NEW ISSUE/REFUNDING ISSUE—Book Entry Only **(See "Ratings" herein)**

$201,990,000
UNIVERSITY OF CONNECTICUT
GENERAL OBLIGATION BONDS
consisting of

$109,050,000 General Obligation Bonds, 2014 Series A

$92,940,000 General Obligation Bonds, 2014 Refunding Series A

Dated: Date of Delivery **Due: As shown on inside cover**

The University of Connecticut General Obligation Bonds, 2014 Series A (the "2014 Series A Bonds") and the University of Connecticut General Obligation Bonds, 2014 Refunding Series A (the "2014 Refunding Series A Bonds" and, collectively with the 2014 Series A Bonds, the "2014 Bonds") are general obligations of the University of Connecticut (the "University"), a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State") and are issued pursuant to Sections 10a-109a to 10a-109y inclusive of the General Statutes of Connecticut, as amended (the "UCONN 2000 Act") and the General Obligation Master Indenture of Trust, dated as of November 1, 1995, as supplemented by certain supplemental indentures, including the Eighth Supplemental Indenture, dated as of January 15, 2004, and the Nineteenth Supplemental Indenture, dated as of April 1, 2014 (collectively, the "Indentures"), for the purpose of providing funds for the UConn 2000 Infrastructure Improvement Program. The 2014 Bonds are additionally secured by a pledge of and payable from amounts of the State Debt Service Commitment equal to the interest and principal due on the 2014 Bonds appropriated out of the resources of the State's General Fund and mandated and obligated to be paid by the State Treasurer to U. S. Bank National Association (successor to State Street Bank and Trust Company and Fleet National Bank of Connecticut) as the Trustee under the Indentures, when due. In the opinions of Bond Counsel and Co-Bond Counsel, such appropriation, mandate and obligation of payment from the State's General Fund are valid and do not require further legislative approval.

The issuance of the 2014 Bonds by the University does not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation. The University has no taxing power. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT" herein.

The 2014 Bonds are issuable only as fully-registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2014 Bonds. Purchases of the 2014 Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the 2014 Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners (as defined herein) of the 2014 Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. Principal of and interest on the 2014 Bonds will be paid directly to DTC by the Trustee, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. Interest on the 2014 Bonds will be payable semiannually on February 15 and August 15 in each year, commencing on August 15, 2014.

Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

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

The 2014 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinions of Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A., rendered in reliance upon and assuming the accuracy of and continuing compliance by the University and the State Treasurer with their representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986, as amended, under existing law, interest on the 2014 Bonds is not included in gross income of the owners thereof for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. See "Tax Matters" herein.

In the opinions of Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A., under existing statutes, interest on the 2014 Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

The 2014 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality by Pullman & Comley, LLC, Hartford, Connecticut, Bond Counsel, and the Law Offices of Joseph C. Reid, P.A., New York, New York, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, McKenna Long & Aldridge LLP, New York, New York, and Lewis & Munday, A Professional Corporation, New York, New York. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, Hartford, Connecticut. It is expected that the 2014 Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about April 22, 2014.

Wells Fargo Bank N.A.

Jefferies **Piper Jaffray & Co.** **J.P. Morgan**

BofA Merrill Lynch
Estrada Hinojosa & Company, Inc.
Morgan Stanley
RBC Capital Markets

Blaylock Beal Van, LLC
Fidelity Capital Markets
Ramirez & Co., Inc.
Roosevelt & Cross, Inc.
US Bancorp

Cabrera Capital Markets, LLC
Goldman Sachs & Co.
Raymond James & Associates, Inc.
Siebert Brandford Shank & Co., L.L.C.

Dated: April 8, 2014

$201,990,000
UNIVERSITY OF CONNECTICUT

MATURITY SCHEDULE

$109,050,000 General Obligation Bonds, 2014 Series A

Maturity	Principal Amount	Interest Rate	Yield	CUSIP[1]
February 15, 2015	$5,450,000	2.00%	0.12%	914233YK1
February 15, 2016	$2,600,000	3.00%	0.39%	914233YL9
February 15, 2016	$2,855,000	5.00%	0.39%	914233ZF1
February 15, 2017	$5,455,000	4.00%	0.70%	914233YM7
February 15, 2018	$5,455,000	5.00%	1.04%	914233YN5
February 15, 2019	$5,455,000	2.00%	1.39%	914233YP0
February 15, 2020	$5,455,000	4.00%	1.80%	914233YQ8
February 15, 2021	$3,610,000	3.00%	2.12%	914233YR6
February 15, 2021	$1,845,000	5.00%	2.12%	914233ZG9
February 15, 2022	$3,210,000	2.50%	2.40%	914233YS4
February 15, 2022	$2,245,000	5.00%	2.40%	914233ZH7
February 15, 2023	$5,455,000	4.00%	2.61%	914233YT2
February 15, 2024	$5,455,000	5.00%	2.76%	914233YU9
February 15, 2025*	$5,455,000	3.00%	2.94%	914233YV7
February 15, 2026*	$5,450,000	5.00%	3.02%	914233YW5
February 15, 2027*	$5,450,000	5.00%	3.13%	914233YX3
February 15, 2028*	$5,450,000	5.00%	3.23%	914233YY1
February 15, 2029*	$5,450,000	5.00%	3.32%	914233YZ8
February 15, 2030*	$5,450,000	5.00%	3.41%	914233ZA2
February 15, 2031*	$5,450,000	5.00%	3.48%	914233ZB0
February 15, 2032*	$5,450,000	5.00%	3.55%	914233ZC8
February 15, 2033*	$5,450,000	5.00%	3.62%	914233ZD6
February 15, 2034*	$5,450,000	5.00%	3.67%	914233ZE4

* Priced to the first optional call date of February 15, 2024 assuming redemption at par.

$92,940,000 General Obligation Bonds, 2014 Refunding Series A

Maturity	Principal Amount	Interest Rate	Yield	CUSIP[1]
February 15, 2015	$32,455,000	2.00%	0.12%	914233ZJ3
February 15, 2016	$10,175,000	4.00%	0.39%	914233ZK0
February 15, 2016	$17,365,000	5.00%	0.39%	914233ZR5
February 15, 2017	$19,260,000	5.00%	0.70%	914233ZL8
February 15, 2018	$4,010,000	4.00%	1.04%	914233ZM6
February 15, 2020	$5,600,000	5.00%	1.80%	914233ZN4
February 15, 2022	$95,000	3.00%	2.40%	914233ZP9
February 15, 2025*	$3,980,000	5.00%	2.91%	914233ZQ7

* Priced to the first optional call date of February 15, 2024 assuming redemption at par.

