teachers	Judicial	Connecticut Municipal Employees	Probate Judges	Other	Total
<b>Assets</b>							
Cash and Cash Equivalents	\$ -	\$ -	\$ 106	\$ 250	\$ -	\$ 80	\$ 436
Receivables:							
Accounts, Net of Allowances	2,380	7,286	8	2,796	5	-	12,475
From Other Funds	-	1,641	-	-	-	-	1,641
Interest	138	209	4	25	4	-	380
Investments	7,709,616	10,860,276	140,387	1,303,833	67,072	716	20,081,900
Securities Lending Collateral	813,091	1,127,976	15,704	141,090	7,145	94	2,105,100
Total Assets	8,525,225	11,997,388	156,209	1,447,994	74,226	890	22,201,932
<b>Liabilities</b>							
Securities Lending Obligation	813,091	1,127,976	15,704	141,090	7,145	94	2,105,100
Due to Other Funds	29,681	17,365	-	-	25	-	47,071
Total Liabilities	842,772	1,145,341	15,704	141,090	7,170	94	2,152,171
<b>Net Assets</b>							
Held in Trust For Employee							
Pension Benefits	7,682,453	10,852,047	140,505	1,306,904	67,056	796	20,049,761
Total Net Assets	\$ 7,682,453	\$ 10,852,047	\$ 140,505	\$ 1,306,904	\$ 67,056	\$ 796	\$ 20,049,761

Statement of Changes in Fiduciary Net Assets (000's)							
	State Employees	State Teachers	Judicial	Connecticut Municipal Employees	Probate Judges	Other	Total
<b>Additions</b>							
Contributions:							
Plan Members	\$ 47,632	\$ 210,227	\$ 1,367	\$ 12,009	\$ 269	\$ 26	\$ 271,530
State	470,333	185,348	11,598	-	-	-	667,279
Municipalities	-	1,019	-	16,271	-	-	17,290
Total Contributions	517,965	396,594	12,965	28,280	269	26	956,099
Investment Income	1,060,852	1,518,735	17,055	170,045	9,002	81	2,775,770
Less: Investment Expenses	(25,103)	(35,937)	(403)	(4,024)	(213)	(2)	(65,682)
Net Investment Income	1,035,749	1,482,798	16,652	166,021	8,789	79	2,710,088
Transfers In	-	-	-	-	1,705	-	1,705
Other	800	295	-	-	2	-	1,097
Total Additions	1,554,514	1,879,687	29,617	194,301	10,765	105	3,668,989
<b>Deductions</b>							
Administrative Expense	339	-	7	9	-	-	355
Benefit Payments and Refunds	868,165	879,797	14,346	64,709	2,241	3	1,829,261
Other	-	-	-	-	1,967	13	1,980
Total Deductions	868,504	879,797	14,353	64,718	4,208	16	1,831,596
Changes in Net Assets	686,010	999,890	15,264	129,583	6,557	89	1,837,393
<b>Net Assets Held in Trust For</b>							
Employee Pension Benefits:							
Beginning of Year	6,996,443	9,852,157	125,241	1,177,321	60,499	707	18,212,368
End of Year	\$ 7,682,453	\$ 10,852,047	\$ 140,505	\$ 1,306,904	\$ 67,056	\$ 796	\$ 20,049,761

**Note 14 Postemployment Benefits**

In addition to the pension benefits described in Note 11, 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.

As of June 30, 2004, 38,078 retirees of the State Employees Retirement System meet those eligibility requirements. When employees retire, the State may pay up to 100 percent of their health care insurance premium cost (including dependent's coverage) based on the plan chosen by the employee. In addition, the State pays 100 percent 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, 2004, \$320.8 million was paid in postretirement benefits.

### **Note 15 Capital and Operating Leases**

#### **a. State as Lessor**

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

2005	\$	30,126
2006		25,261
2007		27,101
2008		27,616
2009		27,909
Thereafter		<u>22,345</u>
Total	\$	<u>160,358</u>

Contingent revenues for the year ended June 30, 2004, were \$2.4 million.

#### **State as Lessee**

Obligations under capital and operating leases as of June 30, 2004, were as follows (amounts in thousands):

	<u>Noncancelable Operating Leases</u>	<u>Capital Leases</u>
2005	\$ 26,583	\$ 7,076
2006	17,903	6,336
2007	12,638	6,037
2008	9,287	5,652
2009	915	5,248
2010-2014	19,073	27,110
2015-2019	-	6,156
2020-2024	-	6,142
2025-2029	-	6,110
2030-2034	-	<u>2,432</u>
Total minimum lease payments	\$ <u>86,399</u>	78,299
Less: Amount representing interest costs		<u>24,538</u>
Present value of minimum lease payments		<u>\$ 53,761</u>

Minimum capital lease payments were discounted using an interest rate of approximately 6 percent.

Rental and lease payments for equipment charged to expenditures during the year ended June 30, 2004, totaled \$11.1 million.

#### **Lease/Lease Back Transaction (amounts in thousands)**

On September 30, 2003 the State executed a U.S. Lease-to-Service Contract of Rolling Stock Agreement (Agreement) whereby the state entered into a head lease of certain rolling stock consisting of rail coaches and locomotives to statutory trusts established for the benefit of three equity investors. Simultaneously, the State executed sublease agreements to lease back the rolling stock in order to allow the State to

have continued use of the property. The terms of the head leases are for periods ranging from 40 years to 67 years, expiring through March 2071, while the subleases have terms ranging from 18 years to 28 years, expiring through January 2032. At the end of the respective sublease terms, the State will have the option to purchase the statutory trusts' interest in the rolling stock for an aggregate fixed price.

In connection with the transaction, the State received net proceeds for \$29,357 representing the consideration paid for the tax benefits received by the equity investors. The net proceeds received were calculated as follows:

Prepayment of head lease rent	\$ 366,405
Less: deposit to irrevocable trust	334,590
Less: lease executory costs	<u>2,458</u>
Net proceeds received	<u>\$ 29,357</u>

Proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earning thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. With respect to payments made to custodians, the State pledged assets as collateral to the custodians for the benefit of the lessors, and granted a first security interest in such assets. The pledged assets will primarily be used to pay the end of lease term purchase options. Payments made by the State to the debt payment undertakers are irrevocable once made and will not be subject to avoidance or recapture by the State or any creditor's of the State. Further, the State has no right, title, or interest in or to the amounts paid to the debt payment undertakers upon the payment thereof and accordingly, the amounts so paid cease to be assets of the State, but are assets solely of the debt payment undertakers. In addition, per the terms of Debt Payment Undertaking Agreement Guarantees, the debt payment undertaker guarantors have unconditionally guaranteed the full and prompt payment of any and all obligations of the debt payment undertakers. The assets held by the debt payment undertakers and the custodians, as well as any related lease obligation liability, are not reflected as assets or liabilities in the accompanying financial statements. Although it is remote that the State will be required to make any additional payments under the sublease, the State is and shall remain liable for all of its obligations under the subleases. The aggregate remaining commitment under the subleases totaled approximately \$343 million at June 30, 2004.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

**Note 16 Long-Term Debt**

a) The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2004, (amounts in thousands):

	<b>Balance July 1, 2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2004</b>	<b>Amounts due within one year</b>
<b>Governmental Activities</b>					
<b>Bonds:</b>					
General Obligation	\$ 9,216,354	\$ 2,720,294	\$ 2,330,037	\$ 9,606,611	\$ 743,236
Transportation	<u>3,205,815</u>	<u>539,534</u>	<u>591,400</u>	<u>3,153,949</u>	<u>240,065</u>
	12,422,169	3,259,828	2,921,437	12,760,560	983,301
Plus/(Less) premiums and deferred amounts	<u>105,119</u>	<u>104,044</u>	<u>27,796</u>	<u>181,367</u>	<u>-</u>
<b>Total Bonds</b>	<u>12,527,288</u>	<u>3,363,872</u>	<u>2,949,233</u>	<u>12,941,927</u>	<u>983,301</u>
Economic Recovery Notes	<u>219,235</u>	<u>97,700</u>	<u>43,720</u>	<u>273,215</u>	<u>240,065</u>
<b>Other Liabilities:</b>					
Net Pension Obligation	3,256,597	851,036	667,279	3,440,354	-
Compensated Absences	347,933	28,447	5,464	370,916	14,682
Workers' Compensation	265,645	86,184	75,148	276,681	74,926
Capital Leases	67,988	-	14,227	53,761	9,768
Claims and Judgements	7,612	8,818	3,247	13,183	5,962
Contracts Payable and Other	<u>7,186</u>	<u>4,335</u>	<u>5,960</u>	<u>5,561</u>	<u>-</u>
<b>Total Other Liabilities</b>	<u>3,952,961</u>	<u>978,820</u>	<u>771,325</u>	<u>4,160,456</u>	<u>105,338</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 16,699,484</u>	<u>\$ 4,440,392</u>	<u>\$ 3,764,278</u>	<u>\$ 17,375,598</u>	<u>\$ 1,328,704</u>
In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
<b>Business-Type Activities</b>					
Revenue Bonds	\$ 1,547,526	\$ 610,904	\$ 444,625	\$ 1,713,805	\$ 76,321
Plus/(Less) premiums, discounts and deferred amounts	<u>5,717</u>	<u>30,663</u>	<u>31</u>	<u>36,349</u>	<u>-</u>
<b>Total Revenue Bonds</b>	<u>1,553,243</u>	<u>641,567</u>	<u>444,656</u>	<u>1,750,154</u>	<u>76,321</u>
Lottery Prizes	435,185	-	49,956	385,229	50,661
Compensated Absences	87,456	18,515	1,742	104,229	25,246
Other	<u>48,565</u>	<u>55,798</u>	<u>7,259</u>	<u>97,104</u>	<u>18,884</u>
<b>Total Other Liabilities</b>	<u>571,206</u>	<u>74,313</u>	<u>58,957</u>	<u>586,562</u>	<u>94,791</u>
<b>Business-Type Long-Term Liabilities</b>	<u>\$ 2,124,449</u>	<u>\$ 715,880</u>	<u>\$ 503,613</u>	<u>\$ 2,336,716</u>	<u>\$ 171,112</u>

b) As of June 30, 2004, long-term debt of component units consisted of the following (amounts in thousands):

<b>Long-Term Debt</b>	<b>Balance June 30, 2004</b>	<b>Amounts due within year</b>
Bonds Payable	\$ 3,567,717	\$ 146,263
Escrow Deposits	115,071	19,325
Closure of Landfills	27,149	1,433
State Loan	12,090	1,484
Deferred Revenue	6,524	834
Other	<u>5,926</u>	<u>30</u>
<b>Total</b>	<u>\$ 3,734,477</u>	<u>\$ 169,369</u>

by the full faith and credit of the State. General obligation bonds outstanding and bonds authorized but unissued at June 30, 2004, were as follows (amounts in thousands):

<b>Purpose of Bonds</b>	<b>Final Maturity Dates</b>	<b>Original Interest Rates</b>	<b>Amount Outstanding</b>	<b>Authorized But Unissued</b>
Capital Improvements	2004-2023	2-8%	\$ 2,183,763	\$ 220,557
School Construction	2004-2022	2-7.441%	1,559,412	75,951
Municipal & Other				
Grants & Loans	2004-2022	2-8.4%	1,580,427	582,200
Elderly Housing	2005-2018	4.25-7.026%	9,605	
Elimination of Water Pollution	2004-2023	3-7.525%	267,667	252,010
General Obligation				
Refunding	2004-2020	2-6.14%	3,346,721	
Miscellaneous	2004-2031	2.5-6.75%	140,125	7,737
			<u>9,087,720</u>	<u>\$ 1,138,455</u>
Accretion-Various Capital Appreciation Bonds			518,891	
			<u>Total</u>	<u>\$ 9,606,611</u>

**Note 17 Long-Term Notes and Bonded Debt**

**a. Economic Recovery Notes**

In December 2002, \$219.2 million of General Obligation Economic Recovery Notes were issued to fund the deficit for the 2001-2002 fiscal year. As of June 30 2004, the amount of Economic Recovery Notes outstanding was \$273.2 million. These notes mature on various dates through 2008 and bear interest rates from 2.0% to 4.0%.

Future amounts needed to pay principal and interest on economic recovery notes outstanding at June 30, 2004, were as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 63,655	\$ 8,929	\$ 72,584
2006	63,470	6,548	70,018
2007	63,270	4,247	67,517
2008	63,270	2,017	65,287
2009	19,550	664	20,214
<b>Total</b>	<u>\$ 273,215</u>	<u>\$ 22,405</u>	<u>\$ 295,620</u>

**b. Primary Government – Governmental Activities**

**General Obligation Bonds**

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

Future amounts (in thousands) needed to pay principal and interest on general obligation bonds outstanding at June 30, 2004, were as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 743,236	\$ 489,901	\$ 1,233,137
2006	705,308	462,784	1,168,092
2007	694,952	439,494	1,134,446
2008	699,003	415,578	1,114,581
2009	663,763	425,085	1,088,848
2010-2014	2,844,095	1,293,580	4,137,675
2015-2019	1,851,761	454,597	2,306,358
2020-2024	872,082	99,193	971,275
2025-2029	11,325	2,172	13,497
2030-2034	2,195	109	2,304
<b>Total</b>	<u>\$ 9,087,720</u>	<u>\$ 4,082,493</u>	<u>\$ 13,170,213</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.

Transportation related bonds outstanding and bonds authorized but unissued at June 30, 2004, were as follows (amounts in thousands):

Purpose of Bonds	Final	Original	Authorized	
	Maturity	Interest	Amount	But
	Dates	Rates	Outstanding	Unissued
Specific Highways	2017	4.25-5.50%	\$ 2,653	\$ 4,066
Infrastructure				
Improvements	2004-2024	2.5-8.0%	3,142,057	432,863
General Obligation				
Other	2008	7.513-7.525%	344	-
			3,145,054	\$ 436,929
Accretion-Various Capital Appreciation Bonds			8,895	
		Total	\$ 3,153,949	

Future amounts (in thousands) required to pay principal and interest on transportation related bonds outstanding at June 30, 2004, were as follows:

Year Ending				
June 30,	Principal	Interest	Total	
2005	\$ 240,065	\$ 145,706	\$ 385,771	
2006	265,635	133,849	399,484	
2007	253,218	127,854	381,072	
2008	261,693	115,882	377,575	
2009	259,643	97,836	357,479	
2010-2014	1,093,255	299,826	1,393,081	
2015-2019	546,145	104,179	650,324	
2020-2024	225,400	22,195	247,595	
Total	\$ 3,145,054	\$ 1,047,327	\$ 4,192,381	

**Variable-Rate Demand Bonds**

As of June 30, 2004, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding	Issuance	Maturity
	Principal	Year	Year
Special Tax Obligation	\$ 128,900	1990	2010
General Obligation	99,235	1997	2014
Special Tax Obligation	100,000	2000	2020
General Obligation	100,000	2001	2021
Special Tax Obligation	419,060	2003	2022
Total	\$ 847,195		

The State entered into various Remarketing and Standby Bond Purchase agreements with certain brokerage firms and banks upon the issuance of the bonds.

The bonds were issued bearing a weekly interest rate, which is determined by the State's remarketing agents. The State has the option of changing at any time the weekly interest rate on the bonds to another interest rate, such as a flexible rate or a daily rate. Bonds bearing interest at the weekly rate are subject to purchase at the option of the bondholder at a

purchase price equal to principal plus accrued interest, if any, on a minimum seven days' notice of tender to the State's agent. In addition, the bonds are subject to mandatory purchase upon (1) conversion from the weekly interest rate to another interest rate and (2) substitution or expiration of the Standby Bond Purchase agreements. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase by bondholders from time to time. The State is required to pay the Remarketing agents a quarterly fee of .05 percent per annum of the outstanding principal amount of the bonds.

