

***STATE OF CONNECTICUT***

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

**For Fiscal Year Ended  
June 30, 2005**

***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/2005cafr/>

*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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# ***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

October, 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, 2005. 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 2005 CAFR was published nine months late due to a related eighteen month delay in generating the 2004 CAFR. The late filing of the Fiscal Year 2004 CAFR, as fully detailed in last year's report, delayed the start of work on the Fiscal Year 2005 closing adjustments and financial statements.

## **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 3,510,297 according to the July 1, 2005 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 Years 2004 and 2005, Connecticut added 6,800 and 14,700 payroll jobs respectively.

Connecticut's payroll employment totaled 1,663,900 at the end of Fiscal Year 2005. The Fiscal Year 2005 job gain represented a 0.9 percent rise in employment as compared to a 1.5 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 almost 30 percent while during the same period employment in professional and business services grew by 8.3 percent, financial services saw growth of 6 percent and the leisure and hospitality industry grew by over 14 percent. Despite these shifts, manufacturing continues to play an important role in Connecticut's economic life contributing approximately 12 percent of the state's workforce. Between 2004 and 2005 real Gross State Product in Connecticut grew at a 6.6 percent rate.

Connecticut's unemployment rate was 4.9 percent at the end of Fiscal Year 2005 compared to a national rate of 5.0 percent. One reason for the state's relatively low unemployment rate is stagnation in its labor force growth. Between Fiscal Years 1995 and 2005, Connecticut's labor force grew just 4.2 percent. Nationally during this period the labor force grew 13.1 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 2005 per capita income of \$47,819 was 38.3 percent above the national average of \$34,586. 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 POLICY INITIATIVES

### **Health Care Programs**

The Fiscal Year 2005 budget included \$14.25 million to repeal various Medicaid co-payment requirements passed in 2003. The budget also included \$17.69 million to restore Medicaid eligibility cuts and to eliminate proposed premiums. Within the pharmacy assistance ConnPACE program the Fiscal Year 2005 budget provided \$1.5 million to eliminate asset testing and incorporated a net \$16.4 million in savings associated with the integration of ConnPACE with the federal Medicare pharmacy benefit program (part D). The budget also included expanded savings associated with the extension of a Preferred Drug List (PDL) under the Medicaid, ConnPACE, and General Assistance programs.

### **Increase Funding to Private Social Service Providers**

The Fiscal Year 2005 budget contained \$12.8 million to provide a 1.5 percent increase effective October 1, 2004 to private providers of specific state social services. These private providers contract for the provision of services with the Department of Mental Retardation, The Department of Children and Families, The Department of Mental Health and Addiction Services, The Department of Corrections and the Judicial Department as well as with some councils and boards.

### **Correction Programs**

In Fiscal Year 2005, funding was transferred out of the Department of Correction's Out of State Beds account to other programs within the Department to reflect the expiration of a contract for out-of-state incarceration. \$13.4 million was transferred to provide enhanced justice and prison recidivism reduction efforts and \$28 million was provided for additional personal services expenses within the Department of Corrections.

### **Municipal Aid**

The Fiscal Year 2005 budget provided for an expansion in various grants to towns. Funding for statutory grant programs expanded \$92.8 million from the prior year or by 4.3 percent. This brought the total funding to \$2.3 billion for Fiscal Year 2005. The largest single grant payment is for education equalization, which is intended to mitigate the disparity in education spending between wealthy and poor municipalities. The education equalization funding totaled almost \$1.6 billion in Fiscal Year 2005.

## **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.

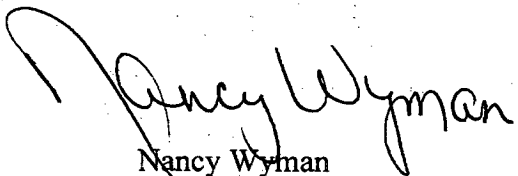
Budget control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills. The allotment process exercises control over obligations or commitments. The Governor, through his budget office, allots funds for both budgeted and non-budgeted accounts 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

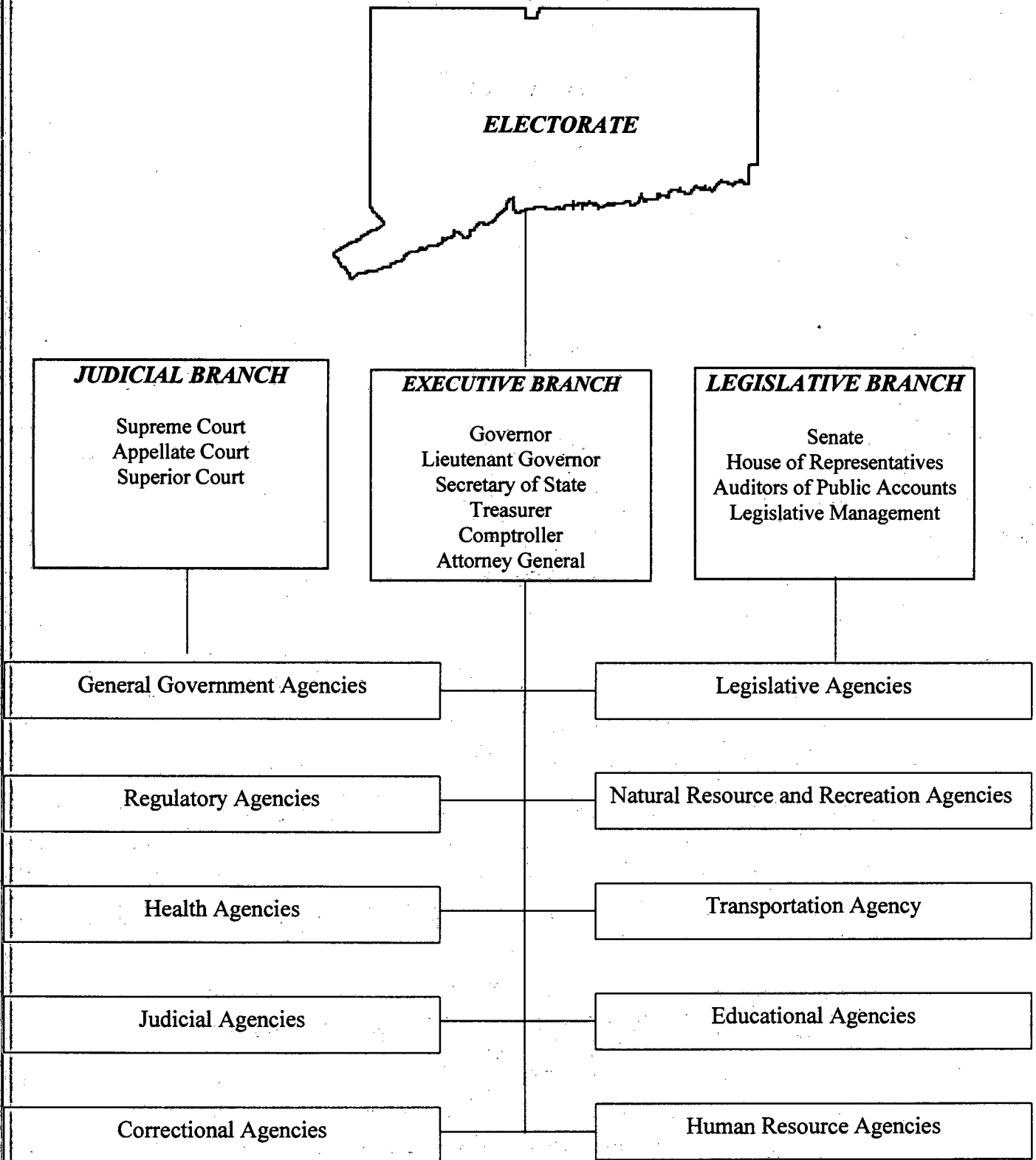
I wish to express my personal thanks to the many individuals in various agencies and reporting units whose cooperation and assistance have made this report possible. In addition, I would like to thank the staff of my Budget and Financial Analysis Division for their diligent work on this report.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Wyman". The signature is written in dark ink and is positioned above the printed name and title.

Nancy Wyman  
State Comptroller

# Organization Chart



***Selected State Officials  
(as of June 30, 2005)***

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

James A. 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, 2005, 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 six 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 58 percent of the assets and 53 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 95 percent of the assets and 97 percent of the revenues of the Transportation Fund;



- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the Clean Energy Fund account, which represents 26 percent of the assets and 24 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 58 percent of the assets and 53 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, 2005, 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 4 of the financial statements, the State of Connecticut adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 40, *Deposit and Investment Risk Disclosures*, during the fiscal year ended June 30, 2005. This standard requires additional disclosures relating to risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk that have the potential to result in losses.

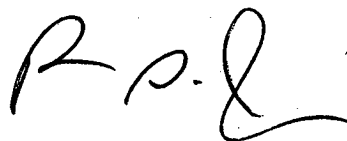
In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 27 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

September 27 2006  
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:**

As of June 30, 2005, the State had a total net asset deficit of \$1.4 billion, a deterioration in net assets of \$94 million occurring this fiscal year. This deterioration resulted from an increase of \$145 million in the net assets of business-type activities which was offset by a decrease of \$239 million in the net assets of governmental activities.

During the year, revenues of governmental activities exceeded expenses by \$604 million. However, this excess was offset by transfers and special items of \$843 million, resulting in a decrease of net asset of \$239 million.

For business-type activities, expenses exceeded revenues by \$354 million. However, this deficiency was offset by transfers of \$499 million, resulting in an increase in net assets of \$145 million.

#### **Fund Level:**

The governmental funds had a total fund balance of \$2.5 billion at year end. Of this amount, \$2.7 billion was reserved for various purposes, resulting in a total unreserved fund balance deficit of \$0.2 billion. The portion of the total unreserved fund balance deficit that pertains to the General Fund was a \$1.0 billion deficit. The General Fund had an actual budget surplus of \$380 million this year.

The Enterprise Funds had total net assets of \$4.0 billion, substantially all of which was invested in capital assets or restricted for various purposes.

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

Total long-term debt was \$17.9 billion for governmental activities, of which \$13.2 billion was bonded debt and \$0.2 billion was economic recovery notes.

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

### **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 occurs, 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 is required to report four categories of fund statements - governmental, proprietary, and fiduciary funds, to the extent that State's activities meet the criteria for using these funds, and "combining statements" for its component units. 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 State's chief operating fund. 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 fuel taxes, vehicle registration and driver license fees, and other revenue 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's 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.

Budgetary reporting. The State adopts a biannual budget for the General fund, the Transportation fund, and other Special Revenue funds. A budgetary comparison statement, using original and final budgets, is presented for the General and Transportation funds to demonstrate compliance with the current fiscal year budgets.

### **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.
- Three classifications are used to classify equity for proprietary funds. 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, an investment trust fund, a private-purpose trust fund, and agency funds. These fund types are 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.

Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's operations and programs. The accounting used for fiduciary funds is much like that for proprietary funds.

**Component Unit Combining Statements:**

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

Connecticut Housing Finance Authority. Classified as a major component unit, CHFA 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.

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

Connecticut Development Authority. CDA was created to stimulate commercial development in the State.

Connecticut Resources Recovery Authority. CRRA was created to implement the State Solid Waste Management Plan.

Connecticut Higher Education Supplemental Loan Authority. CHESLA was created to provide resources for student loans.

Connecticut Innovations, Incorporated. CI was created to stimulate and promote technological innovation and application of new technology within the State.

Capital City Economic Development Authority. CCEDA was created to stimulate economic development in the city of Hartford.

University of Connecticut Foundation, Inc. The Foundation was created 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 State's 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, these statements are presented as other supplementary information in this report.

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

The following condensed financial information was derived from the government-wide Statement of Net Assets and reflects the financial position of the State at the end of the fiscal year 2005, compared to the prior year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004*	2005	2004*	2005	2004*
<b>ASSETS:</b>						
Current and Other Assets	\$ 4,441	\$ 3,902	\$ 3,715	\$ 3,552	\$ 8,156	\$ 7,454
Capital Assets	9,640	9,908	3,075	2,857	12,715	12,765
<b>Total Assets</b>	<b>14,081</b>	<b>13,810</b>	<b>6,790</b>	<b>6,409</b>	<b>20,871</b>	<b>20,219</b>
<b>LIABILITIES:</b>						
Current Liabilities	2,777	2,914	730	607	3,507	3,521
Long-term Liabilities	16,694	16,047	2,061	1,948	18,755	17,995
<b>Total Liabilities</b>	<b>19,471</b>	<b>18,961</b>	<b>2,791</b>	<b>2,555</b>	<b>22,262</b>	<b>21,516</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets,						
Net of Related Debt	3,295	3,553	2,314	2,210	5,609	5,763
Restricted	1,325	1,686	1,570	1,410	2,895	3,096
Unrestricted	(10,010)	(10,390)	115	234	(9,895)	(10,156)
<b>Total Net Assets</b>	<b>\$ (5,390)</b>	<b>\$ (5,151)</b>	<b>\$ 3,999</b>	<b>\$ 3,854</b>	<b>\$ (1,391)</b>	<b>\$ (1,297)</b>

\* Restated for comparative purposes. See Note 21.

The State had a total net asset deficit of \$1.4 billion at year end, a deterioration in net assets of \$94 million occurring in this fiscal year. This deterioration resulted from an increase of \$145 million in the net assets of business-type activities which was offset by a decrease of \$239 million in the net assets of governmental activities.

Governmental activities had a total net asset deficit of \$5.4 billion at year end, a deterioration in net assets of \$0.2 billion occurring in this fiscal year. Of this amount, \$4.6 billion was invested in capital assets (buildings, roads, bridges, etc.) or was restricted for various purposes, resulting in an unrestricted net asset deficit of \$10.0 billion. This deficit does not mean that the State will not be able to pay its bills next year. Rather, it is the result of having long-term obligations that are greater than currently available resources. Specifically, the State had the following outstanding long-term obligations which contributed to the deficit: a) general obligation bonds in the amount of \$3.4 billion which were issued to finance various grant programs of the State, such as school construction and other municipal aid programs; and b) other long-term obligations in the amount of \$4.4 billion which the State has partially funded (net pension obligation) or not funded (compensated absences obligation).

Although the net assets of the business-type activities increased by \$0.1 billion, these resources cannot be used to make up for the net asset deficit in governmental activities. The State can only use these net assets to finance the ongoing operations of its Enterprise funds, such as the University of Connecticut, Bradley International Airport, Employment Security, etc.

## CHANGE IN NET ASSETS

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 during the fiscal year 2005, compared to the prior year,

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004*	2005	2004*	2005	2004*
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 1,317	\$ 1,254	\$ 2,863	\$ 2,936	\$ 4,180	\$ 4,190
Operating Grants and Contributions	3,810	3,850	262	228	4,072	4,078
Capital Grants and Contributions	335	544	87	9	422	553
General Revenues						
Taxes	10,840	9,742	-	-	10,840	9,742
Casino Gaming Payments	418	403	-	-	418	403
Other	188	135	94	91	282	225
<b>Total Revenues</b>	<b>16,908</b>	<b>15,927</b>	<b>3,306</b>	<b>3,264</b>	<b>20,214</b>	<b>19,191</b>
<b>EXPENSES</b>						
Legislative	91	90	-	-	91	90
General Government	1,288	1,101	-	-	1,288	1,101
Regulation and Protection	633	590	-	-	633	590
Conservation and Development	424	448	-	-	424	448
Health and Hospitals	1,801	1,683	-	-	1,801	1,683
Transportation	1,184	1,154	-	-	1,184	1,154
Human Services	4,537	4,630	-	-	4,537	4,630
Education, Libraries and Museums	3,408	3,174	-	-	3,408	3,174
Corrections	1,676	1,579	-	-	1,676	1,579
Judicial	650	546	-	-	650	546
Interest and Fiscal Charges	612	577	-	-	612	577
University of Connecticut & Health Center	-	-	1,386	1,254	1,386	1,254
State Universities	-	-	507	470	507	470
Bradley International Airport	-	-	62	59	62	59
CT Lottery Corporation	-	-	691	657	691	657
Employment Security	-	-	580	812	580	812
Clean Water	-	-	28	25	28	25
Other	-	-	406	361	406	361
<b>Total Expenses</b>	<b>16,304</b>	<b>15,573</b>	<b>3,660</b>	<b>3,638</b>	<b>19,964</b>	<b>19,211</b>
Excess (Deficiency) Before Transfers, Special and Extraordinary Items	604	354	(354)	(374)	250	(20)
Transfers	(693)	(417)	499	611	(194)	194
Special and Extraordinary Items	(150)	(157)	-	(6)	(150)	(163)
<b>Increase (Decrease) in Net Assets</b>	<b>(239)</b>	<b>(220)</b>	<b>145</b>	<b>231</b>	<b>(94)</b>	<b>11</b>
Net Assets (Deficit) - Beginning (Restated)	(5,151)	(4,931)	3,854	3,623	(1,297)	(1,308)
<b>Net Assets (Deficit) - Ending</b>	<b>\$ (5,390)</b>	<b>\$ (5,151)</b>	<b>\$ 3,999</b>	<b>\$ 3,854</b>	<b>\$ (1,391)</b>	<b>\$ (1,297)</b>

\* Restated for comparative purposes. See Note 21.

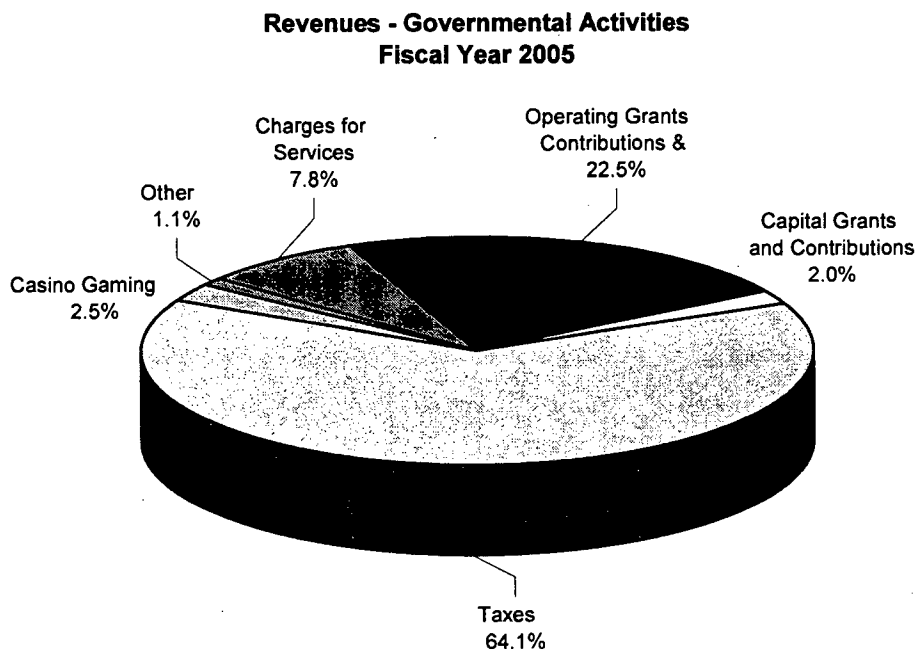
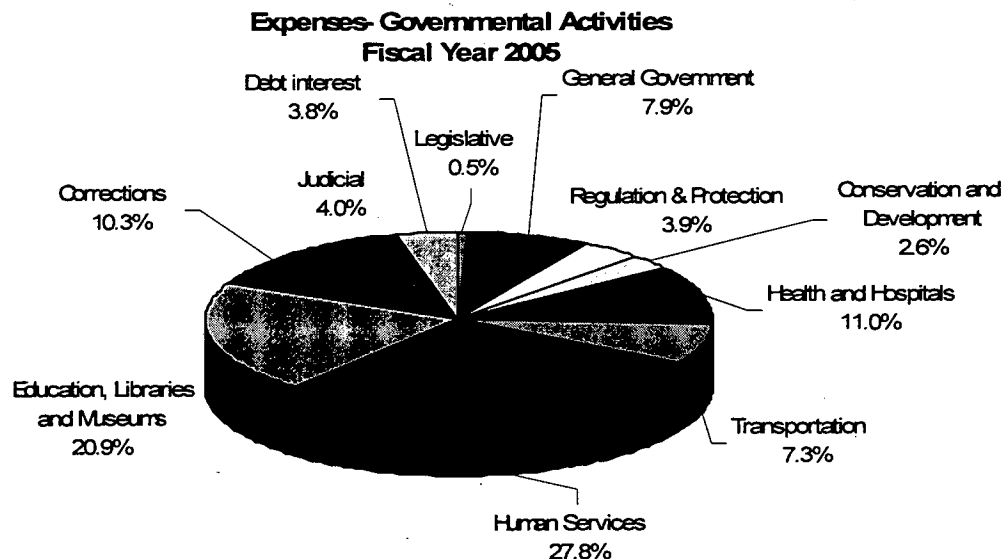
Special Items are significant transactions or other activity within management's control that are either unusual in nature or infrequent in occurrence. Extraordinary items are activities that are both unusual in nature and infrequent in occurrence.



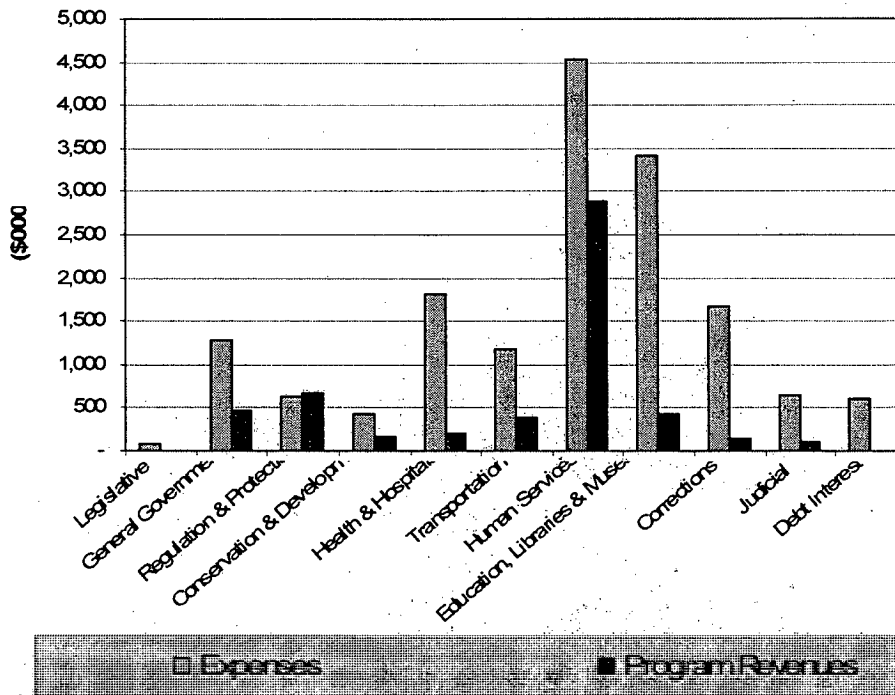
Total revenues of the State increased by \$1.0 billion to \$20.2 billion. Virtually all of this increase was due to an increase in tax revenues. Total expenses increased by \$753 million to \$20.0 billion. This increase can be attributed mainly to an increase of \$731 million in governmental activities' expenditures. Although, total revenues exceeded total expenses by \$250 million, this excess was offset by transfers and special items of \$344 million, resulting in a decrease of total net assets of \$94 million.

### GOVERNMENTAL ACTIVITIES

The following charts depict the distribution of revenues and expenses for Fiscal Year 2005.



**Expenses and Program Revenues - Governmental Activities  
Fiscal Year 2005**



Total revenues for the governmental activities increased by \$981 million to \$16.9 billion. This increase was due mainly to an increase in tax revenue, reflecting a growing economy. Total expenses increased by \$731 million to \$16.3 billion. This increase can be attributed mainly to increases in general government, health and hospital, and education expenses of \$539 million. Even though total revenues exceeded total expenses by \$604 million, this excess was offset by transfers and special items of \$843 million, resulting in a reduction of net assets of \$239 million. Of note is a transfer of a state building to a component unit for \$242 million. If this transfer had not occurred, the deterioration in net assets for the year would have not occurred.

As noted above, total revenues increased by 6% during the fiscal year because of a stronger economy. Specifically, the State added 21,700 new jobs during the fiscal year. In contrast, the State only added 6,800 new jobs in the previous fiscal year. In addition, corporate profits rebounded in the second and third quarters of the fiscal year after a disappointing start to the year. The Gross Domestic Product showed steady growth in excess of 3% during the fiscal year, and retail sales were up 9.6% for the year. During most of the fiscal year, the unemployment rate remained below 5%; however, in the final quarter of the fiscal year, it grew to just over 5%. The real estate market remained strong in the State for most of the fiscal year.