 CUSIP numbers have been assigned by an independent company not affiliated with the University and are included solely for the convenience of the holders of the 2014 Bonds. The University is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the 2014 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2014 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2014 Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the University of Connecticut and the State of Connecticut and other sources which are believed to be reliable but is not guaranteed as to its accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of said University or the State since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In making an investment decision, investors must rely on their own examination of the security for the 2014 Bonds and terms of this offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commissioners or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

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CONTENTS OF OFFICIAL STATEMENT

This Official Statement of the University of Connecticut, including the cover page, inside cover page, Part I, Part II and Part III, and the Appendices and Schedules thereto, is provided for the purpose of presenting certain information relating to the University in connection with the sale of $201,990,000 aggregate principal amount of its 2014 Bonds.

Part I of this Official Statement, including the cover and inside cover page and the Appendices thereto, contains information relating to the 2014 Bonds. Appendix I-A of this Official Statement contains certain information concerning the University as of its date, except as otherwise provided therein. Part II of this Official Statement is the Information Supplement of the State of Connecticut, which supplements as of its date certain information contained in the most recent Annual Information Statement of the State. Part III of this Official Statement, including the Appendices thereto, is the most recent Annual Information Statement of the State and contains certain information about the State as of its date. The cover page, inside cover page, Part I, Part II and Part III, and the Appendices and Schedules thereto should be read collectively and in their entirety.

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OFFICIAL STATEMENT
relating to

$201,990,000
UNIVERSITY OF CONNECTICUT

$109,050,000 General Obligation Bonds, 2014 Series A
$92,940,000 General Obligation Bonds, 2014 Refunding Series A

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, the inside cover page, the appendices and schedules attached hereto, is provided for the purpose of presenting certain information in connection with the offering and sale of $109,050,000 General Obligation Bonds, 2014 Series A (the "2014 Series A Bonds") and $92,940,000 General Obligation Bonds, 2014 Refunding Series A (the "2014 Refunding Series A Bonds" and, collectively with the 2014 Series A Bonds, the "2014 Bonds") of the University of Connecticut (the "University"). The 2014 Bonds are authorized pursuant to The University of Connecticut 2000 Act, Sections 10a-109a to 10a-109y inclusive of the General Statutes of Connecticut, Revision of 1958 as amended ("the Act" or the "UCONN 2000 Act") and are authorized, issued and secured under the provisions of a General Obligation Master Indenture of Trust, dated as of November 1, 1995 (the "Master Indenture"), as supplemented and amended by certain supplemental indentures, including the Eighth Supplemental Indenture dated as of January 15, 2004 (the "Eighth Supplemental Indenture") and the Nineteenth Supplemental Indenture dated as of April 1, 2014 (the "Nineteenth Supplemental Indenture"). The Master Indenture and supplements thereto, including the Eighth Supplemental Indenture and the Nineteenth Supplemental Indenture, are collectively referred to herein as the "Indentures." All series of bonds issued under the Master Indenture are herein called the "Bonds" or "General Obligation Bonds." The Indentures were each approved by the Board of Trustees of the University (the "Board") and entered into with U. S. Bank National Association (successor to State Street Bank and Trust Company and Fleet National Bank of Connecticut) of Hartford, Connecticut, as Trustee thereunder.

The University is defined by the Act as a constituent unit of the state system of public higher education which includes the University of Connecticut Health Center (the "Health Center"). The Act establishes the University as a body politic and corporate and instrumentality and agency of the State of Connecticut (the "State") and enables the University to borrow money in its own name on behalf of the State for the purpose of providing sufficient funds for a special capital improvement program for the University (the "UConn 2000 Infrastructure Improvement Program" or "UCONN 2000"). See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" below.

The UConn 2000 Infrastructure Improvement Program established by the Act is designed to modernize, rehabilitate and expand the physical plant of the University. The Act provides for a twenty-nine year capital budget program in three phases, estimated to cost $4,619,300,000. The Act was originally adopted in 1995 to authorize and finance the UConn 2000 Phase I Projects and the UConn 2000 Phase II Projects at University campuses not including the Health Center and amended in 2002 (the "21st Century UConn Act") to add the authorization and financing of UConn 2000 Phase III Projects which included projects at the Health Center. In 2010, the General Assembly enacted and the Governor signed P.A. 10-104 which increased the cost of certain Health Center projects, authorized additional projects for the Health Center and extended UCONN 2000 for an additional two fiscal years to 2018. In 2011, the General Assembly enacted and the Governor signed P.A. 11-75 which increased the estimated cost of two Health Center projects. In 2013, the General Assembly enacted and the Governor signed P.A. 13-233 ("Next Generation Connecticut") which authorized additional projects, increased the cost of certain projects, increased the authorized funding amount for bonds secured by the State debt service commitment (the "State Debt Service Commitment") and extended UCONN 2000 for an additional six fiscal years to 2024.

The Act provides for a plan of financing UConn 2000 Projects with $4,300,900,000 of general obligation bonds of the University secured by the State Debt Service Commitment. See "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT" below. Certain UConn 2000 Projects have been funded by the issuance of $18,000,000 of State general obligation bonds. The balance of the estimated cost of UConn 2000 Projects which is not to be financed by the University's Bonds secured by the State Debt Service Commitment or the State's previously issued general obligation bonds may be paid with the proceeds of special obligation bonds ("Special Obligation Bonds") of the University, general obligation bonds of the State ("State General Obligation Bonds") or with gifts or other revenue or borrowing resources of the University. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" below. As of the date of delivery of the 2014 Bonds, the University will have outstanding $1,023,985,000 of its General Obligation Bonds (including the 2014 Bonds) secured by the State Debt Service Commitment, $124,615,000 of its Special Obligation Bonds and $56,422,790 of its Governmental Lease Purchase Agreement, the proceeds of which have funded or will fund UConn 2000 Projects. See Appendix I-A, "UNIVERSITY FINANCES - University Indebtedness."