The Standby Bond Purchase agreements require the banks to purchase any unremarketed bonds bearing the weekly interest rate for a price not to exceed the amount of bond principal and accrued interest, if any. The State is required to pay the banks a quarterly fee ranging from .065 percent to .20 percent per annum of the outstanding principal amount of the bonds plus interest. These fees would be increased if the credit rating for the bond insurers was to be downgraded, suspended, or withdrawn.

The Standby Bond Purchase agreements expire as follows:

1990 STO expires in the year 2005 and could be extended for another five years,  
 1997 GO expires in the year 2004 and could be extended annually for another year,  
 2000 STO expires in the year 2014 and could be extended for another seven years,  
 2001 GO expires in the year 2008, and  
 2003 STO expires in the year 2008 and could be extended for another five years.

These agreements could be terminated at an earlier date if certain termination events described in the agreements were to occur.

**Interest Rate Swaps**

Objective of the swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the State has entered six separate pay-fixed, receive-variable interest rate swaps at a cost less than what the State would have paid to issue fixed-rate debt. Two of the swaps were executed in December 1990, one was executed in June 2001 and the other three were executed in January 2003.

**Terms, fair values, and credit risk**

The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2004, are as follows. The notional amount of the swaps matches the principal amount of the associated debt. The State's swap agreements, except for the June 2001 swap, contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated debt. For the June 2001 swap, the swap agreement and associated debt are non-amortizing and mature on June, 2012.

Associated Bond Issue	Notional		Effective Date	Fixed Rate Paid	Variable Rate Received	SWAP		
	Amounts (000's)					Fair Values (000's)	Termination Date	Counterparty Credit Rating
1990 STO	\$ 77,400	12/19/1990	5.746%	65% of LIBOR (1)		\$ (8,159)	12/1/2010	Aaa/AAA/AAA
1990 STO	51,500	12/19/1990	5.709%	65% of LIBOR (1)		(5,346)	12/1/2010	A3/BBB
2001 GO	20,000	6/28/2001	4.330%	CPI (3) plus 1.43%		(483)	6/15/2012	Aa3/A+/AA-
2003 STO	119,530	1/23/2003	3.293%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp thereafter		429	2/1/2022	Aa1/AA-/AA
2003 STO	99,315	1/23/2003	3.288%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp thereafter		397	2/1/2022	Aa1/AA-/AA+
2003 STO	200,215	1/23/2003	3.284%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp thereafter		914	2/1/2022	Aa2/AA+/AA+
Total	\$ 567,960					\$ (12,248)		

(1) London Interbank Offered Rate

(2) The Bond Market Association Municipal Swap Index.

(3) Consumer Price Index

#### *Fair value*

As of June 30, 2004, the 2003 swaps had a positive fair value because interest rates have increased since January 2003; the 1990 swaps had a negative fair value because interest rates have declined since 1990. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the State's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

As of June 30, 2004, the State had a minor exposure to credit risk on the 2003 swaps, but it had no credit risk exposure on the other outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

The swap agreements contain varying collateral agreements with the counterparties. All three of the swap agreements executed in 2004 require collateralization of the fair value of the swap in cash or government securities should the counterparty's credit rating fall below Aa3 as issued by Moody's Investors Service or AA- as issued by Standard & Poor's Ratings or Fitch Ratings. One of the swaps executed in 1990 requires collateral of cash or securities if the counterparty credit rating falls below A1/A+. The other swap agreements do not have any provisions for posting of collateral. The State is not required to post collateral for any of the swaps.

Because, the State has not entered into more than one derivative transaction with any one counterparty, master netting agreements have not been needed.

All of the six swaps are executed with different counterparties. The largest, approximately 34 percent of the

notional amount of swaps outstanding, is held with one counterparty, rated Aa2/AA+. One of the December 1990 swaps, approximately 10% of the notional amount of swaps outstanding, is held with the lowest rated counterparty, rated A3/BBB. All other swaps are held with separate counterparties who are rated Aa1/AA or better.

#### *Basis Risk*

The State's variable-rate bond coupon payments are equivalent to the BMA index rate, or the CPI plus 1.43% rate (2001 GO bonds only). For those swaps for which the State receives a variable-rate payment other than BMA or CPI, the State is exposed to basis risk should the relationship between LIBOR and BMA converge. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2004, the BMA rate was 1.06 percent, whereas 65 percent of LIBOR was 0.72 percent. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal 2004, the state budgeted \$1,500,000 in basis risk for all six swap agreements.

#### *Termination Risk*

The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 2003 swap agreements, the State has up to 270 days to fund any required termination payment. Under the 1990 swap agreements, the State may fund any required termination payment over a five-year period.

#### *Rollover Risk*

Because all of the swap agreements terminate when the associated debt is fully paid, the State is only exposed to rollover risk if an early termination occurs. Upon an early termination, the State will not realize the synthetic rate offered by the swaps on the underlying debt issues.

#### *Swap Payments and Associated Debt*

Using rates as of June 30, 2004, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands). As rates

vary, variable-rate bond interest payments and net swap payments will vary.

claims on a one-time lump sum basis. Additionally, the bond indenture allows for the periodic issuance of subordinated bond anticipation notes (BANs) in the form of commercial paper.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. 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 wastewater treatment projects.

Bradley Parking Garage bonds were issued in 2000 in the amount of \$53.8 million to build a parking garage at the airport.

In 2004, the State of Connecticut issued \$205.3 million of Special Obligation Rate Reduction Bonds. These bonds were issued to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund.

Future amounts (in thousands) needed to pay principal and interest on revenue bonds outstanding at June 30, 2004, were as follows:

Fiscal Year Ending June 30,	Variable-Rate Bonds		Interest Rate		Total
	Principal	Interest	SWAP, Net		
2005	\$ 18,025	\$ 6,628	\$ 15,759	\$	40,412
2006	19,135	6,429	14,907		40,471
2007	20,350	6,219	13,747		40,316
2008	21,665	5,994	12,427		40,086
2009	22,985	5,756	11,401		40,142
2010-2014	176,295	23,311	43,135		242,741
2015-2019	258,185	8,040	16,211		282,436
2020-2022	31,320	363	732		32,415
Total	\$ 567,960	\$ 62,740	\$ 128,319	\$	759,019

### c. Primary Government – Business-Type Activities Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the enterprise funds and component units.

Enterprise funds' revenue bonds outstanding at June 30, 2004, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Higher Education	2009-2030	2.1-7%	\$ 537,126
Bradley International Airport	2012-2031	3.25-7.65%	252,020
Second Injury	2011	4.5-5.25%	54,255
Clean Water	2006-2025	2-10%	560,176
Other:			
Bradley Parking Garage	2006-2024	6.125-8%	53,800
Drinking Water	2022	4-5.5%	51,083
Rate Reduction Bonds	2004-2011	2.5-5%	205,345
Total Revenue Bonds			1,713,805
Plus/(Less) premiums, discounts and deferred amounts:			
Bradley International Airport			(726)
Clean Water			21,371
Other			15,704
Revenue Bonds, net			\$ 1,750,154

Bradley Airport has issued various revenue bonds to finance costs of improvements to the airport. As of June 30, 2004, the following bonds were outstanding:

- Airport Revenue Refunding Bonds in the amount of \$42.1 million. These bonds were issued in October, 1992, to redeem the 1982 revenue bonds, 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.
- Bradley International Airport Revenue Bonds in the amount of \$191.2 million and Bradley International Airport Refunding Bonds in the amount of \$18.7 million. Both bond series are secured by and payable solely from the gross operating revenues generated by the state from the operation of the airport and other receipts, funds or monies pledged in the bond indenture.

In November 1996 and in October 2000, the State issued \$100 million and \$124.1 million of Second Injury Special Assessment Revenue Bonds, respectively. The bonds were issued to reduce long-term liabilities of the fund by settling

Year Ending June 30,	Principal	Interest	Total
2005	\$ 118,043	\$ 89,385	\$ 207,428
2006	108,827	74,346	183,173
2007	102,776	67,657	170,433
2008	118,851	63,852	182,703
2009	173,863	95,024	268,887
2010-2014	402,595	205,784	608,379
2015-2019	270,088	134,546	404,634
2020-2024	226,750	74,118	300,868
2025-2029	149,654	29,315	178,969
2030-2034	42,358	2,856	45,214
Total	\$ 1,713,805	\$ 836,883	\$ 2,550,688

### d. Component Units

Component units' revenue bonds outstanding at June 30, 2004, were as follows:

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2004-2019	4.75-8.75%	\$ 42,820
CT Housing Finance Authority	2003-2045	1.37-9.36%	3,199,620
CT Resources Recovery Authority	2004-2016	3.9-7.7%	205,409
Other:			
CT Higher Education			
Supplemental Loan Authority	2004-2021	4-7.5%	115,115
UCorn Foundation	2029	3.6-5.375%	7,495
Total Revenue Bonds			3,570,459
Plus/(Less) premiums, discounts, and deferred amounts:			
CDA			(50)
CRRA			(2,797)
CHESLA			105
Revenue Bonds, net			\$ 3,567,717

Revenue bonds issued by the component units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Connecticut Development Authority's revenue bonds are issued to finance such projects as the acquisition of land or the construction of buildings, and the 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, 2004 were \$4.8 million. Assets totaling \$3.4 million 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 of this note. In addition, the Authority had \$38.0 million in general obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

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. The Authority has issued bonds under a bond resolution dated 9/27/72 and an indenture dated 9/25/95. As of December 31, 2003, bonds outstanding under the bond resolution and the indenture were \$3,154.0 million and \$45.6 million, respectively. 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. The capital reserve fund is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in the next succeeding calendar year (\$261.5 million at 12/31/03) on all outstanding bonds. As of December 31, 2003, the Authority has entered into interest rate swap agreements for \$730.6 million of its variable rate bonds. These agreements are similar in nature to agreements discussed in the interest rate swaps section of this note.

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.

Each Authority has established special capital reserve funds that secure all the outstanding bonds of the Authority at year-end, except as discussed next. 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, the amount of bonds outstanding at year-end that were secured by the special capital reserve funds was \$178.7 million.

Future amounts (in thousands) needed to pay principal and interest on revenue bonds outstanding at June 30, 2004, were as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 260,926	\$ 259,257	\$ 520,183
2006	137,874	131,749	269,623
2007	132,622	126,007	258,629
2008	140,220	120,658	260,878
2009	32,353	12,648	45,001
2010-2014	698,959	508,555	1,207,514
2015-2019	647,372	370,498	1,017,870
2020-2024	568,016	247,041	815,057
2025-2029	534,767	135,863	670,630
2030-2034	360,290	53,728	414,018
2035-2039	40,470	7,548	48,018
2040-2044	15,335	2,474	17,809
2045-2049	1,255	63	1,318
<b>Total</b>	<b>\$ 3,570,459</b>	<b>\$ 1,976,089</b>	<b>\$ 5,546,548</b>

#### **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 unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the 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 are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2004 were \$993.2 million.

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 arrangements between the Authority and the operators. Letters of credit secure some of these bonds. 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 a default, neither the authority nor the State guarantees payment of the debt, except for the State contingent liability discussed below. Thus, the assets and liabilities that relate to these bond issues are not included in the Authority's financial statements. Total bonds outstanding at June 30, 2004 were \$203.9 million. Of this amount, \$61.5 million was secured by a special capital reserve fund.

The Connecticut Health and Educational Facilities Authority has issued special obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its



financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total special obligation bonds outstanding at June 30, 2004, were \$4,666.7 million, of which \$374.4 million was secured by special capital reserve funds.

The State may be contingently liable for those bonds that are secured by special capital reserve funds as discussed previously in this section.

**e. Debt Refundings**

During the year, the State issued \$1,967.5 million of general obligation and special tax obligation refunding bonds with an average interest rate of 4.35% to advance refund \$1,996.8 million of general obligation and special tax obligation refunding bonds with an average interest rate of 5.15%. 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 defeased and the liability for those bonds have been removed from the statement of net assets. The reacquisition price exceeded the carrying amount of the old debt by \$165 million. This amount is being netted against the new debt and amortized over the life of the new or old debt, whichever is shorter.

The State advance refunded these bonds to reduce its total debt service payments over the next fifteen years by \$115.7 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$93.9 million. As of June 30, 2004, \$3,660.8 million of outstanding general obligation, special tax obligation, and revenue bonds are considered defeased.

**Note 18 Risk Management**

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management 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.

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 (John Dempsey Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. 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.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than \$100 thousand. 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 risks. The highest deductible or self-insured retention amount assumed by the State is \$25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net assets (government-wide and proprietary fund statements) when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years. Changes in the claims liabilities during the last two fiscal years were as follows (amounts in thousands):

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-02	\$ 245,183	\$ 9,355
Incurred claims	95,707	351
Paid claims	(75,245)	(1,206)
Balance 6-30-03	265,645	8,500
Incurred claims	86,184	6,227
Paid claims	(75,148)	(4,387)
Balance 6-30-04	\$ 276,681	\$ 10,340

**Note 19 Interfund Receivables and Payables**

Interfund receivable and payable balances at June 30, 2004, were as follows (amounts in thousands):

Balance due from fund(s)	Balance due to fund(s)										Total
	General	Transportation	Other Governmental	Uconn	State Universities	Other Proprietary	Employment Security	Internal Services	Fiduciary	Component Units	
General	\$ -	\$ -	\$ 174,327	\$ 40,039	\$ 14,663	\$ 10,115	\$ 1,474	\$ 5,474	\$ 4,683	\$ -	\$ 250,775
Transportation	-	-	-	-	-	-	-	534	-	-	534
Other Governmental	8,879	5,964	3,896	10,165	22,020	53,242	-	-	-	22,179	126,345
Uconn	8,908	-	-	-	-	-	-	-	-	-	8,908
State Universities	1,636	-	-	-	-	-	-	-	-	-	1,636
Employment Security	-	-	4,687	-	-	-	-	-	-	-	4,687
Other Proprietary	317	-	1,754	-	-	-	-	-	-	-	2,071
Internal Services	4,700	-	63,387	-	-	-	-	-	-	-	68,087
Fiduciary	-	-	40,604	-	-	-	-	-	8,100	-	48,704
Component Units	12,090	-	-	-	-	-	-	-	-	-	12,090
Total	\$ 36,530	\$ 5,964	\$ 288,655	\$ 50,204	\$ 36,683	\$ 63,357	\$ 1,474	\$ 6,008	\$ 12,783	\$ 22,179	\$ 523,837

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end. \$174 million owed to other governmental funds by the General fund resulted from a loan made by governmental funds to eliminate a cash overdraft in the General fund.