Total revenues and expenses of business-type activities were virtually unchanged between fiscal years 2005 and 2004. Although, total expenses exceeded total revenues by \$354 million, this deficiency was offset by transfers of \$499 million, resulting in an increase in net assets of \$145 million.

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

The State completed fiscal year 2005 with a balance of \$2.5 billion in its governmental funds. However, the General fund reported a deficit of \$1.0 billion in unreserved fund balance. Although governmental fund expenditures exceeded fund revenues by \$172 million, this deficiency was offset by other financing

activities and special items of \$681 million, resulting in an increase in fund balance of \$509 million in governmental funds in fiscal year 2005.

### **General Fund**

The General fund is the chief operating fund of the state. At the end of fiscal year 2005, the General fund had a fund balance of \$0.4 billion. Of this amount, \$1.4 billion was reserved for various purposes, leaving a deficit of \$1.0 billion in unreserved fund balance. Although, total fund revenues exceeded total fund expenditures by \$1,033 million, this excess was reduced by other financing uses and special item of \$453 million, resulting in an increase in fund balance of \$580 million for the fiscal year .

### **Budgetary Highlights-General Fund**

Early in the fiscal year, the General fund surplus was estimated to be \$84 million. By the end of the fiscal year, fund revenues had greatly increased because of a strong economy, causing the surplus estimate to grow to \$674 million. However, most of the estimated surplus was eventually appropriated by the State legislature for various expenditure programs, resulting in a final estimated surplus of \$173 million.

Although actual fund revenues exceeded expenditures by \$730 million, this excess was reduced by other financing activities of \$350 million, resulting in an actual surplus of \$380 million. A portion of the 2004 surplus in the amount of \$150 million was appropriated during the current fiscal year for various expenditure programs. This amount was reported in the budgetary statement as other financing source.

During the year, actual revenues exceeded original budget revenues by \$903 million. A tax revenue variance of \$857 million accounts for much of the total variance. Some of the tax revenues that exceeded original estimates were: personal income, \$440 million; corporations, \$177 million; and inheritance and estate, \$ 88 million.

During the year, final appropriations exceeded original appropriations by \$662 million. Some of the major adjustments to initial appropriations that occurred during the year were: \$138 million to pre-pay debt service on economic recovery notes; \$100 million for deposit to the Teachers' Retirement Fund; and \$85 million for educational aid to cities and towns. Because of these additional appropriations, the Constitutional spending cap was exceeded by \$371 million.

### **Other Funds**

The Debt Service fund had a fund balance of \$678 million at year end, all of which was reserved.

The Transportation fund had a fund balance of \$173 million at year end, most of which was unreserved.

## **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, 2005 amounted to \$12.7 billion (net of accumulated depreciation). In fiscal year 2005, capital assets for governmental activities declined mainly as a result of the transfer of a state building to a component unit while capital assets for business-type activities increased 8.0%. 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	
	2005	2004 *	2005	2004 *	2005	2004 *
Land	\$ 1,264	\$ 1,224	\$ 64	\$ 52	\$ 1,328	\$ 1,276
Buildings	1,046	1,036	2,098	1,916	3,144	2,952
Improvements Other than Buildings	197	134	258	246	455	380
Equipment	389	446	352	350	741	796
Infrastructure	5,363	5,396	-	-	5,363	5,396
Construction in Progress	1,381	1,672	303	293	1,684	1,965
Total	<u>\$ 9,640</u>	<u>\$ 9,908</u>	<u>\$ 3,075</u>	<u>\$ 2,857</u>	<u>\$ 12,715</u>	<u>\$ 12,765</u>

\* Restated for comparative purposes. See Note 21.

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

**Long-term Debt.**

**Bonded 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 specific revenues of enterprise funds.

**State of Connecticut's Bonded Debt (in millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 9,905	\$ 9,607	\$ -	\$ -	\$ 9,905	\$ 9,607
Transportation Related Bonds	3,114	3,154	-	-	3,114	3,154
Revenue Bonds			1,620	1,714	1,620	1,714
Premiums and deferred amounts	229	181	34	36	263	217
Total	<u>\$ 13,248</u>	<u>\$ 12,942</u>	<u>\$ 1,654</u>	<u>\$ 1,750</u>	<u>\$ 14,902</u>	<u>\$ 14,692</u>

In fiscal year 2005 the State increased outstanding bonds by \$210 million. Bonds of governmental activities increased by \$306 million while bonds of business-type activities decreased by \$96 million. 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. As of December, 2005, the State had a debt incurring margin of \$3.8 billion.

## Other Long-Term Debt

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

	Governmental		Business-Type		Total	
	Activities		Activities		Primary	Government
	2005	2004	2005	2004	2005	2004
Net Pension Obligation	\$ 3,636	\$ 3,440	\$ -	\$ -	\$ 3,636	\$ 3,440
Compensated Absences	415	371	102	104	517	475
Workers Compensation	299	277	-	-	299	277
Lottery Prizes	-	-	337	385	337	385
Other	88	72	166	97	254	169
Total	\$ 4,438	\$ 4,160	\$ 605	\$ 586	\$ 5,043	\$ 4,746

The State's other long-term obligations increased by \$297 million during the year. An increase of \$196 million in the net pension obligation of governmental activities accounted for most of the change.

Additional information on the State's long-term debt can be found in Note 16 of this report.

### 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, 2005

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,530,194	\$ 498,592	\$ 2,028,786	\$ 134,206
Deposits with U.S. Treasury	-	572,789	572,789	-
Investments	136,903	161,634	298,537	298,936
Receivables, (Net of Allowances)	1,940,813	629,280	2,570,093	62,712
Due from Component Units	2,619	-	2,619	-
Due from Primary Government	-	-	-	13,196
Inventories	49,993	8,549	58,542	3,849
Restricted Assets	-	13,018	13,018	752,292
Internal Balances	(171,037)	171,037	-	-
Other Current Assets	16,598	10,859	27,457	2,622
Total Current Assets	3,506,083	2,065,758	5,571,841	1,267,813
Noncurrent Assets:				
Cash and Cash Equivalents	-	197,550	197,550	-
Due From Component Units	15,939	-	15,939	-
Investments	-	348,115	348,115	62,530
Receivables, (Net of Allowances)	188,524	542,539	731,063	136,270
Restricted Assets	677,920	495,250	1,173,170	3,638,926
Capital Assets, (Net of Accumulated Depreciation)	9,640,319	3,074,629	12,714,948	432,231
Other Noncurrent Assets	51,946	66,109	118,055	18,102
Total Noncurrent Assets	10,574,648	4,724,192	15,298,840	4,288,059
Total Assets	14,080,731	6,789,950	20,870,681	5,555,872
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	628,360	269,407	897,767	61,204
Due to Component Units	13,196	-	13,196	-
Due to Primary Government	-	-	-	2,619
Due to Other Governments	76,160	94	76,254	-
Current Portion of Long-Term Obligations	1,202,379	197,556	1,399,935	143,464
Amount Held for Institutions	-	-	-	183,287
Deferred Revenue	13,942	149,668	163,610	-
Medicaid Liability	562,309	-	562,309	-
Liability for Escheated Property	88,401	-	88,401	-
Other Current Liabilities	192,832	113,622	306,454	27,722
Total Current Liabilities	2,777,579	730,347	3,507,926	418,296
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	16,693,775	2,061,004	18,754,779	3,495,160
Total Noncurrent Liabilities	16,693,775	2,061,004	18,754,779	3,495,160
Total Liabilities	19,471,354	2,791,351	22,262,705	3,913,456
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	3,294,888	2,314,139	5,609,027	280,083
Restricted For:				
Transportation	118,532	-	118,532	-
Debt Service	647,226	66,466	713,692	34,332
Capital Projects	164,269	86,495	250,764	-
Unemployment Compensation	-	726,650	726,650	-
Clean Water and Drinking Water Projects	-	525,812	525,812	-
Bond Indenture Requirements	-	-	-	712,563
Permanent Investments or Endowments:				
Expendable	3,696	-	3,696	93,114
Nonexpendable	91,679	13,201	104,880	206,669
Other Purposes	299,531	149,935	449,466	55,299
Unrestricted (Deficit)	(10,010,444)	115,901	(9,894,543)	260,356
Total Net Assets (Deficit)	\$ (5,390,623)	\$ 3,998,599	\$ (1,392,024)	\$ 1,642,416

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

**Statement of Activities**

For The Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services, Fees, Fines , and Other</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government</b>				
Governmental Activities:				
Legislative	\$ 91,037	\$ 2,303	\$ 152	\$ -
General Government	1,288,231	441,002	18,630	-
Regulation and Protection	633,466	516,530	154,860	-
Conservation and Development	424,125	82,707	79,509	-
Health and Hospitals	1,801,346	46,074	159,934	-
Transportation	1,183,961	57,964	-	335,256
Human Services	4,535,915	52,652	2,838,464	-
Education, Libraries, and Museums	3,408,288	10,042	413,659	-
Corrections	1,675,965	10,388	131,552	-
Judicial	649,666	97,006	12,817	-
Interest and Fiscal Charges	612,115	-	-	-
Total Governmental Activities	<u>16,304,115</u>	<u>1,316,668</u>	<u>3,809,577</u>	<u>335,256</u>
Business-Type Activities:				
University of Connecticut & Health Center	1,386,327	730,603	168,473	9,664
State Universities	506,993	261,043	36,885	76,352
Bradley International Airport	61,559	56,294	-	668
Connecticut Lottery Corporation	691,163	933,098	-	-
Employment Security	580,549	649,419	-	-
Clean Water	27,740	14,028	15,148	-
Other	405,423	218,538	41,509	-
Total Business-Type Activities	<u>3,659,754</u>	<u>2,863,023</u>	<u>262,015</u>	<u>86,684</u>
Total Primary Government	<u>\$ 19,963,869</u>	<u>\$ 4,179,691</u>	<u>\$ 4,071,592</u>	<u>\$ 421,940</u>
<b>Component Units</b>				
Connecticut Housing Finance Authority (12-31-04)	\$ 177,433	\$ 162,794	\$ -	\$ -
Connecticut Health and Educational Facilities Authority	5,503	4,287	-	-
Other	251,388	312,290	3,518	165,412
Total Component Units	<u>\$ 434,324</u>	<u>\$ 479,371</u>	<u>\$ 3,518</u>	<u>\$ 165,412</u>
General Revenues:				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Other				
Casino Gaming Payments				
Tobacco Settlement				
Unrestricted Investment Earnings				
Contributions to Endowments				
Special Items:				
Statutory Payment from Component Units				
Statutory Payment to State				
Transfer of State Facilities				
Other				
Transfers-Internal Activities				
Total General Revenues, Contributions, Special Items, and Transfers				
Change in Net Assets				
Net Assets (Deficit)- Beginning (as restated)				
Net Assets (Deficit)- Ending				

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

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>			
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Units</u>
\$ (88,582)	\$ -	\$ (88,582)	\$ -
(828,599)	-	(828,599)	-
37,924	-	37,924	-
(261,909)	-	(261,909)	-
(1,595,338)	-	(1,595,338)	-
(790,741)	-	(790,741)	-
(1,644,799)	-	(1,644,799)	-
(2,984,587)	-	(2,984,587)	-
(1,534,025)	-	(1,534,025)	-
(539,843)	-	(539,843)	-
(612,115)	-	(612,115)	-
(10,842,614)	-	(10,842,614)	-
-	(477,587)	(477,587)	-
-	(132,713)	(132,713)	-
-	(4,597)	(4,597)	-
-	241,935	241,935	-
-	68,870	68,870	-
-	1,436	1,436	-
-	(145,376)	(145,376)	-
-	(448,032)	(448,032)	-
(10,842,614)	(448,032)	(11,290,646)	-
-	-	-	(14,639)
-	-	-	(1,216)
-	-	-	229,832
-	-	-	213,977
4,983,163	-	4,983,163	-
538,834	-	538,834	-
3,278,902	-	3,278,902	-
1,487,321	-	1,487,321	-
482,476	-	482,476	-
69,720	-	69,720	-
417,838	-	417,838	-
118,321	-	118,321	-
69,332	93,879	163,211	46,815
-	-	-	55,653
15,000	-	15,000	-
-	-	-	(15,000)
(165,412)	-	(165,412)	-
-	-	-	22,374
(692,499)	498,499	(194,000)	-
10,602,996	592,378	11,195,374	109,842
(239,618)	144,346	(95,272)	323,819
(5,151,005)	3,854,253	(1,296,752)	1,318,597
\$ (5,390,623)	\$ 3,998,599	\$ (1,392,024)	\$ 1,642,416

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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, 2005

(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	\$ 427,118	\$ -	\$ 133,662	\$ 949,902	\$ 1,510,682
Investments	-	-	-	136,903	136,903
Securities Lending Collateral	-	-	-	16,046	16,046
Receivables:					
Taxes, Net of Allowances	892,980	-	44,614	-	937,594
Accounts, Net of Allowances	188,284	-	9,071	39,249	236,604
Loans, Net of Allowances	-	-	-	188,524	188,524
From Other Governments	499,499	-	-	220,408	719,907
Interest	-	5,541	388	-	5,929
Other	-	-	-	6,265	6,265
Due from Other Funds	20,973	562	6,798	85,525	113,858
Advances to Other Funds	4,700	-	-	-	4,700
Due from Component Units	18,558	-	-	-	18,558
Inventories	34,024	-	12,210	-	46,234
Restricted Assets	-	676,993	-	927	677,920
Other Assets	-	-	-	19	19
Total Assets	<u>\$ 2,086,136</u>	<u>\$ 683,096</u>	<u>\$ 206,743</u>	<u>\$ 1,643,768</u>	<u>\$ 4,619,743</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	\$ 279,159	\$ -	\$ 27,003	\$ 188,005	\$ 494,167
Due to Other Funds	95,606	5,541	1,114	128,639	230,900
Due to Component Units	-	-	-	13,196	13,196
Due to Other Governments	73,565	-	-	2,595	76,160
Deferred Revenue	413,417	-	5,789	67,968	487,174
Medicaid Liability	562,309	-	-	-	562,309
Liability For Escheated Property	88,401	-	-	-	88,401
Securities Lending Obligation	-	-	-	16,046	16,046
Other Liabilities	176,786	-	-	-	176,786
Total Liabilities	<u>1,689,243</u>	<u>5,541</u>	<u>33,906</u>	<u>416,449</u>	<u>2,145,139</u>
<b>Fund Balances</b>					
Reserved For:					
Petty Cash	971	-	-	-	971
Inventories	34,024	-	12,210	-	46,234
Loans	23,258	-	-	188,524	211,782
Continuing Appropriations	694,422	-	37,418	6,189	738,029
Debt Service	-	677,555	-	-	677,555
Restricted Purposes	-	-	-	328,812	328,812
Surplus Transfer to FY 06	15,851	-	-	-	15,851
Surplus Transfer to/Assets of Budget Reserve Fund	666,018	-	-	-	666,018
Unreserved Reported In:					
General Fund	(1,037,651)	-	-	-	(1,037,651)
Transportation Fund	-	-	123,209	-	123,209
Special Revenue Funds	-	-	-	535,689	535,689
Capital Project Funds	-	-	-	168,105	168,105
Total Fund Balances	<u>396,893</u>	<u>677,555</u>	<u>172,837</u>	<u>1,227,319</u>	<u>2,474,604</u>
Total Liabilities and Fund Balances	<u>\$ 2,086,136</u>	<u>\$ 683,096</u>	<u>\$ 206,743</u>	<u>\$ 1,643,768</u>	<u>\$ 4,619,743</u>

*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, 2005

(Expressed in Thousands)

Total Fund Balance - Governmental Funds \$ 2,474,604

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	2,791,957	
Equipment	1,141,958	
Infrastructure	12,004,178	
Other Capital Assets	1,059,044	
Accumulated Depreciation	<u>(7,396,277)</u>	9,600,860

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. 50,373

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. 477,526

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. (12,792)

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	(3,636,304)	
Worker's Compensation	(298,556)	
Capital Leases	(76,955)	
Compensated Absences	(409,366)	
Claims and Judgments	<u>(6,609)</u>	(4,427,790)

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	(209,560)	
Bonds Payable	(13,019,117)	
Unamortized Premiums	(502,703)	
Less: Deferred Loss on Refundings	273,634	
Accrued Interest Payable	<u>(95,658)</u>	(13,553,404)

Net Assets of Governmental Activities \$ (5,390,623)

*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, 2005

(Expressed in Thousands)

	General	Debt Service	Transportation	Other Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 10,245,910	\$ -	\$ 556,394	\$ 27,922	\$ 10,830,226
Assessments	-	-	-	17,968	17,968
Licenses, Permits and Fees	142,903	-	323,568	63,677	530,148
Tobacco Settlement	-	-	-	118,321	118,321
Federal Grants and Aid	2,625,698	-	-	1,491,309	4,117,007
Charges for Services	34,140	-	57,687	3,856	95,683
Fines, Forfeits and Rents	159,476	-	27,308	2,741	189,525
Casino Gaming Payments	417,838	-	-	-	417,838
Investment Earnings	15,199	29,932	6,428	17,783	69,342
Miscellaneous	148,102	-	4,856	317,609	470,567
Total Revenues	13,789,266	29,932	976,241	2,061,186	16,856,625
<b>Expenditures</b>					
Current:					
Legislative	83,538	-	-	2,468	86,006
General Government	822,983	-	1,044	343,449	1,167,476
Regulation and Protection	293,013	-	73,148	236,311	602,472
Conservation and Development	119,996	-	-	287,551	407,547
Health and Hospitals	1,584,186	-	-	177,375	1,761,561
Transportation	1,615	-	471,227	100,193	573,035
Human Services	4,112,023	-	-	342,069	4,454,092
Education, Libraries, and Museums	2,305,449	-	-	1,019,416	3,324,865
Corrections	1,581,512	-	-	39,761	1,621,273
Judicial	598,420	-	-	29,182	627,602
Capital Projects	-	-	-	707,023	707,023
Debt Service:					
Principal Retirement	808,318	239,535	3,455	-	1,051,308
Interest and Fiscal Charges	445,264	146,483	1,936	50,880	644,563
Total Expenditures	12,756,317	386,018	550,810	3,335,678	17,028,823
Excess (Deficiency) of Revenues Over Expenditures	1,032,949	(356,086)	425,431	(1,274,492)	(172,198)
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	-	-	-	1,278,110	1,278,110
Premiums on Bonds Issued	-	41,424	-	51,590	93,014
Transfers In	395,795	422,000	28,007	188,997	1,034,799
Transfers Out	(891,435)	(28,096)	(446,182)	(364,141)	(1,729,854)
Refunding Bonds Issued	-	447,013	-	-	447,013
Payment to Refunded Bond Escrow Agent	-	(484,379)	-	-	(484,379)
Capital Lease Obligations	27,628	-	-	-	27,628
Total Other Financing Sources (Uses)	(468,012)	397,962	(418,175)	1,154,556	666,331
Special Item:					
Statutory Payment from Component Units	15,000	-	-	-	15,000
Net Change in Fund Balances	579,937	41,876	7,256	(119,936)	509,133
Fund Balances - Beginning	(179,590)	635,679	166,438	1,347,255	1,969,782
Changes in Reserves for Inventories	(3,454)	-	(857)	-	(4,311)
Fund Balances - Ending	\$ 396,893	\$ 677,555	\$ 172,837	\$ 1,227,319	\$ 2,474,604

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, 2005

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		\$ 509,133
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	(1,278,110)	
Refunding Bonds Issued	(447,013)	
Premium on Bonds Issued	<u>(93,014)</u>	(1,818,137)
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	1,051,308	
Payments to Refunded Bond Escrow Agent (\$710 reported in debt service)	485,089	
Capital Lease Payments	<u>4,432</u>	1,540,829
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Net Assets.		(27,628)
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 and other reductions were as follows:		
Capital Outlays	620,771	
Depreciation Expense	(634,323)	
Transfer and Retirements	<u>(249,759)</u>	(263,311)
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.		(4,311)
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:		
Increase in Accrued Interest	(11,881)	
Decrease in Interest Accreted on Capital Appreciation Debt	27,781	
Amortization of Bond Premium	38,179	
Amortization of Loss on Debt Refundings	(28,192)	
Increase in Compensated Absences Liability	(43,805)	
Increase in Workers Compensation Liability	(21,875)	
Decrease in Claims and Judgments Liability	6,574	
Increase in Net Pension Obligation	<u>(195,950)</u>	(229,169)
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.		50,785
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.		(3,660)
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	9,791	
Amortization of Debt Issue Costs	<u>(3,940)</u>	5,851
Change in Net Assets of Governmental Activities		<u>\$ (239,618)</u>

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, 2005

(Expressed in Thousands)

	General Fund			Variance with Final Budget positive (negative)
	Budget			
	Original	Final	Actual	
Revenues				
Budgeted:				
Taxes, Net of Refunds	\$ 9,441,100	\$ 10,175,200	\$ 10,297,928	\$ 122,728
Operating Transfers In	396,100	386,900	386,894	(6)
Casino Gaming Payments	430,000	417,800	417,838	38
Licenses, Permits, and Fees	138,100	143,300	143,250	(50)
Other	300,800	351,100	375,168	24,068
Federal Grants	2,469,600	2,497,300	2,497,671	371
Transfer to the Resources of the General Fund	69,500	29,500	29,500	-
Refunds of Payments	(500)	(400)	(374)	26
Operating Transfers Out	(85,000)	(85,000)	(85,000)	-
Transfer out- Transportation Strategy Board	-	-	-	-
Total Revenues	13,159,700	13,915,700	14,062,875	147,175
Expenditures				
Budgeted:				
Legislative	69,820	69,820	63,220	6,600
General Government	458,390	495,886	409,139	86,747
Regulation and Protection	215,082	225,188	212,987	12,201
Conservation and Development	96,093	105,968	93,484	12,484
Health and Hospitals	1,272,186	1,303,673	1,283,011	20,662
Transportation	1,681	22,281	1,203	21,078
Human Services	3,986,701	4,063,011	3,908,030	154,981
Education, Libraries, and Museums	2,936,184	3,130,985	2,922,543	208,442
Corrections	1,205,045	1,268,907	1,239,564	29,343
Judicial	401,505	412,836	405,818	7,018
Non Functional	2,906,380	3,112,154	2,793,571	318,583
Total Expenditures	13,549,067	14,210,709	13,332,570	878,139
Appropriations Lapsed	109,850	123,900	-	(123,900)
Excess (Deficiency) of Revenues Over Expenditures	(279,517)	(171,109)	730,305	901,414
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	212,862	212,862	212,862	-
Appropriations Continued to Fiscal Year 2006	-	-	(694,422)	(694,422)
Transfer of 2004 Surplus	150,300	150,300	150,300	-
Miscellaneous Adjustments	-	(18,744)	(19,331)	(587)
Total Other Financing Sources (Uses)	363,162	344,418	(350,591)	(695,009)
Net Change in Fund Balance	\$ 83,645	\$ 173,309	379,714	\$ 206,405
Budgetary Fund Balances (deficit) - July 1			666,313	
Changes in Reserves			29,080	
Budgetary Fund Balances - June 30			\$ 1,075,107	

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

## Transportation Fund

Budget		Actual	Variance with Final Budget positive (negative)
Original	Final		
\$ 545,300	\$ 553,800	\$ 558,188	\$ 4,388
-	-	-	-
-	-	-	-
385,300	387,300	388,935	1,635
27,000	32,700	32,681	(19)
3,300	-	-	-
-	-	-	-
(2,800)	(2,800)	(2,779)	21
(8,500)	(8,500)	(8,500)	-
(5,000)	(31,000)	(28,727)	2,273
<u>944,600</u>	<u>931,500</u>	<u>939,798</u>	<u>8,298</u>
-	-	-	-
2,504	2,504	943	1,561
55,006	71,767	51,347	20,420
-	-	-	-
-	-	-	-
386,834	389,625	372,894	16,731
-	-	-	-
-	-	-	-
-	-	-	-
530,163	520,126	507,572	12,554
974,507	984,022	932,756	51,266
11,000	13,847	-	(13,847)
<u>(18,907)</u>	<u>(38,675)</u>	<u>7,042</u>	<u>45,717</u>
34,166	34,166	34,166	-
-	-	(37,418)	(37,418)
-	-	-	-
-	16	6	(10)
<u>34,166</u>	<u>34,182</u>	<u>(3,246)</u>	<u>(37,428)</u>
\$ 15,259	\$ (4,493)	3,796	\$ 8,289
		163,439	
		3,250	
		<u>\$ 170,485</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, 2005