The 2014 Series A Bonds represent the twenty-third series of General Obligation Bonds being issued pursuant to the Act and the Master Indenture (including six series of refunding bonds) and it is the first series of bonds issued pursuant to the Nineteenth Supplemental Indenture. On June 26, 2013, the University's Board of Trustees and on July 11, 2013, the Governor approved the Nineteenth Supplemental Indenture authorizing the issuance of General Obligation Bonds in the maximum amount of $204,400,000 plus amounts which were unissued and carried forward from previous supplemental indentures. To date, pursuant to the Indentures, $2,078,400,000 of General Obligation Bonds have been authorized to be issued for UConn 2000 projects, of which $1,944,000,000 of General Obligation Bonds have been issued and made available for UConn 2000 Projects, resulting in an unissued balance of $134,400,000 following the issuance of the 2014 Series A Bonds. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM."

The 2014 Refunding Series A Bonds represent the twenty-fourth series of General Obligation Bonds being issued pursuant to the Act and the Master Indenture (and the seventh series of refunding bonds). See "PLAN OF REFINANCING" herein.

All references herein to the Act, the Indentures and the Bonds are qualified in their entirety by reference to the definitive documents. Capitalized terms have the meaning given to them in this Official Statement, including Appendix I-E of Part I hereof.

NATURE OF OBLIGATION AND SOURCE OF REPAYMENT

The Bonds (including the 2014 Bonds) are general obligations of the University for the payment of which, in accordance with their terms, the full faith and credit of the University are pledged. The 2014 Bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is defined by the Act and the Indentures as the commitment by the State to pay an annual amount for the punctual payment of Special Debt Service Requirements on securities issued as general obligations of the University, as the same shall arise and shall become due and payable. Special Debt Service Requirements include, among other things, the principal on serial Bonds or sinking fund installments on term Bonds (the "Principal Installments") and interest accruing thereon.

As part of the contract of the State with the holders of the Bonds, including the 2014 Bonds, the Act provides that appropriation of all amounts of the State Debt Service Commitment shall be made out of the resources of the General Fund of the State and that the Treasurer of the State (the "Treasurer") shall pay such amount in each fiscal year to the paying agent on the Bonds so secured or otherwise as the Treasurer shall provide. The Master Indenture provides for such amount to be deposited by the Treasurer directly to the Trustee for deposit into the Debt Service Fund on or before the Interest Payment Date with respect to interest, and the Principal Installment Date with respect to principal or sinking fund installments, on any Bonds.

In the opinions of Bond Counsel and Co-Bond Counsel, the State has validly appropriated all amounts of the State Debt Service Commitment and the Treasurer has the duty and is validly mandated and obligated to pay such amounts to the Trustee, and such appropriation and mandate and obligation of payment do not require further legislative approval.

The Master Indenture provides that the Bonds shall be secured by the pledge of and a lien upon the Trust Estate which includes the proceeds of the Bonds, the Debt Service Fund (including moneys on deposit in or payable thereto) and the Redemption Fund. The Nineteenth Supplemental Indenture provides for the pledge of and a lien upon the State Debt Service Commitment. The 2014 Bonds are general obligations of the University for which its full faith and credit are pledged and are payable from all Assured Revenues. Assured Revenues, as more particularly defined by the Act and Master Indenture, include general revenues from fees, tuition and other like charges, grants and gifts, all to the extent not otherwise pledged, as well as annual State appropriations for operating expenses and the annual amounts of the State Debt Service Commitment. Assured Revenues do not include patient revenues or any other revenues derived from clinical operations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the 2014 Bonds and, accordingly, is not planning to budget any of the other Assured Revenues for the payment of the Bonds, including the 2014 Bonds. Under the Master Indenture, the University has reserved the right and expects to issue Additional Bonds to finance UConn 2000 Projects secured by the State Debt Service Commitment upon the terms and conditions set forth therein (See Appendix I-B, "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST"). The Act currently limits the maximum amount of Bonds so secured to $4,300,900,000, exclusive of any amounts borrowed to refund Bonds, plus amounts necessary to finance Costs of Issuance on each Series of Bonds.

Pursuant to the Act, upon their issuance, securities of the University shall be conclusively presumed to be fully and duly authorized and issued under the laws of the State, and any person shall be estopped from questioning their authorization, sale, issuance, execution or delivery. Any pledge made by the University shall be deemed a statutory lien which shall be valid and binding from the time when the pledge is made against all parties having claims against the University. Neither the Act, the Indentures or resolution, nor any other instrument by which a pledge is created need be recorded. Any revenues or other receipts, funds, moneys so pledged and thereafter received by the University shall be subject immediately to the lien of the pledge without any physical delivery thereof or further act and such lien shall have priority over all other liens. See Appendix I-B, "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

The covenants of the University with respect to the Bonds are set forth in the Master Indenture. The Act provides for, and the Master Indenture includes, remedies available to the Trustee for protection and enforcement of any and all rights granted under the financing provisions of the Act, including by mandamus to enforce and compel performance of any duty required to be performed by any officer of the State mentioned in said provisions (including the Treasurer) and the University. See Appendix I-B, "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

Pursuant to the Act, the University is authorized to include and has included the following State covenant in the Master Indenture as a contract of the State: The State covenants with holders of any securities issued under the Act, in consideration of the acceptance of and payment for the securities until the securities, together with the interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any action or proceeding on behalf of the owners, are fully met and discharged or unless expressly permitted or otherwise authorized by the terms of each contract and agreement made or entered into by or on behalf of the University with or for the benefit of such owners, that the State: (1) will not create or cause to be created any lien or charge on the assets or revenues pledged to secure such securities, other than a lien or pledge created thereon pursuant to the Act; (2) will not in any way impair the rights, exemptions or remedies of the owners; and (3) will not limit, modify, rescind, repeal or otherwise alter the rights or obligations of the University to take such action as may be necessary to fulfill the terms of the resolution authorizing the issuance of the securities; provided nothing in the Act shall preclude the State from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the Act if and when adequate provision shall be made by law for the protection of the holders of outstanding securities, pursuant to the resolution or indenture under which the securities are issued.

As required by the Act, the form of the Master Indenture for the Bonds issued to finance Phase I and Phase II of UCONN 2000 secured by the State Debt Service Commitment was approved by the State Bond Commission on December 21, 1995. After the enactment of the 21st Century UConn Act, the Master Indenture was amended to provide for the financing of UConn 2000 Phase III Projects. As required by the Act, the form of the conformed Master Indenture was approved by the State Bond Commission on December 19, 2003.