**Note 20 Interfund Transfer**

Interfund transfers for the fiscal year ended June 30, 2004, consisted of the following (amounts in thousands):

Amount transferred from fund(s)	Amount transferred to fund(s)								Total
	General	Debt Service	Transportation	Other Governmental	Uconn	State Universities	Other Proprietary	Fiduciary	
General	\$ -	\$ 13,665	\$ -	\$ 495,792	\$ 375,535	\$ 190,450	\$ 167,039	\$ -	\$ 1,242,481
Debt Service	-	-	25,430	1,175	-	-	-	-	26,605
Transportation	-	399,413	-	41,376	-	-	-	-	440,789
Other Governmental	132,693	15,250	1,476	71,006	103,932	16,255	46,433	1,705	388,750
Connecticut Lottery	280,763	-	-	-	-	-	-	-	280,763
Other Proprietary	194,000	-	-	7,819	-	-	13,889	-	215,708
Total	\$ 607,456	\$ 428,328	\$ 26,906	\$ 617,168	\$ 479,467	\$ 206,705	\$ 227,361	\$ 1,705	\$ 2,595,096

Transfers were made to (1) move revenues from the fund that budget or statute requires to collect them to the fund that budget or statute requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

**Note 21 Restatement of Net Assets/Fund Balances**

As of June 30, 2004, the beginning net assets/fund balances for the following funds and activities were restated as follows (amounts in thousands):

	Balance 6-30-03 Previously Reported	Fund Reclass	Correction of Reported Assets/Liabilities	Balance 6-30-03 as Restated
<b>Governmental Funds and Activities</b>				
Major Funds:				
General	\$ (401,499)	\$ -	\$ 19,656	\$ (381,843)
Transportation	158,277	-	10,026	168,303
Nonmajor Funds:				
Environmental Programs	119,603	26,934	-	146,537
<b>Total Governmental Funds</b>	<b>\$ (123,619)</b>	<b>\$ 26,934</b>	<b>\$ 29,682</b>	<b>\$ (67,003)</b>
<b>Governmental Activities</b>				
Capitalization of Software Costs	-	-	70,422	70,422
<b>Net Assets of Governmental Activities</b>	<b>\$ (5,346,984)</b>	<b>\$ 26,934</b>	<b>\$ 100,104</b>	<b>\$ (5,219,946)</b>
<b>Proprietary Funds and Business-Type Activities</b>				
Major Funds:				
Higher Education	\$ 2,535,973	\$ (2,535,973)	\$ -	\$ -
University of Connecticut	-	1,525,227	-	1,525,227
State Universities	-	464,000	(9,750)	454,250
Non-Major Funds:				
Community Technical Colleges	-	304,775	-	304,775
<b>Total Proprietary Funds</b>	<b>\$ 2,535,973</b>	<b>\$ (241,971)</b>	<b>\$ (9,750)</b>	<b>\$ 2,284,252</b>
<b>Net Assets of Business-Type Activities</b>	<b>\$ 3,875,072</b>	<b>\$ (241,971)</b>	<b>\$ (9,750)</b>	<b>\$ 3,623,351</b>
<b>Component Units</b>				
Connecticut Health & Educational Facilities Authority	\$ -	\$ 19,975	\$ -	\$ 19,975
Connecticut Resources Recovery Authority	117,489	(117,489)	-	-
<b>Other Component Units</b>				
Connecticut Resources Recovery Authority	-	117,489	-	117,489
Connecticut Health & Educational Facilities Authority	19,975	(19,975)	-	-
Connecticut Higher Education Supplemental Loan Authority	6,438	-	(1,220)	5,218
Connecticut Innovations, Incorporated	136,683	(31,900)	-	104,783
Uconn Foundation	-	241,970	(29,522)	212,448
<b>Total Component Units</b>	<b>\$ 280,585</b>	<b>\$ 210,070</b>	<b>\$ (30,742)</b>	<b>\$ 459,913</b>
<b>Net Assets of Component Units</b>	<b>\$ 1,112,011</b>	<b>\$ 210,070</b>	<b>\$ (30,742)</b>	<b>\$ 1,291,339</b>

In July 2003 the State implemented a new Internet-based financial management and human resources system. As of 6-30-04, the State had spent \$101.9 million in implementation costs. Of this amount, \$85.9 million represents costs incurred in developing the software for its intended use. For example, software and license fees, equipment, consulting fees, etc. These costs, of which \$70.4 million were incurred prior to fiscal year 2004, are being capitalized and amortized over their estimated useful life in the government-wide financial statements, governmental activities. Other implementation costs, such as planning and training and support, were expensed when incurred.

During the year, the State implemented GASB Statement No.39, "Determining Whether Certain Organizations Are Component Units." This Statement requires the State to report certain organizations (mainly fund-raising foundations) as component units (discrete presentation). Thus, the State reclassified this year the University of Connecticut Foundation, Inc. as a discretely-presented component unit. In prior years, the Foundation was reported as a component unit of the Higher Education fund, an enterprise fund.

Also, the following reclassifications were made this year to improve financial reporting of enterprise funds and component units:

- 1) The University of Connecticut, the State Universities, and the Community/Technical colleges were reclassified as separate enterprise funds. In prior years, these funds were reported as part of the Higher Education fund, an enterprise fund.
- 2) The Clean Energy fund was reclassified as a special revenue fund. In prior years, this fund was reported as part of the Connecticut Innovations, Inc. fund, a component unit.

The beginning fund balance of the General fund was adjusted to correct understatements of cash (\$2.8 million) and taxes receivable (\$16.9 million). For the Transportation fund, the adjustment reflects a reduction of \$10 million to deferred revenue because revenue recognition requirements on related resources had been met in the prior year. For the University of Connecticut Foundation, Inc., the adjustment reflects a reduction of \$29.5 million to pledges receivable because such pledges should not be recognized as an asset until the resources are received by the Foundation.

#### **Note 22 Related Organizations**

Related organizations are legally separate organizations that 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.

#### **Note 23 Commitments and Contingencies**

##### **A. Commitments**

At June 30, 2004, the State, including its component units, had the following outstanding commitments:

- 1) Infrastructure (highways, roads, etc.) and other construction contracts and miscellaneous contracts with various vendors totaling approximately \$1,962.8 million of which \$1,447.7 million is expected to be reimbursed by federal grants or other payments.
- 2) School construction and alteration grants with various towns for \$2,900 million and interest costs of \$190 million for a total of \$3,090 million. Funding for these projects is expected to come from bond sales.
- 3) Loan commitments, mortgage and grant programs, and loan guarantees total approximately \$553.4 million. Funding for these programs is expected to come from bond sales.
- 4) The State has authorized a loan to the Connecticut Resources Recovery Authority (a component unit) of up to \$115 million to support the repayment of the Authority's debt for one of its facilities and to minimize the amount of tipping fee increases chargeable to the towns which use the facility. As of June 30, 2004, the Authority had drawn \$12.8 million on these funds.

##### **B. Contingent Liabilities**

The State 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.

In 2002 the City of Waterbury issued \$97.5 million of General Obligation Special Capital Reserve Fund Bonds. These bonds are secured by a Special Capital Reserve Fund for which the State may be contingently liable as explained previously in Note 17 – Component Units.

As a result of a recent federal audit of the Medicaid program, the federal government is claiming that it had over paid the State \$32.8 million for its share of Medicaid costs paid by State. The State paid back \$7.5 million of the amount in question and is contending that no additional funds should be paid back to the federal government. As of June 30, 2004, the State now believes that there is a reasonable possibility that it will be required to pay back an additional \$7.6 million to the federal government as a result of the audit.

**C. Litigation**

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government 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 Special and Extraordinary Items**

Special items are significant transactions or other events within management's control that are either unusual in nature or infrequent in occurrence. Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Transfers to the General fund from the State's component units were as follows (amounts in million):

Connecticut Innovations, Incorporated	\$ 5.0
Connecticut Development Authority	\$10.0
Connecticut Housing Finance Authority	\$ 2.5

The State, also, transferred mortgage loans with a carrying amount of \$204 million from the Housing Programs fund, a special revenue fund, to the Connecticut Housing Finance Authority, a component unit. The loans were recorded by the Authority at a net realizable value of \$65 million. In exchange, the State received \$85 million in cash in the prior year.

As explained in Note 15, the State entered into a lease/lease-back transaction for some of its rail cars and locomotives. As a result of this transaction, the State received a payment of \$29.3 million, which was deposited in the Infrastructure fund (a capital projects fund).

**Note 25 Subsequent Events**

In July, the State issued \$72.5 million of parking and energy fee revenue bonds. The bonds are special obligations of the Capital City Economic Development Authority, a component unit. However, the State is contractually obligated to pay annual debt service requirements on the bonds, such payment not to exceed \$6.7 million.

In November, \$200 million of special tax obligation bonds for transportation infrastructure programs and \$89.7 million special tax obligation refunding bonds were issued. These bonds will mature through July, 2024 and July, 2019 respectively and bear interest rates ranging from 2.125% to 5% and 3% to 5.25% respectively.

In December, \$300 million of general obligation bonds were issued. The bonds will mature in years 2005 through 2024 and bear interest rates ranging from 2.15% to 5%.

In March 2005, \$300 million of variable rate general obligation bonds were issued. The bonds will mature in years 2006 through 2023.

In March 2005, \$98 million of general obligation bonds were issued. The bonds will mature in years 2006 through 2025 and bear interest rates ranging from 3% to 5%.

In March 2005, \$335.5 million of general obligation refunding bonds were issued. The bonds will mature in years 2005 through 2021 and bear interest rates ranging from 3% to 5.25%.

In June 2005, \$315 million of general obligation bonds were issued. The bonds will mature in years 2006 through 2025 and bear interest rates ranging from 3% to 5%.

In November 2005, \$300 million of general obligation bonds were issued. The bonds will mature in years 2006 through 2025 and bear interest rates ranging from 4% to 5%.

In December 2005, \$250 million of special tax obligation bonds for transportation infrastructure programs were issued. These bonds will mature in years 2006 through 2015 and bear interest rates ranging from 4% to 5%.

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***Required  
PERS  
Supplementary  
Information***

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## 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 (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
<b>SERS</b>						
6/30/1998	\$5,669.9	\$9,592.4	\$3,922.5	59.1%	\$2,339.0	167.7%
6/30/1999 *	-	-	-	-	-	-
6/30/2000	\$7,196.0	\$11,512.1	\$4,316.1	62.5%	\$2,651.9	162.8%
6/30/2001	\$7,638.9	\$12,105.4	\$4,466.5	63.1%	\$2,784.5	160.4%
6/30/2002	\$7,893.7	\$12,806.1	\$4,912.4	61.6%	\$2,852.1	172.2%
6/30/2003	\$8,058.6	\$14,223.8	\$6,165.2	56.7%	\$2,654.3	232.3%
6/30/2004	\$8,238.3	\$15,128.5	\$6,890.2	54.5%	\$2,816.7	244.6%

\*No actuarial valuations were performed as of June 30, 1999.

<b>TRS</b>						
6/30/1998	\$7,721.1	\$10,970.1	\$3,249.0	70.4%	\$2,298.9	141.3%
6/30/1999 *	-	-	-	-	-	-
6/30/2000	\$9,605.9	\$11,797.6	\$2,191.7	81.4%	\$2,501.5	87.6%
6/30/2001 *	-	-	-	-	-	-
6/30/2002	\$10,387.3	\$13,679.9	\$3,292.6	75.9%	\$2,698.3	122.0%
6/30/2003 *	-	-	-	-	-	-
6/30/2004	\$9,846.7	\$15,070.5	\$5,223.8	65.3%	\$2,930.8	178.2%

\*No actuarial valuations were performed as of June 30, 1999, 2001 and 2003

<b>JRS</b>						
6/30/1998	\$98.1	\$168.1	\$70.0	58.4%	\$21.2	330.2%
6/30/1999	\$110.7	\$172.5	\$61.8	64.2%	\$21.9	282.2%
6/30/2000	\$123.4	\$181.7	\$58.3	67.9%	\$24.1	241.9%
6/30/2001	\$133.1	\$193.8	\$60.7	68.7%	\$26.3	230.8%
6/30/2002	\$138.4	\$209.4	\$71.0	66.1%	\$28.9	245.7%
6/30/2003	\$142.8	\$211.1	\$68.3	67.6%	27.84	245.3%
6/30/2004	\$150.9	\$219.8	\$69.0	68.7%	28.90	238.8%

<b>MERS</b>						
6/30/1997	\$872.0	\$731.1	\$(140.9)	119.3%	\$246.0	(57.3)%
6/30/1998	\$980.4	\$814.1	\$(166.3)	120.4%	\$258.2	(64.4)%
6/30/1999	\$1,100.7	\$860.1	\$(240.6)	128.0%	\$269.4	(89.3)%
6/30/2000	\$1,251.6	\$1,153.2	\$(98.4)	108.5%	\$290.3	(33.9)%
6/30/2001	\$1,353.1	\$1,238.1	\$(115.0)	109.3%	\$311.2	(37.0)%
6/30/2002	\$1,403.4	\$1,319.7	\$(83.7)	106.3%	\$321.8	(26.0)%
7/1/2003	\$1,417.7	\$1,378.2	\$(39.5)	102.9%	\$326.4	(12.1)%

**PJRS**

For the Probate Judges Retirement System because the UAAL is zero, the actuarial cost method becomes the aggregate cost method and a schedule of funding progress is not required.

# 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	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1998	\$567.6	59.0%	\$211.0	85.0%	\$9.3	100.0%	\$18.8	100.0%	\$0.25	100.0%
1999	\$315.6	100.0%	\$221.6	85.0%	\$9.3	100.0%	\$18.1	100.0%	\$0.32	100.0%
2000	\$342.8	100.0%	\$240.5	85.0%	\$9.3	100.0%	\$32.0	100.0%	\$-	-
2001	\$375.6	100.0%	\$252.5	85.0%	\$9.8	100.0%	\$15.5	100.0%	\$-	-
2002	\$415.5	100.0%	\$210.7	97.1%	\$9.6	100.0%	\$15.3	100.0%	\$-	-
2003	\$421.5	100.0%	\$221.2	81.3%	\$10.1	100.0%	\$16.0	100.0%	\$-	-
2004	\$470.3	100.0%	\$270.5	68.5%	\$11.6	100.0%	\$16.3	100.0%	\$-	-

**Note:** During the years 2000 thru 2004 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	6/30/2004	6/30/2004	6/30/2004	7/1/2003	12/31/2002
Actuarial cost method	Projected unit credit	Entry age	Projected unit credit	Entry age	Entry Age
Amortization method	Level percent of pay, closed	Level percent of pay, closed	Level percent of pay, closed	Level percent of pay, closed	-
Remaining amortization period	28 Years	8-27 Years	26 Years	3-21 Years	-
Asset valuation method	5 year smoothed market	4 year smoothed market	5 year smoothed market	5 year smoothed market	Asset smoothing
Actuarial assumptions:					
Investment rate of return	8.5%	8.5%	8.5%	8.5%	8.5%
Projected salary increases	4.25-15%	4-8%	5.5%	4.5-11.25%	6%
Includes inflation at	5%	4%	5.5%	3.75%	3.5%
Cost-of-living adjustments	2.75-3.75%	3%	3-5.5%	2.5-5.0%	3%

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***Combining  
Funds Statements  
and Schedules  
Nonmajor Funds***

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## Balance Sheet

### Nonmajor Governmental Funds-By Fund Type

June 30, 2004

(Expressed in Thousands)

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Funds</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 788,280	\$ 48,842	\$ 5,924	\$ 843,046
Investments	17,300	-	88,820	106,120
Securities Lending Collateral	-	-	15,346	15,346
Receivables:				
Accounts, Net of Allowances	56,930	1,013	-	57,943
Loans, Net of Allowances	208,875	-	-	208,875
From Other Governments	125,131	68,649	-	193,780
Other	68	-	2	70
From Other Funds	5,355	282,216	1	287,572
Total Assets	<u>\$ 1,201,939</u>	<u>\$ 400,720</u>	<u>\$ 110,093</u>	<u>\$ 1,712,752</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 97,295	\$ 90,739	\$ -	\$ 188,034
Due to Other Funds	11,520	86,703	1,456	99,679
Due to Component Units	22,179	-	-	22,179
Due to Other Governments	2,461	-	-	2,461
Deferred Revenue	33,660	1,429	-	35,089
Securities Lending Obligation	-	-	15,346	15,346
Other Liabilities	2,709	-	-	2,709
Total Liabilities	<u>169,824</u>	<u>178,871</u>	<u>16,802</u>	<u>365,497</u>
<b>Fund Balances</b>				
Reserved For:				
Loans	208,875	-	-	208,875
Continuing Appropriations	3,975	-	-	3,975
Restricted Purposes	307,159	-	-	307,159
Permanent Investments	-	-	88,820	88,820
Trust Activities	-	-	4,471	4,471
Unreserved	512,106	221,849	-	733,955
Total Fund Balances	<u>1,032,115</u>	<u>221,849</u>	<u>93,291</u>	<u>1,347,255</u>
Total Liabilities and Fund Balances	<u>\$ 1,201,939</u>	<u>\$ 400,720</u>	<u>\$ 110,093</u>	<u>\$ 1,712,752</u>