(Expressed in Thousands)

	<b>Business-Type Activities</b>			
	<b>Enterprise Funds</b>			
	<b>University of Connecticut &amp; Health Center</b>	<b>State Universities</b>	<b>Bradley International Airport</b>	<b>Connecticut Lottery Corporation</b>
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 273,369	\$ 79,345	\$ 31,614	\$ 26,767
Deposits with U.S. Treasury	-	-	-	-
Investments	5,109	111,117	-	45,408
Receivables:				
Accounts, Net of Allowances	112,187	102,020	5,784	45,314
Loans, Net of Allowances	2,347	2,520	-	-
Interest	-	-	-	12,473
From Other Governments	-	2,411	955	-
Due from Other Funds	51,663	48,150	-	-
Inventories	7,398	-	-	-
Restricted Assets	-	-	13,018	-
Other Current Assets	5,087	1,492	593	2,332
Total Current Assets	457,160	347,055	51,964	132,294
Noncurrent Assets:				
Cash and Cash Equivalents	1,444	99,483	-	-
Investments	-	-	-	288,894
Receivables:				
Accounts, Net of Allowances	-	-	-	-
Loans, Net of Allowances	9,217	8,562	-	-
Restricted Assets	26,402	-	112,386	-
Capital Assets, Net of Accumulated Depreciation	1,719,693	724,761	308,536	2,242
Other Noncurrent Assets	10,231	6,801	6,488	4,837
Total Noncurrent Assets	1,766,987	839,607	427,410	295,973
Total Assets	2,224,147	1,186,662	479,374	428,267
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	117,315	53,146	12,156	29,307
Due to Other Funds	13,341	2,020	1,514	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	57,041	17,906	10,140	48,108
Deferred Revenue	32,256	112,658	1,126	588
Other Current Liabilities	53,165	-	-	58,139
Total Current Liabilities	273,118	185,730	24,936	136,142
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	332,820	391,772	226,057	288,894
Total Noncurrent Liabilities	332,820	391,772	226,057	288,894
Total Liabilities	605,938	577,502	250,993	425,036
<b>Net Assets (Deficit)</b>				
Invested in Capital Assets, Net of Related Debt	1,405,002	532,575	107,436	2,242
Restricted For:				
Debt Service	11,401	-	28,164	-
Unemployment Compensation	-	-	-	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	31,490	-	55,005	-
Nonexpendable Purposes	12,591	610	-	-
Other Purposes	19,897	38,578	3,488	3,231
Unrestricted	137,828	37,397	34,288	(2,242)
Total Net Assets	\$ 1,618,209	\$ 609,160	\$ 228,381	\$ 3,231

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

<u>Business-Type Activities</u>				<u>Governmental</u>
<u>Enterprise Funds</u>				<u>Activities</u>
<u>Employment Security</u>	<u>Clean Water</u>	<u>Other Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ -	\$ 4,360	\$ 83,137	\$ 498,592	\$ 19,512
572,789	-	-	572,789	-
-	-	-	161,634	-
153,810	-	30,729	449,844	1,363
-	141,501	2,729	149,097	-
-	6,806	334	19,613	-
5,701	421	1,238	10,726	-
874	-	93,655	194,342	12,914
-	-	1,151	8,549	3,759
-	-	-	13,018	-
-	39	1,316	10,859	533
<u>733,174</u>	<u>153,127</u>	<u>214,289</u>	<u>2,089,063</u>	<u>38,081</u>
-	76,075	20,548	197,550	-
-	46,221	13,000	348,115	-
-	-	3,020	3,020	-
-	474,513	47,227	539,519	-
-	295,788	60,674	495,250	-
-	-	319,397	3,074,629	39,459
-	34,855	2,897	66,109	1,573
-	927,452	466,763	4,724,192	41,032
<u>733,174</u>	<u>1,080,579</u>	<u>681,052</u>	<u>6,813,255</u>	<u>79,113</u>
-	5,854	51,629	269,407	33,222
6,430	-	-	23,305	39,071
94	-	-	94	-
-	34,386	29,975	197,556	802
-	-	3,040	149,668	4,294
-	2,127	191	113,622	-
<u>6,524</u>	<u>42,367</u>	<u>84,835</u>	<u>753,652</u>	<u>77,389</u>
-	507,169	314,292	2,061,004	14,517
-	507,169	314,292	2,061,004	14,517
<u>6,524</u>	<u>549,536</u>	<u>399,127</u>	<u>2,814,656</u>	<u>91,906</u>
-	-	266,884	2,314,139	39,103
-	-	26,901	66,466	-
726,650	-	-	726,650	-
-	478,813	46,999	525,812	-
-	-	-	86,495	-
-	-	-	13,201	-
-	-	84,741	149,935	-
-	52,230	(143,600)	115,901	(51,896)
<u>\$ 726,650</u>	<u>\$ 531,043</u>	<u>\$ 281,925</u>	<u>\$ 3,998,599</u>	<u>\$ (12,793)</u>

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

For The Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
<b>Operating Revenues</b>				
Charges for Sales and Services	\$ 643,468	\$ 236,726	\$ 41,618	\$ 932,934
Assessments	-	-	-	-
Federal Grants and Contracts	156,465	25,698	-	-
State Grants and Contracts	16,879	9,032	-	-
Private Gifts and Grants	30,494	2,155	-	-
Interest on Loans	-	-	-	-
Other	51,770	21,164	-	158
Total Operating Revenues	899,076	294,775	41,618	933,092
<b>Operating Expenses</b>				
Salaries, Wages and Administrative	1,165,211	443,649	31,246	86,508
Lottery Prize Awards	-	-	-	573,000
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	105,058	42,053	17,553	597
Other	85,854	21,291	1,403	5,157
Total Operating Expenses	1,356,123	506,993	50,202	665,262
Operating Income (Loss)	(457,047)	(212,218)	(8,584)	267,830
<b>Nonoperating Revenue (Expenses)</b>				
Interest and Investment Income	6,912	6,057	4,324	26,608
Interest and Fiscal Charges	(11,158)	-	(11,357)	(25,901)
Other	(19,046)	3,153	14,676	6
Total Nonoperating Revenues (Expenses)	(23,292)	9,210	7,643	713
Income (Loss) Before Capital Contributions, Grants, and Transfers	(480,339)	(203,008)	(941)	268,543
Capital Contributions	9,664	76,352	668	-
Federal Capitalization Grants	-	-	-	-
Transfers In	502,209	225,195	8,877	-
Transfers Out	-	-	-	(268,515)
Change in Net Assets	31,534	98,539	8,604	28
Total Net Assets - Beginning (as restated)	1,586,675	510,621	219,777	3,203
Total Net Assets - Ending	\$ 1,618,209	\$ 609,160	\$ 228,381	\$ 3,231

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



<u>Business-Type Activities</u>				<u>Governmental</u>
<u>Enterprise Funds</u>				<u>Activities</u>
<u>Employment</u> <u>Security</u>	<u>Clean</u> <u>Water</u>	<u>Other</u> <u>Funds</u>	<u>Totals</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
\$ -	\$ -	\$ 117,342	\$ 1,972,088	\$ 80,264
636,125	-	93,570	729,695	-
6,235	-	29,520	217,918	-
5,453	-	8,462	39,826	-
-	-	1,045	33,694	-
-	12,243	1,423	13,666	-
1,606	-	6,203	80,901	931
<u>649,419</u>	<u>12,243</u>	<u>257,565</u>	<u>3,087,788</u>	<u>81,195</u>
-	755	313,496	2,040,865	65,338
-	-	-	573,000	-
580,549	-	-	580,549	-
-	-	34,713	34,713	-
-	-	14,889	180,150	19,520
-	-	15,273	128,978	-
<u>580,549</u>	<u>755</u>	<u>378,371</u>	<u>3,538,255</u>	<u>84,858</u>
<u>68,870</u>	<u>11,488</u>	<u>(120,806)</u>	<u>(450,467)</u>	<u>(3,663)</u>
26,511	18,263	5,204	93,879	86
-	(26,985)	(15,530)	(90,931)	(83)
-	1,785	(11,522)	(10,948)	-
<u>26,511</u>	<u>(6,937)</u>	<u>(21,848)</u>	<u>(8,000)</u>	<u>3</u>
<u>95,381</u>	<u>4,551</u>	<u>(142,654)</u>	<u>(458,467)</u>	<u>(3,660)</u>
-	-	-	86,684	-
-	15,148	2,482	17,630	-
-	5,715	233,595	975,591	-
<u>(4,633)</u>	<u>(325)</u>	<u>(203,619)</u>	<u>(477,092)</u>	<u>-</u>
90,748	25,089	(110,196)	144,346	(3,660)
635,902	505,954	392,121	3,854,253	(9,133)
<u>\$ 726,650</u>	<u>\$ 531,043</u>	<u>\$ 281,925</u>	<u>\$ 3,998,599</u>	<u>\$ (12,793)</u>

## Statement of Cash Flows

## Proprietary Funds

For the Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	\$ 642,364	\$ 262,437	\$ 40,819	\$ 932,820
Payments to Suppliers	(364,019)	(8,622)	(18,852)	(20,177)
Payments to Employees	(809,979)	(305,191)	(12,386)	(11,190)
Other Receipts (Payments)	243,788	(112,299)	-	(630,086)
Net Cash Provided by (Used in) Operating Activities	(287,846)	(163,675)	9,581	271,367
<b>Cash Flows from Noncapital Financing Activities</b>				
Proceeds from Sale of Bonds	-	-	-	-
Retirement of Bonds and Annuities Payable	-	-	-	(50,544)
Interest on Bonds and Annuities Payable	-	-	-	(27,691)
Transfers In	342,694	196,521	8,877	-
Transfers Out	-	-	-	(268,515)
Other Receipts (Payments)	10,575	3,327	-	-
Net Cash Flows from Noncapital Financing Activities	353,269	199,848	8,877	(346,750)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Additions to Property, Plant and Equipment	(163,361)	(97,761)	(13,958)	(357)
Proceeds from Capital Debt	112,025	178,025	-	-
Principal Paid on Capital Debt	(57,666)	(63,673)	(8,780)	-
Interest Paid on Capital Debt	(43,632)	-	(12,267)	-
Transfer In	100,949	-	-	-
Federal Grant	-	-	-	-
Capital Contributions	-	16,764	875	-
Other Receipts (Payments)	(2,815)	(1,050)	(23,620)	-
Net Cash Flows from Capital and Related Financing Activities	(54,500)	32,305	(57,750)	(357)
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sales and Maturities of Investments	-	-	1,085	50,308
Purchase of Investment Securities	(594)	(65,132)	-	-
Interest on Investments	6,220	5,609	4,130	28,397
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	(4,355)	-	-	-
Net Cash Flows from Investing Activities	1,271	(59,523)	5,215	78,705
Net Increase (Decrease) in Cash and Cash Equivalents	12,194	8,955	(34,077)	2,965
Cash and Cash Equivalents -Beginning of Year	274,462	169,873	143,246	23,802
Cash and Cash Equivalents -End of Year	\$ 286,656	\$ 178,828	\$ 109,169	\$ 26,767
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Operating Income (Loss)	\$ (457,047)	\$ (212,218)	\$ (8,584)	\$ 267,830
Adjustments not Affecting Cash:				
Depreciation and Amortization	105,058	42,053	17,553	597
Other	72,204	737	-	42
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(13,501)	(6,380)	(799)	(35,554)
(Increase) Decrease in Due from Other Funds	(1,017)	-	-	-
(Increase) Decrease in Inventories and Other Assets	(2,790)	(74)	-	(354)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	6,244	12,207	1,411	38,806
Increase (Decrease) in Due to Other Funds	3,003	-	-	-
Total Adjustments	169,201	48,543	18,165	3,537
Net Cash Provided by (Used In) Operating Activities	\$ (287,846)	\$ (163,675)	\$ 9,581	\$ 271,367
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>				
Cash and Cash Equivalents - Current	\$ 273,369	\$ 79,345	\$ 31,614	
Cash and Cash Equivalents - Noncurrent	1,444	99,483	-	
Cash and Cash Equivalents - Restricted	11,843	-	77,555	
	\$ 286,656	\$ 178,828	\$ 109,169	

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

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other	Totals	Internal Service Funds
\$ 630,245	\$ 51,436	\$ 205,702	\$ 2,765,823	\$ 78,428
-	-	(55,339)	(467,009)	(34,471)
-	(659)	(249,380)	(1,388,785)	(34,764)
(652,123)	(39,782)	17,802	(1,172,700)	6,601
(21,878)	10,995	(81,215)	(262,671)	15,794
-	-	205,345	205,345	-
-	(38,207)	(68,373)	(157,124)	-
-	(23,743)	(23,063)	(74,497)	-
-	5,389	187,815	741,296	-
(4,633)	-	(202,933)	(476,081)	-
-	(462)	(10,238)	3,202	-
(4,633)	(57,023)	88,553	242,141	-
-	-	(5,550)	(280,987)	(15,031)
-	-	-	290,050	-
-	-	-	(130,119)	-
-	-	(3,518)	(59,417)	-
-	-	40,563	141,512	-
-	15,137	1,694	16,831	-
-	-	-	17,639	-
-	-	(6,719)	(34,204)	(83)
-	15,137	26,470	(38,695)	(15,114)
-	-	-	51,393	-
-	-	(25,812)	(91,538)	-
26,511	18,648	4,855	94,370	86
-	-	(3,308)	(3,308)	-
-	13,637	(174)	9,108	-
26,511	32,285	(24,439)	60,025	86
-	1,394	9,369	800	766
-	2,966	73,768	688,117	18,746
\$ -	\$ 4,360	\$ 83,137	\$ 688,917	\$ 19,512
\$ 68,870	\$ 11,488	\$ (120,806)	\$ (450,467)	\$ (3,663)
-	-	14,889	180,150	19,520
-	-	(30)	72,953	-
2,407	(493)	(595)	(54,915)	7,426
600	-	-	(417)	(7,181)
(95,592)	-	22,914	(75,896)	1,346
-	-	2,413	61,081	(1,654)
1,837	-	-	4,840	-
(90,748)	(493)	39,591	187,796	19,457
(21,878)	10,995	(81,215)	(262,671)	15,794

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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 124

Agency Funds, page 130

## Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2005

(Expressed in Thousands)

	Pension & Other Employee Benefit <u>Trust Funds</u>	Investment <u>Trust Fund</u> External <u>Investment Pool</u>	Private- Purpose <u>Trust Fund</u> Escheat <u>Securities</u>	Agency <u>Funds</u>	<u>Total</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 13,668	\$ -	\$ -	\$ 173,885	\$ 187,553
Receivables:					
Accounts, Net of Allowances	14,827	-	-	3,544	18,371
From Other Governments	1,082	-	-	-	1,082
From Other Funds	1,715	-	-	5,104	6,819
Interest	1,030	837	-	215	2,082
Investments	21,206,864	732,496	-	-	21,939,360
Inventories	-	-	-	915	915
Securities Lending Collateral	2,547,012	-	-	-	2,547,012
Other Assets	5,460	9	43,684	555,263	604,416
Total Assets	<u>23,791,658</u>	<u>733,342</u>	<u>43,684</u>	<u>\$ 738,926</u>	<u>25,307,610</u>
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	-	1,784	-	\$ 331	2,115
Securities Lending Obligation	2,547,012	-	-	-	2,547,012
Due to Other Funds	34,657	-	-	-	34,657
Other Liabilities	-	4	-	2,883	2,887
Funds Held for Others	-	-	-	735,712	735,712
Total Liabilities	<u>2,581,669</u>	<u>1,788</u>	<u>-</u>	<u>\$ 738,926</u>	<u>3,322,383</u>
<b>Net Assets</b>					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	21,171,955	-	-		21,171,955
Other Employee Benefits	38,034	-	-		38,034
Individuals, Organizations, and Other Governments	-	731,554	43,684		775,238
Total Net Assets	<u>\$ 21,209,989</u>	<u>\$ 731,554</u>	<u>\$ 43,684</u>		<u>\$ 21,985,227</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, 2005

(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	\$ 337,297	\$ -	\$ -	\$ 337,297
State	729,206	-	-	729,206
Municipalities	25,365	-	-	25,365
Total Contributions	1,091,868	-	-	1,091,868
Investment Income	2,161,144	26,001	-	2,187,145
Less: Investment Expense	(114,427)	(292)	-	(114,719)
Net Investment Income	2,046,717	25,709	-	2,072,426
Escheat Securities Received	-	-	31,057	31,057
Transfers In	2,556	-	-	2,556
Other	175	-	69	244
Total Additions	3,141,316	25,709	31,126	3,198,151
<b>Deductions</b>				
Administrative Expense	2,068	-	-	2,068
Benefit Payments and Refunds	2,007,279	-	-	2,007,279
Escheat Securities Returned or Sold	-	-	91,714	91,714
Pool's Share Transactions	-	59,949	-	59,949
Distributions to Pool Participants	-	25,709	-	25,709
Other	5,419	-	-	5,419
Total Deductions	2,014,766	85,658	91,714	2,192,138
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	1,126,550	-	-	1,126,550
Individuals, Organizations, and Other Governments	-	(59,949)	(60,588)	(120,537)
Net Assets - Beginning	20,083,439	791,503	104,272	20,979,214
Net Assets - Ending	\$ 21,209,989	\$ 731,554	\$ 43,684	\$ 21,985,227

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, 2005

(Expressed in Thousands)

<b>Assets</b>	<b>Connecticut Housing Finance Authority (12-31-04)</b>	<b>Connecticut Health and Educational Facilities Authority</b>	<b>Other Component Units</b>	<b>Total</b>
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 21,135	\$ 113,071	\$ 134,206
Investments	-	103	298,833	298,936
Receivables:				
Accounts, Net of Allowances	-	337	31,581	31,918
Loans, Net of Allowances	-	-	29,602	29,602
Other	-	-	1,192	1,192
Due from Primary Government	-	-	13,196	13,196
Restricted Assets	500,269	183,305	68,718	752,292
Inventories	-	-	3,849	3,849
Other Current Assets	-	123	2,499	2,622
<b>Total Current Assets</b>	<b>500,269</b>	<b>205,003</b>	<b>562,541</b>	<b>1,267,813</b>
<b>Noncurrent Assets:</b>				
Investments	-	-	62,530	62,530
Accounts, Net of Allowances	-	-	15,574	15,574
Loans, Net of Allowances	-	-	120,696	120,696
Restricted Assets	3,505,969	-	132,957	3,638,926
Capital Assets, Net of Accumulated Depreciation	3,410	198	428,623	432,231
Other Noncurrent Assets	-	2,247	15,855	18,102
<b>Total Noncurrent Assets</b>	<b>3,509,379</b>	<b>2,445</b>	<b>776,235</b>	<b>4,288,059</b>
<b>Total Assets</b>	<b>4,009,648</b>	<b>207,448</b>	<b>1,338,776</b>	<b>5,555,872</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	21,942	2,387	36,875	61,204
Current Portion of Long-Term Obligations	126,941	-	16,523	143,464
Amount Held for Institutions	-	183,287	-	183,287
Due to Primary Government	-	-	2,619	2,619
Other Liabilities	22,297	-	5,425	27,722
<b>Total Current Liabilities</b>	<b>171,180</b>	<b>185,674</b>	<b>61,442</b>	<b>418,296</b>
<b>Noncurrent Liabilities:</b>				
Noncurrent Portion of Long-Term Obligations	3,122,495	2,247	370,418	3,495,160
<b>Total Noncurrent Liabilities</b>	<b>3,122,495</b>	<b>2,247</b>	<b>370,418</b>	<b>3,495,160</b>
<b>Total Liabilities</b>	<b>3,293,675</b>	<b>187,921</b>	<b>431,860</b>	<b>3,913,456</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	3,410	198	276,475	280,083
Restricted:				
Debt Service	-	-	34,332	34,332
Bond Indentures	712,563	-	-	712,563
Expendable Endowments	-	-	93,114	93,114
Nonexpendable Endowments	-	-	206,669	206,669
Other Purposes	-	-	55,299	55,299
Unrestricted	-	19,329	241,027	260,356
<b>Total Net Assets</b>	<b>\$ 715,973</b>	<b>\$ 19,527</b>	<b>\$ 906,916</b>	<b>\$ 1,642,416</b>

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

# Statement of Activities

## Component Units

For The Fiscal Year Ended June 30, 2005

(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 (12/31/04)	\$ 177,433	\$ 162,794	\$ -      \$ -
Connecticut Health and Educational Facilities Authority	5,503	4,287	-      -
Other Component Units	251,388	312,290	3,518      165,412
Total Component Units	<u>\$ 434,324</u>	<u>\$ 479,371</u>	<u>\$ 3,518</u> <u>\$ 165,412</u>

General Revenues:

Investment Income (Loss)

Contributions to Endowments

Special Items:

Statutory Payment to State

Other

Total General Revenues,

Contributions, and Special Item

Change in Net Assets

Net Assets - Beginning

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 (12-31-04)</b>	<b>Connecticut Health &amp; Educational Facilities Authority</b>	<b>Other Component Units</b>	<b>Totals</b>
\$ (14,639)	\$ -	\$ -	\$ (14,639)
-	(1,216)	-	(1,216)
-	-	229,832	229,832
<u>(14,639)</u>	<u>(1,216)</u>	<u>229,832</u>	<u>213,977</u>
43,165	454	3,196	46,815
-	-	55,653	55,653
-	-	(15,000)	(15,000)
-	-	22,374	22,374
<u>43,165</u>	<u>454</u>	<u>66,223</u>	<u>109,842</u>
28,526	(762)	296,055	323,819
687,447	20,289	610,861	1,318,597
<u>\$ 715,973</u>	<u>\$ 19,527</u>	<u>\$ 906,916</u>	<u>\$ 1,642,416</u>

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# Notes to the Financial Statements

June 30, 2005

## 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, 2004.

#### 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 fuel taxes, vehicle registration and driver license fees, and other revenue 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 & 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 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 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 unrestricted resources first, then restricted 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 2005 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)	\$ 379,714	\$ 3,796
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	(131,749)	(5,763)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(60,332)	(3,950)
Salaries and Fringe Benefits Payable	61,044	3,403
Increase in Continuing Appropriations	481,560	3,251
Transfer of 2044 Surplus	(150,300)	-
Fund Reclassification-Bus Operations	-	6,519
Net change in fund balances (GAAP basis)	\$ 579,937	\$ 7,256

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 fund/net assets balances at June 30, 2005, none of which constitutes a violation of statutory provisions (amounts in thousands).

<b>Special Revenue Fund</b>		
Consumer Counsel and Public Utility Control	\$	83
<b>Enterprise</b>		
Bradley Parking Garage	\$	6,673
Rate Reduction Bond Operations	\$	178,503
<b>Internal Service</b>		
Administrative Services	\$	33,777

**Note 4 Cash Deposits and Investments**

In 2005 the State implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". According to the Statement, the State needs to make certain disclosures about deposit and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed in this note:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.  
 Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.  
 Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment in a single issuer.  
 Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the State's deposits may not be recovered.

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

**Foreign Currency Risk** - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

### **Primary Government**

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 and seven Combined Investment Funds, including one international investment fund.

### **Short-Term Investment Fund (STIF)**

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.

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.

As of June 30, 2005, STIF had the following investments (amounts in thousands):

#### **Short-Term Investment Fund**

<b>Investment Type</b>	<b>Amortized Cost</b>
Commercial Paper	\$ 450,000
Asset Backed Commercial Paper:	
Multi-Seller	138,926
Secured Liquidity Notes	1,475,438
Securities Backed	623,263
Floating Rate Bonds	147,874
Repurchase Agreements	283,915
<b>Total Investments</b>	<b>\$ 3,119,416</b>

### **Interest Rate Risk**

The STIF's policy for managing interest rate risk is to limit investment to a very short weighted average maturity, not to exceed 90 days, and to comply with Standard and Poor's requirement that the weighted average maturity not to exceed

60 days. As of June 30, 2005, the weighted average maturity of the STIF was 32 days. Additionally, STIF is allowed by policy to invest in floating-rate securities, and limit total exposure to 20 percent. For purposes of the weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2005, the amount of STIF's investments in variable-rate securities was \$147.9 million.