As required by the Act, the Board of Trustees' resolution approving each Supplemental Indenture for the issuance of Bonds must be submitted to the Governor. The Governor may, not later than thirty days after such submission, disapprove the same by notifying the Board of Trustees of such disapproval and the reasons for it. If the Governor does not act within thirty days, the resolution is deemed approved. The resolution approving the issuance of general obligation bonds and the Nineteenth Supplemental Indenture was submitted to the Governor on June 28, 2013 and was approved by the Governor on July 11, 2013. The resolution approving the issuance of refunding bonds and the Eighth Supplemental Indenture was submitted to the Governor on October 4, 2001 and approved by the Governor on October 19, 2001. The Nineteenth Supplemental Indenture authorized the issuance of general obligation bonds in an amount not to exceed $204,400,000 for Fiscal Year 2013-2014 and carried forward $50,000,000 of bond authorization which remained unissued, thus increasing the amount of general obligation bonds authorized by the Nineteenth Supplemental Indenture to $254,400,000, of which $134,400,000 will be authorized and unissued following the issuance of the 2014 Series A Bonds.

Pursuant to the Act, the Bonds, including the 2014 Bonds, do not constitute a debt or liability of the State or any municipality thereof and neither the faith and credit nor taxing power of the State or any municipality is pledged to the payment of principal of or interest on the 2014 Bonds. The issuance of the 2014 Bonds by the University does not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation to the payment of principal of or interest on the 2014 Bonds. The University has no taxing power.

However, pursuant to the Act, the 2014 Bonds, for purposes of the State's statutory debt limit computation, are deemed to be indebtedness of the State. Reference is made to Part III of this Official Statement under the heading STATE DEBT – Types of Direct General Obligation Debt – UCONN 2000 Financing wherein the State identifies the financings by the University secured by the State Debt Service Commitment for treatment as direct debt of the State. As noted therein, the Act requires that the State include a certain amount of University securities secured by the State Debt Service Commitment in each Fiscal Year from 1996 to 2024 in the computation of the statutory limitation on indebtedness of the State pursuant to Section 3-21 of the Connecticut General Statutes, as amended.

The University under the Master Indenture has reserved the right to pledge and place a lien upon particular Assured Revenues, other than the State Debt Service Commitment, to secure obligations, other than the Bonds secured by the State Debt Service Commitment, issued to finance UCONN 2000 or other University projects. See Appendix I-B, "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

DESCRIPTION OF THE 2014 SERIES A BONDS

In General

The 2014 Series A Bonds are issuable only as fully registered bonds, in book-entry-only form (as described herein), in the denomination of $5,000 or any integral multiple thereof.

The 2014 Series A Bonds

The 2014 Series A Bonds will be dated the date of delivery, will bear interest at the rates per annum and will mature on the dates and in the amounts as set forth on the inside cover page of this Official Statement. Interest on the 2014 Series A Bonds will be paid semiannually on February 15 and August 15 in each year, commencing on August 15, 2014. Interest will be calculated on the basis of a 360-day year of twelve 30-day months and will be paid to the person in whose name the Bond is registered as of the close of business on the last business day of January and July in each year.

Principal of and interest on the 2014 Series A Bonds will be paid directly to The Depository Trust Company ("DTC") by U. S. Bank National Association, Hartford, Connecticut, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption. The 2014 Series A Bonds maturing on or after February 15, 2025 will be subject to redemption prior to their maturity, at the election of the University upon the direction of the Treasurer at any time, on or after February 15, 2024 in whole on any date or in part, on any interest payment date (each herein the "Redemption Date") from time to time, and in such maturity or maturities (but by lot within a maturity among bonds bearing the same interest rate) as the Treasurer shall determine, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued and unpaid on the Redemption Date.

Notice of Redemption. Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the redemption date, by registered mail, to the registered owner of such bond at such Bondowner's address as it appears on the books of registry or at such address as may have been filed with the registrar for that purpose. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2014 Series A Bonds, all notices of redemption will be sent only to DTC.

DESCRIPTION OF THE 2014 REFUNDING SERIES A BONDS

In General

The 2014 Refunding Series A Bonds are issuable only as fully registered bonds, in book-entry-only form (as described herein), in the denomination of $5,000 or any integral multiple thereof.

The 2014 Refunding Series A Bonds

The 2014 Refunding Series A Bonds will be dated the date of delivery, will bear interest at the rates per annum and will mature on the dates and in the amounts as set forth on the inside cover page of this Official Statement. Interest on the 2014 Refunding Series A Bonds will be paid semiannually on February 15 and August 15 in each year, commencing on August 15, 2014. Interest will be calculated on the basis of a 360-day year of twelve 30-day months and will be paid to the person in whose name the Bond is registered as of the close of business on the last business day of January and July in each year.

Principal of and interest on the 2014 Refunding Series A Bonds will be paid directly to DTC by U. S. Bank National Association, Hartford, Connecticut, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption. The 2014 Refunding Series A Bonds maturing on February 15, 2025 will be subject to redemption prior to their maturity, at the election of the University upon the direction of the Treasurer at any time, on or after February 15, 2024, in whole on any date or in part, on any interest payment date (each herein the "Redemption Date") from time to time, and in such maturity or maturities (but by lot within a maturity among bonds bearing the same interest rate) as the Treasurer shall determine, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued and unpaid on the Redemption Date.

Notice of Redemption. Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the redemption date, by registered mail, to the registered owner of such bond at such Bondowner's address as it appears on the books of registry or at such address as may have been filed with the registrar for that purpose. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2014 Refunding Series A Bonds, all notices of redemption will be sent only to DTC.

PLAN OF REFUNDING

The 2014 Refunding Series A Bonds are being issued to refund all or a portion of selected maturities of certain outstanding Bonds including the University of Connecticut General Obligation Bonds, 2004 Refunding Series A (the "2004 Series A Bonds") and 2005 Series A (the "2005 Series A Bonds" and together with the 2004 Series A Bonds, the "Refunded Bonds") as set forth below.