# Statement of Revenues, Expenditures and Changes in Fund Balances

## Nonmajor Governmental Funds - By Fund Type

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 25,413	\$ -	\$ -	\$ 25,413
Assessments	25,827	-	-	25,827
Licenses, Permits and Fees	50,079	-	-	50,079
Tobacco Settlement	116,578	-	-	116,578
Intergovernmental	1,088,151	467,997	-	1,556,148
Charges for Services	3,457	-	-	3,457
Fines, Forfeits and Rents	3,638	-	-	3,638
Investment Earnings	7,005	-	4,426	11,431
Miscellaneous	318,074	1,781	34	319,889
<b>Total Revenues</b>	<u>1,638,222</u>	<u>469,778</u>	<u>4,460</u>	<u>2,112,460</u>
<b>Expenditures</b>				
Current:				
Legislative	2,138	-	-	2,138
General Government	337,937	-	-	337,937
Regulation and Protection	223,171	-	-	223,171
Conservation and Development	325,922	-	-	325,922
Health and Hospitals	242,973	-	-	242,973
Transportation	83,538	-	-	83,538
Human Services	329,542	-	-	329,542
Education, Libraries, and Museums	875,677	-	925	876,602
Corrections	39,333	-	-	39,333
Judicial	26,364	-	-	26,364
Capital Projects	-	780,194	-	780,194
Debt Service:				
Principal Retirement	5	-	-	5
Interest and Fiscal Charges	53,469	3,767	-	57,236
<b>Total Expenditures</b>	<u>2,540,069</u>	<u>783,961</u>	<u>925</u>	<u>3,324,955</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(901,847)</u>	<u>(314,183)</u>	<u>3,535</u>	<u>(1,212,495)</u>
<b>Other Financing Sources (Uses)</b>				
Bonds Issued	781,448	516,397	-	1,297,845
Premium on Bonds Issued	43,326	25,404	-	68,730
Transfers In	617,168	-	-	617,168
Transfers Out	(202,205)	(182,110)	(4,435)	(388,750)
<b>Total Other Financing Sources (Uses)</b>	<u>1,239,737</u>	<u>359,691</u>	<u>(4,435)</u>	<u>1,594,993</u>
Special Items:				
Transfer of Loans to Component Unit	(204,117)	-	-	(204,117)
Payment From Lease/Lease Back Transaction	-	29,357	-	29,357
<b>Net Change in Fund Balances</b>	<u>133,773</u>	<u>74,865</u>	<u>(900)</u>	<u>207,738</u>
Fund Balances - Beginning (as restated)	<u>898,342</u>	<u>146,984</u>	<u>94,191</u>	<u>1,139,517</u>
Fund Balances - Ending	<u>\$ 1,032,115</u>	<u>\$ 221,849</u>	<u>\$ 93,291</u>	<u>\$ 1,347,255</u>

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## ***Special Revenue Funds***

### ***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 and Mohegan Fund:***

to account for casino gambling monies collected from the Mashantucket Pequot Tribe and the Mohegan Tribe 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.

# Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2004

(Expressed in Thousands)

	<u>Workers'</u>	<u>Banking</u>	<u>Consumer</u> <u>Counsel and</u> <u>Public Utility</u>	<u>Insurance</u>	<u>Criminal</u> <u>Injuries</u>	<u>Mashantucket</u> <u>Pequot and</u> <u>Mohegan</u> <u>Fund</u>	<u>Regional</u> <u>Market</u>
	<u>Compensation</u>		<u>Control</u>				
<b>Assets</b>							
Cash and Cash Equivalents	\$ 15,842	\$ 28,333	\$ 5,839	\$ 11,969	\$ 3,874	\$ -	\$ 722
Investments	-	-	-	-	-	-	-
Receivables:							
Accounts, Net of Allowances	-	-	-	-	-	-	-
Loans, Net of Allowances	-	-	-	-	-	-	-
From Other Governments	-	-	-	-	-	-	-
From Other Funds	57	-	-	33	11	-	-
Other	-	-	-	-	-	-	-
Total Assets	<u>\$ 15,899</u>	<u>\$ 28,333</u>	<u>\$ 5,839</u>	<u>\$ 12,002</u>	<u>\$ 3,885</u>	<u>\$ -</u>	<u>\$ 722</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable and Accrued Liabilities	\$ 623	\$ 487	\$ 566	\$ 597	\$ 211	\$ -	\$ 32
Due to Other Funds	243	215	268	269	-	-	12
Due to Component Units	-	-	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	-	-
Deferred Revenue	-	-	4,533	4,292	-	-	-
Other Current Liabilities	-	-	2,709	-	-	-	-
Total Liabilities	<u>866</u>	<u>702</u>	<u>8,076</u>	<u>5,158</u>	<u>211</u>	<u>-</u>	<u>44</u>
<b>Fund Balances</b>							
Reserved For:							
Loans	-	-	-	-	-	-	-
Continuing Appropriations	-	3,741	-	229	-	-	5
Restricted Purposes	-	-	-	-	-	-	-
Unreserved	15,033	23,890	(2,237)	6,615	3,674	-	673
Total Fund Balances	<u>15,033</u>	<u>27,631</u>	<u>(2,237)</u>	<u>6,844</u>	<u>3,674</u>	<u>-</u>	<u>678</u>
Total Liabilities and Fund Balances	<u>\$ 15,899</u>	<u>\$ 28,333</u>	<u>\$ 5,839</u>	<u>\$ 12,002</u>	<u>\$ 3,885</u>	<u>\$ -</u>	<u>\$ 722</u>

<u>Soldiers, Sailors &amp; Marines</u>	<u>Employment Security Administration</u>	<u>Restricted Grants &amp; Accounts</u>	<u>Grant &amp; Loan Programs</u>	<u>Environmental Programs</u>	<u>Housing Programs</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ 8,365	\$ 252,561	\$ 265,201	\$ 106,182	\$ 25,803	\$ 63,589	\$ 788,280
-	-	-	-	17,300	-	-	17,300
-	-	26,686	1,494	24,696	961	3,093	56,930
-	-	-	163,178	42,912	2,520	265	208,875
-	7,988	117,143	-	-	-	-	125,131
1,243	1,553	1,994	450	3	-	11	5,355
-	-	-	-	68	-	-	68
<u>\$ 1,243</u>	<u>\$ 17,906</u>	<u>\$ 398,384</u>	<u>\$ 430,323</u>	<u>\$ 191,161</u>	<u>\$ 29,284</u>	<u>\$ 66,958</u>	<u>\$ 1,201,939</u>
\$ 102	\$ 2,819	\$ 80,286	\$ 7,056	\$ 2,619	\$ 425	\$ 1,472	\$ 97,295
1,141	1,092	7,554	49	482	25	170	11,520
-	-	328	21,564	287	-	-	22,179
-	-	2,461	-	-	-	-	2,461
-	790	596	1,111	18,964	679	2,695	33,660
-	-	-	-	-	-	-	2,709
<u>1,243</u>	<u>4,701</u>	<u>91,225</u>	<u>29,780</u>	<u>22,352</u>	<u>1,129</u>	<u>4,337</u>	<u>169,824</u>
-	-	-	163,178	42,912	2,520	265	208,875
-	-	-	-	-	-	-	3,975
-	-	307,159	-	-	-	-	307,159
-	13,205	-	237,365	125,897	25,635	62,356	512,106
-	13,205	307,159	400,543	168,809	28,155	62,621	1,032,115
<u>\$ 1,243</u>	<u>\$ 17,906</u>	<u>\$ 398,384</u>	<u>\$ 430,323</u>	<u>\$ 191,161</u>	<u>\$ 29,284</u>	<u>\$ 66,958</u>	<u>\$ 1,201,939</u>

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

For The Fiscal Year Ended June 30, 2004  
(Expressed in Thousands)

	<u>Workers'</u>		<u>Consumer</u>			<u>Mashantucket</u>	
	<u>Compensation</u>	<u>Banking</u>	<u>Public Utility</u>	<u>Insurance</u>	<u>Criminal</u>	<u>Pequot and</u>	<u>Regional</u>
			<u>Control</u>		<u>Injuries</u>	<u>Mohegan</u>	<u>Market</u>
						<u>Fund</u>	
<b>Revenues</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-	-	-	-
Licenses, Permits and Fees	-	16,102	44	280	1,801	-	71
Tobacco Settlement	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for Services	12	-	-	-	-	-	-
Fines, Forfeits and Rents	-	455	37	-	-	-	811
Investment Earnings	237	-	-	137	38	-	9
Miscellaneous	17,935	24	14,660	17,058	274	-	43
Total Revenues	18,184	16,581	14,741	17,475	2,113	-	934
<b>Expenditures</b>							
Current:							
Legislative	-	-	-	-	-	-	-
General Government	-	-	-	-	-	85,000	-
Regulation and Protection	17,543	13,908	16,517	17,496	-	-	-
Conservation and Development	-	-	-	-	-	-	800
Health and Hospitals	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-
Education, Libraries, and Museums	-	-	-	-	-	-	-
Corrections	-	-	-	-	-	-	-
Judicial	-	-	-	-	1,479	-	-
Debt Service:							
Principal Retirement	-	-	-	-	-	-	5
Interest and Fiscal Charges	-	-	-	-	-	-	143
Total Expenditures	17,543	13,908	16,517	17,496	1,479	85,000	948
Excess (Deficiency) of Revenues Over Expenditures	641	2,673	(1,776)	(21)	634	(85,000)	(14)
<b>Other Financing Sources (Uses)</b>							
Bonds Issued	-	-	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	85,000	-
Transfers Out	-	(5,000)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(5,000)	-	-	-	85,000	-
Special Item-Transfer of Loans to Component Unit	-	-	-	-	-	-	-
Net Change in Fund Balances	641	(2,327)	(1,776)	(21)	634	-	(14)
Fund Balances (Deficit) - Beginning (as restated)	14,392	29,958	(461)	6,865	3,040	-	692
Fund Balances (Deficit) - Ending	\$ 15,033	\$ 27,631	\$ (2,237)	\$ 6,844	\$ 3,674	\$ -	\$ 678



<u>Soldiers, Sailors &amp; Marines</u>	<u>Employment Security Administration</u>	<u>Restricted Grants &amp; Accounts</u>	<u>Grant &amp; Loan Programs</u>	<u>Environmental Programs</u>	<u>Housing Programs</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 25,413	\$ -	\$ -	\$ 25,413
-	-	-	-	25,827	-	-	25,827
-	2	-	-	17,308	-	14,471	50,079
-	-	-	-	-	-	116,578	116,578
-	72,119	1,016,032	-	-	-	-	1,088,151
-	17	-	-	2,871	-	557	3,457
-	-	1,794	-	499	-	42	3,638
-	76	1,909	2,844	1,200	194	361	7,005
-	175	252,705	9,541	69	2,433	3,157	318,074
-	72,389	1,272,440	12,385	73,187	2,627	135,166	1,638,222
-	-	2,134	-	-	-	4	2,138
271	-	144,204	82,743	22,501	-	3,218	337,937
281	71,743	72,437	2,619	-	-	10,627	223,171
-	-	107,705	149,896	44,578	21,501	1,442	325,922
-	-	235,405	5,187	-	-	2,381	242,973
-	-	80,425	2,417	-	-	696	83,538
3,412	-	309,608	15,953	-	320	249	329,542
-	-	397,260	465,313	-	-	13,104	875,677
-	-	25,688	11,345	-	-	2,300	39,333
-	-	15,421	-	-	-	9,464	26,364
-	-	-	-	-	-	-	5
-	-	47,904	5,302	100	1	19	53,469
3,964	71,743	1,438,191	740,775	67,179	21,822	43,504	2,540,069
(3,964)	646	(165,751)	(728,390)	6,008	(19,195)	91,662	(901,847)
-	-	-	764,844	13,600	134	2,870	781,448
-	-	-	42,333	873	9	111	43,326
3,964	3,262	494,357	4,450	7,401	234	18,500	617,168
-	-	(21,447)	(39,032)	(5,610)	(242)	(130,874)	(202,205)
3,964	3,262	472,910	772,595	16,264	135	(109,393)	1,239,737
-	-	-	-	-	(204,117)	-	(204,117)
-	3,908	307,159	44,205	22,272	(223,177)	(17,731)	133,773
-	9,297	-	356,338	146,537	251,332	80,352	898,342
\$ -	\$ 13,205	\$ 307,159	\$ 400,543	\$ 168,809	\$ 28,155	\$ 62,621	\$ 1,032,115

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual - Non-GAAP Budgetary Basis  
Budgeted Nonmajor Special Revenue Funds**

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<b>Workers' Compensation</b>			<b>Banking</b>		
	<b>Final</b>			<b>Final</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>						
Budgeted:						
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits, and Fees	22,900	17,934	(4,966)	15,200	16,557	1,357
Other	-	249	249	-	23	23
Total Budgeted Revenues	<u>22,900</u>	<u>18,183</u>	<u>(4,717)</u>	<u>15,200</u>	<u>16,580</u>	<u>1,380</u>
<b>Expenditures</b>						
Budgeted:						
General Government	-	-	-	-	-	-
Regulation and Protection	22,435	17,262	5,173	18,985	13,707	5,278
Conservation and Development	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Non Functional	-	-	-	-	-	-
Total Budgeted Expenditures	<u>22,435</u>	<u>17,262</u>	<u>5,173</u>	<u>18,985</u>	<u>13,707</u>	<u>5,278</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>465</u>	<u>921</u>	<u>456</u>	<u>(3,785)</u>	<u>2,873</u>	<u>6,658</u>
<b>Other Financing Sources (Uses)</b>						
Prior Year Appropriations Carried Forward	-	-	-	-	250	250
Appropriations Continued to Fiscal Year 2003-2004	-	-	-	-	(3,741)	(3,741)
Operating Transfer Out	-	-	-	-	(5,000)	(5,000)
Miscellaneous Adjustments	-	(10)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(8,491)</u>	<u>(8,491)</u>
Net Change in Fund Balances	<u>\$ 465</u>	<u>911</u>	<u>\$ 456</u>	<u>\$ (3,785)</u>	<u>(5,618)</u>	<u>\$ (1,833)</u>
Budgetary Fund Balances - July 1		14,988			30,459	
Changes in Reserves		-			3,491	
Budgetary Fund Balances - June 30		<u>\$ 15,899</u>			<u>\$ 28,332</u>	

<u>Consumer Counsel &amp; Public Utility Control</u>			<u>Insurance</u>			<u>Criminal Injuries Compensation</u>		
<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,400	16,343	(3,057)	19,700	16,025	(3,675)	-	1,340	1,340
-	80	80	-	417	417	1,500	773	(727)
<u>19,400</u>	<u>16,423</u>	<u>(2,977)</u>	<u>19,700</u>	<u>16,442</u>	<u>(3,258)</u>	<u>1,500</u>	<u>2,113</u>	<u>613</u>
-	-	-	-	-	-	-	-	-
19,342	16,265	3,077	19,958	17,069	2,889	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,425	1,425	-
<u>19,342</u>	<u>16,265</u>	<u>3,077</u>	<u>19,958</u>	<u>17,069</u>	<u>2,889</u>	<u>1,425</u>	<u>1,425</u>	<u>-</u>
58	158	100	(258)	(627)	(369)	75	688	613
-	-	-	-	300	300	-	-	-
-	-	-	-	(229)	(229)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	(180)	-	-	-	-
-	-	-	-	(109)	71	-	-	-
<u>\$ 58</u>	<u>158</u>	<u>\$ 100</u>	<u>\$ (258)</u>	<u>(736)</u>	<u>\$ (298)</u>	<u>\$ 75</u>	<u>688</u>	<u>\$ 613</u>
	5,680			12,809			3,197	
	-			(71)			-	
	<u>\$ 5,838</u>			<u>\$ 12,002</u>			<u>\$ 3,885</u>	