### **Credit Risk**

The STIF's policy for managing credit risk is to invest in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations. As of June 30, 2005, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

#### **Short-Term Investment Fund**

<b>Investment Type</b>	<b>Amortized Cost</b>	<b>Quality Ratings</b>		
		<b>AAA</b>	<b>AA</b>	<b>A-1+</b>
Commercial Paper	\$ 450,000	\$ -	\$ -	\$ 450,000
Asset Backed Commercial Paper:				
Multi-Seller	138,926	-	-	138,926
Secured Liquidity Notes	1,475,438	-	-	1,475,438
Securities Backed	623,263	-	-	623,263
Floating Rate Bonds	147,874	86,909	60,965	-
Repurchase Agreements	283,915	283,915	-	-
<b>Total</b>	<b>\$ 3,119,416</b>	<b>\$ 370,824</b>	<b>\$ 60,965</b>	<b>\$ 2,687,627</b>

### **Concentration of Credit Risk**

STIF reduces its exposure to this risk by requiring that not more than 10% of its portfolio be invested in securities of a single bank or corporation. Policy limits are also set for industry concentration, floating rate investment concentration and sector concentration. As of June 30, 2005, STIF's investments in any one single issuer that represents more than 5% of total investments were as follows (amounts in thousands):

<b>Investment Issuer</b>	<b>Amortized Cost</b>
Albis Capital Corporation	\$ 266,830
ASAP Funding	\$ 259,905
Freedom Park	\$ 267,336
GE Capital Corporation	\$ 411,910

### **Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):**

The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whole long-term debt is rated at least A and its issuer rating is at least "C". As of June 30, 2005, \$1,199,700 of the bank balance of STIF's deposits of \$1,200,000 was exposed to custodial credit risk as follows

Uninsured and uncollateralized	\$ 1,079,700
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	120,000
<b>Total</b>	<b>\$ 1,199,700</b>

**Combined Investment Funds (CIFS)**

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 a broad range of fixed income and equity securities, as well as real estate properties, mortgages, and private equity. CIFS' investments are reported at fair value in each fund's statement of net assets.

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. As of June 30, 2005, the amount of equity in the CIFS reported as investments in the financial statements was as follows (amounts in thousands):

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Fiduciary Funds</b>
Equity in CIFS	\$ 91,679	\$ 608	\$21,206,864
Other Investments	45,224	161,026	732,496
Total Investments-Current	<u>\$ 136,903</u>	<u>\$ 161,634</u>	<u>\$21,939,360</u>

As of June 30, 2005, the CIFS had the following investments and maturities (amounts in thousands):

**Combined Investment Funds**

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
Cash Equivalents	\$ 708,309	\$ 654,141	\$ 54,168	\$ -	\$ -
Asset Backed Securities	550,401	-	397,158	152,552	691
Government Securities	1,694,411	104,220	712,476	379,632	498,083
Government Agency Securities	1,391,637	-	54,004	79,916	1,257,717
Mortgage Backed Securities	683,404	-	14,400	58,216	610,788
Corporate Debt	2,227,231	135,452	821,914	791,801	478,064
Convertible Securities	33,214	2,341	12,559	16,301	2,013
Mutual Fund	223,364	-	-	65,540	157,824
Total Debt Investments	<u>7,511,971</u>	<u>\$ 896,154</u>	<u>\$ 2,066,679</u>	<u>\$1,543,958</u>	<u>\$3,005,180</u>
Common Stock	12,080,219				
Preferred stock	77,336				
Real Estate Investment Trust	117,112				
Mutual Fund	104,007				
Limited liability Corporation	16,964				
Trusts	52,613				
Limited Partnerships	1,612,794				
Annuities	249				
Total Investments	<u>\$ 21,573,265</u>				

**Interest Rate Risk**

CIFS' investment managers are given full discretion to manage their portion of CIFS' assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Lehman Brother Aggregate-an intermediate duration index.

**Credit Risk**

As of June 30, 2005, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

**Combined Investment Funds**

<b>Quality Ratings</b>	<b>Fair Value</b>	<b>Cash Equivalents</b>	<b>Asset Backed Securities</b>	<b>Government Securities</b>	<b>Government Agency Securities</b>	<b>Mortgage Baked Securities</b>	<b>Corporate Debt</b>	<b>Convertible Debt</b>	<b>Mutual Fund</b>
Aaa	\$4,088,153	\$ 7,997	\$ 540,415	\$ 1,529,447	\$ 1,345,159	\$ 466,323	\$ 195,306	\$ 3,506	\$ -
Aa	553,095	50,000	-	23,814	-	4,256	474,888	137	-
A	304,992	-	-	15,538	-	2,168	286,747	539	-
Baa	509,602	-	8,471	54,069	-	14,911	432,085	66	-
Ba	291,113	-	-	12,306	-	16,773	261,971	63	-
B	419,175	-	-	32,847	-	2,123	384,205	-	-
Caa	27,241	-	-	-	-	6,600	9,199	11,442	-
Ca	78,798	-	-	-	-	84	78,714	-	-
C	122	-	-	-	-	122	-	-	-
Prime-1	174,626	174,626	-	-	-	-	-	-	-
Not Rated	1,065,054	475,686	1,515	26,390	46,478	170,044	104,116	17,461	223,364
Total	<u>\$7,511,971</u>	<u>\$ 708,309</u>	<u>\$ 550,401</u>	<u>\$ 1,694,411</u>	<u>\$ 1,391,637</u>	<u>\$ 683,404</u>	<u>\$2,227,231</u>	<u>\$ 33,214</u>	<u>\$ 223,364</u>

**Foreign Currency Risk**

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50% for the developed market portion of the International Stock Fund (a Combined Investment Fund). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed to invest in non-U.S. denominated securities, managers are required to limit that investment to a portion of their respective portfolios. As of June 30, 2005, CIFS' foreign deposits and investments were as follows (amounts in thousands):

**Combined Investment Funds**

Foreign Currency	Total	Cash	Fixed Income Securities			Equities		
			Government Securities	Corporate Debt	Convertible Securities	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	\$ 222	\$ 17	\$ -	\$ -	\$ -	\$ 205	\$ -	\$ -
Australian Dollar	133,950	1,558	-	-	-	132,392	-	-
Brazilian Real	49,242	58	-	3,929	-	8,641	36,614	-
Canadian Dollar	24,627	27	-	989	-	23,611	-	-
Chilean Peso	653	19	-	-	-	398	236	-
Czech Koruna	470	-	-	-	-	470	-	-
Danish Krone	35,872	381	-	-	-	35,491	-	-
Egyptian Pound	1,737	-	-	-	-	1,737	-	-
Euro Currency	1,195,787	4,401	5,045	2,958	63	1,171,926	11,394	-
Hong Kong Dollar	123,837	166	-	-	-	123,671	-	-
Hungarian Forint	369	-	-	-	-	369	-	-
Indonesian Rupiah	12,110	1,074	-	-	-	11,036	-	-
Israeli Shekel	6,795	-	-	-	-	6,795	-	-
Japanese Yen	821,920	5,330	-	11,027	920	804,643	-	-
Malaysian Ringgit	28,034	13	-	-	-	28,021	-	-
Mexican Peso	37,768	29	16,150	3,134	-	18,455	-	-
New Taiwan Dollar	63,459	1,348	-	-	-	62,111	-	-
New Turkish Dollar	16,690	-	-	-	-	16,690	-	-
New Zealand Dollar	25,619	2,400	3,019	4,885	-	15,315	-	-
Norwegian Krone	32,968	(150)	-	-	-	33,118	-	-
Pakistan Rupee	624	19	-	-	-	605	-	-
Philippine Peso	4,195	-	-	-	-	4,195	-	-
Polish Zloty	6,524	-	-	-	-	6,524	-	-
Pound Sterling	764,487	1,231	-	10,416	-	752,840	-	-
Singapore Dollar	56,963	388	7,481	7,126	-	41,886	-	82
South African Rand	64,286	84	-	5	-	64,197	-	-
South Korean Won	238,807	348	-	-	-	212,741	25,718	-
Swedish Krona	65,295	390	-	-	-	64,905	-	-
Swiss Franc	215,154	321	-	-	-	214,833	-	-
Thailand Baht	27,983	12	-	10,555	-	17,416	-	-
<b>Total</b>	<b>\$ 4,056,447</b>	<b>\$ 19,464</b>	<b>\$ 31,695</b>	<b>\$ 55,024</b>	<b>\$ 983</b>	<b>\$ 3,875,237</b>	<b>\$ 73,962</b>	<b>\$ 82</b>

**Custodial Credit Risk-Bank Deposits**

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Cash Reserve Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2005, the CIFS had deposits with a bank balance of \$21.8 million which was uninsured and uncollateralized.

Complete financial information about the STIF and the CIFS can be obtained from financial statements issued by the Office of the State Treasurer.

**Other Investments**

As of June 30, 2005, the State had other investments and maturities as follows (amounts in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Repurchase Agreements	\$ 71,252	\$ 71,252	\$ -	\$ -	\$ -
State/Municipal Bonds	75,601	152	1,839	19,362	54,248
U.S. Government Sec.	104,980	87,851	694	135	16,300
U.S. Agency Sec.	360,469	27,996	-	332,473	-
Guaranteed Investment Contracts	450,544	-	49,660	206,949	193,935
Tax Exempt Proceeds Fund	38,141	38,141	-	-	-
Money Market Funds	9,439	9,439	-	-	-
Mortgage-Backed Securities	6,648	-	-	3,521	3,127
Mutual Funds	2,489	2,489	-	-	-
Corporate Bonds	7	2	5	-	-
<b>Total Debt Investments</b>	<b>1,119,570</b>	<b>\$ 237,322</b>	<b>\$ 52,198</b>	<b>\$ 562,440</b>	<b>\$ 267,610</b>
Annuity Contracts	334,302	-	-	-	-
Endowment Pool	11,081	-	-	-	-
<b>Total Investments</b>	<b>\$1,464,953</b>	-	-	-	-

**Credit Risk**

As of June 30, 2005, other investments were rated by rating agencies as follows (amounts in thousands):

Investment Type	Other Investments				
	Fair Value	Quality Ratings			
		AAA	AA/Aa	A	Unrated
Repurchase Agreements	\$ 71,252	\$ 66,898	\$ -	\$ 4,354	\$ -
State/Municipal Bonds	75,601	1,839	73,610	-	152
U.S. Agency Sec.	360,469	332,473	-	27,996	-
Guaranteed Investment Contracts	450,544	372,958	77,586	-	-
Tax Exempt Proceeds Fund	38,141	-	-	-	38,141
Money Market Funds	9,439	-	-	-	9,439
Mortgage-Backed Securities	6,648	6,648	-	-	-
Mutual Funds	2,489	2,489	-	-	-
Corporate Bonds	7	-	-	-	7
<b>Total</b>	<b>\$ 1,014,590</b>	<b>\$ 783,305</b>	<b>\$ 151,196</b>	<b>\$ 32,350</b>	<b>\$ 47,739</b>

**Component Units**

As of June 30, 2005, the major component units had the following investments and maturities (amounts in thousands):

**Major Component Units**

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	\$ 4,239	\$ -	\$ -	\$ -	\$ 4,239
Corporate Finance Bonds	8,316	-	2,357	5,959	-
Corporate Notes	8,480	-	7,046	-	1,434
Federated Funds	9,881	9,881	-	-	-
Fidelity Tax Exempt Fund	8,416	8,416	-	-	-
GNMA Program Assets	676,755	-	-	-	676,755
Guaranteed Investment Contracts	401,618	40,306	359,948	1,364	-
Investment Agreements	1,770	-	-	1,770	-
Mortgage Backed Securities	7,385	-	188	2,416	4,781
Repurchase Agreements	10,436	-	-	-	10,436
U.S. Government Securities	765	-	-	-	765
Structured Securities	468	-	-	-	468
Money Market Funds	117,394	117,394	-	-	-
<b>Total</b>	<b>\$ 1,255,923</b>	<b>\$ 175,997</b>	<b>\$ 369,539</b>	<b>\$ 11,509</b>	<b>\$ 698,878</b>

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Health and Education Facilities Authority (CHEFA) own 87.4% and 12.6% of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association.

**Interest Rate Risk**

**CHFA**

Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity.

**CHEFA**

The Authority manages its exposure to this risk by designing its portfolio of unrestricted investments with the objective of regularly exceeding the average return of 90 day U.S. Treasury Bills. This is considered to be a benchmark for riskless investment transactions and therefore represents a minimum standard for the portfolio's rate of return. The Authority's

**Custodial Credit Risk-Bank Deposits (amounts in thousands):**

The State maintains its deposits at qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to 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. 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. As of June 30, 2005, \$33,453 of the bank balance of the Primary Government of \$35,110 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 29,715
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	3,838
<b>Total</b>	<b>\$ 33,553</b>

policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures, with the above policy and with applicable Connecticut State Law.

**Credit Risk**

**CHFA**

The Authority's investments are limited by state statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the CIFS, and other obligations which are legal investments for savings banks in the state. Repurchase agreements, investment agreements, and the Federated Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities and Collateralized Mortgage Obligations are fully collateralized by the Federal National Mortgage Association or the United States Department of Housing and Urban Development mortgage pools.



**CHEFA**

The Authority has an investment policy that would further limit its investment choices beyond those limited by state statutes for both unrestricted and restricted investments. For example, investments that may be purchased by the Authority with the written approval of an officer, provided that the investment has a maturity of one year or less, are obligations issued or guaranteed by the U.S. Government, the state's Short-Term Investment Fund (STIF), etc.

As of June 30, 2005, major component units' investments were rated by Standard and Poor's as follows (amounts in thousands):

**Component Units**

Investment Type	Fair Value	Quality Ratings				
		AAA	A	BBB	C	Unrated
Collateralized Mortgage Obligations	\$ 4,239	\$ 755	\$ -	\$ -	\$ -	\$ 3,484
Corporate Finance Bonds	8,316	-	2,357	5,959	-	-
Corporate Notes	8,480	-	6,839	1,641	-	-
Fidelity Tax Exempt Fund	8,416	-	-	-	-	8,416
GIC's	401,618	401,618	-	-	-	-
Mortgage Backed Securities	7,385	877	-	-	-	6,508
Structured Securities	468	-	-	-	468	-
Money Market Funds	117,394	117,394	-	-	-	-

**Concentration of Credit Risk**

**CHFA**

The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. The Guaranteed Investment Contract with Rabobank International represents 24.6% of the Authority's portfolio at year end. If Rabobank's ratings fall below AA (S&P's) or Aa2 (Moody's), this Agreement requires Rabobank to collateralize it with direct obligations issued by the United States Government or its agencies, or assign it to an entity that has the required ratings.

**CHEFA**

For unrestricted investments, the Authority places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the State's Short-Term Investment Fund shall constitute greater than 5 % of unrestricted investments, except for qualified money market or mutual bond funds, none of which shall constitute greater than 50% of general fund investments. At year end, the Authority was in compliance with this policy. The Authority places no limit on the amount of investments in any one issuer for restricted investments. At year end, the Authority's guaranteed investment contracts with Trinity Funding, LLC represents 20% of the Authority's portfolio.

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. As of June 30, 2005, the funds had no credit exposure to the borrowers, because the value of collateral held and the market value securities on loan were \$2,673.7 million and \$2,595.3 million, 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.

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 37 days; the average duration of the loans was unknown, although it is assumed to remain at one day.

**Note 5 Receivables-Current**

As of June 30, 2005, current receivables consisted of the following (amounts in thousands):

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
Taxes	\$ 1,002,186	\$ -	\$ -
Accounts	1,150,518	532,384	32,068
Loans-Current Portion	-	149,097	31,902
Other Governments	719,907	10,726	-
Interest	5,929	19,613	1,192
Other (1)	39,416	-	-
Total Receivables	2,917,956	711,820	65,162
Allowance for Uncollectibles	(977,143)	(82,540)	(2,450)
Receivables, net	\$ 1,940,813	\$ 629,280	\$ 62,712

(1) Includes a reconciling amount of \$33,151 from fund financial statements to government-wide financial statements.

**Note 6 Taxes Receivable**

Taxes receivable consisted of the following as of June 30, 2005 (amounts in thousands):

	Governmental Activities		
	General	Transportation	Total
	Fund	Fund	
Sales and Use	\$ 458,485	\$ -	\$ 458,485
Income Taxes	225,174	-	225,174
Corporations	86,180	-	86,180
Gasoline and Special Fuel	-	44,964	44,964
Various Other	187,383	-	187,383
Total Taxes Receivable	957,222	44,964	1,002,186
Allowance for Uncollectibles	(64,242)	(350)	(64,592)
Taxes Receivable, net	\$ 892,980	\$ 44,614	\$ 937,594

**Note 7 Receivables-Noncurrent**

Noncurrent receivables for the primary government and its component units, as of June 30, 2005, consisted of the following (amounts in thousands):

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
Accounts	\$ -	\$ 3,020	\$ 15,574
Loans	198,791	547,236	131,644
Total Receivables	198,791	550,256	147,218
Allowance for Uncollectibles	(10,267)	(7,717)	(10,948)
Receivables, Net	\$ 188,524	\$ 542,539	\$ 136,270

The Clean Water fund (business-type activities) 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. At year end, the noncurrent portion of loans receivable was \$475 million.

The Connecticut Development Authority (a component unit) loans funds 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 proceeds of the related loans and have originating terms of 1 to 25 years and earn interest at rates ranging from 2.34 percent to 11.15 percent. As of June 30, 2005, the noncurrent portion of loans receivable was \$63 million. In addition, loans in the amount of \$9.3 million (including loans of \$6.5 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 \$(142) thousand 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 8 Restricted Assets**

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2005, 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	\$ 208,541	\$ 468,452	\$ -	\$ -	\$ 676,993
Environmental	-	927	-	-	927
Total-Governmental Activities	\$ 208,541	\$ 469,379	\$ -	\$ -	\$ 677,920
<b>Business-Type Activities:</b>					
Bradley International Airport	\$ 77,555	\$ 45,171	\$ -	\$ 2,678	\$ 125,404
UConn/Health Center	11,843	14,559	-	-	26,402
Clean Water	-	295,788	-	-	295,788
Other Proprietary	-	60,674	-	-	60,674
Total-Business-Type Activities	\$ 89,398	\$ 416,192	\$ -	\$ 2,678	\$ 508,268
<b>Component Units:</b>					
CHFA	\$ 376,869	\$ 1,151,098	\$ 2,429,333	\$ 48,938	\$ 4,006,238
CHEFA	25,607	157,596	-	102	183,305
Other Component Units	136,353	64,995	-	327	201,675
Total-Component Units	\$ 538,829	\$ 1,373,689	\$ 2,429,333	\$ 49,367	\$ 4,391,218

**Note 9 Accounts Payable and Accrued Liabilities**

As of June 30, 2005, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

	Vendors	Salaries and Benefits	Interest	Other	Total Payable & Accrued Liabilities
<b>Governmental Activities:</b>					
General	\$ 106,438	\$ 172,721	\$ -	\$ -	\$ 279,159
Transportation	17,911	9,092	-	-	27,003
Other Governmental	169,346	17,534	-	1,125	188,005
Internal Service	2,657	2,539	-	28,026	33,222
Reconciling amount from fund financial statements to government-wide financial statements	-	-	95,658	5,313	101,371
Total-Governmental Activities	\$ 296,352	\$ 201,886	\$ 95,658	\$ 34,464	\$ 628,360
<b>Business-Type Activities:</b>					
UConn/Health Center	\$ 62,248	\$ 55,067	\$ -	\$ -	\$ 117,315
State Universities	23,367	27,866	1,913	-	53,146
Other Proprietary	53,277	22,240	23,429	-	99,006
Total-Business-Type Activities	\$ 138,892	\$ 105,173	\$ 25,342	\$ -	\$ 269,407

**Note 10 Capital Assets**

Capital asset activity for the year was as follows (amounts in thousands):

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Capital Assets not being Depreciated:				
Land (1)	\$ 1,224,212	\$ 44,306	\$ 4,751	\$ 1,263,767
Construction in Progress	<u>1,671,935</u>	<u>410,931</u>	<u>701,749</u>	<u>1,381,117</u>
Total Capital Assets not being Depreciated	2,896,147	455,237	706,500	2,644,884
Other Capital Assets:				
Buildings	2,757,050	79,443	42,936	2,793,557
Improvements Other than Buildings	402,069	88,069	810	489,328
Equipment	1,304,277	82,810	64,845	1,322,242
Infrastructure	<u>9,542,114</u>	<u>386,982</u>	<u>-</u>	<u>9,929,096</u>
Total Other Capital Assets at Historical Cost	14,005,510	637,304	108,591	14,534,223
Less: Accumulated Depreciation For:				
Buildings	1,720,740	69,839	42,936	1,747,643
Improvements Other than Buildings	268,226	24,643	810	292,059
Equipment	858,459	139,687	64,845	933,301
Infrastructure	<u>4,146,112</u>	<u>419,673</u>	<u>-</u>	<u>4,565,785</u>
Total Accumulated Depreciation	6,993,537	653,842	108,591	7,538,788
Other Capital Assets, Net	<u>7,011,973</u>	<u>(16,538)</u>	<u>-</u>	<u>6,995,435</u>
Governmental Activities, Capital Assets, Net	<u>\$ 9,908,120</u>	<u>\$ 438,699</u>	<u>\$ 706,500</u>	<u>\$ 9,640,319</u>

(1) Beginning balance adjusted (see Note 21).

\* Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
Legislative	\$ 4,896
General Government	31,763
Regulation and Protection	29,412
Conservation and Development	8,266
Health and Hospitals	11,700
Transportation	460,836
Human Services	2,530
Education, Libraries and Museums	33,735
Corrections	36,788
Judicial	14,397
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	<u>19,519</u>
<b>Total Depreciation Expense</b>	<u>\$ 653,842</u>

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Business-Type Activities</b>				
Capital Assets not being Depreciated:				
Land	\$ 51,909	\$ 11,968	\$ 25	\$ 63,852
Construction in Progress	<u>293,424</u>	<u>182,992</u>	<u>173,416</u>	<u>303,000</u>
Total Capital Assets not being Depreciated	345,333	194,960	173,441	366,852
Capital Assets being Depreciated:				
Buildings	2,685,014	273,899	681	2,958,232
Improvements Other Than Buildings	393,200	35,007	4,769	423,438
Equipment	749,775	65,793	24,084	791,484
Infrastructure	<u>-</u>	<u>281</u>	<u>-</u>	<u>281</u>
Total Other Capital Assets at Historical Cost	3,827,989	374,980	29,534	4,173,435
Less: Accumulated Depreciation For:				
Buildings	768,722	92,387	400	860,709
Improvements Other Than Buildings	147,655	18,245	570	165,330
Equipment	<u>399,988</u>	<u>59,753</u>	<u>20,122</u>	<u>439,619</u>
Total Accumulated Depreciation	1,316,365	170,385	21,092	1,465,658
Other Capital Assets, Net	<u>2,511,624</u>	<u>204,595</u>	<u>8,442</u>	<u>2,707,777</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 2,856,957</u>	<u>\$ 399,555</u>	<u>\$ 181,883</u>	<u>\$ 3,074,629</u>

**Component Units**

Capital assets of the component units consisted of the following as of June 30, 2005 (amounts in thousands):

Land	\$	28,625
Buildings		413,058
Improvements other than Buildings		2,658
Machinery and Equipment		249,179
Construction in Progress		71
Total Capital Assets		693,591
Accumulated Depreciation		(261,360)
Capital Assets, net	\$	432,231

**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:

	SERS 6/30/2004	TRS 6/30/2004	JRS 6/30/2004
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	47,926	49,946	220
Total	86,419	75,493	440

**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 2005, the annual required contribution (ARC) was \$281.4 million; however, the State contributed \$185.3 million to the plan, reflecting a reduction of \$96.1 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):

	SERS	TRS	JRS
Annual required contribution	\$ 518,764	\$ 281,366	\$ 12,236
Interest on net pension obligation	182,369	110,057	4
Adjustment to annual required contribution	(119,051)	(73,445)	(2)
Annual pension cost	582,082	317,978	12,238
Contributions made	518,764	185,348	12,236
Increase (decrease) in net pension obligation	63,318	132,630	2
Net pension obligation beginning of year	2,145,521	1,294,790	43
Net pension obligation end of year	\$ 2,208,839	\$ 1,427,420	\$ 45

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	2003	\$ 485,527	86.8%	\$ 2,081,663
	2004	534,191	88.0%	2,145,521
	2005	582,082	89.1%	2,208,839
TRS	2003	\$ 254,996	70.6%	\$ 1,174,893
	2004	305,243	60.7%	1,294,790
	2005	317,978	58.2%	1,427,420
JRS	2003	\$ 10,127	100%	\$ 41
	2004	11,600	100%	43
	2005	12,238	100%	45

#### **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 \$26.3 million and \$41.4 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 6/30/2004</b>	<b>CPJERS 12/31/2004</b>
Retirees and beneficiaries receiving benefits	4,876	255
Terminated plan members entitled to but not receiving benefits	550	29
Active plan members	8,403	383
Total	<u>13,829</u>	<u>667</u>
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) (amounts in thousands):