Refunded Bonds

Bond	Maturity Date	Principal Amount	Coupon	Call Date	Call Price
2004 Series A	01/15/2015	$31,425,000	5.00%	04/22/2014	100%
2004 Series A	01/15/2016	26,300,000	5.00%	04/22/2014	100%
2004 Series A	01/15/2017	19,925,000	5.00%	04/22/2014	100%
2004 Series A	01/15/2018	4,710,000	5.00%	04/22/2014	100%
2004 Series A	01/15/2019	445,000	3.90%	04/22/2014	100%
2004 Series A	01/15/2020	6,390,000	5.00%	04/22/2014	100%
Total		$89,195,000			
2005 Series A	02/15/2016	$ 1,035,000	3.80%	02/15/2015	100%
2005 Series A	02/15/2016	750,000	5.00%	02/15/2015	100%
2005 Series A	02/15/2021	650,000	4.10%	02/15/2015	100%
2005 Series A	02/15/2022	950,000	4.20%	02/15/2015	100%
2005 Series A	02/15/2023	315,000	4.25%	02/15/2015	100%
2005 Series A	02/15/2024	140,000	4.30%	02/15/2015	100%
2005 Series A	02/15/2025	2,620,000	4.30%	02/15/2015	100%
2005 Series A	02/15/2025	2,275,000	5.00%	02/15/2015	100%
Total		$ 8,735,000			
Total Refunded Bonds		$97,930,000			

Upon delivery of the 2014 Refunding Series A Bonds, $99,513,683.06 will be deposited in the Redemption Fund pursuant to the Indenture, of which $90,395,335.93 will be used to redeem the 2004 Series A Bonds and $9,118,347.13 will be placed in escrow with U.S. Bank National Association (the "Escrow Agent"), under an Escrow Deposit Agreement (the "Escrow Deposit Agreement") to be dated as of April 22, 2014 between the Escrow Agent and the University. The Escrow Agent will deposit in an irrevocable trust fund called the Escrow Deposit Fund $9,118,347.13 of the net proceeds of the 2014 Refunding Series A Bonds, which will be used to purchase $9,118,337.00 direct obligations or obligations guaranteed by the United States of America, including State and Local Government Series Securities (the "Government Obligations"), the principal of and interest on which, when due, along with the uninvested cash amounts of $10.13, will provide amounts sufficient to meet principal, interest payments and redemption prices on the 2005 Series A Bonds on the dates such payments are due. All investment income on and maturing principal of the Government Obligations held in the Escrow Deposit Fund and needed to pay the principal and premium of, and interest on the 2005 Series A Bonds will be irrevocably deposited by the University in the Escrow Fund for payment of the 2005 Series A Bonds.

SOURCES AND USES OF PROCEEDS OF THE 2014 BONDS

The University expects to apply the proceeds from the sale of the 2014 Bonds as follows:

Sources

Par Amount of the 2014 Series A Bonds	$109,050,000.00
Par Amount of the 2014 Refunding Series A Bonds	92,940,000.00
Net Original Issuance Premium of the 2014 Series A Bonds	11,792,198.00
Net Original Issuance Premium of the 2014 Refunding Series A Bonds	7,044,682.40
Total Sources	$220,826,880.40

Uses

Construction Account	$120,000,000.00
Redemption Fund	99,513,683.06
Costs of Issuance Account	553,031.33
Underwriters' Discount for 2014 Series A Bonds	539,519.88
Underwriters' Discount for 2014 Refunding Series A Bonds	220,646.13
Total Uses	$220,826,880.40

Pursuant to the Master Indenture, amounts in the Construction Account may be invested by the Trustee at the direction of the University with the consent of the Treasurer, and amounts in the Costs of Issuance Accounts may be invested by the Treasurer each in such Investment Obligations permitted by the Master Indenture and paragraph (f) of Section 3-20 of the Connecticut General Statutes, as amended. Amounts deposited to the Redemption Fund shall be used to redeem the 2004 Series A Bonds and to fund an irrevocable escrow to refund the 2005 Series A Bonds pursuant to terms of the Escrow Deposit Agreement.

BOOK-ENTRY-ONLY SYSTEM

Unless otherwise noted, the description which follows of the procedures and record-keeping with respect to beneficial ownership interests in the 2014 Bonds, payment of interest and other payments on the 2014 Bonds to DTC Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the 2014 Bonds, confirmation and transfer of beneficial ownership interests in the 2014 Bonds and other bond-related transactions by and between DTC (as hereinafter defined), the DTC Participants and Beneficial Owners of the 2014 Bonds is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, the University, the State and the Trustee do not and cannot make any representation concerning these matters.

NEITHER THE UNIVERSITY, THE TRUSTEE NOR THE STATE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE UNIVERSITY'S AND THE STATE'S OBLIGATION UNDER THE ACT AND THE INDENTURES TO THE EXTENT OF SUCH PAYMENTS.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2014 Bonds. The 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2014 Series A Bond certificate and one 2014 Refunding Series A Bond certificate will be issued for each maturity of the 2014 Series A Bonds and the 2014 Refunding Series A Bonds, respectively, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2014 Bonds, except in the event that use of the book-entry system for a series of the 2014 Bonds is discontinued.

To facilitate subsequent transfers, all 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of the 2014 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University or the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from or on behalf of the Trustee or the University on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Paying Agent, the University or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments on, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2014 Bonds at any time by giving reasonable notice to the University or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2014 Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2014 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

DTC PRACTICES

The University can make no assurances that DTC, DTC Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC and its Participants are required to act according to rules and procedures established by DTC which are on file with the Securities and Exchange Commission.

The University, the State, the Trustee and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2014 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2014 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the 2014 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The University, the State, the Trustee and the Paying Agent shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2014 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the University (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2014 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the University; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the 2014 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

So long as Cede & Co. is the registered owner of the 2014 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2014 Bonds (other than under the captions "Tax Matters" and "Continuing Disclosure" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2014 Bonds.

Effect of Discontinuance of Book-Entry System. The following procedures shall apply if the book-entry system is discontinued with respect to the 2014 Bonds.

Principal and Interest Payments. Principal of the 2014 Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2014 Bonds will be payable to the registered owner thereof on each interest payment date by check mailed to such registered owner at the address shown on the bond register maintained by the Trustee, or on the special record date established for the payment of defaulted interest. However, registered owners of $1,000,000 or more in aggregate principal amount of 2014 Bonds may be paid interest by wire transfer upon written request filed with the Trustee on or before the Record Date for the applicable interest payment date.

Registration and Transfer. The Trustee will keep or cause to be kept, at its corporate office in Hartford, Connecticut, sufficient books for the registration and transfer of the 2014 Bonds, and, upon presentation of 2014 Bonds for each purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on such books such 2014 Bonds. Any 2014 Bond may, in accordance with its terms, be transferred upon such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered 2014 Bond for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any 2014 Bond shall be surrendered for transfer, the University shall execute and the Trustee shall authenticate and deliver a new 2014 Bond and maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any 2014 Bond during the period 15 days before the mailing of a notice of redemption. The Trustee shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange and may require the payment of any reasonable sum to cover expenses incurred by the Trustee or University in connection with such exchange.

UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM

Introduction

The UConn 2000 Infrastructure Improvement Program established by the Act is designed to modernize, rehabilitate and expand the physical plant of the University. The Act provides for a twenty-nine year capital budget program in three phases, estimated to cost $4,619,300,000. The Act was originally adopted in 1995 to authorize and finance the UConn 2000 Phase I Projects and the UConn 2000 Phase II Projects at University campuses not including the Health Center and amended in 2002 by the 21st Century UConn Act to add the authorization and financing of UConn 2000 Phase III Projects which included projects at the Health Center. In 2010, the General Assembly enacted and the Governor signed P.A. 10-104, which increased the cost of certain Health Center projects, authorized additional projects for the Health Center and extended UCONN 2000 for an additional two fiscal years to 2018. In 2011, the General Assembly enacted and the Governor signed P.A. 11-75 which increased the estimated cost of two Health Center projects. In 2013, the General Assembly enacted and the Governor signed P.A. 13-233 ("Next Generation Connecticut") which authorized additional projects, increased the cost of certain projects, increased the authorized funding amount for bonds secured by the State debt service commitment and extended UCONN 2000 for an additional six fiscal years to 2024.

UCONN 2000 is to be funded in part by the issuance of $4,300,900,000 of general obligation bonds of the University secured by the State Debt Service Commitment. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT." Of this amount, $1,944,000,000 have been issued to date, including the 2014 Bonds. Certain UConn 2000 Projects have been funded by the issuance of $18,000,000 of State general obligation bonds. The balance of the estimated cost of UConn 2000 Projects which is not to be financed by the University's Bonds secured by the State Debt Service Commitment or the previously issued State's general obligation bonds may be funded by the issuance of the University's Special Obligation Bonds, State General Obligation Bonds or by gifts or other revenue or borrowing resources of the University.

As of the date of delivery of the 2014 Bonds, the University has issued the following General Obligation Bonds, Special Obligation Bonds and Governmental Lease Purchase Agreements pursuant to the UCONN 2000 Act including the 2014 Bonds.

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UCONN 2000 BONDS AND LEASES

A. UConn 2000 General Obligation Bonds – Issued Amounts

	Issue Date	Par Amount	(OID)/OIP[1]	Construction Account Deposit
1996 Series A Bonds	2/21/1996	$83,929,715	$(274,931)	$82,606,220
1997 Series A Bonds	4/24/1997	124,392,432	(2,319,590)	121,080,861
1998 Series A Bonds	6/24/1998	99,520,000	634,629	99,280,000
1999 Series A Bonds	4/08/1999	79,735,000	(45,210)	79,032,919
2000 Series A Bonds	3/29/2000	130,850,000	(120,981)	130,000,000
2001 Series A Bonds	4/11/2001	100,000,000	1,141,140	100,000,000
2002 Series A Bonds	4/18/2002	100,000,000	1,706,295	100,000,000
2003 Series A Bonds	3/26/2003	96,210,000	4,623,183	100,000,000
2004 Series A Bonds	1/22/2004	97,845,000	2,816,971	100,000,000
2005 Series A Bonds	3/16/2005	98,110,000	3,004,101	100,000,000
2006 Series A Bonds	3/15/2006	77,145,000	2,612,437	79,000,000
2007 Series A Bonds	4/12/2007	89,355,000	431,004	89,000,000
2009 Series A Bonds	4/16/2009	144,855,000	6,312,563	150,000,000
2010 Series A Bonds	5/25/2010	97,115,000	8,733,758	105,000,000
2011 Series A Bonds	12/8/2011	179,730,000	21,613,069	200,000,000
2013 Series A Bonds	7/31/2013	172,660,000	17,685,693	189,000,000
2014 Series A Bonds	4/22/2014	109,050,000	11,792,198	120,000,000
Total[2]		**$1,880,502,147**	**$80,346,327**	**$1,944,000,000**

	Issue Date	Par Amount	(OID)/OIP[1]	Deposit to Trustee Held Redemption Fund
2004 Series A REFUNDING Bonds	1/29/2004	$216,950,000	$27,144,300	$247,794,279
2006 Series A REFUNDING Bonds	3/15/2006	61,020,000	5,103,655	65,472,900
2007 Series A REFUNDING Bonds	4/12/2007	46,030,000	3,897,620	49,505,477
2010 Series A REFUNDING Bonds	5/25/2010	36,095,000	2,903,755	38,704,429
2011 Series A REFUNDING Bonds	12/8/2011	31,905,000	5,183,727	36,841,566
2013 Series A REFUNDING Bonds	7/31/2013	51,250,000	7,374,396	58,228,911
2014 Series A REFUNDING Bonds	4/22/2014	92,940,000	7,044,682	99,513,683
Total[2]		**$536,190,000**	**$58,652,136**	**$596,061,244**

B. UConn 2000 Special Obligation Bonds – Issued Amounts

	Issue Date	Par Amount	(OID)/OIP[1]	Construction Account Deposit
1998 Series A Bonds	2/04/1998	$33,560,000	$(888,481)	$30,000,000
2000 Series A Bonds	6/01/2000	89,570,000	(1,159,469)	87,000,000
2002 Series A Bonds	2/14/2002	75,430,000	287,983	72,180,000
Total[2]		**$198,560,000**	**$(1,759,967)**	**$189,180,000**

	Issue Date	Par Amount	(OID)/OIP[1]	Deposit to Trustee Held Escrow
2002 Series A REFUNDING Bonds	2/27/2002	$96,130,000	$1,747,947	$96,830,821
2010 Series A REFUNDING Bonds	6/16/2010	47,545,000	4,618,962	51,812,926
2012 Series A REFUNDING Bonds	12/13/2012	87,980,000	20,655,986	107,670,292
Total[2]		**$231,655,000**	**$27,022,895**	**$256,314,039**

C. Governmental Lease Purchase Agreement

	Issue Date	Par Amount	Project Costs
Governmental Lease Purchase Agreement	12/18/2003	$75,000,000	$75,000,000
Governmental Lease Purchase Agreement	08/15/2005	6,900,000	6,900,000
Total[2]		**$81,900,000**	**$81,900,000**

[1] Net OIP and Accrued Interest, if any, may be used to fund Construction Account or Escrow Fund and to pay for Costs of Issuance.
[2] Totals may not sum due to rounding.