*Continued on next page*

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

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<b>Mashantucket Pequot and Mohegan Fund</b>			<b>Regional Market</b>		
	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
<b>Revenues</b>						
Budgeted:						
Operating Transfers In	\$ 85,000	\$ 85,000	\$ -	\$ -	\$ -	\$ -
Licenses, Permits, and Fees	-	-	-	-	71	71
Other	-	-	-	1,000	862	(138)
Total Budgeted Revenues	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>1,000</u>	<u>933</u>	<u>(67)</u>
<b>Expenditures</b>						
Budgeted:						
General Government	-	-	-	-	-	-
Regulation and Protection	-	-	-	-	-	-
Conservation and Development	-	-	-	965	952	13
Human Services	-	-	-	-	-	-
Non Functional	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Budgeted Expenditures	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>965</u>	<u>952</u>	<u>13</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>(19)</u>	<u>(54)</u>
<b>Other Financing Sources (Uses)</b>						
Prior Year Appropriations Carried Forward	-	-	-	-	-	-
Appropriations Continued to Fiscal Year 2003-2004	-	-	-	-	(5)	(5)
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>(5)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>1</u>	<u>\$ (59)</u>
Budgetary Fund Balances - July 1		-			716	
Changes in Reserves		<u>-</u>			<u>5</u>	
Budgetary Fund Balances - June 30		<u>\$ -</u>			<u>\$ 722</u>	

**Soldiers, Sailors, and Marines**

<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ 3,500	\$ 2,720	\$ (780)
-	-	-
-	-	-
<u>3,500</u>	<u>2,720</u>	<u>(780)</u>
225	223	2
307	268	39
-	-	-
2,929	2,896	33
-	-	-
<u>3,461</u>	<u>3,387</u>	<u>74</u>
<u>39</u>	<u>(667)</u>	<u>(706)</u>
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 39</u>	<u>(667)</u>	<u>\$ (706)</u>
	(453)	
	-	
	<u>\$ (1,120)</u>	

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## ***Capital Projects Funds***

### ***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.

### ***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.

### ***Other Transportation:***

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

# Combining Balance Sheet

## Nonmajor Capital Projects Funds

June 30, 2004

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
<b>Assets</b>				
Cash & Cash Equivalents	\$ -	\$ 39,774	\$ 9,068	\$ 48,842
Receivables:				
Accounts, Net of Allowances	-	1,013	-	1,013
From Other Governments	-	68,649	-	68,649
From Other Funds	151,362	130,854	-	282,216
Total Assets	<u>\$ 151,362</u>	<u>\$ 240,290</u>	<u>\$ 9,068</u>	<u>\$ 400,720</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 17,217	\$ 73,522	\$ -	\$ 90,739
Due To Other Funds	85,537	1,166	-	86,703
Deferred Revenue	-	1,429	-	1,429
Total Liabilities	<u>102,754</u>	<u>76,117</u>	<u>-</u>	<u>178,871</u>
<b>Fund Balances</b>				
Unreserved	48,608	164,173	9,068	221,849
Total Fund Balances	<u>48,608</u>	<u>164,173</u>	<u>9,068</u>	<u>221,849</u>
Total Liabilities and Fund Balances	<u>\$ 151,362</u>	<u>\$ 240,290</u>	<u>\$ 9,068</u>	<u>\$ 400,720</u>



# Combining Statement of Revenues, Expenditures and Changes in Fund Balances

## Nonmajor Capital Projects Funds

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 467,997	\$ -	\$ 467,997
Miscellaneous	10	1,771	-	1,781
Total Revenues	10	469,768	-	469,778
<b>Expenditures</b>				
Capital Projects	128,222	651,972	-	780,194
Debt Service:				
Interest and Fiscal Charges	2,094	1,673	-	3,767
Total Expenditures	130,316	653,645	-	783,961
Excess (Deficiency) of Revenues Over Expenditures	(130,306)	(183,877)	-	(314,183)
<b>Other Financing Sources (Uses)</b>				
Bonds Issued	316,397	200,000	-	516,397
Premium on Bonds Issued	15,376	10,028	-	25,404
Transfer Out	(172,658)	(9,452)	-	(182,110)
Total Other Financing Sources (Uses)	159,115	200,576	-	359,691
Special Item-Payment From Lease/Lease Back Transaction	-	29,357	-	29,357
Net Change in Fund Balances	28,809	46,056	-	74,865
Fund Balances - Beginning	19,799	118,117	9,068	146,984
Fund Balances - Ending	\$ 48,608	\$ 164,173	\$ 9,068	\$ 221,849

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## ***Permanent Funds***

### ***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.

### ***Connecticut Arts Endowment:***

A fund established to support arts organizations throughout Connecticut. The fund administered by the Connecticut Commission on the Arts, finances grants to eligible arts organizations throughout the state.

# Combining Balance Sheet

## Nonmajor Permanent Funds

June 30, 2004

(Expressed in Thousands)

	<b>Soldiers, Sailors, &amp; Marines</b>	<b>Connecticut Arts Endowment</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 527	\$ -	\$ 5,397	\$ 5,924
Investments	59,072	16,002	13,746	88,820
Securities Lending Collateral	10,476	2,867	2,003	15,346
Other Receivables	-	1	1	2
Due From Other Funds	-	-	1	1
Total Assets	<u>\$ 70,075</u>	<u>\$ 18,870</u>	<u>\$ 21,148</u>	<u>\$ 110,093</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Due To Other Funds	\$ 1,243	\$ -	\$ 213	\$ 1,456
Securities Lending Obligation	10,476	2,867	2,003	15,346
Total Liabilities	<u>11,719</u>	<u>2,867</u>	<u>2,216</u>	<u>16,802</u>
<b>Fund Balances</b>				
Reserved For:				
Permanent Investments	59,072	16,002	13,746	88,820
Trust Activities	(716)	1	5,186	4,471
Total Fund Balances	<u>58,356</u>	<u>16,003</u>	<u>18,932</u>	<u>93,291</u>
Total Liabilities and Fund Balances	<u>\$ 70,075</u>	<u>\$ 18,870</u>	<u>\$ 21,148</u>	<u>\$ 110,093</u>

# Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Permanent Funds

For The Fiscal Year Ended June 30, 2004  
(Expressed in Thousands)

	<u>Soldiers, Sailors, &amp; Marines</u>	<u>Connecticut Arts Endowment</u>	<u>Other</u>	<u>Total</u>
<b>Revenues</b>				
Investment Earnings	\$ 2,954	\$ 432	\$ 1,040	\$ 4,426
Miscellaneous	-	-	34	34
Total Revenues	<u>2,954</u>	<u>432</u>	<u>1,074</u>	<u>4,460</u>
<b>Expenditures</b>				
Education, Libraries and Museums	-	748	177	925
Total Expenditures	<u>-</u>	<u>748</u>	<u>177</u>	<u>925</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,954</u>	<u>(316)</u>	<u>897</u>	<u>3,535</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(3,964)	-	(471)	(4,435)
Total Other Financing Sources (Uses)	<u>(3,964)</u>	<u>-</u>	<u>(471)</u>	<u>(4,435)</u>
Net Change in Fund Balances	<u>(1,010)</u>	<u>(316)</u>	<u>426</u>	<u>(900)</u>
Fund Balances - Beginning	<u>59,366</u>	<u>16,319</u>	<u>18,506</u>	<u>94,191</u>
Fund Balances - Ending	<u>\$ 58,356</u>	<u>\$ 16,003</u>	<u>\$ 18,932</u>	<u>\$ 93,291</u>

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## ***Enterprise Funds***

### ***Bradley Parking Garage:***

In 2000, Bradley parking garage bonds were issued in the amount of \$53,800,000. These bonds were issued to build a parking garage at the airport.

### ***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.

### ***Drinking Water:***

to account for resources used to provide loans to municipalities to finance activities needed to achieve or maintain compliance with the Safe Drinking Water Act.

# Combining Statement of Net Assets

## Nonmajor Enterprise Funds

June 30, 2004

(Expressed in Thousands)

	<u>Community/ Technical Colleges</u>	<u>Second Injury &amp; Compensation Assurance</u>	<u>Bradley Parking Garage</u>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 58,823	\$ 14,721	\$ -
Accounts Receivable, Net of Allowances	5,364	20,503	-
Loans, Net of Allowances	-	-	-
Interest Receivable	-	-	-
Due From Other Funds	63,357	-	-
Inventories	996	-	-
Other	1,168	87	-
Total Current Assets	<u>129,708</u>	<u>35,311</u>	<u>-</u>
Noncurrent Assets:			
Investments	-	21,476	-
Loans, Net of Allowances	712	-	-
Restricted Assets	-	-	11,831
Capital Assets, Net of Accumulated Depreciation	288,641	22	33,182
Other Noncurrent Assets	-	4,026	2,115
Total Noncurrent Assets	<u>289,353</u>	<u>25,524</u>	<u>47,128</u>
Total Assets	<u>419,061</u>	<u>60,835</u>	<u>47,128</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	16,218	17,185	1,791
Current Portion of Long-Term Debt	1,521	8,087	-
Deferred Revenue	3,117	-	-
Other Current Liabilities	14,066	-	-
Total Current Liabilities	<u>34,922</u>	<u>25,272</u>	<u>1,791</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Liabilities	<u>29,476</u>	<u>47,459</u>	<u>53,961</u>
Total Noncurrent Liabilities	<u>29,476</u>	<u>47,459</u>	<u>53,961</u>
Total Liabilities	<u>64,398</u>	<u>72,731</u>	<u>55,752</u>
<b>Net Assets (Deficit)</b>			
Invested in Capital Assets, Net of Related Debt	288,632	-	(20,618)
Restricted for:			
Debt Service	-	16,938	5,121
Nonexpendable	20	-	-
Other	58,720	-	-
Unrestricted	<u>7,291</u>	<u>(28,834)</u>	<u>6,873</u>
Total Net Assets (Deficit)	<u>\$ 354,663</u>	<u>\$ (11,896)</u>	<u>\$ (8,624)</u>



<u>Drinking Water</u>	<u>Rate Reduction Bond Operations</u>	<u>Total</u>
\$ 224	\$ -	\$ 73,768
450	-	26,317
3,773	-	3,773
436	-	436
-	-	63,357
-	-	996
-	-	1,255
<u>4,883</u>	<u>-</u>	<u>169,902</u>
-	-	21,476
49,222	-	49,934
44,950	21,778	78,559
-	-	321,845
<u>13,807</u>	<u>1,497</u>	<u>21,445</u>
<u>107,979</u>	<u>23,275</u>	<u>493,259</u>
<u>112,862</u>	<u>23,275</u>	<u>663,161</u>
522	-	35,716
1,513	-	11,121
-	-	3,117
-	-	14,066
<u>2,035</u>	<u>-</u>	<u>64,020</u>
<u>52,849</u>	<u>217,611</u>	<u>401,356</u>
<u>52,849</u>	<u>217,611</u>	<u>401,356</u>
<u>54,884</u>	<u>217,611</u>	<u>465,376</u>
-	-	268,014
-	-	22,059
-	-	20
45,079	-	103,799
<u>12,899</u>	<u>(194,336)</u>	<u>(196,107)</u>
<u>\$ 57,978</u>	<u>\$ (194,336)</u>	<u>\$ 197,785</u>

# Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Nonmajor Enterprise Funds

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<u>Community/ Technical Colleges</u>	<u>Second Injury &amp; Compensation Assurance</u>	<u>Bradley Parking Garage</u>
<b>Operating Revenues</b>			
Assessments	\$ -	\$ 93,965	\$ -
Charges for Sales and Services	65,137	-	18,062
Intergovernmental	36,944	-	-
Private Gifts and Grants	935	-	-
Interest on Loans and Notes	-	-	-
Miscellaneous	33,028	5,137	3,634
Total Operating Revenues	<u>136,044</u>	<u>99,102</u>	<u>21,696</u>
<b>Operating Expenses</b>			
Salaries, Wages and Administrative	269,896	8,297	-
Cost of Sales and Services	-	-	7,077
Claims Paid	-	36,496	-
Depreciation and Amortization	13,701	-	1,020
Other	12,274	-	-
Total Operating Expenses	<u>295,871</u>	<u>44,793</u>	<u>8,097</u>
Operating Income	<u>(159,827)</u>	<u>54,309</u>	<u>13,599</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest and Investment Income	619	585	372
Interest and Fiscal Charges	-	(5,274)	(3,582)
Other	712	-	-
Total Nonoperating Income (Expense)	<u>1,331</u>	<u>(4,689)</u>	<u>(3,210)</u>
Income (Loss) Before Grants, Extraordinary Item and Transfers	<u>(158,496)</u>	<u>49,620</u>	<u>10,389</u>
Federal Grants	-	-	-
Extraordinary Item-Loss on Early Retirement of Debt	-	(1,983)	-
Transfers In	208,384	-	-
Transfers Out	-	-	(8,695)
Change in Net Assets	<u>49,888</u>	<u>47,637</u>	<u>1,694</u>
Total Net Assets (Deficit) - Beginning (as restated)	<u>304,775</u>	<u>(59,533)</u>	<u>(10,318)</u>
Total Net Assets (Deficit) - Ending	<u>\$ 354,663</u>	<u>\$ (11,896)</u>	<u>\$ (8,624)</u>

<u>Drinking Water</u>	<u>Rate Reduction Bond Operations</u>	<u>Total</u>
\$ -	\$ -	\$ 93,965
-	-	83,199
-	-	36,944
-	-	935
1,216	-	1,216
-	-	41,799
<u>1,216</u>	<u>-</u>	<u>258,058</u>
1,508	-	279,701
-	-	7,077
-	-	36,496
-	-	14,721
-	336	12,610
<u>1,508</u>	<u>336</u>	<u>350,605</u>
<u>(292)</u>	<u>(336)</u>	<u>(92,547)</u>
1,631	-	3,207
(1,906)	-	(10,762)
460	-	1,172
<u>185</u>	<u>-</u>	<u>(6,383)</u>
(107)	(336)	(98,930)
5,898	-	5,898
-	-	(1,983)
-	-	208,384
<u>(9,092)</u>	<u>(194,000)</u>	<u>(211,787)</u>
(3,301)	(194,336)	(98,418)
61,279	-	296,203
<u>\$ 57,978</u>	<u>\$ (194,336)</u>	<u>\$ 197,785</u>

## Combining Statement of Cash Flows

### Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<u>Community/ Technical Colleges</u>	<u>Second Injury &amp; Compensation Assurance</u>	<u>Bradley Parking Garage</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	\$ 67,060	\$ 91,087	\$ 21,696
Payments to Suppliers	(51,889)	-	(7,077)
Payments to Employees	(206,171)	(8,220)	-
Other Receipts (Payments)	25,182	(14,796)	-
Net Cash Provided by (Used in) Operating Activities	<u>(165,818)</u>	<u>68,071</u>	<u>14,619</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Sales of Bonds	-	-	-
Retirement of Bonds and Annuities Payable	-	(56,875)	-
Interest of Bonds	-	(6,757)	-
Transfers In	168,885	-	-
Transfers Out	-	-	(8,695)
Other Receipts (Payments)	2,803	(1,982)	-
Net Cash Flows from Noncapital Financing Activities	<u>171,688</u>	<u>(65,614)</u>	<u>(8,695)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Additions to Property, Plant and Equipment	(6,559)	-	(542)
Interest Paid on Capital Debt	-	-	(3,582)
Federal Grant	-	-	-
Transfer In	40,425	-	-
Other Receipts (Payments)	(6,461)	-	-
Net Cash Flows from Capital and Related Financing Activities	<u>27,405</u>	<u>-</u>	<u>(4,124)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of Investment Securities	(24,923)	-	(2,172)
Interest on Investments	634	605	372
(Increase) Decrease in Restricted Assets	-	-	-
Other Receipts (Payments)	-	-	-
Net Cash Flows from Investing Activities	<u>(24,289)</u>	<u>605</u>	<u>(1,800)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,986	3,062	-
Cash and Cash Equivalents -Beginning of Year	49,837	11,659	-
Cash and Cash Equivalents -End of Year	<u>\$ 58,823</u>	<u>\$ 14,721</u>	<u>\$ -</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>			
Operating Income (Loss)	\$ (159,827)	\$ 54,309	\$ 13,599
Adjustments not Affecting Cash:			
Depreciation and Amortization	13,701	-	1,020
Other	(23,492)	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables, Net	(1,441)	(6,160)	-
(Increase) Decrease in Inventories and Other Assets	173	15,101	-
Increase (Decrease) in Accounts Payables & Accrued Liabilities	5,068	4,821	-
Total Adjustments	<u>(5,991)</u>	<u>13,762</u>	<u>1,020</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ (165,818)</u>	<u>\$ 68,071</u>	<u>\$ 14,619</u>

#### Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

Cash and Cash Equivalents - Current

Cash and Cash Equivalents - Restricted

<b>Drinking Water</b>	<b>Rate Reduction Bond Operations</b>	<b>Totals</b>
\$ 2,682	\$ -	\$ 182,525
-	(336)	(59,302)
(1,400)	-	(215,791)
(11,716)	-	(1,330)
(10,434)	(336)	(93,898)
40,637	205,345	245,982
(1,332)	-	(58,207)
(1,657)	-	(8,414)
-	-	168,885
(9,092)	(194,000)	(211,787)
(15,587)	10,769	(3,997)
12,969	22,114	132,462
-	-	(7,101)
-	-	(3,582)
5,011	-	5,011
-	-	40,425
-	-	(6,461)
5,011	-	28,292
-	(13,000)	(40,095)
1,584	-	3,195
2,788	-	2,788
(12,839)	-	(12,839)
(8,467)	(13,000)	(46,951)
(921)	8,778	19,905
1,145	-	62,641
\$ 224	\$ 8,778	\$ 82,546
\$ (292)	\$ (336)	\$ (92,547)
-	-	14,721
-	-	(23,492)
(10,142)	-	(17,743)
-	-	15,274
-	-	9,889
(10,142)	-	(1,351)
\$ (10,434)	\$ (336)	\$ (93,898)

\$ 73,768  
8,778  
\$ 82,546

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## ***Internal Service 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 services provided by the Department of Administrative Services to other agencies. For example, fleet operations, printing, etc.