<b>Statement of Fiduciary Net Assets (000's)</b>							
	<b>State Employees</b>	<b>State Teachers</b>	<b>Judicial</b>	<b>Connecticut Municipal Employees</b>	<b>Probate Judges</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 1,555	\$ -	\$ 84	\$ 1,639
Receivables:							
Accounts, Net of Allowances	2,466	8,857	8	3,492	4	-	14,827
From Other Governments	-	1,082	-	-	-	-	1,082
From Other Funds	-	209	-	-	-	-	209
Interest	482	397	21	116	11	-	1,027
Investments	8,175,320	11,392,147	152,715	1,394,838	72,082	718	21,187,820
Securities Lending Collateral	981,044	1,367,007	18,626	169,138	8,606	104	2,544,525
<b>Total Assets</b>	<b>9,159,312</b>	<b>12,769,699</b>	<b>171,370</b>	<b>1,569,139</b>	<b>80,703</b>	<b>906</b>	<b>23,751,129</b>
<b>Liabilities</b>							
Securities Lending Obligation	981,044	1,367,007	18,626	169,138	8,606	104	2,544,525
Due to Other Funds	29,161	5,479	2	-	7	-	34,649
<b>Total Liabilities</b>	<b>1,010,205</b>	<b>1,372,486</b>	<b>18,628</b>	<b>169,138</b>	<b>8,613</b>	<b>104</b>	<b>2,579,174</b>
<b>Net Assets</b>							
Held in Trust For Employee							
Pension Benefits	8,149,107	11,397,213	152,742	1,400,001	72,090	802	21,171,955
<b>Total Net Assets</b>	<b>\$ 8,149,107</b>	<b>\$ 11,397,213</b>	<b>\$ 152,742</b>	<b>\$ 1,400,001</b>	<b>\$ 72,090</b>	<b>\$ 802</b>	<b>\$ 21,171,955</b>

<b>Statement of Changes in Fiduciary Net Assets (000's)</b>							
	<b>State Employees</b>	<b>State Teachers</b>	<b>Judicial</b>	<b>Connecticut Municipal Employees</b>	<b>Probate Judges</b>	<b>Other</b>	<b>Total</b>
<b>Additions</b>							
Contributions:							
Plan Members	\$ 51,722	\$ 222,108	\$ 1,430	\$ 12,217	\$ 250	\$ 34	\$ 287,761
State	518,764	185,348	12,236	-	-	-	716,348
Municipalities	-	3,539	-	21,809	-	-	25,348
<b>Total Contributions</b>	<b>570,486</b>	<b>410,995</b>	<b>13,666</b>	<b>34,026</b>	<b>250</b>	<b>34</b>	<b>1,029,457</b>
Investment Income	830,313	1,170,165	14,430	137,371	7,260	54	2,159,593
Less: Investment Expenses	(43,965)	(61,960)	(764)	(7,274)	(385)	(3)	(114,351)
<b>Net Investment Income</b>	<b>786,348</b>	<b>1,108,205</b>	<b>13,666</b>	<b>130,097</b>	<b>6,875</b>	<b>51</b>	<b>2,045,242</b>
Transfers In	-	-	-	-	2,556	-	2,556
Other	-	-	-	172	-	3	175
<b>Total Additions</b>	<b>1,356,834</b>	<b>1,519,200</b>	<b>27,332</b>	<b>164,295</b>	<b>9,681</b>	<b>88</b>	<b>3,077,430</b>
<b>Deductions</b>							
Administrative Expense	460	-	10	7	-	-	477
Benefit Payments and Refunds	887,561	972,887	15,085	71,191	2,568	82	1,949,374
Other	2,159	1,147	-	-	2,079	-	5,385
<b>Total Deductions</b>	<b>890,180</b>	<b>974,034</b>	<b>15,095</b>	<b>71,198</b>	<b>4,647</b>	<b>82</b>	<b>1,955,236</b>
Changes in Net Assets	466,654	545,166	12,237	93,097	5,034	6	1,122,194
<b>Net Assets Held in Trust For Employee Pension Benefits:</b>							
Beginning of Year	7,682,453	10,852,047	140,505	1,306,904	67,056	796	20,049,761
End of Year	\$ 8,149,107	\$ 11,397,213	\$ 152,742	\$ 1,400,001	\$ 72,090	\$ 802	\$ 21,171,955

**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, 2005, 35,942 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, 2005, \$377.3 million was paid in postretirement benefits.

**Note 15 Capital and Operating Leases****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):

2006	\$	35,552
2007		31,375
2008		32,601
2009		32,632
2010		27,803
Thereafter		20,163
Total	\$	180,126

Contingent revenues for the year ended June 30, 2005, were \$2.3 million.

**State as Lessee**

Obligations under capital and operating leases as of June 30, 2005, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2006	\$ 34,186	\$ 8,260
2007	21,130	7,961
2008	15,674	7,577
2009	13,089	7,484
2010	17,811	7,173
2011-2015	12,062	32,406
2016-2020	-	14,536
2021-2025	-	6,136
2026-2030	-	6,102
2031-2035	-	1,215
Total minimum lease payments	\$ 113,952	98,850
Less: Amount representing interest costs		21,895
Present value of minimum lease payments		\$ 76,955

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, 2005, totaled \$27.0 million.

**Lease/Lease Back Transaction**

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.

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. 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, 2005.

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, 2005; (amounts in thousands):

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Amounts due within one year
<b>Governmental Activities</b>					
<b>Bonds:</b>					
General Obligation	\$ 9,606,611	\$ 1,435,407	\$ 1,136,776	\$ 9,905,242	\$ 767,115
Transportation	3,153,949	290,722	330,796	3,113,875	270,950
	12,760,560	1,726,129	1,467,572	13,019,117	1,038,065
Plus/(Less) premiums and deferred amounts	181,367	67,313	19,612	229,068	-
<b>Total Bonds</b>	<b>12,941,927</b>	<b>1,793,442</b>	<b>1,487,184</b>	<b>13,248,185</b>	<b>1,038,065</b>
Economic Recovery Notes	273,215	-	63,655	209,560	63,470
<b>Other Liabilities:</b>					
Net Pension Obligation	3,440,354	912,298	716,348	3,636,304	-
Compensated Absences	370,916	50,282	6,029	415,169	12,989
Workers' Compensation	276,681	96,245	74,370	298,556	78,898
Capital Leases	53,761	27,627	4,433	76,955	3,044
Claims and Judgments	13,183	770	7,344	6,609	5,913
Contracts Payable & Other	5,561	4,816	5,561	4,816	-
<b>Total Other Liabilities</b>	<b>4,160,456</b>	<b>1,092,038</b>	<b>814,085</b>	<b>4,438,409</b>	<b>100,844</b>
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 17,375,598</b>	<b>\$ 2,885,480</b>	<b>\$ 2,364,924</b>	<b>\$ 17,896,154</b>	<b>\$ 1,202,379</b>
In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
<b>Business-Type Activities</b>					
Revenue Bonds	\$ 1,713,805	\$ 130,025	\$ 224,172	\$ 1,619,658	\$ 94,483
Plus/(Less) premiums, discounts and deferred amounts	36,349	1,739	4,205	33,883	-
<b>Total Revenue Bonds</b>	<b>1,750,154</b>	<b>131,764</b>	<b>228,377</b>	<b>1,653,541</b>	<b>94,483</b>
Lottery Prizes	385,229	-	48,227	337,002	48,108
Compensated Absences	104,229	9,409	11,490	102,148	30,387
Other	97,104	74,415	5,650	165,869	24,578
<b>Total Other Liabilities</b>	<b>586,562</b>	<b>83,824</b>	<b>65,367</b>	<b>605,019</b>	<b>103,073</b>
<b>Business-Type Long-Term Liabilities</b>	<b>\$ 2,336,716</b>	<b>\$ 215,588</b>	<b>\$ 293,744</b>	<b>\$ 2,258,560</b>	<b>\$ 197,556</b>

b) As of June 30, 2005, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2005	Amounts due within year
Bonds Payable	\$ 3,458,756	\$ 114,342
Escrow Deposits	124,583	26,586
Closure of Landfills	26,477	1,529
State Loan	18,558	2,619
Deferred Revenue	6,160	853
Other	6,709	154
<b>Total</b>	<b>\$ 3,641,243</b>	<b>\$ 146,083</b>

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

**a. Economic Recovery Notes**

As of June 30 2005, the amount of Economic Recovery Notes outstanding was \$209.6 million. These notes, which were used to fund the 2002 and 2003 fiscal year deficits, mature on various dates through 2009 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, 2005, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2006	\$ 63,470	\$ 6,921	\$ 70,391
2007	63,270	4,532	67,802
2008	63,270	2,161	65,431
2009	19,550	712	20,262
<b>Total</b>	<b>\$ 209,560</b>	<b>\$ 14,326</b>	<b>\$ 223,886</b>

**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 by the full faith and credit of the State. General obligation bonds outstanding and bonds authorized but unissued at June 30, 2005, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2005-2025	2-8%	\$ 2,183,198	\$ 329,013
School Construction	2005-2025	2-7.282%	1,790,608	72,001
Municipal & Other				
Grants & Loans	2005-2023	2-7.51%	1,559,884	576,132
Elderly Housing	2005-2011	7-7.5%	9,605	-
Elimination of Water Pollution	2005-2023	3-7.525%	279,172	303,517
General Obligation Refunding	2005-2020	2-6.14%	3,513,479	-
Miscellaneous	2005-2031	2.5-6.75%	79,194	11,506
			9,415,140	\$ 1,292,169
Accretion-Various Capital Appreciation Bonds			490,102	
			<b>Total</b>	<b>\$ 9,905,242</b>

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2005, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2006	\$ 767,115	\$ 505,917	\$ 1,273,032
2007	751,743	481,424	1,233,167
2008	750,789	456,191	1,206,980
2009	707,179	463,662	1,170,841
2010-2014	3,075,004	1,454,161	4,529,165
2015-2019	2,153,073	557,551	2,710,624
2020-2024	1,146,332	141,070	1,287,402
2025-2029	61,710	3,772	65,482
2030-2034	2,195	109	2,304
<b>Total</b>	<b>\$ 9,415,140</b>	<b>\$ 4,063,857</b>	<b>\$ 13,478,997</b>



**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, 2005, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Specific Highways Infrastructure Improvements	2017	4.25-5.50%	\$ 2,123	\$ 4,065
General Obligation Other	2005-2024	2-8.0%	3,101,518	433,936
	2008	7.513-7.525%	343	-
			3,103,984	438,001
Accretion-Various Capital Appreciation Bonds			9,891	
Total			\$ 3,113,875	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2005, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2006	\$ 270,950	\$ 144,287	\$ 415,237
2007	259,873	136,419	396,292
2008	268,498	124,300	392,798
2009	266,698	106,072	372,770
2010	259,790	91,827	351,617
2011-2015	1,030,375	282,392	1,312,767
2016-2020	520,350	107,354	627,704
2021-2025	227,450	21,838	249,288
Total	\$ 3,103,984	\$ 1,014,489	\$ 4,118,473

**Variable-Rate Demand Bonds**

As of June 30, 2005, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
Special Tax Obligation	\$ 113,900	1990	2010
General Obligation	90,000	1997	2014
Special Tax Obligation	100,000	2000	2020
General Obligation	100,000	2001	2021
Special Tax Obligation	416,035	2003	2022
General Obligation	300,000	2005	2023
Total	\$ 1,119,935		

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 2010,  
1997 GO expires in the year 2014,  
2000 STO expires in the year 2014 and could be extended for another seven years,  
2001 GO expires in the year 2008,  
2003 STO expires in the year 2008 and could be extended for another five years, and  
2005 GO expenses in the year 2015.

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 into eleven 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, three were executed in January 2003, and five were executed in March and April of 2005.

*Terms, fair values, and credit risk*

The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2005, 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 CPI swaps, contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated debt. For the CPI swaps, the swap agreements and associated debt are non-amortizing and mature on the same date.

Associated Bond Issue	Notional Amounts (000's)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values (000's)	SWAP Termination Date	Counterparty Credit Rating <sup>1</sup>
1990 STO	\$ 68,400	12/19/1990	5.746%	65% of LIBOR (1)	\$ (6,089)	12/1/2010	Aa2/AA/AA
1990 STO	45,500	12/19/1990	5.709%	65% of LIBOR (1)	(4,012)	12/1/2010	A1/A/NR
2001 GO	20,000	6/28/2001	4.330%	CPI (3) plus 1.43%	(411)	6/15/2012	Aa3/A+/AA-
2003 STO	118,645	1/23/2003	3.293%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp thereafter	(4,070)	2/1/2022	Aa2/AA/AA-
2003 STO	98,600	1/23/2003	3.288%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp thereafter	(3,288)	2/1/2022	Aa1/AA/AA+
2003 STO	198,790	1/23/2003	3.284%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp thereafter	(6,834)	2/1/2022	Aa2/AA+/AA+
2005 GO	140,000	3/24/2005	3.392%	60% of LIBOR (1) plus 30bp	(4,422)	3/1/2023	AA+
2005 GO	140,000	3/24/2005	3.401%	60% of LIBOR (1) plus 30bp	(4,508)	3/1/2023	Aa1
2005 GO	15,620	4/27/2005	3.620%	CPI (3) plus .62%	(998)	6/1/2016	Aa3/A+/AA-
2005 GO	20,000	4/27/2005	4.700%	CPI (3) plus 1.73%	(1,392)	6/1/2017	Aa3/A+/AA-
2005 GO	20,000	4/27/2005	4.760%	CPI (3) plus 1.79%	(1,385)	6/1/2020	Aaa/AAA/AAA
<b>Total</b>	<b>\$ 885,555</b>				<b>\$ (37,409)</b>		

(1) London Interbank Offered Rate

(2) The Bond Market Association Municipal Swap Index.

(3) Consumer Price Index

### Fair value

Because interest rates have declined, all swaps have negative fair values as of June 30, 2005. 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, 2005, the State had no credit risk exposure on the 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. The 2003 and 2005 swap agreements 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 collateral provisions. No collateral was required to be posted for any of the swaps at June 30, 2005. The State is not required to post collateral for any of the swaps.

Master netting arrangements do not apply to these transactions because the state has only one derivative transaction with each counterparty.

Approximately 22 percent of the notional amount of swaps outstanding is held with one counterparty, rated Aa2/AA+. One of the December 1990 swaps, approximately 5% of the notional amount of swaps outstanding, is held with the lowest rated counterparty, rated A1/A. All other swaps are held with separate counterparties who are rated Aa3/A+ or better.

### Basis Risk

The State's variable-rate bond coupon payments are equivalent to the BMA index rate, or the CPI floating rate. 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, 2005, the BMA rate was 2.43 percent, whereas 65 percent and 60 percent plus 30bp of LIBOR were 2.17 and 2.30 percent, respectively. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2005, the budgeted amount for basis risk was \$1,500,000.

### 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 and 2005 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, 2005, 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.

Fiscal Year Ending June 30,	Variable-Rate Bonds		Interest Rate		Total
	Principal	Interest	SWAP, Net		
2006	\$ 19,135	\$ 15,849	\$ 10,803	\$	45,787
2007	20,350	15,388	10,170		45,908
2008	21,665	14,901	9,490		46,056
2009	22,985	14,381	8,780		46,146
2010-2014	238,090	70,340	24,088		332,518
2015-2019	418,885	97,100	28,171		544,156
2020-2024	144,445	74,366	5,940		224,751
Total	\$ 885,555	\$ 302,325	\$ 97,442	\$	1,285,322

**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, 2005, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Higher Education	2009-2035	2.1-7%	\$ 566,950
Bradley International Airport	2012-2032	2.5-7.65%	236,515
Clean Water	2006-2026	2-10%	521,968
Bradley Parking Garage	2006-2024	6.125-8%	51,915
Drinking Water	2026	4-5.9%	49,572
Rate Reduction Bonds	2005-2011	2.5-5%	192,740
Total Revenue Bonds			1,619,660
Plus/(Less) premiums, discounts and deferred amounts:			
Bradley International Airport			(317)
Clean Water			19,585
Other			14,613
Revenue Bonds, net			\$ 1,653,541

Bradley Airport has issued various revenue bonds to finance costs of improvements to the airport. As of June 30, 2005, the following bonds were outstanding:

- 2004 Airport Revenue Refunding Bonds in the amount of \$30.6 million. These bonds were issued in July, 2004, to redeem the 1992 Airport Revenue Refunding 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.
- 2001 Bradley International Airport Revenue Bonds in the amount of \$187.4 million and 2001 Bradley International Airport Refunding Bonds in the amount of \$18.5 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 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.

In 2000, Bradley Parking Garage bonds were issued 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 needed to pay principal and interest on revenue bonds outstanding at June 30, 2005, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2006	\$ 94,483	\$ 62,144	\$ 156,627
2007	98,450	67,794	166,244
2008	108,974	64,508	173,482
2009	103,253	58,855	162,108
2010-2014	406,458	227,971	634,429
2015-2019	310,024	151,710	461,734
2020-2024	250,524	86,435	336,959
2025-2029	156,510	40,100	196,610
2030-2034	56,680	13,141	69,821
2035	34,304	3,662	37,966
Total	\$ 1,619,660	\$ 776,320	\$ 2,395,980

**d. Component Units**

Component units' revenue bonds outstanding at June 30, 2005, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2005-2019	2.35-6%	\$ 38,640
CT Housing Finance Authority	2005-2045	1.25-9.36%	3,124,853
CT Resources Recovery Authority	2005-2016	3.9-7.7%	86,575
CT Higher Education Supplemental Loan Authority	2005-2024	1.7-6.4%	130,645
Capital City Economics Development Authority	2005-2034	2.5-5%	72,500
UConn Foundation	2029	3.6-5.375%	7,350
Total Revenue Bonds			3,460,563
Plus/(Less) premiums, discounts, and deferred amounts:			
CDA			(23)
CRRA			(1,582)
CCEDA			(202)
Revenue Bonds, net			\$ 3,458,756

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, 2005 were \$3.2 million. Assets totaling \$5.6 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 \$35.4 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, 2004, bonds outstanding under the bond resolution and the indenture were \$2,720.0 million and \$404.9 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 (\$230.6 million at 12/31/04) on all outstanding bonds. As of December 31, 2004, the Authority has entered into interest rate swap agreements for \$756.9 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 \$76.6 million.

The Capital City Economic Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered into a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed \$6.7 million in any calendar year. The bonds are secured by energy fees from the central utility plant and by parking fees subject to the Travelers Indemnity Company parking agreement.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2005, were as follows (amounts in thousands):

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$ 114,342	\$ 146,705	\$ 261,047
2007	101,662	123,239	224,901
2008	111,610	119,721	231,331
2009	470,065	114,117	584,182
2010-2014	704,510	553,168	1,257,678
2015-2019	641,170	321,664	962,834
2020-2024	494,778	213,093	707,871
2025-2029	456,736	116,299	573,035
2030-2034	325,500	39,060	364,560
2035-2039	27,765	6,196	33,961
2040-2044	12,200	1,522	13,722
2045-2049	225	6	231
<b>Total</b>	<b>\$ 3,460,563</b>	<b>\$ 1,754,790</b>	<b>\$ 5,215,353</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, 2005 were \$893.9 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, 2005 were \$181.4 million. Of this amount, \$57.7 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, 2005, were \$4,727.2 million, of which \$411.0 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 \$447.7 million of general obligation and special tax obligation refunding bonds with an average interest rate of 4.65% to advance refund \$451.8 million of general obligation and special tax obligation refunding bonds with an average interest rate of 5.33%. 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 \$25.7 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 \$18.8 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$12.2 million. As of June 30, 2005, \$3,595.8 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.

<b>Risk of Loss</b>	<b>Risk Financed by</b>	
	<b>Purchase of Commercial Insurance</b>	<b>Self-Insurance</b>
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 statue 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):

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
	<b>Workers' Compensation</b>	<b>Medical Malpractice</b>
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
Incurred claims	96,245	4,937
Paid claims	(74,370)	(1,915)
Balance 6-30-05	\$ 298,556	\$ 13,362

**Note 19 Interfund Receivables and Payables**

Interfund receivable and payable balances at June 30, 2005, were as follows (amounts in thousands):

	Balance due to fund(s)										Total
	General	Transportation	Other Governmental	UConn	State Universities	Other Proprietary	Employment Security	Internal Services	Fiduciary	Component Units	
<b>Balance due from fund(s)</b>											
General	\$ -	\$ -	\$ 1,172	\$ 45,899	\$ 15,695	\$ 14,853	\$ 874	\$ 11,800	\$ 5,313	\$ -	\$ 95,606
Transportation	-	-	-	-	-	-	-	1,114	-	-	1,114
Other Governmental	5,275	6,798	5,086	5,764	32,455	78,802	-	-	-	13,196	147,376
UConn	13,341	-	-	-	-	-	-	-	-	-	13,341
State Universities	2,020	-	-	-	-	-	-	-	-	-	2,020
Employment Security	-	-	6,430	-	-	-	-	-	-	-	6,430
Other Proprietary	337	-	1,177	-	-	-	-	-	-	-	1,514
Internal Services	4,700	-	39,071	-	-	-	-	-	-	-	43,771
Fiduciary	-	-	33,151	-	-	-	-	-	1,506	-	34,657
Component Units	18,558	-	-	-	-	-	-	-	-	-	18,558
<b>Total</b>	<b>\$ 44,231</b>	<b>\$ 6,798</b>	<b>\$ 86,087</b>	<b>\$ 51,663</b>	<b>\$ 48,150</b>	<b>\$ 93,655</b>	<b>\$ 874</b>	<b>\$ 12,914</b>	<b>\$ 6,819</b>	<b>\$ 13,196</b>	<b>\$ 364,387</b>

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

**Note 20 Interfund Transfer**

Interfund transfers for the fiscal year ended June 30, 2005, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)								Total
	General	Debt Service	Transportation	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary	
<b>Amount transferred from fund(s)</b>									
General	\$ -	\$ -	\$ -	\$ 105,096	\$ 397,666	\$ 197,996	\$ 190,677	\$ -	\$ 891,435
Debt Service	-	-	26,749	1,347	-	-	-	-	28,096
Transportation	-	410,954	-	35,228	-	-	-	-	446,182
Other Governmental	127,280	11,046	1,258	42,368	104,543	27,199	47,891	2,556	364,141
Connecticut Lottery	268,515	-	-	-	-	-	-	-	268,515
Other Proprietary	194,000	-	-	4,958	-	-	9,619	-	208,577
<b>Total</b>	<b>\$ 589,795</b>	<b>\$ 422,000</b>	<b>\$ 28,007</b>	<b>\$ 188,997</b>	<b>\$ 502,209</b>	<b>\$ 225,195</b>	<b>\$ 248,187</b>	<b>\$ 2,556</b>	<b>\$ 2,206,946</b>

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. The \$194,000 transfer to the General fund resulted from a timing difference in the reporting of the transfer by the Rate Reduction Bond Operations fund, whose reporting date was changed this year (see Note 21).

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

As of June 30, 2005, the beginning net assets/fund balances for the following funds and activities were restated as follows (amounts in thousands):

	Balance 6-30-04 Previously Reported	Correction of Reported Assets/ Liabilities	Balance 6-30-04/12-31-04 as Restated
<b>Governmental Activities</b>			
Land	\$ 934,959	\$ 289,253	\$ 1,224,212
Net Assets of Governmental Activities	\$ (5,440,258)	\$ 295,098	\$ (5,151,005)
<b>Proprietary Funds and Business-Type Activities</b>			
<b>Non-Major Funds:</b>			
Rate Reduction Bond Operations	\$ (194,336)	\$ 194,336	\$ -
<b>Total Proprietary Funds</b>	<b>\$ 3,659,917</b>	<b>\$ 194,336</b>	<b>\$ 3,854,253</b>
Net Assets of Business-Type Activities	\$ 3,659,917	\$ 194,336	\$ 3,854,253

During the year, the State adjusted the beginning balance of land to correct an understatement of \$415 million and an overstatement of \$126 million in the amount of State land reported by certain State agencies in prior years. This adjustment had no effect on the Statement of Activities.

In addition, the State changed the reporting date for the Rate Reduction Bond Operations fund from June 30<sup>th</sup> to December 31<sup>st</sup>. The change was made to reflect the reporting date used for this fund in the annual report of the State Treasurer.

**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**

**Primary Government**

Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As

of June 30, 2005, the Departments of Transportation and Public Works had contractual commitments of approximately \$1,067 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program \$3,760 million.

Clean and drinking water loan programs \$166 million.

Economic and community development grant/loan programs \$140 million.

Various programs and services \$853 million.