The Act

Powers. The Act enables the University to borrow money and enter into financing transactions in its own name and expands the authority of the University to directly supervise construction of its projects including all UConn 2000 Projects. In order for the University to construct the UConn 2000 Projects and issue securities for UCONN 2000, the Act, among other things, provides the University with the following powers: (a) to have perpetual succession as a body politic and corporate and an instrumentality and agency of the State; (b) to contract, to sue, to be indemnified, and to defend any action; (c) to indemnify parties and to be sued by the holders of its securities on an express contract; (d) to retain or employ architects, accountants, engineers, legal and securities counsel; (e) to plan, acquire, construct, renovate, equip, own, operate, maintain, dispose of and demolish any project; (f) to acquire, hold or dispose of any interest in real or personal property and to hold, sell, assign, lease, rent or encumber, other than by mortgage, any such interest; (g) to receive money from federal and state governments or others; and (h) to fix and collect fees, tuition, charges, rentals and other charges for enrollment and attendance at and use of the University.

The University may revise, delete and add projects to the list of UCONN 2000 projects, provided a material addition or deletion must be approved by a legislative act of the General Assembly of Connecticut. No revision, addition or deletion can reduce the amount of any State Debt Service Commitment. The University may determine the sequencing and timing of projects, revise estimates of cost and reallocate funds among projects, all in accordance with the Act.

The Act provides that the principal amount of the securities authorized to be issued for a project is deemed an appropriation and allocation of such amount for such project and approval by the Governor is deemed the allotment by the Governor of such capital outlays. Upon such approval, the University may award contracts, and issue and sell securities respecting expenditures under such contracts which will be paid within the year following issuance of such securities and to provide for costs of UCONN 2000 of not more than twenty percent in excess of such expenditures. Certain Costs of Issuance may be added to the amount of securities so issued.

Rate Covenant. The Act contains a rate covenant for the benefit of bondholders and the State wherein the University agrees to charge, collect and increase from time to time, tuition, fees and charges for services provided by the University, which together with other Assured Revenues, such as those from the Minimum State Operating Provision and the State Debt Service Commitment, shall be sufficient to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education, to operate and maintain the physical University plant in sound operating condition and to cover the Special Debt Service Requirements on Outstanding Bonds. See Appendix I-B, "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

Minimum State Operating Provision. Pursuant to the Act, the State commits to appropriate, annually, an amount for operations of the University, after consideration of other amounts available to the University for its operations, which amount shall be consistent with the University (including the UCONN 2000 projects) continuing to operate in furtherance of and pursuant to the provisions of the Constitution of the State and applicable law as an institution dedicated to excellence in higher education. However, nothing in the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous Fiscal Year so long as the appropriation act provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

Special Capital Reserve Fund. The Act permits the issuance of special obligation securities of the University which may be further secured with one or more State supported reserve funds to be known as Special Capital Reserve Funds or a debt service reserve fund. To date, the University has issued six series of Special Obligation Bonds but only one series, its Student Fee Revenue Bonds, 1998 Series A, issued on February 4, 1998, was secured by a Special Capital Reserve Fund, none of which remains outstanding as of the date of this Official Statement. See Appendix I-A under the subsection, "University Finances – Total Bonds And Leases Outstanding." A Special Capital Reserve Fund is not available to secure the 2014 Bonds or any other bonds of the University.

Special External Gift and Endowment Funds. The Act creates two funds designed to encourage private sector gifts to fund UCONN 2000 projects and to increase endowment funds of the University.

The Special External Gift Fund was created to receive Special Eligible Gifts from the private sector, in furtherance of UCONN 2000. Special Eligible Gifts and interest or other income earned on the Special External Gift Fund are to be used to pay costs of any UCONN 2000 project.

The Endowment Fund is dedicated to endowed professorships, scholarships and programmatic enhancements. See Appendix I-A under the subsection, "University Finances - The University of Connecticut Foundation, Inc. and The University of Connecticut Law School Foundation, Inc."

Construction of Projects. The UConn 2000 Infrastructure Improvement Program currently comprises numerous projects ranging in cost from under $1,000,000 to over $800,000,000. UConn 2000 Phase I Projects and UConn 2000 Phase II Projects are located on several of the University's campuses (not including the Health Center), with the preponderance of projects located on the main campus at Storrs. UConn 2000 Phase III Projects include projects for the Storrs and regional campuses as well as several projects to be located at the Health Center. The University is authorized to assume the responsibility and supervision of any project including preparation of detailed plans and specifications for each project. Subject to applicable law, the University maintains construction standards for all projects, including provisions relating to materials and equipment, and health and safety. The Act provides an expedited permitting process for the issuance of any license, permit, approval and administrative action required in connection with any UConn 2000 Project.

The Act provides that each contract let in accordance with the Act must provide that payment is limited to, and the State and the University shall have no liability beyond, the amount provided therein.

UCONN 2000 Performance Review Report to the General Assembly. The Act provides for semi-annual reporting to certain committees of the General Assembly as well as for periodic performance reviews (due January 15, 1999, January 15, 2006 and January 15, 2011). On January 15, 1999, January 15, 2006, and January 15, 2011 the University, as required by the Act, submitted to the Governor and to the Joint Standing Committees of the General Assembly having cognizance of matters relating to education and finance, revenue and bonding, a periodic performance review report detailing certain information specified in the Act for each project undertaken to its date under UCONN 2000. The Act provides for the committees to consider the report and determine whether there has been insufficient progress in implementation of UCONN 2000 or whether there have been significant cost increases over original estimates as a result of actions taken by the University. If so, the committees may make recommendations for appropriate action to the University and to the General Assembly.

Next Generation Connecticut provides that not later than December 31, 2019 and every 5 years thereafter, the University shall conduct an assessment of the University's progress in meeting the purposes set forth and incorporated in the Act by Next Generation Connecticut.

Comprehensive Plan. Next Generation Connecticut provides that the University shall develop a comprehensive plan to guide Next Generation Connecticut investments. Not later than January 1, 2016 and annually thereafter, the University shall report to the joint standing committees of the General

Assembly having cognizance of matters relating to finance, revenue and bonding, commerce and higher education on its progress toward achieving the goals set forth in such plan.