### ***Information Technology:***

to account for the various services provided by the Department of Information Technology to other agencies. For example, information systems support, telecommunications, etc.

# Combining Statement of Net Assets

## Internal Service Funds

June 30, 2004

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information &amp; Technology</u>	<u>Administrative Services</u>	<u>Total</u>
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 6,125	\$ 12,621	\$ -	\$ 18,746
Receivables, Net of Allowances	16	8,438	61	8,515
Due From Other Funds	776	5,232	-	6,008
Inventories	4,347	37	221	4,605
Other Current Assets	5	-	834	839
Total Current Assets	<u>11,269</u>	<u>26,328</u>	<u>1,116</u>	<u>38,713</u>
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	1,790	10,669	31,489	43,948
Other Noncurrent Assets	-	1,767	-	1,767
Total Noncurrent Assets	<u>1,790</u>	<u>12,436</u>	<u>31,489</u>	<u>45,715</u>
Total Assets	<u>13,059</u>	<u>38,764</u>	<u>32,605</u>	<u>84,428</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,803	10,672	465	12,940
Due To Other Funds	-	-	63,387	63,387
Deferred Revenue	-	-	129	129
Compensated Absences-Current Portion	36	151	25	212
Other Current Liabilities	89	1,400	-	1,489
Total Current Liabilities	<u>1,928</u>	<u>12,223</u>	<u>64,006</u>	<u>78,157</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Debt	-	5,561	-	5,561
Compensated Absences	531	3,760	852	5,143
Advances From Other Funds	4,700	-	-	4,700
Total Noncurrent Liabilities	<u>5,231</u>	<u>9,321</u>	<u>852</u>	<u>15,404</u>
Total Liabilities	<u>7,159</u>	<u>21,544</u>	<u>64,858</u>	<u>93,561</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,790	10,669	31,489	43,948
Unrestricted	4,110	6,551	(63,742)	(53,081)
Total Net Assets	<u>\$ 5,900</u>	<u>\$ 17,220</u>	<u>\$ (32,253)</u>	<u>\$ (9,133)</u>



# Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information &amp; Technology</u>	<u>Administrative Services</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for Sales and Services	\$ 18,497	\$ 45,743	\$ 26,850	\$ 91,090
Miscellaneous	1,026	-	-	1,026
Total Operating Revenues	19,523	45,743	26,850	92,116
<b>Operating Expenses</b>				
Cost of Sales and Services	15,681	8,975	49,495	74,151
Salaries, Wages and Administrative	4,241	27,498	6,846	38,585
Depreciation and Amortization	503	3,820	15,925	20,248
Other	-	1,639	20	1,659
Total Operating Expenses	20,425	41,932	72,286	134,643
Operating Income (Loss)	(902)	3,811	(45,436)	(42,527)
<b>Nonoperating Revenue (Expenses)</b>				
Investment Income	62	-	-	62
Interest Expense	-	(61)	-	(61)
Total Nonoperating Revenues (Expenses)	62	(61)	-	1
Change in Net Assets	(840)	3,750	(45,436)	(42,526)
Total Net Assets - Beginning	6,740	13,470	13,183	33,393
Total Net Assets - Ending	\$ 5,900	\$ 17,220	\$ (32,253)	\$ (9,133)

# Combining Statement of Cash Flows

## Internal Service Funds

For the Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information Technology</u>	<u>Administrative Services</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	\$ 19,295	\$ 47,716	\$ 32,077	\$ 99,088
Payments to Suppliers	(14,551)	(11,064)	(25,250)	(50,865)
Payments to Employees	(4,229)	(27,509)	(6,829)	(38,567)
Net Cash Provided by (Used in) Operating Activities	<u>515</u>	<u>9,143</u>	<u>(2)</u>	<u>9,656</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Additions to Property, Plant and Equipment	(26)	(1,059)	-	(1,085)
Net Cash Flows from Capital and Related Financing Activities	<u>(26)</u>	<u>(1,059)</u>	<u>-</u>	<u>(1,085)</u>
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	62	-	-	62
Net Cash Flows from Investing Activities	<u>62</u>	<u>-</u>	<u>-</u>	<u>62</u>
Net Increase (Decrease) in Cash and Cash Equivalents	551	8,084	(2)	8,633
Cash and Cash Equivalents -Beginning of Year	5,574	4,537	2	10,113
Cash and Cash Equivalents -End of Year	<u>\$ 6,125</u>	<u>\$ 12,621</u>	<u>\$ -</u>	<u>\$ 18,746</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Operating Income (Loss)	\$ (902)	\$ 3,811	\$ (45,436)	\$ (42,527)
Adjustments Not Affecting Cash:				
Depreciation	503	3,820	15,925	20,248
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(16)	1,271	3,677	4,932
(Increase) Decrease in Due From Other Funds	(208)	(2,396)	1,377	(1,227)
(Increase) Decrease in Inventories and Other Current Assets	379	7	(60)	326
Increase (Decrease) in Accounts Payables & Accrued Liabilities	759	2,921	(37)	3,643
Increase (Decrease) in Due To Other Funds	-	(291)	24,552	24,261
Total Adjustments	<u>1,417</u>	<u>5,332</u>	<u>45,434</u>	<u>52,183</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ 515</u>	<u>\$ 9,143</u>	<u>\$ (2)</u>	<u>\$ 9,656</u>

## ***Pension and (Other Employee Benefit) Trust Funds***

### ***Pension Trust Funds:***

See notes 11 and 12 for a description of the Pension Trust Funds.

### ***Retired Teachers' Health Benefits Plan:***

to account for resources used to provide health benefits to retired teachers and their beneficiaries. The plan is administered by the Teachers' Retirement Board.

### ***Policemen, Firemen Survivors' Benefits Plan:***

to account for resources used to provide benefits to the survivors of policemen and firemen. The plan is administered by the State Comptroller's Retirement Division.

## Combining Statement of Fiduciary Net Assets Pension (and Other Employee Benefit) Trust Funds

June 30, 2004

(Expressed in Thousands)

	<b>Pension Trust</b>			
	<b><u>State Employees</u></b>	<b><u>State Teachers</u></b>	<b><u>Judicial</u></b>	<b><u>Connecticut Municipal Employees</u></b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 106	\$ 250
Receivables:				
Accounts, Net of Allowances	2,380	7,286	8	2,796
From Other Funds	-	1,641	-	-
Interest	138	209	4	25
Investments	7,709,616	10,860,276	140,387	1,303,833
Securities Lending Collateral	813,091	1,127,976	15,704	141,090
Other Assets	-	-	-	-
Total Assets	<u>8,525,225</u>	<u>11,997,388</u>	<u>156,209</u>	<u>1,447,994</u>
<b>Liabilities</b>				
Securities Lending Obligation	813,091	1,127,976	15,704	141,090
Due to Other Funds	29,681	17,365	-	-
Total Liabilities	<u>842,772</u>	<u>1,145,341</u>	<u>15,704</u>	<u>141,090</u>
<b>Net Assets</b>				
Held in Trust For Employee				
Pension and Other Benefits	7,682,453	10,852,047	140,505	1,306,904
Total Net Assets	<u>\$ 7,682,453</u>	<u>\$ 10,852,047</u>	<u>\$ 140,505</u>	<u>\$ 1,306,904</u>

<b>Pension Trust</b>		<b>Other Employee Benefits</b>		
<b>Probate Judges</b>	<b>Other</b>	<b>Retired Teachers' Health Benefits</b>	<b>Policemen, Firemen, Survivors' Benefits</b>	<b>Total</b>
\$ -	\$ 80	\$ 5,652	\$ -	\$ 6,088
5	-	-	-	12,475
-	-	6,467	-	8,108
4	-	-	2	382
67,072	716	-	18,083	20,099,983
7,145	94	-	1,947	2,107,047
-	-	5,107	-	5,107
<u>74,226</u>	<u>890</u>	<u>17,226</u>	<u>20,032</u>	<u>22,239,190</u>
7,145	94	-	1,947	2,107,047
25	-	1,633	-	48,704
<u>7,170</u>	<u>94</u>	<u>1,633</u>	<u>1,947</u>	<u>2,155,751</u>
67,056	796	15,593	18,085	20,083,439
<u>\$ 67,056</u>	<u>\$ 796</u>	<u>\$ 15,593</u>	<u>\$ 18,085</u>	<u>\$ 20,083,439</u>

# Combining Statement of Changes in Fiduciary Net Assets Pension (and Other Employee Benefit) Trust Funds

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

## Pension Trust

	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>	<u>Connecticut Municipal Employees</u>
<b>Additions</b>				
Contributions:				
Plan Members	\$ 47,632	\$ 210,227	\$ 1,367	\$ 12,009
State	470,333	185,348	11,598	-
Municipalities	-	1,019	-	16,271
Total Contributions	517,965	396,594	12,965	28,280
Investment Income	1,060,852	1,518,735	17,055	170,045
Less: Investment Expenses	(25,103)	(35,937)	(403)	(4,024)
Net Investment Income	1,035,749	1,482,798	16,652	166,021
Transfers In	-	-	-	-
Other	800	295	-	-
Total Additions	1,554,514	1,879,687	29,617	194,301
<b>Deductions</b>				
Administrative Expense	339	-	7	9
Benefit Payments and Refunds	868,165	879,797	14,346	64,709
Other	-	-	-	-
Total Deductions	868,504	879,797	14,353	64,718
Changes in Net Assets	686,010	999,890	15,264	129,583
<b>Net Assets Held in Trust For Pension and Other Employee Benefits</b>				
Beginning of Year	6,996,443	9,852,157	125,241	1,177,321
End of Year	<u>\$ 7,682,453</u>	<u>\$ 10,852,047</u>	<u>\$ 140,505</u>	<u>\$ 1,306,904</u>

<u>Pension Trust</u>		<u>Other Employee Benefits</u>		
<u>Probate</u>		<u>Retired</u>	<u>Policemen,</u>	
<u>Judges</u>	<u>Other</u>	<u>Teachers'</u>	<u>Firemen,</u>	
		<u>Health Benefits</u>	<u>Survivors' Benefits</u>	<u>Total</u>
\$ 269	\$ 26	\$ 36,337	\$ 326	\$ 308,193
-	-	12,206	-	679,485
-	-	-	-	17,290
<u>269</u>	<u>26</u>	<u>48,543</u>	<u>326</u>	<u>1,004,968</u>
9,002	81	91	1,490	2,777,351
(213)	(2)	-	(35)	(65,717)
<u>8,789</u>	<u>79</u>	<u>91</u>	<u>1,455</u>	<u>2,711,634</u>
1,705	-	-	-	1,705
<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,097</u>
<u>10,765</u>	<u>105</u>	<u>48,634</u>	<u>1,781</u>	<u>3,719,404</u>
-	-	1,592	-	1,947
2,241	3	50,060	730	1,880,051
<u>1,967</u>	<u>13</u>	<u>77</u>	<u>-</u>	<u>2,057</u>
<u>4,208</u>	<u>16</u>	<u>51,729</u>	<u>730</u>	<u>1,884,055</u>
<u>6,557</u>	<u>89</u>	<u>(3,095)</u>	<u>1,051</u>	<u>1,835,349</u>
<u>60,499</u>	<u>707</u>	<u>18,688</u>	<u>17,034</u>	<u>18,248,090</u>
<u>\$ 67,056</u>	<u>\$ 796</u>	<u>\$ 15,593</u>	<u>\$ 18,085</u>	<u>\$ 20,083,439</u>

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## ***Agency Funds***

### ***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 with the State.

# Combining Statement of Assets and Liabilities

## Agency Funds

June 30, 2004

(Expressed in Thousands)

	<b>Fringe Benefit Clearing</b>	<b>Receipts Pending Distribution</b>	<b>Insurance Companies' Securities</b>	<b>State Institution Activity</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 1,974	\$ 17,851	\$ -	\$ 13,653	\$ 127,151	\$ 160,629
Receivables:						
Accounts, Net of Allowances	-	-	-	2,477	-	2,477
From Other Funds	4,675	-	-	-	-	4,675
Interest	-	-	-	6	57	63
Inventories	-	-	-	440	-	440
Other Assets	-	-	520,351	4,971	-	525,322
Total Assets	<u>\$ 6,649</u>	<u>\$ 17,851</u>	<u>\$ 520,351</u>	<u>\$ 21,547</u>	<u>\$ 127,208</u>	<u>\$ 693,606</u>
<b>Liabilities</b>						
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,145	\$ -	\$ 187	\$ 191	\$ 1,523
Other Liabilities	-	-	-	2,751	-	2,751
Funds Held for Others	6,649	16,706	520,351	18,609	127,017	689,332
Total Liabilities	<u>\$ 6,649</u>	<u>\$ 17,851</u>	<u>\$ 520,351</u>	<u>\$ 21,547</u>	<u>\$ 127,208</u>	<u>\$ 693,606</u>