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

In addition, 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, 2005, the Authority had drawn \$21.5 million on these funds.

#### **Component Units**

As of December 31, 2004, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately \$92 million.

#### **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.

Amounts received or receivable by the State from grant agencies are subject to audit and adjustment by grantor agencies, mainly the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal government cannot be determined at this time, although the State expects such amounts, if any, to be immaterial, except as discussed next.

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, 2005, 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 Items**

Special items are significant transactions or other events within management's control that are either unusual in nature or infrequent in occurrence. As of June 30, 2005, the State reported the following special items:

Transfers to the General fund in the amount of \$15 million from the following component units:

Connecticut Innovations, Incorporated	\$5.0 million
Connecticut Development Authority	\$10.0 million.

During the year, the State completed work on the Hartford Convention Center, which was placed into service in the month of June. At the same time, the State transferred control of the Convention Center to the Capital City Economic Development Authority (a component unit) which will be responsible for managing the facilities. The Authority recorded the Convention Center in its financial statements at a cost of \$220.3 million, of which \$165.4 million represents capital contributions from the State.

Other special items were reported by the Connecticut Resources Recovery Authority (a component unit) and consisted of a gain on sale of Enron claim of \$28.5 million and a loss on early retirement of debt of \$6.1 million.

#### **Note 25 Subsequent Events**

In November 2005, the state issued \$300 million of general obligation bonds. The bonds will mature in years 2006 through 2025 and bear interest rates ranging from 4.0% to 5.0%.

In December 2005, \$250 million of special tax obligation bonds for transportation infrastructure programs were issued. These bonds will mature in years 2006 through 2025 and bear interest rates ranging from 4.0% to 5.0%.

In February 2006, the State issued \$290 million of general obligation bonds. The bonds will mature in years 2006

through 2025 and bear interest rates ranging from 3.17% to 4.21%.

In February 2006, the State issued \$10 million of Bond Anticipation Notes. The notes will mature in years 2007 and bear an interest rate of 5.0%.

In March 2006, \$138.2 million of University of Connecticut general obligation and general obligation refunding bonds were issued. The bonds will mature in years 2006 through 2026 and bear interest rates ranging from 3.20% to 4.22%.

In May 2006, the State issued \$200 million of general obligation bonds. The bonds will mature in years 2007 through 2026 and bear interest rates ranging from 3.6% to 5.0%.

In June 2006, the State issued \$235 million of general obligation bonds. The bonds will mature in years 2007 through 2026 and bear interest rates ranging from 3.5% to 5.0%.

In August 2006, the State issued \$15 million of parking and energy fee revenue bonds. The bonds are special obligations of the Capital City Economic Development Authority, a component unit of the State. However, the State is contractually obligated to make debt service payments on the bonds in an amount not to exceed \$6.7 million in any calendar year. The bonds will mature in years 2008 through 2029 and bear an interest rate of 5.0%.

In September 2006, the Connecticut Health and Educational Facilities Authority, a component unit of the State, determined it needed to retire approximately \$15 million of outstanding revenue bonds by November 1, 2006 to preserve their tax-exempt status. The bonds were issued in 1996 to finance various projects of a nursing home facility, which went into receivership in 2005 and was recently sold. The Authority also determined that it had approximately \$10 million available to retire the bonds, including \$8 million it had received from the sale of the facility. Since the bonds are insured by a Special Capital Reserve Fund (as discussed previously in Note 17), the State is obligated to fund the deficiency of \$5 million being faced by the Authority. The State decided, however, that instead of drawing on the Special Capital Reserve Fund to fund the deficiency, that it would advance the \$5 million to the Authority from a 2007 budgeted appropriation, as allowed by the General Statutes.



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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%
6/30/2005 *	-	-	-	-	-	-

\*No actuarial valuations were performed.

<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%
6/30/2005 *	-	-	-	-	-	-

\*No actuarial valuations were performed.

<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%
6/30/2005 *	-	-	-	-	-	-

\*No actuarial valuation was performed.

<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)%
7/1/2004	\$1,434.3	\$1,393.4	\$(40.9)	102.9%	\$332.6	(12.3)%

**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%	\$-	-
2005	\$518.8	100.0%	\$281.4	65.8%	\$12.2	100.0%	\$21.8	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	7/1/2004	12/31/2004
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%	2.6-4.0%	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, 2005

(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	\$ 739,378	\$ 204,563	\$ 5,961	\$ 949,902
Investments	45,224	-	91,679	136,903
Securities Lending Collateral	-	-	16,046	16,046
Receivables:				
Accounts, Net of Allowances	38,547	702	-	39,249
Loans, Net of Allowances	188,524	-	-	188,524
From Other Governments	141,739	78,669	-	220,408
From Other Funds	6,330	79,193	2	85,525
Other	6,262	-	3	6,265
Restricted Assets	927	-	-	927
Other Assets	19	-	-	19
Total Assets	<u>\$ 1,166,950</u>	<u>\$ 363,127</u>	<u>\$ 113,691</u>	<u>\$ 1,643,768</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 115,174	\$ 72,831	\$ -	\$ 188,005
Due to Other Funds	8,645	117,724	2,270	128,639
Due to Component Units	13,196	-	-	13,196
Due to Other Governments	2,595	-	-	2,595
Deferred Revenue	63,501	4,467	-	67,968
Securities Lending Obligation	-	-	16,046	16,046
Total Liabilities	<u>203,111</u>	<u>195,022</u>	<u>18,316</u>	<u>416,449</u>
<b>Fund Balances</b>				
Reserved For:				
Loans	188,524	-	-	188,524
Continuing Appropriations	6,189	-	-	6,189
Restricted Purposes	233,437	-	-	233,437
Permanent Investments	-	-	91,679	91,679
Trust Activities	-	-	3,696	3,696
Unreserved	535,689	168,105	-	703,794
Total Fund Balances	<u>963,839</u>	<u>168,105</u>	<u>95,375</u>	<u>1,227,319</u>
Total Liabilities and Fund Balances	<u>\$ 1,166,950</u>	<u>\$ 363,127</u>	<u>\$ 113,691</u>	<u>\$ 1,643,768</u>

# Statement of Revenues, Expenditures and Changes in Fund Balances

## Nonmajor Governmental Funds - By Fund Type

For The Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Funds</b>	<b>Total</b>
<b>Revenues</b>				
Taxes	\$ 27,922	\$ -	\$ -	\$ 27,922
Assessments	17,968	-	-	17,968
Licenses, Permits and Fees	63,677	-	-	63,677
Tobacco Settlement	118,321	-	-	118,321
Federal Grants and Aid	1,142,343	348,966	-	1,491,309
Charges for Services	3,856	-	-	3,856
Fines, Forfeits and Rents	2,741	-	-	2,741
Investment Earnings	9,736	-	8,047	17,783
Miscellaneous	316,710	865	34	317,609
Total Revenues	<u>1,703,274</u>	<u>349,831</u>	<u>8,081</u>	<u>2,061,186</u>
<b>Expenditures</b>				
Current:				
Legislative	2,468	-	-	2,468
General Government	343,449	-	-	343,449
Regulation and Protection	236,311	-	-	236,311
Conservation and Development	287,551	-	-	287,551
Health and Hospitals	177,375	-	-	177,375
Transportation	100,193	-	-	100,193
Human Services	342,069	-	-	342,069
Education, Libraries, and Museums	1,018,573	-	843	1,019,416
Corrections	39,761	-	-	39,761
Judicial	29,182	-	-	29,182
Capital Projects	-	707,023	-	707,023
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	47,659	3,221	-	50,880
Total Expenditures	<u>2,624,591</u>	<u>710,244</u>	<u>843</u>	<u>3,335,678</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(921,317)</u>	<u>(360,413)</u>	<u>7,238</u>	<u>(1,274,492)</u>
<b>Other Financing Sources (Uses)</b>				
Bonds Issued	802,395	475,715	-	1,278,110
Premium on Bonds Issued	25,498	26,092	-	51,590
Transfers In	188,997	-	-	188,997
Transfers Out	(163,849)	(195,138)	(5,154)	(364,141)
Total Other Financing Sources (Uses)	<u>853,041</u>	<u>306,669</u>	<u>(5,154)</u>	<u>1,154,556</u>
Net Change in Fund Balances	<u>(68,276)</u>	<u>(53,744)</u>	<u>2,084</u>	<u>(119,936)</u>
Fund Balances - Beginning	<u>1,032,115</u>	<u>221,849</u>	<u>93,291</u>	<u>1,347,255</u>
Fund Balances - Ending	<u>\$ 963,839</u>	<u>\$ 168,105</u>	<u>\$ 95,375</u>	<u>\$ 1,227,319</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, 2005

(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>
<b>Assets</b>							
Cash and Cash Equivalents	\$ 11,809	\$ 36,230	\$ 5,607	\$ 6,133	\$ 4,604	\$ -	\$ 748
Investments	-	-	-	-	-	-	-
Receivables:							
Accounts, Net of Allowances	-	-	-	-	-	-	-
Loans, Net of Allowances	-	-	-	-	-	-	-
From Other Governments	-	-	-	-	-	-	-
From Other Funds	132	-	-	45	34	-	-
Other	-	-	-	-	-	-	-
Restricted Assets	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
Total Assets	<u>\$ 11,941</u>	<u>\$ 36,230</u>	<u>\$ 5,607</u>	<u>\$ 6,178</u>	<u>\$ 4,638</u>	<u>\$ -</u>	<u>\$ 748</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable and Accrued Liabilities	\$ 824	\$ 589	\$ 1,393	\$ 711	\$ 230	\$ -	\$ 39
Due to Other Funds	168	104	128	129	-	-	6
Due to Component Units	-	-	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	-	-
Deferred Revenue	-	-	4,169	4,056	-	-	-
Total Liabilities	<u>992</u>	<u>693</u>	<u>5,690</u>	<u>4,896</u>	<u>230</u>	<u>-</u>	<u>45</u>
<b>Fund Balances</b>							
Reserved For:							
Loans	-	-	-	-	-	-	-
Continuing Appropriations	1,648	3,847	-	694	-	-	-
Restricted Purposes	-	-	-	-	-	-	-
Unreserved	<u>9,301</u>	<u>31,690</u>	<u>(83)</u>	<u>588</u>	<u>4,408</u>	<u>-</u>	<u>703</u>
Total Fund Balances	<u>10,949</u>	<u>35,537</u>	<u>(83)</u>	<u>1,282</u>	<u>4,408</u>	<u>-</u>	<u>703</u>
Total Liabilities and Fund Balances	<u>\$ 11,941</u>	<u>\$ 36,230</u>	<u>\$ 5,607</u>	<u>\$ 6,178</u>	<u>\$ 4,638</u>	<u>\$ -</u>	<u>\$ 748</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>
\$ -	\$ 9,346	\$ 206,087	\$ 244,968	\$ 118,526	\$ 31,628	\$ 63,692	\$ 739,378
-	-	-	-	45,224	-	-	45,224
-	-	10,844	2,646	20,513	551	3,993	38,547
-	-	-	141,160	39,331	7,893	140	188,524
-	10,703	131,036	-	-	-	-	141,739
2,046	1,472	1,965	450	4	-	182	6,330
-	-	6,262	-	-	-	-	6,262
-	-	-	-	927	-	-	927
-	-	-	-	19	-	-	19
<u>\$ 2,046</u>	<u>\$ 21,521</u>	<u>\$ 356,194</u>	<u>\$ 389,224</u>	<u>\$ 224,544</u>	<u>\$ 40,072</u>	<u>\$ 68,007</u>	<u>\$ 1,166,950</u>
\$ 82	\$ 2,971	\$ 88,015	\$ 15,291	\$ 2,727	\$ -	\$ 2,302	\$ 115,174
1,964	564	5,216	28	236	-	102	8,645
-	-	273	12,665	258	-	-	13,196
-	-	2,595	-	-	-	-	2,595
-	2,249	27,585	2,631	18,458	395	3,958	63,501
<u>2,046</u>	<u>5,784</u>	<u>123,684</u>	<u>30,615</u>	<u>21,679</u>	<u>395</u>	<u>6,362</u>	<u>203,111</u>
-	-	-	141,160	39,331	7,893	140	188,524
-	-	-	-	-	-	-	6,189
-	-	232,510	-	927	-	-	233,437
-	15,737	-	217,449	162,607	31,784	61,505	535,689
-	15,737	232,510	358,609	202,865	39,677	61,645	963,839
<u>\$ 2,046</u>	<u>\$ 21,521</u>	<u>\$ 356,194</u>	<u>\$ 389,224</u>	<u>\$ 224,544</u>	<u>\$ 40,072</u>	<u>\$ 68,007</u>	<u>\$ 1,166,950</u>

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

For The Fiscal Year Ended June 30, 2005  
(Expressed in Thousands)

	<u>Workers'</u>		<u>Consumer</u>		<u>Criminal</u>	<u>Mashantucket</u>
	<u>Compensation</u>	<u>Banking</u>	<u>Public Utility</u>	<u>Insurance</u>	<u>Injuries</u>	<u>Pequot and</u>
			<u>Control</u>			<u>Mohegan</u>
						<u>Fund</u>
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-	-	-
Licenses, Permits and Fees	-	21,831	34	4	1,310	-
Tobacco Settlement	-	-	-	-	-	-
Federal Grants and Aid	-	-	-	-	-	-
Charges for Services	16	-	-	-	-	-
Fines, Forfeits and Rents	-	1,245	13	-	61	-
Investment Earnings	436	-	-	180	94	-
Miscellaneous	14,119	2	18,311	15,131	713	-
Total Revenues	14,571	23,078	18,358	15,315	2,178	-
<b>Expenditures</b>						
Current:						
Legislative	-	-	-	-	-	-
General Government	-	-	-	-	-	85,000
Regulation and Protection	18,655	15,172	16,204	18,855	-	-
Conservation and Development	-	-	-	-	-	-
Health and Hospitals	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Education, Libraries, and Museums	-	-	-	-	-	-
Corrections	-	-	-	-	-	-
Judicial	-	-	-	-	1,444	-
Debt Service:						
Principal Retirement	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	18,655	15,172	16,204	18,855	1,444	85,000
Excess (Deficiency) of Revenues Over Expenditures	(4,084)	7,906	2,154	(3,540)	734	(85,000)
<b>Other Financing Sources (Uses)</b>						
Bonds Issued	-	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-	-
Transfers In	-	-	-	-	-	85,000
Transfers Out	-	-	-	(2,022)	-	-
Total Other Financing Sources (Uses)	-	-	-	(2,022)	-	85,000
Net Change in Fund Balances	(4,084)	7,906	2,154	(5,562)	734	-
Fund Balances (Deficit) - Beginning	15,033	27,631	(2,237)	6,844	3,674	-
Fund Balances (Deficit) - Ending	\$ 10,949	\$ 35,537	\$ (83)	\$ 1,282	\$ 4,408	\$ -

<u>Regional Market</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,922	\$ -	\$ -	\$ 27,922
-	-	-	-	-	17,968	-	-	17,968
75	-	-	-	-	25,465	-	14,958	63,677
-	-	-	-	-	-	-	118,321	118,321
-	-	76,449	1,065,644	-	-	-	250	1,142,343
-	-	7	-	-	3,241	-	592	3,856
866	-	-	-	-	452	-	104	2,741
18	-	216	2,874	3,417	1,514	53	934	9,736
46	-	-	256,391	8,798	235	161	2,803	316,710
<u>1,005</u>	<u>-</u>	<u>76,672</u>	<u>1,324,909</u>	<u>12,215</u>	<u>76,797</u>	<u>214</u>	<u>137,962</u>	<u>1,703,274</u>
-	-	-	2,465	-	-	-	3	2,468
-	1,462	-	173,010	54,979	25,857	-	3,141	343,449
-	275	78,775	73,566	1,573	-	-	13,236	236,311
852	-	-	87,342	141,796	46,770	9,265	1,526	287,551
-	-	-	172,050	2,513	-	-	2,812	177,375
-	-	-	96,764	3,369	-	-	60	100,193
-	2,930	-	329,050	9,273	-	-	816	342,069
-	-	-	440,927	571,451	-	-	6,195	1,018,573
-	-	-	33,558	3,259	-	-	2,944	39,761
-	-	-	16,026	-	-	-	11,712	29,182
-	-	-	-	-	-	-	-	-
128	-	-	45,170	2,142	128	25	66	47,659
<u>980</u>	<u>4,667</u>	<u>78,775</u>	<u>1,469,928</u>	<u>790,355</u>	<u>72,755</u>	<u>9,290</u>	<u>42,511</u>	<u>2,624,591</u>
<u>25</u>	<u>(4,667)</u>	<u>(2,103)</u>	<u>(145,019)</u>	<u>(778,140)</u>	<u>4,042</u>	<u>(9,076)</u>	<u>95,451</u>	<u>(921,317)</u>
-	-	-	-	731,605	35,000	20,485	15,305	802,395
-	-	-	-	23,070	1,600	49	779	25,498
-	4,667	4,635	85,249	2,458	401	87	6,500	188,997
-	-	-	(14,879)	(20,927)	(6,987)	(23)	(119,011)	(163,849)
-	<u>4,667</u>	<u>4,635</u>	<u>70,370</u>	<u>736,206</u>	<u>30,014</u>	<u>20,598</u>	<u>(96,427)</u>	<u>853,041</u>
25	-	2,532	(74,649)	(41,934)	34,056	11,522	(976)	(68,276)
678	-	13,205	307,159	400,543	168,809	28,155	62,621	1,032,115
<u>\$ 703</u>	<u>\$ -</u>	<u>\$ 15,737</u>	<u>\$ 232,510</u>	<u>\$ 358,609</u>	<u>\$ 202,865</u>	<u>\$ 39,677</u>	<u>\$ 61,645</u>	<u>\$ 963,839</u>

**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, 2005

(Expressed in Thousands)

	<b>Workers' Compensation</b>			<b>Banking</b>		
	<b>Final</b>			<b>Final</b>		
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
<b>Revenues</b>						
Budgeted:						
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits, and Fees	22,900	14,119	(8,781)	15,300	21,831	6,531
Other	-	451	451	-	1,246	1,246
Total Budgeted Revenues	<u>22,900</u>	<u>14,570</u>	<u>(8,330)</u>	<u>15,300</u>	<u>23,077</u>	<u>7,777</u>
<b>Expenditures</b>						
Budgeted:						
General Government	-	-	-	-	-	-
Regulation and Protection	21,084	18,528	2,556	19,708	15,180	4,528
Conservation and Development	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Non Functional	-	-	-	-	-	-
Total Budgeted Expenditures	<u>21,084</u>	<u>18,528</u>	<u>2,556</u>	<u>19,708</u>	<u>15,180</u>	<u>4,528</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,816</u>	<u>(3,958)</u>	<u>(5,774)</u>	<u>(4,408)</u>	<u>7,897</u>	<u>12,305</u>
<b>Other Financing Sources (Uses)</b>						
Prior Year Appropriations Carried Forward	-	-	-	-	3,741	3,741
Appropriations Continued to Fiscal Year 2006	-	(1,648)	(1,648)	-	(3,741)	(3,741)
Operating Transfer Out	-	-	-	-	-	-
Miscellaneous Adjustments	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,648)</u>	<u>(1,648)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 1,816</u>	<u>(5,606)</u>	<u>\$ (7,422)</u>	<u>\$ (4,408)</u>	<u>7,897</u>	<u>\$ 12,305</u>
Budgetary Fund Balances - July 1		15,899			28,332	
Changes in Reserves		1,648			-	
Budgetary Fund Balances - June 30		<u>\$ 11,941</u>			<u>\$ 36,229</u>	

<b>Consumer Counsel &amp; Public Utility Control</b>			<b>Insurance</b>			<b>Criminal Injuries Compensation</b>		
<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,400	17,981	(1,419)	19,700	14,900	(4,800)	-	1,310	1,310
-	12	12	-	180	180	1,500	868	(632)
<u>19,400</u>	<u>17,993</u>	<u>(1,407)</u>	<u>19,700</u>	<u>15,080</u>	<u>(4,620)</u>	<u>1,500</u>	<u>2,178</u>	<u>678</u>
-	-	-	-	-	-	-	-	-
18,799	18,225	574	19,777	18,879	898	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,425	1,425	-
-	-	-	-	-	-	-	-	-
<u>18,799</u>	<u>18,225</u>	<u>574</u>	<u>19,777</u>	<u>18,879</u>	<u>898</u>	<u>1,425</u>	<u>1,425</u>	<u>-</u>
601	(232)	(833)	(77)	(3,799)	(3,722)	75	753	678
-	-	-	-	229	229	-	-	-
-	-	-	-	(694)	(694)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	(2,024)	-	-	-	-
-	-	-	-	(2,489)	(465)	-	-	-
<u>\$ 601</u>	<u>(232)</u>	<u>\$ (833)</u>	<u>\$ (77)</u>	<u>(6,288)</u>	<u>\$ (4,187)</u>	<u>\$ 75</u>	<u>753</u>	<u>\$ 678</u>
	5,838			12,002			3,885	
	-			465			-	
	<u>\$ 5,606</u>			<u>\$ 6,179</u>			<u>\$ 4,638</u>	

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**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, 2005

(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	-	-	-	-	75	75
Other	-	-	-	1,000	928	(72)
Total Budgeted Revenues	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>1,000</u>	<u>1,003</u>	<u>3</u>
<b>Expenditures</b>						
Budgeted:						
General Government	85,000	85,000	-	-	-	-
Regulation and Protection	-	-	-	-	-	-
Conservation and Development	-	-	-	991	978	13
Human Services	-	-	-	-	-	-
Non Functional	-	-	-	-	-	-
Total Budgeted Expenditures	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>991</u>	<u>978</u>	<u>13</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>25</u>	<u>16</u>
<b>Other Financing Sources (Uses)</b>						
Prior Year Appropriations Carried Forward	-	-	-	-	-	-
Appropriations Continued to Fiscal Year 2006	-	-	-	-	-	-
Miscellaneous Adjustments	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>25</u>	<u>\$ 16</u>
Budgetary Fund Balances - July 1		-			722	
Changes in Reserves		-			-	
Budgetary Fund Balances - June 30		<u>\$ -</u>			<u>\$ 747</u>	



**Soldiers, Sailors, and Marines**

<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ 3,500	\$ 2,621	\$ (879)
-	-	-
-	-	-
<u>3,500</u>	<u>2,621</u>	<u>(879)</u>
252	250	2
307	270	37
-	-	-
3,068	2,932	136
-	-	-
<u>3,627</u>	<u>3,452</u>	<u>175</u>
<u>(127)</u>	<u>(831)</u>	<u>(704)</u>
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (127)</u>	<u>(831)</u>	<u>\$ (704)</u>
	(1,120)	
	-	
	<u>\$ (1,951)</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, 2005

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
<b>Assets</b>				
Cash & Cash Equivalents	\$ 69,174	\$ 126,321	\$ 9,068	\$ 204,563
Receivables:				
Accounts, Net of Allowances	-	702	-	702
From Other Governments	-	78,669	-	78,669
From Other Funds	79,193	-	-	79,193
Total Assets	<u>\$ 148,367</u>	<u>\$ 205,692</u>	<u>\$ 9,068</u>	<u>\$ 363,127</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 15,899	\$ 56,932	\$ -	\$ 72,831
Due To Other Funds	117,071	653	-	117,724
Deferred Revenue	-	4,467	-	4,467
Total Liabilities	<u>132,970</u>	<u>62,052</u>	<u>-</u>	<u>195,022</u>
<b>Fund Balances</b>				
Unreserved	15,397	143,640	9,068	168,105
Total Fund Balances	<u>15,397</u>	<u>143,640</u>	<u>9,068</u>	<u>168,105</u>
Total Liabilities and Fund Balances	<u>\$ 148,367</u>	<u>\$ 205,692</u>	<u>\$ 9,068</u>	<u>\$ 363,127</u>

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

For The Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
<b>Revenues</b>				
Federal Grants and Aid	\$ -	\$ 348,966	\$ -	\$ 348,966
Miscellaneous	-	865	-	865
Total Revenues	-	349,831	-	349,831
<b>Expenditures</b>				
Capital Projects	136,156	570,867	-	707,023
Debt Service:				
Interest and Fiscal Charges	1,716	1,505	-	3,221
Total Expenditures	137,872	572,372	-	710,244
Excess (Deficiency) of Revenues Over Expenditures	(137,872)	(222,541)	-	(360,413)
<b>Other Financing Sources (Uses)</b>				
Bonds Issued	275,715	200,000	-	475,715
Premium on Bonds Issued	13,039	13,053	-	26,092
Transfer Out	(184,093)	(11,045)	-	(195,138)
Total Other Financing Sources (Uses)	104,661	202,008	-	306,669
Net Change in Fund Balances	(33,211)	(20,533)	-	(53,744)
Fund Balances - Beginning	48,608	164,173	9,068	221,849
Fund Balances - Ending	\$ 15,397	\$ 143,640	\$ 9,068	\$ 168,105