## Combining Statement of Changes in Assets and Liabilities

## Agency Funds

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b><u>Fringe Benefit Clearing</u></b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,926	\$ 48	\$ -	\$ 1,974
From Other Funds	4,561	4,675	4,561	4,675
Total Assets	<u>\$ 6,487</u>	<u>\$ 4,723</u>	<u>\$ 4,561</u>	<u>\$ 6,649</u>
<b>Liabilities</b>				
Funds Held for Others	\$ 6,487	\$ 2,088	\$ 1,926	\$ 6,649
Total Liabilities	<u>\$ 6,487</u>	<u>\$ 2,088</u>	<u>\$ 1,926</u>	<u>\$ 6,649</u>
<b><u>Receipts Pending Distribution</u></b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 12,082	\$ 14,578	\$ 8,809	\$ 17,851
Accounts, Net of Allowances	300	-	300	-
Total Assets	<u>\$ 12,382</u>	<u>\$ 14,578</u>	<u>\$ 9,109</u>	<u>\$ 17,851</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 474	\$ 1,145	\$ 474	\$ 1,145
To Other Funds	2	-	2	-
Funds Held for Others	11,906	13,608	8,808	16,706
Total Liabilities	<u>\$ 12,382</u>	<u>\$ 14,753</u>	<u>\$ 9,284</u>	<u>\$ 17,851</u>
<b><u>Insurance Companies Securities</u></b>				
<b>Assets</b>				
Other Assets	\$ 557,431	\$ 520,351	\$ 557,431	\$ 520,351
Total Assets	<u>\$ 557,431</u>	<u>\$ 520,351</u>	<u>\$ 557,431</u>	<u>\$ 520,351</u>
<b>Liabilities</b>				
Funds Held for Others	\$ 557,431	\$ 520,351	\$ 557,431	\$ 520,351
Total Liabilities	<u>\$ 557,431</u>	<u>\$ 520,351</u>	<u>\$ 557,431</u>	<u>\$ 520,351</u>
<b><u>State Institution Activity</u></b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 18,184	\$ 13,654	\$ 18,185	\$ 13,653
Accounts, Net of Allowances	168	2,477	168	2,477
Interest	8	6	8	6
Inventories	881	440	881	440
Other Assets	5,980	4,971	5,980	4,971
Total Assets	<u>\$ 25,221</u>	<u>\$ 21,548</u>	<u>\$ 25,222</u>	<u>\$ 21,547</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 92	\$ 187	\$ 92	\$ 187
Other Liabilities	3,440	2,751	3,440	2,751
Funds Held for Others	21,689	10,013	13,093	18,609
Total Liabilities	<u>\$ 25,221</u>	<u>\$ 12,951</u>	<u>\$ 16,625</u>	<u>\$ 21,547</u>

continues

## Combining Statement of Changes in Assets and Liabilities

continued

## Agency Funds

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Other</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 123,458	\$ 107,813	\$ 104,120	\$ 127,151
Interest	71	57	71	57
Total Assets	<u>\$ 123,529</u>	<u>\$ 107,870</u>	<u>\$ 104,191</u>	<u>\$ 127,208</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 258	\$ 191	\$ 258	\$ 191
Funds Held for Others	123,271	110,265	106,519	127,017
Total Liabilities	<u>\$ 123,529</u>	<u>\$ 110,456</u>	<u>\$ 106,777</u>	<u>\$ 127,208</u>
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 155,650	\$ 136,093	\$ 131,114	\$ 160,629
Accounts, Net of Allowances	468	2,477	468	2,477
From Other Funds	4,561	4,675	4,561	4,675
Interest	79	63	79	63
Inventories	881	440	881	440
Other Assets	563,411	525,322	563,411	525,322
Total Assets	<u>\$ 725,050</u>	<u>\$ 669,070</u>	<u>\$ 700,514</u>	<u>\$ 693,606</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 824	\$ 1,523	\$ 824	\$ 1,523
To Other Funds	2	-	2	-
Other Liabilities	3,440	2,751	3,440	2,751
Funds Held for Others	720,784	656,325	687,777	689,332
Total Liabilities	<u>\$ 725,050</u>	<u>\$ 660,599</u>	<u>\$ 692,043</u>	<u>\$ 693,606</u>

## ***Component Units***

### ***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 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.

### ***Capital City Economic Development Authority:***

the Capital City Economic Development Authority is a public instrumentality of the state. The authority was created in 1998 to use municipal and state financial resources for the purpose of building a variety of Hartford based projects ranging from facilities to accommodate the exhibition, hospitality and tourism industries to downtown residential housing.

### ***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.

## Combining Statement of Net Assets

## Nonmajor Component Units

June 30, 2004

(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Resources Recovery Authority
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 29,845	\$ 1,809	\$ 62,312
Investments	237	-	-
Receivables:			
Accounts, Net of Allowances	82	-	21,053
Loans, Net of Allowances	14,812	15,066	-
Other	418	624	-
Due From Primary Government	21,892	-	-
Restricted Assets	-	26,953	30,477
Other Current Assets	861	-	4,995
Total Current Assets	<u>68,147</u>	<u>44,452</u>	<u>118,837</u>
Noncurrent Assets:			
Investments	10,786	-	-
Loans, Net of Allowances	65,945	71,502	-
Restricted Assets	15,991	8,500	61,548
Capital Assets, Net of Accumulated Depreciation	18,066	-	198,936
Other Noncurrent Assets	3,770	2,058	9,204
Total Noncurrent Assets	<u>114,558</u>	<u>82,060</u>	<u>269,688</u>
Total Assets	<u>182,705</u>	<u>126,512</u>	<u>388,525</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable & Accrued Liabilities	3,284	105	23,817
Current Portion of Long-Term Obligations	4,759	5,291	20,355
Due To Primary Government	-	-	1,484
Deferred Revenue	36	-	-
Other Liabilities	2,395	693	4,024
Total Current Liabilities	<u>10,474</u>	<u>6,089</u>	<u>49,680</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Obligations	41,815	113,896	220,012
Total Noncurrent Liabilities	<u>41,815</u>	<u>113,896</u>	<u>220,012</u>
Total Liabilities	<u>52,289</u>	<u>119,985</u>	<u>269,692</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	13,030	-	26,096
Restricted:			
Expendable Endowments	-	-	-
Nonexpendable Endowments	-	-	-
Other Purposes	15,991	-	64,025
Unrestricted	101,395	6,527	28,712
Total Net Assets	<u>\$ 130,416</u>	<u>\$ 6,527</u>	<u>\$ 118,833</u>

<b>Connecticut Innovations, Incorporated</b>	<b>Capital City Economic Development Authority</b>	<b>UConn Foundation</b>	<b>Total</b>
\$ 20,117	\$ 2,735	\$ 2,675	\$ 119,493
1,639	-	231,272	233,148
-	-	11,226	32,361
-	-	-	29,878
-	-	-	1,042
287	-	-	22,179
5,000	-	-	62,430
1,140	-	-	6,996
<u>28,183</u>	<u>2,735</u>	<u>245,173</u>	<u>507,527</u>
58,008	-	-	68,794
-	-	-	137,447
10,000	-	907	96,946
1,460	44	5,795	224,301
-	-	17,036	32,068
<u>69,468</u>	<u>44</u>	<u>23,738</u>	<u>559,556</u>
<u>97,651</u>	<u>2,779</u>	<u>268,911</u>	<u>1,067,083</u>
-	6	3,698	30,910
-	-	145	30,550
-	-	-	1,484
-	-	-	36
<u>627</u>	<u>-</u>	<u>-</u>	<u>7,739</u>
<u>627</u>	<u>6</u>	<u>3,843</u>	<u>70,719</u>
-	-	9,779	385,502
-	-	9,779	385,502
<u>627</u>	<u>6</u>	<u>13,622</u>	<u>456,221</u>
1,460	44	(1,388)	39,242
-	-	77,929	77,929
-	-	174,761	174,761
15,000	-	-	95,016
80,564	2,729	3,987	223,914
<u>\$ 97,024</u>	<u>\$ 2,773</u>	<u>\$ 255,289</u>	<u>\$ 610,862</u>

# Combining Statement of Activities

## Nonmajor Component Units

For The Fiscal Year Ended June 30, 2004

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Development Authority	\$ 26,725	\$ 22,572	\$ -	\$ -
Connecticut Higher Education Supplemental Loan Authority	7,790	7,864	-	-
Connecticut Resources Recovery Authority	165,851	165,572	-	-
Connecticut Innovations, Incorporated	4,700	1,269	-	4,995
Capital City Economic Development Authority	2,809	-	4,929	-
UConn Foundation	33,047	34,549	-	-
Total Nonmajor Component Units	<u>\$ 240,922</u>	<u>\$ 231,826</u>	<u>\$ 4,929</u>	<u>\$ 4,995</u>

### General Revenues:

Investment Income (Loss)

Contributions to Endowments

Special Item:

Statutory Payment to State

Total General Revenues,

Contributions, and Special Item

Change in Net Assets

Total Net Assets - Beginning (as restated)

Total Net Assets - Ending



Net (Expense) Revenue and  
Changes in Net Assets

Connecticut Development Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Resources Recovery Authority	Connecticut Innovations, Incorporated	Capital City Economic Development Authority	Uconn Foundation	Totals
\$ (4,153)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,153)
-	74	-	-	-	-	74
-	-	(279)	-	-	-	(279)
-	-	-	1,564	-	-	1,564
-	-	-	-	2,120	-	2,120
-	-	-	-	-	1,502	1,502
(4,153)	74	(279)	1,564	2,120	1,502	828
1,003	1,235	1,623	(4,323)	12	-	(450)
-	-	-	-	-	41,339	41,339
(10,000)	-	-	(5,000)	-	-	(15,000)
(8,997)	1,235	1,623	(9,323)	12	41,339	25,889
(13,150)	1,309	1,344	(7,759)	2,132	42,841	26,717
143,566	5,218	117,489	104,783	641	212,448	584,145
\$ 130,416	\$ 6,527	\$ 118,833	\$ 97,024	\$ 2,773	\$ 255,289	\$ 610,862

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# *Statistical Section*

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## General Governmental Expenditures By Function

Last Ten Fiscal Years  
(Expressed in Thousands)

<b>FUNCTION (1)</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
1. Legislative	\$ 46,618	\$ 47,422	\$ 51,802	\$ 54,898
2. General Government	1,109,507	1,182,673	715,844	783,865
3. Regulation and Protection	397,131	415,308	414,873	417,537
4. Conservation and Development	263,748	221,383	264,742	263,327
5. Health and Hospitals	793,447	826,501	895,809	955,659
6. Transportation	352,160	358,144	359,716	342,637
7. Human Services	3,395,130	3,450,082	3,512,640	3,553,865
8. Education, Libraries, and Museums	2,339,278	2,420,982	2,445,732	2,581,568
9. Corrections	800,822	846,305	947,932	935,382
10. Judicial	241,690	271,571	304,686	320,727
11. Restricted Federal & Other Grants/Accounts (2)	922,518	875,430	679,559	779,670
12. Debt Service	1,262,425	1,305,017	1,158,034	1,318,265
<b>Total Expenditures</b>	<b>\$ 11,924,474</b>	<b>\$ 12,220,818</b>	<b>\$ 11,751,369</b>	<b>\$ 12,307,400</b>

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

(2) Beginning in FY 2001, Restricted Federal & Other Grants/Accounts expenditures have been recorded in the correct function of government.

**SOURCE:** Balance Sheet - Governmental Funds

## Revenues by Source

Last Ten Fiscal Years  
(Expressed in Thousands)

<b>SOURCE (1)</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
1. Taxes	\$ 6,822,277	\$ 7,339,263	\$ 7,611,339	\$ 8,130,258
2. Assessments	-	-	-	-
3. Licenses, Permits, and Fees	418,660	429,803	447,333	471,996
4. Tobacco Settlement	-	-	-	-
5. Intergovernmental	2,734,163	2,830,481	2,782,901	2,853,800
6. Charges for Services	201,434	211,829	269,349	312,909
7. Fines, Forfeits, and Rents	37,145	25,359	31,356	35,019
8. Casino Gaming Payments	-	-	-	-
9. Restricted Federal & Other Grants/Accounts (2)	-	-	-	-
10. Investment Earnings	74,574	73,235	90,689	106,040
11. Lottery	670,801	706,860	-	-
12. Miscellaneous	228,624	192,358	180,458	173,649
<b>Total Revenues</b>	<b>\$ 11,187,678</b>	<b>\$ 11,809,188</b>	<b>\$ 11,413,425</b>	<b>\$ 12,083,671</b>

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

(2) Beginning in FY 2001, Restricted Federal & Other Grants/Accounts revenues have been recorded in the correct revenue source.

**NOTE:** Beginning in 1997, the Lottery revenues are no longer reported under Special Revenue Funds, but are included in the Enterprise Funds.

**SOURCE:** Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
\$ 65,272	\$ 68,590	\$ 71,146	\$ 76,595	\$ 77,307	84,272
1,032,668	990,749	1,177,391	1,326,900	1,115,263	1,056,469
476,469	523,746	553,871	607,074	558,710	559,219
303,994	355,407	425,544	428,254	402,655	432,590
1,058,582	1,152,309	1,489,557	1,652,838	1,686,699	1,642,797
383,175	400,502	601,342	576,857	537,797	527,326
3,488,482	3,780,196	3,850,108	3,866,970	4,089,089	4,538,769
2,840,361	3,142,268	3,541,240	2,980,853	3,042,345	3,090,211
1,031,100	1,156,916	1,255,511	1,334,427	1,422,713	1,525,804
359,925	407,675	467,947	532,774	546,154	532,784
654,243	813,100	-	-	-	-
1,356,817	1,491,013	1,339,226	1,420,190	1,512,310	1,609,343
<b>\$ 13,051,088</b>	<b>\$ 14,282,471</b>	<b>\$ 14,772,883</b>	<b>\$ 14,803,732</b>	<b>\$ 14,991,042</b>	<b>\$ 15,599,584</b>

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
\$ 8,336,873	\$ 8,844,733	\$ 9,196,056	\$ 8,278,340	\$ 8,727,502	9,742,801
-	-	-	-	-	25,827
483,220	455,531	510,104	551,369	524,998	515,049
-	149,960	112,535	139,968	137,915	116,578
2,258,276	2,388,127	3,279,026	3,328,281	3,550,576	3,915,501
59,102	76,929	77,573	61,047	92,922	98,225
53,695	62,354	68,931	71,039	99,909	138,619
288,532	318,986	332,418	368,954	387,255	402,733
654,243	818,070	-	-	-	-
95,324	105,247	120,136	75,280	42,620	27,531
-	-	-	-	-	-
190,851	217,483	329,797	292,742	359,229	455,026
<b>\$ 12,420,116</b>	<b>\$ 13,437,420</b>	<b>\$ 14,026,576</b>	<b>\$ 13,167,020</b>	<b>\$ 13,922,926</b>	<b>\$ 15,437,890</b>

## Computation of Legal Debt Margin

December 16, 2003

(Expressed in Thousands)

Estimated General Fund Tax Receipts for December 16, 2003	\$ 8,624,000
Factor	1.6
Statutory Debt Limit for Debt Incurred	13,798,400
Less: Authorized Bonds, Notes, and Other Obligations subject to certain limitations.	12,233,029
<b>Legal Debt Margin</b>	<b>\$ 1,565,371</b>

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**SOURCE:** State of Connecticut General Obligation Bonds Offering Statement

Dated December 16, 2004

## Net General Long-Term Bonded Debt Per Capita

Last Ten Fiscal Years

(Thousands, except for net debt per capita)

YEAR	POPULATION	<u>GENERAL LONG-TERM DEBT</u>			NET DEBT PER CAPITA
		TOTAL DEBT	LESS DEBT SERVICE AVAILABLE	NET	
1995	3,324	8,516,066	420,163	8,095,903	2,436
1996	3,337	9,200,672	455,740	8,744,932	2,621
1997	3,349	9,548,618	476,731	9,071,887	2,709
1998	3,365	9,719,236	498,418	9,220,818	2,740
1999	3,386	10,093,823	739,327	9,354,496	2,763
2000	3,406	10,291,418	539,525	9,751,893	2,863
2001	3,435	10,830,356	575,512	10,254,844	2,985
2002	3,461	11,702,339	680,041	11,022,298	3,185
2003	3,487	12,641,404	631,475	12,009,929	3,444
2004	3,504	13,033,775	635,679	12,398,096	3,538

**SOURCES:** U.S. Census Bureau
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 Balance Sheet - Governmental Funds

# 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>TOTAL GENERAL EXPENDITURES</u>	<u>RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES</u>
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%
1998	731,968	500,529	1,232,497	12,307,400	10.0%
1999	755,628	520,304	1,275,932	13,051,088	9.8%
2000	742,584	540,748	1,283,332	14,282,471	9.0%
2001	789,523	549,703	1,339,226	14,772,883	9.1%
2002	824,825	599,795	1,424,620	14,803,732	9.6%
2003	904,658	613,181	1,517,839	14,990,042	10.1%
2004	965,313	647,797	1,613,110	15,599,584	10.3%

**SOURCE:** Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds

**Revenue Bond Coverage****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	AVAILABLE FOR DEBT	PRINCIPAL	INTEREST	TOTAL	COVERAGE
		EXPENSES (2)	SERVICE				
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
1998	46,432	19,396	27,036	3,030	6,502	9,532	2.84
1999	48,133	21,242	26,891	3,240	6,268	9,508	2.83
2000	55,888	21,815	34,073	3,480	6,084	9,564	3.56
2001	53,364	24,688	28,676	6,785	8,291	15,076	1.90
2002	54,712	27,838	26,874	3,860	11,609	15,469	1.74
2003	56,286	31,254	25,032	5,775	10,156	15,931	1.57
2004	54,862	29,464	25,398	6,140	13,397	19,537	1.30

(1) Includes Operating and Non-Operating Revenues.