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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, 2005

(Expressed in Thousands)

	<u>Soldiers, Sailors, &amp; Marines</u>	<u>Connecticut Arts Endowment</u>	<u>Other</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 527	\$ -	\$ 5,434	\$ 5,961
Investments	60,944	16,407	14,328	91,679
Securities Lending Collateral	10,913	2,933	2,200	16,046
Other Receivables	-	2	1	3
Due From Other Funds	-	-	2	2
Total Assets	<u>\$ 72,384</u>	<u>\$ 19,342</u>	<u>\$ 21,965</u>	<u>\$ 113,691</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Due To Other Funds	\$ 2,046	\$ -	\$ 224	\$ 2,270
Securities Lending Obligation	10,913	2,933	2,200	16,046
Total Liabilities	<u>12,959</u>	<u>2,933</u>	<u>2,424</u>	<u>18,316</u>
<b>Fund Balances</b>				
Reserved For:				
Permanent Investments	60,944	16,407	14,328	91,679
Trust Activities	(1,519)	2	5,213	3,696
Total Fund Balances	<u>59,425</u>	<u>16,409</u>	<u>19,541</u>	<u>95,375</u>
Total Liabilities and Fund Balances	<u>\$ 72,384</u>	<u>\$ 19,342</u>	<u>\$ 21,965</u>	<u>\$ 113,691</u>



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

For The Fiscal Year Ended June 30, 2005

(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	\$ 5,736	\$ 1,162	\$ 1,149	\$ 8,047
Miscellaneous	-	-	34	34
Total Revenues	<u>5,736</u>	<u>1,162</u>	<u>1,183</u>	<u>8,081</u>
<b>Expenditures</b>				
Education, Libraries and Museums	-	756	87	843
Total Expenditures	<u>-</u>	<u>756</u>	<u>87</u>	<u>843</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,736</u>	<u>406</u>	<u>1,096</u>	<u>7,238</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(4,667)	-	(487)	(5,154)
Total Other Financing Sources (Uses)	<u>(4,667)</u>	<u>-</u>	<u>(487)</u>	<u>(5,154)</u>
Net Change in Fund Balances	1,069	406	609	2,084
Fund Balances - Beginning	58,356	16,003	18,932	93,291
Fund Balances - Ending	<u>\$ 59,425</u>	<u>\$ 16,409</u>	<u>\$ 19,541</u>	<u>\$ 95,375</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, 2005

(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	\$ 64,868	\$ 17,024	\$ -
Accounts Receivable, Net of Allowances	6,786	20,079	-
Loans, Net of Allowances	-	-	-
Interest Receivable	-	-	-
Due From Other Funds	93,655	-	-
Due From Other Governments	-	-	-
Inventories	1,151	-	-
Other	1,049	120	-
Total Current Assets	<u>167,509</u>	<u>37,223</u>	<u>-</u>
Noncurrent Assets:			
Cash and Cash Equivalents	-	-	-
Investments	-	-	-
Receivables:			
Accounts Receivable, Net of Allowances	-	3,020	-
Loans, Net of Allowances	639	-	-
Restricted Assets	-	-	12,415
Capital Assets, Net of Accumulated Depreciation	286,701	14	32,682
Other Noncurrent Assets	-	-	2,014
Total Noncurrent Assets	<u>287,340</u>	<u>3,034</u>	<u>47,111</u>
Total Assets	<u>454,849</u>	<u>40,257</u>	<u>47,111</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	36,615	12,059	1,716
Current Portion of Long-Term Debt	1,671	320	-
Deferred Revenue	3,040	-	-
Other Current Liabilities	191	-	-
Total Current Liabilities	<u>41,517</u>	<u>12,379</u>	<u>1,716</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Liabilities	<u>32,304</u>	<u>1,131</u>	<u>52,068</u>
Total Noncurrent Liabilities	<u>32,304</u>	<u>1,131</u>	<u>52,068</u>
Total Liabilities	<u>73,821</u>	<u>13,510</u>	<u>53,784</u>
<b>Net Assets (Deficit)</b>			
Invested in Capital Assets, Net of Related Debt	286,113	-	(19,229)
Restricted for:			
Debt Service	-	-	5,121
Drinking Water Projects	-	-	-
Other Purposes	84,741	-	-
Unrestricted	<u>10,174</u>	<u>26,747</u>	<u>7,435</u>
Total Net Assets (Deficit)	<u>\$ 381,028</u>	<u>\$ 26,747</u>	<u>\$ (6,673)</u>

<b>Drinking Water</b>	<b>Rate Reduction Bond Operations (12-31-04)</b>	<b>Total</b>
\$ -	\$ 1,245	\$ 83,137
-	3,864	30,729
2,729	-	2,729
334	-	334
-	-	93,655
1,238	-	1,238
-	-	1,151
147	-	1,316
<u>4,448</u>	<u>5,109</u>	<u>214,289</u>
13,013	7,535	20,548
-	13,000	13,000
-	-	3,020
46,588	-	47,227
48,259	-	60,674
-	-	319,397
883	-	2,897
<u>108,743</u>	<u>20,535</u>	<u>466,763</u>
<u>113,191</u>	<u>25,644</u>	<u>681,052</u>
1,222	17	51,629
1,839	26,145	29,975
-	-	3,040
-	-	191
<u>3,061</u>	<u>26,162</u>	<u>84,835</u>
<u>50,804</u>	<u>177,985</u>	<u>314,292</u>
<u>50,804</u>	<u>177,985</u>	<u>314,292</u>
<u>53,865</u>	<u>204,147</u>	<u>399,127</u>
-	-	266,884
-	21,780	26,901
46,999	-	46,999
-	-	84,741
<u>12,327</u>	<u>(200,283)</u>	<u>(143,600)</u>
<u>\$ 59,326</u>	<u>\$ (178,503)</u>	<u>\$ 281,925</u>

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

For The Fiscal Year Ended June 30, 2005

(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	\$ -	\$ 93,570	\$ -
Charges for Sales and Services	73,941	-	21,613
Federal Grants and Contracts	29,520	-	-
State Grants and Contracts	8,462	-	-
Private Gifts and Grants	1,045	-	-
Interest on Loans	-	-	-
Miscellaneous	2,657	2,226	1,320
Total Operating Revenues	<u>115,625</u>	<u>95,796</u>	<u>22,933</u>
<b>Operating Expenses</b>			
Salaries, Wages and Administrative	296,293	7,339	7,971
Claims Paid	-	34,713	-
Depreciation and Amortization	13,847	8	1,034
Other	15,273	-	-
Total Operating Expenses	<u>325,413</u>	<u>42,060</u>	<u>9,005</u>
Operating Income	<u>(209,788)</u>	<u>53,736</u>	<u>13,928</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest and Investment Income	1,403	1,122	418
Interest and Fiscal Charges	-	(2,454)	(3,518)
Other	1,155	(13,761)	-
Total Nonoperating Income (Expense)	<u>2,558</u>	<u>(15,093)</u>	<u>(3,100)</u>
Income (Loss) Before Grants and Transfers	<u>(207,230)</u>	<u>38,643</u>	<u>10,828</u>
Federal Capitalization Grants	-	-	-
Transfers In	233,595	-	-
Transfers Out	-	-	(8,877)
Change in Net Assets	<u>26,365</u>	<u>38,643</u>	<u>1,951</u>
Total Net Assets (Deficit) - Beginning (as restated)	<u>354,663</u>	<u>(11,896)</u>	<u>(8,624)</u>
Total Net Assets (Deficit) - Ending	<u>\$ 381,028</u>	<u>\$ 26,747</u>	<u>\$ (6,673)</u>

<b>Drinking Water</b>	<b>Rate Reduction Bond Operations (12-31-04)</b>	<b>Total</b>
\$ -	\$ -	\$ 93,570
-	21,788	117,342
-	-	29,520
-	-	8,462
-	-	1,045
1,423	-	1,423
-	-	6,203
<u>1,423</u>	<u>21,788</u>	<u>257,565</u>
1,743	150	313,496
-	-	34,713
-	-	14,889
-	-	15,273
<u>1,743</u>	<u>150</u>	<u>378,371</u>
<u>(320)</u>	<u>21,638</u>	<u>(120,806)</u>
1,851	410	5,204
(2,130)	(7,428)	(15,530)
207	877	(11,522)
<u>(72)</u>	<u>(6,141)</u>	<u>(21,848)</u>
<u>(392)</u>	<u>15,497</u>	<u>(142,654)</u>
2,482	-	2,482
-	-	233,595
<u>(742)</u>	<u>(194,000)</u>	<u>(203,619)</u>
1,348	(178,503)	(110,196)
57,978	-	392,121
<u>\$ 59,326</u>	<u>\$ (178,503)</u>	<u>\$ 281,925</u>

## Combining Statement of Cash Flows

## Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2005

(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	\$ 69,668	\$ 91,165	\$ 21,613
Payments to Suppliers	(55,339)	-	-
Payments to Employees	(232,163)	(7,466)	(7,971)
Other Receipts (Payments)	28,407	(10,685)	(1,131)
Net Cash Provided by (Used in) Operating Activities	(189,427)	73,014	12,511
<b>Cash Flows from Noncapital Financing Activities</b>			
Proceeds from Sales of Bonds	-	-	-
Retirement of Bonds and Annuities Payable	-	(54,255)	-
Interest of Bonds	-	(16,164)	-
Transfers In	187,815	-	-
Transfers Out	-	-	(8,877)
Other Receipts (Payments)	3,547	(1,366)	-
Net Cash Flows from Noncapital Financing Activities	191,362	(71,785)	(8,877)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Additions to Property, Plant and Equipment	(5,550)	-	-
Interest Paid on Capital Debt	-	-	(3,518)
Federal Grant	-	-	-
Transfer In	40,563	-	-
Other Receipts (Payments)	(6,185)	-	(534)
Net Cash Flows from Capital and Related Financing Activities	28,828	-	(4,052)
<b>Cash Flows from Investing Activities</b>			
Purchase of Investment Securities	(25,812)	-	-
Interest on Investments	1,094	1,074	418
(Increase) Decrease in Restricted Assets	-	-	-
Other Receipts (Payments)	-	-	-
Net Cash Flows from Investing Activities	(24,718)	1,074	418
Net Increase (Decrease) in Cash and Cash Equivalents	6,045	2,303	-
Cash and Cash Equivalents -Beginning of Year	58,823	14,721	-
Cash and Cash Equivalents -End of Year	\$ 64,868	\$ 17,024	\$ -
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>			
Operating Income (Loss)	\$ (209,788)	\$ 53,736	\$ 13,928
Adjustments not Affecting Cash:			
Depreciation and Amortization	13,847	8	1,034
Other	(30)	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables, Net	(1,350)	1,431	(584)
(Increase) Decrease in Inventories and Other Assets	(138)	21,490	101
Increase (Decrease) in Accounts Payables & Accrued Liabilities	8,032	(3,651)	(1,968)
Total Adjustments	20,361	19,278	(1,417)
Net Cash Provided by (Used In) Operating Activities	\$ (189,427)	\$ 73,014	\$ 12,511



Rate Reduction		
Bond		
Drinking Water	Operations (12-31-04)	Totals
\$ 5,332	\$ 17,924	\$ 205,702
-	-	(55,339)
(1,630)	(150)	(249,380)
(369)	1,580	17,802
<u>3,333</u>	<u>19,354</u>	<u>(81,215)</u>
-	205,345	205,345
(1,513)	(12,605)	(68,373)
(2,059)	(4,840)	(23,063)
-	-	187,815
(56)	(194,000)	(202,933)
-	(12,419)	(10,238)
<u>(3,628)</u>	<u>(18,519)</u>	<u>88,553</u>
-	-	(5,550)
-	-	(3,518)
1,694	-	1,694
-	-	40,563
-	-	(6,719)
<u>1,694</u>	<u>-</u>	<u>26,470</u>
-	-	(25,812)
1,859	410	4,855
(3,308)	-	(3,308)
(174)	-	(174)
<u>(1,623)</u>	<u>410</u>	<u>(24,439)</u>
(224)	1,245	9,369
224	-	73,768
<u>\$ -</u>	<u>\$ 1,245</u>	<u>\$ 83,137</u>
\$ (320)	\$ 21,638	\$ (120,806)
-	-	14,889
-	-	(30)
3,772	(3,864)	(595)
(119)	1,580	22,914
-	-	2,413
<u>3,653</u>	<u>(2,284)</u>	<u>39,591</u>
<u>\$ 3,333</u>	<u>\$ 19,354</u>	<u>\$ (81,215)</u>

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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, 2005

(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	\$ 7,002	\$ 12,510	\$ -	\$ 19,512
Receivables, Net of Allowances	27	1,323	13	1,363
Due From Other Funds	964	11,070	880	12,914
Inventories	3,482	20	257	3,759
Other Current Assets	53	-	480	533
Total Current Assets	<u>11,528</u>	<u>24,923</u>	<u>1,630</u>	<u>38,081</u>
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	1,443	10,846	27,170	39,459
Other Noncurrent Assets	-	1,573	-	1,573
Total Noncurrent Assets	<u>1,443</u>	<u>12,419</u>	<u>27,170</u>	<u>41,032</u>
Total Assets	<u>12,971</u>	<u>37,342</u>	<u>28,800</u>	<u>79,113</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,189	8,541	22,492	33,222
Due To Other Funds	-	-	39,071	39,071
Deferred Revenue	-	4,165	129	4,294
Compensated Absences-Current Portion	41	200	561	802
Total Current Liabilities	<u>2,230</u>	<u>12,906</u>	<u>62,253</u>	<u>77,389</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Debt	-	4,816	-	4,816
Compensated Absences	561	4,116	324	5,001
Advances From Other Funds	4,700	-	-	4,700
Total Noncurrent Liabilities	<u>5,261</u>	<u>8,932</u>	<u>324</u>	<u>14,517</u>
Total Liabilities	<u>7,491</u>	<u>21,838</u>	<u>62,577</u>	<u>91,906</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,443	10,846	26,814	39,103
Unrestricted	4,037	4,658	(60,591)	(51,896)
Total Net Assets	<u>\$ 5,480</u>	<u>\$ 15,504</u>	<u>\$ (33,777)</u>	<u>\$ (12,793)</u>

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

For The Fiscal Year Ended June 30, 2005

(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	\$ 18,888	\$ 36,195	\$ 25,181	\$ 80,264
Miscellaneous	927	4	-	931
Total Operating Revenues	19,815	36,199	25,181	81,195
<b>Operating Expenses</b>				
Salaries, Wages and Administrative	19,864	33,839	11,635	65,338
Depreciation and Amortization	457	3,993	15,070	19,520
Total Operating Expenses	20,321	37,832	26,705	84,858
Operating Income (Loss)	(506)	(1,633)	(1,524)	(3,663)
<b>Nonoperating Revenue (Expenses)</b>				
Investment Income	86	-	-	86
Interest Expense	-	(83)	-	(83)
Total Nonoperating Revenues (Expenses)	86	(83)	-	3
Change in Net Assets	(420)	(1,716)	(1,524)	(3,660)
Total Net Assets - Beginning	5,900	17,220	(32,253)	(9,133)
Total Net Assets - Ending	\$ 5,480	\$ 15,504	\$ (33,777)	\$ (12,793)

# Combining Statement of Cash Flows

## Internal Service Funds

For the Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	<b>Correction Industries</b>	<b>Information Technology</b>	<b>Administrative Services</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	\$ 18,689	\$ 37,472	\$ 22,267	\$ 78,428
Payments to Suppliers	(15,383)	(13,763)	(5,325)	(34,471)
Payments to Employees	(4,140)	(23,947)	(6,677)	(34,764)
Other Receipts (Payments)	1,735	4,380	486	6,601
Net Cash Provided by (Used in) Operating Activities	901	4,142	10,751	15,794
<b>Cash Flows from Capital and Related Financing Activities</b>				
Additions to Property, Plant and Equipment	(110)	(4,170)	(10,751)	(15,031)
Other Receipts (Payments)	-	(83)	-	(83)
Net Cash Flows from Capital and Related Financing Activities	(110)	(4,253)	(10,751)	(15,114)
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	86	-	-	86
Net Cash Flows from Investing Activities	86	-	-	86
Net Increase (Decrease) in Cash and Cash Equivalents	877	(111)	-	766
Cash and Cash Equivalents -Beginning of Year	6,125	12,621	-	18,746
Cash and Cash Equivalents -End of Year	\$ 7,002	\$ 12,510	\$ -	\$ 19,512
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>				
Operating Income (Loss)	\$ (506)	\$ (1,633)	\$ (1,524)	\$ (3,663)
Adjustments Not Affecting Cash:				
Depreciation	457	3,993	15,070	19,520
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(11)	8,270	(833)	7,426
(Increase) Decrease in Due From Other Funds	(188)	(6,993)	-	(7,181)
(Increase) Decrease in Inventories and Other Current Assets	817	211	318	1,346
Increase (Decrease) in Accounts Payables & Accrued Liabilities	332	294	(2,280)	(1,654)
Total Adjustments	1,407	5,775	12,275	19,457
Net Cash Provided by (Used In) Operating Activities	\$ 901	\$ 4,142	\$ 10,751	\$ 15,794

## ***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, 2005

(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	\$ -	\$ -	\$ -	\$ 1,555
Receivables:				
Accounts, Net of Allowances	2,466	8,857	8	3,492
From Other Governments	-	1,082	-	-
From Other Funds	-	209	-	-
Interest	482	397	21	116
Investments	8,175,320	11,392,147	152,715	1,394,838
Securities Lending Collateral	981,044	1,367,007	18,626	169,138
Other Assets	-	-	-	-
Total Assets	<u>9,159,312</u>	<u>12,769,699</u>	<u>171,370</u>	<u>1,569,139</u>
<b>Liabilities</b>				
Securities Lending Obligation	981,044	1,367,007	18,626	169,138
Due to Other Funds	29,161	5,479	2	-
Total Liabilities	<u>1,010,205</u>	<u>1,372,486</u>	<u>18,628</u>	<u>169,138</u>
<b>Net Assets</b>				
Held in Trust For Employee				
Pension and Other Benefits	8,149,107	11,397,213	152,742	1,400,001
Total Net Assets	<u>\$ 8,149,107</u>	<u>\$ 11,397,213</u>	<u>\$ 152,742</u>	<u>\$ 1,400,001</u>



<u>Pension Trust</u>		<u>Other Employee Benefits</u>		
<u>Probate Judges</u>	<u>Other</u>	<u>Retired Teachers' Health Benefits</u>	<u>Policemen, Firemen, Survivors' Benefits</u>	<u>Total</u>
\$ -	\$ 84	\$ 12,029	\$ -	\$ 13,668
4	-	-	-	14,827
-	-	-	-	1,082
-	-	1,506	-	1,715
11	-	-	3	1,030
72,082	718	-	19,044	21,206,864
8,606	104	-	2,487	2,547,012
-	-	5,460	-	5,460
<u>80,703</u>	<u>906</u>	<u>18,995</u>	<u>21,534</u>	<u>23,791,658</u>
8,606	104	-	2,487	2,547,012
7	-	-	8	34,657
<u>8,613</u>	<u>104</u>	<u>-</u>	<u>2,495</u>	<u>2,581,669</u>
72,090	802	18,995	19,039	21,209,989
<u>\$ 72,090</u>	<u>\$ 802</u>	<u>\$ 18,995</u>	<u>\$ 19,039</u>	<u>\$ 21,209,989</u>

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

For The Fiscal Year Ended June 30, 2005

(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	\$ 51,722	\$ 222,108	\$ 1,430	\$ 12,217
State	518,764	185,348	12,236	-
Municipalities	-	3,539	-	21,809
Total Contributions	570,486	410,995	13,666	34,026
Investment Income	830,313	1,170,165	14,430	137,371
Less: Investment Expenses	(43,965)	(61,960)	(764)	(7,274)
Net Investment Income	786,348	1,108,205	13,666	130,097
Transfers In	-	-	-	-
Other	-	-	-	172
Total Additions	1,356,834	1,519,200	27,332	164,295
<b>Deductions</b>				
Administrative Expense	460	-	10	7
Benefit Payments and Refunds	887,561	972,887	15,085	71,191
Other	2,159	1,147	-	-
Total Deductions	890,180	974,034	15,095	71,198
Changes in Net Assets	466,654	545,166	12,237	93,097
<b>Net Assets Held in Trust For</b>				
<b>Pension and Other Employee Benefits</b>				
Beginning of Year	7,682,453	10,852,047	140,505	1,306,904
End of Year	<u>\$ 8,149,107</u>	<u>\$ 11,397,213</u>	<u>\$ 152,742</u>	<u>\$ 1,400,001</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>
\$ 250	\$ 34	\$ 49,212	\$ 324	\$ 337,297
-	-	12,858	-	729,206
-	-	-	17	25,365
250	34	62,070	341	1,091,868
7,260	54	119	1,432	2,161,144
(385)	(3)	-	(76)	(114,427)
6,875	51	119	1,356	2,046,717
2,556	-	-	-	2,556
-	3	-	-	175
9,681	88	62,189	1,697	3,141,316
-	-	1,591	-	2,068
2,568	82	57,162	743	2,007,279
2,079	-	34	-	5,419
4,647	82	58,787	743	2,014,766
5,034	6	3,402	954	1,126,550
67,056	796	15,593	18,085	20,083,439
<u>\$ 72,090</u>	<u>\$ 802</u>	<u>\$ 18,995</u>	<u>\$ 19,039</u>	<u>\$ 21,209,989</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, 2005

(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	\$ 2,146	\$ 18,615	\$ -	\$ 15,943	\$ 137,181	\$ 173,885
Receivables:						
Accounts, Net of Allowances	-	885	-	2,659	-	3,544
From Other Funds	5,104	-	-	-	-	5,104
Interest	-	-	-	17	198	215
Inventories	-	-	-	915	-	915
Other Assets	-	-	551,674	3,589	-	555,263
Total Assets	<u>\$ 7,250</u>	<u>\$ 19,500</u>	<u>\$ 551,674</u>	<u>\$ 23,123</u>	<u>\$ 137,379</u>	<u>\$ 738,926</u>
<b>Liabilities</b>						
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ 331	\$ -	\$ 331
Other Liabilities	-	-	-	2,883	-	2,883
Funds Held for Others	7,250	19,500	551,674	19,909	137,379	735,712
Total Liabilities	<u>\$ 7,250</u>	<u>\$ 19,500</u>	<u>\$ 551,674</u>	<u>\$ 23,123</u>	<u>\$ 137,379</u>	<u>\$ 738,926</u>

## Combining Statement of Changes in Assets and Liabilities

## Agency Funds

For The Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b><u>Fringe Benefit Clearing</u></b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 1,974	\$ 172	\$ -	\$ 2,146
From Other Funds	4,675	5,104	4,675	5,104
Total Assets	<u>\$ 6,649</u>	<u>\$ 5,276</u>	<u>\$ 4,675</u>	<u>\$ 7,250</u>
<b>Liabilities</b>				
Funds Held for Others	\$ 6,649	\$ 7,078	\$ 6,477	\$ 7,250
Total Liabilities	<u>\$ 6,649</u>	<u>\$ 7,078</u>	<u>\$ 6,477</u>	<u>\$ 7,250</u>
<b><u>Receipts Pending Distribution</u></b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 17,851	\$ 8,155	\$ 7,391	\$ 18,615
Accounts, Net of Allowances	-	885	-	885
Total Assets	<u>\$ 17,851</u>	<u>\$ 9,040</u>	<u>\$ 7,391</u>	<u>\$ 19,500</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 1,145	\$ -	\$ 1,145	\$ -
Funds Held for Others	16,706	10,185	7,391	19,500
Total Liabilities	<u>\$ 17,851</u>	<u>\$ 10,185</u>	<u>\$ 8,536</u>	<u>\$ 19,500</u>
<b><u>Insurance Companies Securities</u></b>				
<b>Assets</b>				
Other Assets	\$ 520,351	\$ 551,674	\$ 520,351	\$ 551,674
Total Assets	<u>\$ 520,351</u>	<u>\$ 551,674</u>	<u>\$ 520,351</u>	<u>\$ 551,674</u>
<b>Liabilities</b>				
Funds Held for Others	\$ 520,351	\$ 551,674	\$ 520,351	\$ 551,674
Total Liabilities	<u>\$ 520,351</u>	<u>\$ 551,674</u>	<u>\$ 520,351</u>	<u>\$ 551,674</u>
<b><u>State Institution Activity</u></b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 13,653	\$ 15,943	\$ 13,653	\$ 15,943
Accounts, Net of Allowances	2,477	2,659	2,477	2,659
Interest	6	17	6	17
Inventories	440	915	440	915
Other Assets	4,971	3,589	4,971	3,589
Total Assets	<u>\$ 21,547</u>	<u>\$ 23,123</u>	<u>\$ 21,547</u>	<u>\$ 23,123</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 187	\$ 331	\$ 187	\$ 331
Other Liabilities	2,751	2,883	2,751	2,883
Funds Held for Others	18,609	19,909	18,609	19,909
Total Liabilities	<u>\$ 21,547</u>	<u>\$ 23,123</u>	<u>\$ 21,547</u>	<u>\$ 23,123</u>

continues

## Combining Statement of Changes in Assets and Liabilities

continued

## Agency Funds

For The Fiscal Year Ended June 30, 2005

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>Other</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 127,151	\$ 141,432	\$ 131,402	\$ 137,181
Interest	57	198	57	198
Total Assets	<u>\$ 127,208</u>	<u>\$ 141,630</u>	<u>\$ 131,459</u>	<u>\$ 137,379</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 191	\$ -	\$ 191	\$ -
Funds Held for Others	127,017	141,630	131,268	137,379
Total Liabilities	<u>\$ 127,208</u>	<u>\$ 141,630</u>	<u>\$ 131,459</u>	<u>\$ 137,379</u>
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Cash and Cash Equivalents	\$ 160,629	\$ 165,702	\$ 152,446	\$ 173,885
Accounts, Net of Allowances	2,477	3,544	2,477	3,544
From Other Funds	4,675	5,104	4,675	5,104
Interest	63	215	63	215
Inventories	440	915	440	915
Other Assets	525,322	555,263	525,322	555,263
Total Assets	<u>\$ 693,606</u>	<u>\$ 730,743</u>	<u>\$ 685,423</u>	<u>\$ 738,926</u>
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	\$ 1,523	\$ 331	\$ 1,523	\$ 331
Other Liabilities	2,751	2,883	2,751	2,883
Funds Held for Others	689,332	730,476	684,096	735,712
Total Liabilities	<u>\$ 693,606</u>	<u>\$ 733,690</u>	<u>\$ 688,370</u>	<u>\$ 738,926</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, 2005

(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Resources Recovery Authority	Connecticut Innovations, Incorporated
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 28,899	\$ 1,546	\$ 64,673	\$ 13,096
Investments	260	-	-	11,064
Receivables:				
Accounts, Net of Allowances	86	-	23,135	6
Loans, Net of Allowances	12,644	16,958	-	-
Interest Receivable	386	806	-	-
Due From Primary Government	12,937	-	-	259
Restricted Assets	-	45,493	23,225	-
Inventories	-	-	3,796	-
Other Current Assets	846	-	1,242	326
Total Current Assets	<u>56,058</u>	<u>64,803</u>	<u>116,071</u>	<u>24,751</u>
Noncurrent Assets:				
Investments	18,549	-	-	43,981
Accounts, Net of Allowances	1,221	-	-	-
Loans, Net of Allowances	51,897	68,799	-	-
Restricted Assets	15,203	7,000	81,452	13,346
Capital Assets, Net of Accumulated Depreciation	17,403	-	184,414	1,448
Other Noncurrent Assets	3,248	2,445	7,221	-
Total Noncurrent Assets	<u>107,521</u>	<u>78,244</u>	<u>273,087</u>	<u>58,775</u>
Total Assets	<u>163,579</u>	<u>143,047</u>	<u>389,158</u>	<u>83,526</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable & Accrued Liabilities	3,856	1,114	22,021	573
Current Portion of Long-Term Obligations	5,588	5,785	4,295	-
Due To Primary Government	-	-	2,619	-
Other Liabilities	650	-	4,760	15
Total Current Liabilities	<u>10,094</u>	<u>6,899</u>	<u>33,695</u>	<u>588</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	<u>36,535</u>	<u>127,397</u>	<u>124,695</u>	<u>-</u>
Total Noncurrent Liabilities	<u>36,535</u>	<u>127,397</u>	<u>124,695</u>	<u>-</u>
Total Liabilities	<u>46,629</u>	<u>134,296</u>	<u>158,390</u>	<u>588</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	12,872	-	100,471	1,448
Restricted:				
Debt Service	15,203	-	19,129	-
Expendable Endowments	-	-	-	-
Nonexpendable Endowments	-	-	-	-
Other Purposes	-	-	41,953	13,346
Unrestricted	<u>88,875</u>	<u>8,751</u>	<u>69,215</u>	<u>68,144</u>
Total Net Assets	<u>\$ 116,950</u>	<u>\$ 8,751</u>	<u>\$ 230,768</u>	<u>\$ 82,938</u>

<b>Capital City Economic Development Authority</b>	<b>UConn Foundation</b>	<b>Total</b>
\$ 1,911	\$ 2,946	\$ 113,071
-	287,509	298,833
444	7,910	31,581
-	-	29,602
-	-	1,192
-	-	13,196
-	-	68,718
53	-	3,849
85	-	2,499
<u>2,493</u>	<u>298,365</u>	<u>562,541</u>
-	-	62,530
-	14,353	15,574
-	-	120,696
15,056	900	132,957
219,820	5,538	428,623
1,143	1,798	15,855
<u>236,019</u>	<u>22,589</u>	<u>776,235</u>
<u>238,512</u>	<u>320,954</u>	<u>1,338,776</u>
1,421	7,890	36,875
700	155	16,523
-	-	2,619
-	-	5,425
<u>2,121</u>	<u>8,045</u>	<u>61,442</u>
<u>72,001</u>	<u>9,790</u>	<u>370,418</u>
<u>72,001</u>	<u>9,790</u>	<u>370,418</u>
<u>74,122</u>	<u>17,835</u>	<u>431,860</u>
163,197	(1,513)	276,475
-	-	34,332
-	93,114	93,114
-	206,669	206,669
-	-	55,299
1,193	4,849	241,027
<u>\$ 164,390</u>	<u>\$ 303,119</u>	<u>\$ 906,916</u>

# Combining Statement of Activities Nonmajor Component Units

For The Fiscal Year Ended June 30, 2005  
(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Development Authority	\$ 24,496	\$ 19,689	\$ -	\$ -
Connecticut Higher Education Supplemental Loan Authority	8,215	8,984	-	-
Connecticut Resources Recovery Authority	166,611	251,701	-	-
Connecticut Innovations, Incorporated	4,625	668	-	-
Capital City Economic Development Authority	8,785	415	3,518	165,412
UConn Foundation	38,656	30,833	-	-
Total Nonmajor Component Units	<u>\$ 251,388</u>	<u>\$ 312,290</u>	<u>\$ 3,518</u>	<u>\$ 165,412</u>

## General Revenues:

Investment Income (Loss)

Contributions to Endowments

Special Items:

Statutory Payment to State

Other

Total General Revenues,

Contributions, and Special Item

Change in Net Assets

Total Net Assets - Beginning

Total Net Assets - Ending

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

<b>Connecticut Development Authority</b>	<b>Connecticut Higher Education Supplemental Loan Authority</b>	<b>Connecticut Resources Recovery Authority</b>	<b>Connecticut Innovations, Incorporated</b>	<b>Capital City Economic Development Authority</b>	<b>UConn Foundation</b>	<b>Totals</b>
\$ (4,807)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,807)
-	769	-	-	-	-	769
-	-	85,090	-	-	-	85,090
-	-	-	(3,957)	-	-	(3,957)
-	-	-	-	160,560	-	160,560
-	-	-	-	-	(7,823)	(7,823)
<u>(4,807)</u>	<u>769</u>	<u>85,090</u>	<u>(3,957)</u>	<u>160,560</u>	<u>(7,823)</u>	<u>229,832</u>
1,342	1,455	4,471	(5,129)	1,057	-	3,196
-	-	-	-	-	55,653	55,653
(10,000)	-	-	(5,000)	-	-	(15,000)
-	-	22,374	-	-	-	22,374
<u>(8,658)</u>	<u>1,455</u>	<u>26,845</u>	<u>(10,129)</u>	<u>1,057</u>	<u>55,653</u>	<u>66,223</u>
(13,465)	2,224	111,935	(14,086)	161,617	47,830	296,055
130,415	6,527	118,833	97,024	2,773	255,289	610,861
<u>\$ 116,950</u>	<u>\$ 8,751</u>	<u>\$ 230,768</u>	<u>\$ 82,938</u>	<u>\$ 164,390</u>	<u>\$ 303,119</u>	<u>\$ 906,916</u>

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# *Statistical Section*

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## General Governmental Expenditures By Function

Last Ten Fiscal Years

(Expressed in Thousands)

<b><u>FUNCTION (1)</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>
1. Legislative	\$ 47,422	\$ 51,802	\$ 54,898	\$ 65,272
2. General Government	1,182,673	715,844	783,865	1,032,668
3. Regulation and Protection	415,308	414,873	417,537	476,469
4. Conservation and Development	221,383	264,742	263,327	303,994
5. Health and Hospitals	826,501	895,809	955,659	1,058,582
6. Transportation	358,144	359,716	342,637	383,175
7. Human Services	3,450,082	3,512,640	3,553,865	3,488,482
8. Education, Libraries, and Museums	2,420,982	2,445,732	2,581,568	2,840,361
9. Corrections	846,305	947,932	935,382	1,031,100
10. Judicial	271,571	304,686	320,727	359,925
11. Restricted Federal & Other Grants/Accounts (2)	875,430	679,559	779,670	654,243
12. Debt Service	1,305,017	1,158,034	1,318,265	1,356,817
<b>Total Expenditures</b>	<b>\$ 12,220,818</b>	<b>\$ 11,751,369</b>	<b>\$ 12,307,400</b>	<b>\$ 13,051,088</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><u>SOURCE (1)</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>	<b><u>1998</u></b>	<b><u>1999</u></b>
1. Taxes	\$ 7,339,263	\$ 7,611,339	\$ 8,130,258	\$ 8,336,873
2. Assessments	-	-	-	-
3. Licenses, Permits, and Fees	429,803	447,333	471,996	483,220
4. Tobacco Settlement	-	-	-	-
5. Federal Grants and Aid	2,830,481	2,782,901	2,853,800	2,258,276
6. Charges for Services	211,829	269,349	312,909	59,102
7. Fines, Forfeits, and Rents	25,359	31,356	35,019	53,695
8. Casino Gaming Payments	-	-	-	288,532
9. Restricted Federal & Other Grants/Accounts (2)	-	-	-	654,243
10. Investment Earnings	73,235	90,689	106,040	95,324
11. Lottery	706,860	-	-	-
12. Miscellaneous	192,358	180,458	173,649	190,851
<b>Total Revenues</b>	<b>\$ 11,809,188</b>	<b>\$ 11,413,425</b>	<b>\$ 12,083,671</b>	<b>\$ 12,420,116</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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 68,590	\$ 71,146	\$ 76,595	\$ 77,307	84,272	86,006
990,749	1,177,391	1,326,900	1,115,263	1,056,469	1,167,909
523,746	553,871	607,074	558,710	559,219	602,491
355,407	425,544	428,254	402,655	432,590	407,547
1,152,309	1,489,557	1,652,838	1,686,699	1,642,797	1,761,568
400,502	601,342	576,857	537,797	527,326	573,035
3,780,196	3,850,108	3,866,970	4,089,089	4,538,769	4,454,391
3,142,268	3,541,240	2,980,853	3,042,345	3,090,211	3,324,022
1,156,916	1,255,511	1,334,427	1,422,713	1,525,804	1,621,273
407,675	467,947	532,774	546,154	532,784	627,602
813,100	-	-	-	-	-
1,491,013	1,339,226	1,420,190	1,512,310	1,609,343	1,692,650
<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>	<b>\$ 16,318,494</b>

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 8,844,733	\$ 9,196,056	\$ 8,278,340	\$ 8,727,502	9,742,801	10,830,226
-	-	-	-	25,827	17,968
455,531	510,104	551,369	524,998	515,049	530,134
149,960	112,535	139,968	137,915	116,578	118,321
2,388,127	3,279,026	3,328,281	3,550,576	3,915,501	3,744,253
76,929	77,573	61,047	92,922	98,225	95,683
62,354	68,931	71,039	99,909	138,619	189,525
318,986	332,418	368,954	387,255	402,733	417,838
818,070	-	-	-	-	-
105,247	120,136	75,280	42,620	27,531	69,342
-	-	-	-	-	-
217,483	329,797	292,742	359,229	455,026	494,262
<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>	<b>\$ 16,507,552</b>

# Computation of Legal Debt Margin

January 1, 2005

(Expressed in Thousands)

Estimated General Fund Tax Receipts for December 16, 2003	\$ 9,441,100
Factor	<u>1.6</u>
Statutory Debt Limit for Debt Incurred	15,105,760
Less: Authorized Bonds, Notes, and Other Obligations subject to certain limitations.	<u>12,486,174</u>
<b>Legal Debt Margin</b>	<b><u>\$ 2,619,586</u></b>

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

## Net General Long-Term Bonded Debt Per Capita

Last Ten Fiscal Years

(Thousands, except for net debt per capita)

<u>YEAR</u>	<u>POPULATION</u>	<u>GENERAL LONG-TERM DEBT</u>				<u>NET DEBT PER CAPITA</u>
		<u>TOTAL DEBT</u>	<u>LESS DEBT SERVICE AVAILABLE</u>	<u>NET</u>		
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	3,412	10,291,418	539,525	9,751,893		2,858
2001	3,432	10,830,356	575,512	10,254,844		2,988
2002	3,458	11,702,339	680,041	11,022,298		3,187
2003	3,486	12,641,404	631,475	12,009,929		3,445
2004	3,499	13,033,775	635,679	12,398,096		3,543
2005	3,510	13,228,677	677,555	12,551,122		3,576

**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>
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%
2005	1,051,308	641,342	1,692,650	16,318,494	10.4%

**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)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE		DEBT SERVICE REQUIREMENTS		
				PRINCIPAL	INTEREST	TOTAL	COVERAGE
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
2005	60,618	32,649	27,969	8,780	11,357	20,137	1.39

(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

Two Fiscal Year

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE		DEBT SERVICE REQUIREMENTS		
				PRINCIPAL	INTEREST	TOTAL	COVERAGE
2004	\$1,311,797	\$1,154,520	\$157,277	\$50,810	\$10,198	\$61,008	2.58
2005	1,408,197	1,270,111	138,086	57,660	11,158	68,818	2.01

(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

Two Fiscal Year

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE		DEBT SERVICE REQUIREMENTS		
				PRINCIPAL	INTEREST	TOTAL	COVERAGE
2004	\$526,083	\$432,163	\$93,920	\$68,312	\$-	\$68,312	1.37
2005	529,180	464,940	64,240	63,673	-	63,673	1.01

(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 &amp; Compensation Assurance

Last Four Fiscal Year

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	NET REVENUE		DEBT SERVICE REQUIREMENTS			
		DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
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
2005	96,918	55,821	41,097	54,255	2,454	56,709	0.72

(1) Includes Operating and Non-Operating Revenues

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

SOURCE: Treasurer's Report

## Clean Water

Last Four Fiscal Year

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	NET REVENUE		DEBT SERVICE REQUIREMENTS			
		DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
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
2005	47,439	755	46,684	38,207	26,985	65,192	0.72

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

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

SOURCE: Clean Water Financial Statements

## Drinking Water

Last Four Fiscal Year

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	NET REVENUE		DEBT SERVICE REQUIREMENTS			
		DIRECT OPERATING EXPENSES (2)	AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVERAGE
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
2005	5,963	1,743	4,220	1,513	2,130	3,643	1.16

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

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

SOURCE: Drinking Water Financial Statements

**Revenue Bond Coverage****Bradley Parking Garage**

Last Three Fiscal Year

(Expressed in Thousands)

<b>FOR THE YEAR ENDED JUNE 30,</b>	<b>GROSS REVENUES(1)</b>	<b>DIRECT OPERATING EXPENSES (2)</b>	<b>NET REVENUE AVAILABLE FOR DEBT SERVICE</b>	<b>DEBT SERVICE REQUIREMENTS</b>			
				<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>	<b>COVERAGE</b>
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
2005	23,351	7,971	15,380	-	3,518	3,518	4.37

(1) Includes Operating and Non-Operating Revenues.

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

**SOURCE:** Combining Statement of Net Assets**Rate Reduction Bonds**

Last One Fiscal Year

(Expressed in Thousands)

<b>FOR THE YEAR ENDED JUNE 30,</b>	<b>GROSS REVENUES(1)</b>	<b>DIRECT OPERATING EXPENSES (2)</b>	<b>NET REVENUE AVAILABLE FOR DEBT SERVICE</b>	<b>DEBT SERVICE REQUIREMENTS</b>			
				<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>	<b>COVERAGE</b>
2005	\$23,075	\$150	\$22,925	\$12,605	\$7,428	\$20,033	1.14

(1) Includes Operating and Non-Operating Revenues.

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

**SOURCE:** Treasurer's Report

**Bank Deposits**

Last Ten Fiscal Years  
(Expressed in Thousands)

<b>TOTAL AS OF</b>	<b>BANK DEPOSITS</b>
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
2005	\$46,776,322

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**SOURCE:** Department of Banking

**Connecticut Employment by Industry**  
**Changes Through a Ten Year Period (1995 & 2005)**

(Expressed in Thousands as of June)

<b>INDUSTRY</b>	<b>EMPLOYMENT 1995</b>	<b>EMPLOYMENT 2005</b>	<b>% of Total 1995</b>	<b>% of Total 2005</b>	<b>Change</b>
Mining	0.7	0.8	0.04%	0.05%	0.01%
Construction	51.3	71.2	2.97%	4.26%	1.29%
Manufacturing	281.1	198.0	16.29%	11.85%	-4.44%
Trade, Transportation & Utilities	373.6	314.0	21.65%	18.79%	-2.86%
Financial Activities	133.1	141.1	7.71%	8.45%	0.73%
Professional & Business Services	182.8	198.0	10.59%	11.85%	1.26%
Education & Health Services	274.2	269.3	15.89%	16.12%	0.23%
Leisure & Hospitality	115.5	131.8	6.69%	7.89%	1.20%
Other Services	58.6	64.8	3.40%	3.88%	0.48%
Government	214.3	242.2	12.42%	14.50%	2.08%
Information	40.3	39.6	2.34%	2.37%	0.03%

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

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**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>
1995	1,557.9	117,189.0		
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%
2005	1,670.8	133,376.0	1.7%	1.6%

**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>
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%
2005	1,800,600	149,243,000	5.1%	5.0%

**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>
1995	\$31,947	\$23,562	35.6%
1996	\$32,424	\$24,561	32.0%
1997	\$34,375	\$25,924	32.6%
1998	\$37,338	\$27,203	37.3%
1999	\$39,543	\$28,546	38.5%
2000	\$40,702	\$29,845	36.4%
2001	\$42,377	\$30,574	38.6%
2002	\$42,706	\$30,810	38.6%
2003	\$43,173	\$31,484	37.1%
2004	\$45,398	\$33,050	37.4%
2005	\$47,819	\$34,586	38.3%

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>
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%
2004	\$55,390	\$44,389	24.8%

SOURCE: US Census Bureau

## Total Personal Income for Connecticut and the United States

<u>YEAR</u>	<u>CT</u>	<u>US</u>	<u>Growth</u> <u>CT</u>	<u>Growth</u> <u>US</u>
1996	\$108,189,356	\$6,512,485,000		
1997	115,134,004	6,907,332,000	6.4%	6.1%
1998	123,917,725	7,415,709,000	7.6%	7.4%
1999	129,807,075	7,796,137,000	4.8%	5.1%
2000	141,570,257	8,422,074,000	9.1%	8.0%
2001	147,323,080	8,718,165,000	4.1%	3.5%
2002	147,856,498	8,868,261,000	0.4%	1.7%
2003	150,800,881	9,148,680,000	2.0%	3.2%
2004	163,835,000	10,018,162,000	8.6%	9.5%
2005	169,308,000	10,444,012,000	3.3%	4.3%

**SOURCE:** Bureau of Economic Analysis

## Connecticut Population

(Expressed in Thousands)

<u>YEAR</u>	<u>TOTAL</u> <u>POPULATION</u>	<u>GROWTH</u>
1995	3,324	
1996	3,337	0.4%
1997	3,349	0.4%
1998	3,365	0.5%
1999	3,386	0.6%
2000	3,412	0.8%
2001	3,432	0.6%
2002	3,458	0.8%
2003	3,486	0.8%
2004	3,499	0.4%
2005	3,510	0.3%

**SOURCE:** US Census Bureau

# Top Twenty Employers

(Excluding State and Federal Government)

<u>NAME</u>	<u>HEADQUARTERS</u>	<u>TOTAL EMPLOYEES</u>
United Technologies Corp.	Hartford	26,126
Stop & Shop Cos., Inc.	North Haven	15,057
Hartford Financial Services	Hartford	11,500
Foxwoods Resort Casino	Mashantucket	11,500
Yale University	New Haven	11,250
Mohegan Sun Casino	Uncasville	10,500
SBC Communications Inc.	New Haven	8,000
General Electric Co.	Fairfield	7,285
Aetna Inc.	Hartford	7,200
Pfizer Global Research Inc.	New London	6,500
CIGNA	Bloomfield	6,480
Hartford Hospital	Hartford	6,086
St. Paul's Travelers, Cos. Inc.	Hartford	5,800
FleetBoston Financial	Hartford	5,100
Northeast Utilities	Berlin	4,615
Athena Healthcare Systems	Southington	4,311
Peoples Bank	Bridgeport	2,900
Webster Financial Corp.	Waterbury	2,634
ESPN	Bristol	2,550
St. Francis Hospital	Hartford	2,436

**SOURCE:** Hartford Business Journal, July 2004

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## Major Revenue Sources - General Fund

Last Ten Fiscal Years

(Millions)

<u>FISCAL</u> <u>YEAR</u>	<u>SALES</u> <u>&amp; USE</u> <u>TAX</u>	<u>% OF</u> <u>TOTAL</u> <u>REVENUE</u>	<u>PERSONAL</u> <u>INCOME</u> <u>TAX</u>	<u>% OF</u> <u>TOTAL</u> <u>REVENUE</u>	<u>CORPORATION</u> <u>TAX</u>	<u>% OF</u> <u>TOTAL</u> <u>REVENUE</u>
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%
2005	3,290.4	23.4%	5,570.7	39.6%	679.0	4.8%

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

## Sales and Use Tax - Major Industrial Categories

June 30, 2005

(Millions)

<u>INDUSTRY</u>	<u>TAX</u>	<u>PERCENT</u>
Construction	\$125.4	4.0%
Manufacturing	163.1	5.3%
Wholesale	180.3	5.8%
Utilities	82.3	2.7%
Information	241.0	7.8%
Arts, Entertainment & Recreation	22.0	0.7%
Accommodation & Food Services	230.6	7.4%
Other Services	120.4	3.9%
All Other Businesses	482.5	15.6%
Retail:		
Building Material & Garden Equipment	187.1	6.0%
General Merchandise Stores	171.6	5.5%
Food & Beverage Stores	157.6	5.1%
Motor Vehicle & Parts Dealers	402.0	13.0%
Clothing & Clothing Accessories Stores	70.2	2.3%
Electronic & Appliance Stores	70.8	2.3%
Furniture & Home Furnishings	80.7	2.6%
Health & Personal Care Stores	41.3	1.3%
Gasoline Stations	31.1	1.0%
Sporting Goods, Hobby, Book & Music Stores	46.4	1.5%
Miscellaneous Shopping Stores	191.6	6.2%
<b>Total Sales &amp; Use Tax</b>	<b>\$3,098.0</b>	

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

**SOURCE:** Department of Revenue Services

## Miscellaneous Statistics

June 30, 2005

Date of Ratification	January 9, 1788
Form of Government	Legislative - Executive - Judicial
Miles of State Highway	4,133
Land Area	5,565 Square Miles

### State Police Protection:

Number of Stations	12
Number of State Police	1,215

### Higher Education (Universities, Colleges and Community Colleges):

Number of Campuses in State	22
Number of Employees	12,912
Number of Students	108,859

### Recreation:

Number of State Parks	93
Area of State Parks	34,601 Acres
Area of State Forests	228,043 Acres

### Employees:

Full-Time (Permanent)	52,232
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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*

#### **Accounting Services**

Doris Przygocki - *Assistant Director*  
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  
Joann Lacaria  
Sylvia Caraballo

*Technical Support*  
Richard DePaolis