(2) Includes Operating and Non-Operating Expenses Less Depreciation, &amp; Interest Expenses.

**SOURCE:** Bradley International Airport Financial Statements**University of Connecticut**

One Fiscal Year

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT		<u>DEBT SERVICE REQUIREMENTS</u>			
			<u>SERVICE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>COVERAGE</u>	
2004	\$1,311,797	\$1,154,520	\$157,277	\$51,795	\$10,198	\$61,993	2.54	

(1) Includes Operating, Non-Operating Revenues and Transfers In.

(2) Includes Operating and Non-Operating Expenses Less Depreciation, &amp; Interest Expenses.

**SOURCE:** University of Connecticut Financial Statements**NOTE:** The University of Connecticut was previously reported as part of Higher Education**State Universities**

One Fiscal Year

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT		<u>DEBT SERVICE REQUIREMENTS</u>			
			SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE	
2004	\$526,083	\$432,163	\$93,920	\$68,312	\$-	\$68,312	1.37	

(1) Includes Operating, Non-Operating Revenues and Transfers In.

(2) Includes Operating and Non-Operating Expenses Less Depreciation, &amp; Interest Expenses.

**SOURCE:** State Universities Financial Statements**NOTE:** State Universities were previously reported as part of Higher Education



**Revenue Bond Coverage****Second Injury & Compensation Assurance**

Last Three Fiscal Year  
(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT	DEBT SERVICE REQUIREMENTS			
			SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
2002	\$112,608	\$50,654	\$61,954	\$50,830	\$10,581	\$61,411	1.01
2003	96,107	48,100	48,007	42,890	7,455	50,345	0.95
2004	99,687	44,793	54,894	56,875	5,274	62,149	0.88

(1) Includes Operating and Non-Operating Revenues

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

SOURCE: Treasurer's Report

**Clean Water**

Last Three Fiscal Year  
(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT	DEBT SERVICE REQUIREMENTS			
			SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
2002	\$48,471	\$986	\$47,485	\$31,040	\$29,917	\$60,957	0.78
2003	50,566	804	49,762	27,050	28,631	55,681	0.89
2004	37,338	604	36,734	36,723	24,155	60,878	0.60

(1) Includes Operating, Non-Operating Revenues and Federal Grants

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

SOURCE: Clean Water Financial Statements

**Drinking Water**

Last Three Fiscal Year  
(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT	DEBT SERVICE REQUIREMENTS			
			SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
2002	\$9,366	\$1,541	\$7,825	\$-	\$1,375	\$1,375	5.69
2003	18,888	1,946	16,942	-	1,375	1,375	12.32
2004	9,205	1,508	7,697	1,332	1,906	3,238	2.38

(1) Includes Operating, Non-Operating Revenues and Federal Grants

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

SOURCE: Drinking Water Financial Statements

**Bradley Parking Garage**

Last Three Fiscal Year  
(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT	DEBT SERVICE REQUIREMENTS			
			SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
2002	\$17,498	\$11,691	\$5,807	\$-	\$3,575	\$3,575	1.62
2003	20,474	9,169	11,305	-	3,582	3,582	3.16
2004	22,068	7,077	14,991	-	3,582	3,582	4.19

(1) Includes Operating and Non-Operating Revenues.

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

SOURCE: Combining Statement of Net Assets

## Bank Deposits

Last Ten Fiscal Years  
(Expressed in Thousands)

<u>TOTAL AS OF</u>	<u>BANK DEPOSITS</u>
1995	\$53,640,331
1996	\$39,120,816
1997	\$38,936,046
1998	\$33,754,043
1999	\$33,149,787
2000	\$34,747,254
2001	\$35,592,017
2002	\$37,709,058
Sept,2003	\$39,484,377
2004	\$43,769,848

**NOTE:** For the years 1995 -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.

**SOURCE:** Department of Banking

## Connecticut Employment by Industry Changes Through a Ten Year Period (1994 & 2004)

(Expressed in Thousands as of June)

<u>INDUSTRY</u>	<u>EMPLOYMENT 1994</u>	<u>EMPLOYMENT 2004</u>	<u>% of Total 1994</u>	<u>% of Total 2004</u>	<u>Change</u>
Mining	0.7	0.8	0.05%	0.05%	0.00%
Construction	48.7	61.8	3.14%	3.74%	0.60%
Manufacturing	253.5	194.8	16.33%	11.79%	-4.54%
Trade, Transportation & Utilities	292.4	308.4	18.83%	18.66%	-0.17%
Financial Activities	136.2	143.5	8.77%	8.68%	-0.09%
Professional & Business Services	171.1	194.0	11.02%	11.74%	0.72%
Education & Health Services	220.8	262.7	14.22%	15.90%	1.68%
Leisure & Hospitality	112.9	138.4	7.27%	8.38%	1.10%
Other Services	58.0	63.9	3.74%	3.87%	0.13%
Government	217.9	244.7	14.03%	14.81%	0.77%
Information	40.5	39.5	2.61%	2.39%	-0.22%

**NOTE:** Employment figures are seasonally adjusted except for Mining, Education & Health Services and Leisure & Hospitality for which adjusted figures are not reported.

**SOURCE:** Bureau of Labor Statistics

## Total Non-Farm Payroll Employment for Connecticut and the United States

(Seasonally Adjusted, in Thousands)

<u>YEAR</u>	<u>EMPLOYMENT CONNECTICUT</u>	<u>EMPLOYMENT UNITED STATES</u>	<u>% CHANGE CONNECTICUT</u>	<u>% CHANGE UNITED STATES</u>
1994	1,546.8	114,139.0		
1995	1,557.9	117,189.0	0.7%	2.7%
1996	1,585.5	119,647.0	1.8%	2.1%
1997	1,611.5	122,642.0	1.6%	2.5%
1998	1,642.4	125,846.0	1.9%	2.6%
1999	1,666.3	128,850.0	1.5%	2.4%
2000	1,695.4	131,883.0	1.7%	2.4%
2001	1,681.4	132,087.0	-0.8%	0.2%
2002	1,668.7	130,406.0	-0.8%	-1.3%
2003	1,641.7	129,859.0	-1.6%	-0.4%
2004	1,642.4	131,258.0	0.0%	1.1%

**NOTE:** Employment change represents percent change from the same period of the prior year.

**SOURCE:** Bureau of Labor Statistics.

## Total Labor Force and Unemployment Rate for Connecticut and the United States

(Seasonally Adjusted, in Thousands)

<u>YEAR</u>	<u>LABOR FORCE CONNECTICUT</u>	<u>LABOR FORCE UNITED STATES</u>	<u>UNEMPLOYMENT CONNECTICUT</u>	<u>UNEMPLOYMENT UNITED STATES</u>
1994	1,753,187	130,561,000	5.5%	6.1%
1995	1,728,283	131,949,000	5.5%	5.6%
1996	1,744,596	133,697,000	5.7%	5.3%
1997	1,754,817	136,211,000	5.3%	5.0%
1998	1,737,649	137,455,000	3.2%	4.5%
1999	1,738,704	139,329,000	3.3%	4.3%
2000	1,795,175	142,591,000	2.2%	4.0%
2001	1,764,298	143,361,000	3.3%	4.5%
2002	1,792,216	144,802,000	4.1%	5.8%
2003	1,803,091	147,003,000	5.5%	6.3%
2004	1,792,757	147,386,000	4.6%	5.6%

**SOURCE:** Bureau of Labor Statistics.

## Per Capita Personal Income for Connecticut and the United States

<u>YEAR</u>	<u>CONNECTICUT</u>	<u>UNITED STATES</u>	<u>% ABOVE THE UNITED STATES</u>
1993	\$28,975	\$21,346	35.7%
1994	\$29,693	\$22,172	33.9%
1995	\$31,045	\$23,076	34.5%
1996	\$32,424	\$24,175	34.1%
1997	\$34,375	\$25,334	35.7%
1998	\$36,822	\$26,883	37.0%
1999	\$38,332	\$27,939	37.2%
2000	\$41,495	\$29,847	39.0%
2001	\$42,919	\$30,580	40.3%
2002	\$42,751	\$30,795	38.8%
2003	\$43,292	\$31,459	37.6%

SOURCE: Bureau of Economic Analysis

## Real Median Household Income for Connecticut and the United States (in 2003 CPI-U Adjusted Dollars)

<u>YEARS</u>	<u>CONNECTICUT</u>	<u>UNITED STATES</u>	<u>% ABOVE THE UNITED STATES</u>
1993	\$39,516	\$31,241	26.5%
1994	\$41,097	\$32,264	27.4%
1995	\$40,243	\$34,076	18.1%
1996	\$42,119	\$35,492	18.7%
1997	\$43,985	\$37,005	18.9%
1998	\$46,508	\$38,885	19.6%
1999	\$50,593	\$40,696	24.3%
2000	\$50,172	\$41,990	19.5%
2001	\$53,347	\$42,228	26.3%
2002	\$53,387	\$42,409	25.9%
2003	\$54,965	\$43,318	26.9%

SOURCE: US Census Bureau

# Total Personal Income Growth Rates and Dollar Amounts (000) Connecticut and the United States

<u>YEAR</u>	<u>% GROWTH CONNECTICUT</u>	<u>% GROWTH UNITED STATES</u>	<u>AMOUNT (000) CONNECTICUT</u>	<u>AMOUNT (000) UNITED STATES</u>
1992			\$93,778,706	\$5,376,622,000
1993	3.3%	4.1%	96,866,466	5,598,446,000
1994	3.0%	5.0%	99,787,807	5,878,362,000
1995	4.5%	5.3%	104,315,124	6,192,235,000
1996	4.8%	5.6%	109,353,546	6,538,103,000
1997	6.5%	6.0%	116,420,559	6,928,545,000
1998	7.3%	7.1%	124,880,308	7,418,497,000
1999	4.6%	4.9%	130,579,049	7,779,521,000
2000	8.3%	8.0%	141,413,202	8,398,871,000
2001	2.9%	3.3%	145,547,796	8,677,490,000
2002	1.8%	2.5%	148,211,074	8,891,093,018

**SOURCE:** Bureau of Economic Analysis

## Connecticut Population Statistics (In Thousands)

<u>YEAR</u>	<u>TOTAL POPULATION</u>	<u>% GROWTH FROM PREVIOUS YEAR</u>
1992	3,301	
1993	3,309	0.2%
1994	3,316	0.2%
1995	3,324	0.2%
1996	3,337	0.4%
1997	3,349	0.4%
1998	3,365	0.5%
1999	3,386	0.6%
2000	3,406	0.6%
2001	3,435	0.9%
2002	3,461	0.8%

**SOURCE:** U.S. Census Bureau

# Top Twenty Employers

(Excluding State and Federal Government)

<u>NAME</u>	<u>HEADQUARTERS</u>	<u>TOTAL EMPLOYEES</u>
United Technologies Corp.	Hartford	27,000
Stop & Shop Cos., Inc.	North Haven	15,580
Hartford Financial Services	Hartford	12,000
Mohegan Sun Casino	Uncasville	10,500
Yale University	New Haven	10,000
SBC SNET	New Haven	9,000
Foxwoods Resort Casino	Mashantucket	8,212
CIGNA	Bloomfield	7,400
General Electric Co.	Fairfield	7,285
Aetna Inc.	Hartford	7,064
Pfizer Global Research Inc.	New London	6,500
Hartford Hospital	Hartford	6,086
Travelers Property & Casualty	Hartford	5,700
FleetBoston Financial	Hartford	5,500
Northeast Utilities	Berlin	4,195
Hamilton Sundstrand	Windsor Locks	4,000
Athena Healthcare Systems	Southington	4,000
Peoples Bank	Bridgeport	3,700
St. Francis Hospital	Hartford	3,662
Webster Financial Corp.	Waterbury	2,682

**SOURCE:** Hartford Business Journal, July 2003

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## Major Revenue Sources - General Fund

Last Ten Fiscal Years

(Millions)

<b>FISCAL YEAR</b>	<b>SALES &amp; USE TAX</b>	<b>% OF TOTAL REVENUE</b>	<b>PERSONAL INCOME TAX</b>	<b>% OF TOTAL REVENUE</b>	<b>CORPORATION TAX</b>	<b>% OF TOTAL REVENUE</b>
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%
1998	2,772.1	27.3%	3,596.2	35.5%	663.7	6.5%
1999	2,932.2	25.8%	3,820.8	33.6%	619.5	5.5%
2000	3,096.8	25.5%	4,238.2	34.9%	587.8	4.8%
2001	3,125.1	24.3%	4,744.2	36.8%	550.5	4.3%
2002	2,997.6	25.1%	4,265.9	35.7%	381.0	3.2%
2003	3,025.7	22.8%	4,263.1	32.1%	508.0	3.8%
2004	3,133.9	23.9%	4,943.4	37.7%	518.0	3.9%

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

## Sales and Use Tax - Major Industrial Categories

June 30, 2004

(Millions)

<b>INDUSTRY</b>	<b>TAX</b>	<b>PERCENT</b>
Construction	\$99.7	3.5%
Manufacturing	158.2	5.5%
Wholesale	162.1	5.7%
Retail:		
Hardware	149.6	5.2%
General Merchandise	148.6	5.2%
Food Products	119.9	4.2%
Auto Products	398.3	13.9%
Apparel	40.2	1.4%
Home Appliances & Furnishings	120.3	4.2%
Eating & Drinking Establishments	199.0	6.9%
Miscellaneous Shopping Stores	313.6	11.0%
Business	439.3	15.3%
All Other Businesses	514.8	18.0%
<b>Total Sales &amp; Use Tax</b>	<b>\$2,863.6</b>	

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

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**SOURCE:** Department of Revenue Services

## Miscellaneous Statistics

June 30, 2004

Date of Ratification	January 9, 1788
Form of Government	Legislative - Executive - Judicial
Miles of State Highway	4,122
Land Area	5,009 Square Miles
State Police Protection:	
Number of Stations	12
Number of State Police	1,212
Higher Education (Universities, Colleges and Community Colleges):	
Number of Campuses in State	22
Number of Educators	3,387
Number of Students	107,237
Recreation:	
Number of State Parks	93
Area of State Parks	33,911 Acres
Area of State Forests	169,250 Acres
Employees:	
Full-Time	48,707
Part-Time (Permanent)	2,898

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**SOURCE:** Connecticut State Register and Manual



## Office of the State Comptroller Organization

**Nancy Wyman**  
*State Comptroller*

**Mark E. Ojakian**  
*Deputy Comptroller*

### **MANAGEMENT SERVICES DIVISION**

Brenda Halpin  
*Director*

### **ACCOUNTS PAYABLE DIVISION**

Mark Aronowitz  
*Director*

### **RETIREMENT & BENEFIT SERVICES DIVISION**

Thomas Woodruff  
*Director*

### **INFORMATION TECHNOLOGY DIVISION**

James Shumway  
*Director*

### **PAYROLL SERVICES DIVISION**

Gary Reardon  
*Director*

### **BUDGET & FINANCIAL ANALYSIS DIVISION**

John Clark  
*Director*

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Gerardo Villa, CPA - *Assistant Director*

#### *Financial Reporting*

Nancy Walsh  
Lucky Sagay  
Richard Haley

#### *Accounting Operations*

Julie Wilson  
Christopher Bacon  
Yvette Jenkins  
Anthony Torcia  
Carmen Cotto  
Uma Prasad  
Sylvia Caraballo

#### *Technical Support*

Richard DePaolis

## NOTES

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