LITIGATION

University

There is no litigation of any nature pending or threatened against the University restraining or enjoining the issue, sale, execution or delivery of the 2014 Series A Bonds or the 2014 Refunding Series A Bonds, or in any way contesting or affecting the validity of the 2014 Series A Bonds or the 2014 Refunding Series A Bonds or any proceedings of the University taken with respect to the issuance or sale thereof, the application of the proceeds of the 2014 Series A Bonds or the 2014 Refunding Series A Bonds or of amounts appropriated as the State Debt Service Commitment out of the resources of the State's General Fund under the UCONN 2000 Act for the payment of the 2014 Series A Bonds or the 2014 Refunding Series A Bonds or the existence or powers of the University. While the University is defending a few legal matters in state and federal courts, the Office of the Attorney General is of the opinion that none of those suits, either individually or collectively, place the assets of the University at any significant risk.

State

There is no litigation pending or threatened against the State contesting or affecting the obligation of the State with respect to the State Debt Service Commitment for the payment of the 2014 Series A Bonds or the 2014 Refunding Series A Bonds. However, the State, its officers and employees are defendants in pending lawsuits. The Attorney General's Office has reviewed the status of such pending lawsuits. See "LITIGATION" in Part III hereto for a description of such litigation.

Upon delivery of the 2014 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2014 Bonds, which shall state that, except as disclosed in this Official Statement, there is no controversy or litigation of any nature now pending by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect its financial condition or the power of the State to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds.

COVENANT OF THE STATE

Under the Act, the State has pledged and agreed with the holders of any bonds and notes issued under the Act, including the 2014 Bonds, that the State will not limit or alter the rights vested in the University until such obligations, together with the interest thereon, are fully met and discharged, provided that nothing shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds and notes.

LEGALITY FOR INVESTMENT

The Act provides that the 2014 Bonds shall be legal investments and public bodies of the State and its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, banking associations, trust companies, savings banks and savings associations, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, board of trustees and other fiduciaries, and all other persons whatsoever who are now or may be authorized to invest in securities of the State, may properly and legally invest funds, including capital, in their control, or belonging to them. Those securities are also made securities which may properly and legally be deposited with and received by all public officers and bodies of the State or any agency or political subdivision and all municipalities and public corporations for any purpose for which the deposit of securities of the State is now or may be authorized by law.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance and sale of the 2014 Bonds are subject to the approval of Pullman & Comley, LLC, Hartford, Connecticut, Bond Counsel to the University, and the Law Offices of Joseph C. Reid, P.A., New York, New York, as Co-Bond Counsel to the University. Bond Counsel and Co-Bond Counsel propose to deliver their approving opinions with respect to the 2014 Bonds substantially in the form set forth in Appendix I-C hereto. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, McKenna Long & Aldridge LLP, New York, New York, and Lewis & Munday, A Professional Corporation, New York, New York (the "Underwriters' Counsel"). Underwriters' Counsel currently serves as bond counsel to the State in connection with other State bond issues and various other matters. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, Hartford, Connecticut.

TAX MATTERS

Opinion of Bond Counsel – Federal Tax Exemption

In the opinion of Bond Counsel and Co-Bond Counsel (collectively, "Bond Counsel") to the University, under existing law, interest on the 2014 Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University, the Treasurer and others in connection with the 2014 Bonds, and Bond Counsel has assumed compliance by the University and the Treasurer with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the 2014 Bonds from gross income under Section 103 of the Code.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the 2014 Bonds in order that interest on the 2014 Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2014 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2014 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The University and the Treasurer have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2014 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2014 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2014 Bonds.

Prospective owners of the 2014 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

Interest paid on tax-exempt obligations such as the 2014 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2014 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Original Issue Discount

The initial public offering prices of the 2014 Bonds of certain maturities ("Discount Bond") may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price to the public (excluding bond houses and brokers) of each Discount Bond at which a substantial amount of such maturity is sold will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for such 2014 Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the 2014 Bonds are sold. Under existing law, original issue discount on the 2014 Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the 2014 Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the owner holds the Bond will be added to the owner's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a 2014 Bond. Accrued original issue discount may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of a Discount Bond.

Original Issue Premium

Certain of the 2014 Bonds may be offered at prices in excess of their principal amounts (the "Premium Bonds"). An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

State Taxes

In the opinion of Bond Counsel to the University, under existing statutes, interest on the 2014 Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the 2014 Bonds is includable in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on the 2014 Bonds is also excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and interest on the 2014 Bonds is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the 2014 Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such 2014 Bonds.

Owners of the 2014 Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2014 Bonds and the disposition thereof.

General and Post Issuance Events

Tax legislation, administrative actions or court decisions, at either the federal or state level, may adversely affect the tax exempt status of the interest on the 2014 Bonds under federal or state law or otherwise prevent beneficial owners of the 2014 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such tax legislation, administrative actions or court decisions, could affect the market value of the 2014 Bonds and their marketability. This could arise from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2014 Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2014 Bonds may occur. Prospective purchasers of the 2014 Bonds should consult their own tax advisors regarding the impact of any change in law on the 2014 Bonds.

The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions. Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2014 Bonds. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal or state income tax purposes of interest on the 2014 Bonds.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the 2014 Bonds. Prospective owners of the 2014 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the 2014 Bonds.

RATINGS

The 2014 Bonds have been rated "Aa3, Stable Outlook" by Moody's Investors Service ("Moody's"), 7 World Trade Center, New York, New York; "AA, Stable Outlook " by Standard & Poor's ("Standard & Poor's"), 55 Water Street, New York, New York and "AA-, Negative Outlook" by Fitch Ratings ("Fitch"), One State Street Plaza, New York, New York. The ratings assigned by Moody's, Standard & Poor's and Fitch express only the view of such rating agencies. The explanation and significance of the ratings can be obtained from Moody's, Standard & Poor's and Fitch, respectively. Such ratings are not intended as a recommendation to buy or own the 2014 Series A Bonds or the 2014 Refunding Series A Bonds. There is no assurance that any ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of any of such ratings on the 2014 Series A Bonds or the 2014 Refunding Series A Bonds may have an adverse effect on the market price thereof.

CONTINUING DISCLOSURE UNDERTAKING

The Act gives the University and State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Pursuant to Article XV of the Master Indenture, the University, as issuer of the 2014 Bonds under the Rule, has included an article (the "Continuing Disclosure Article", a summary of which is set forth in Appendix 1-D to this Part I), which article shall constitute the University's written undertaking for the benefit of the beneficial owners of the Bonds and which shall apply to all Bonds of the University under the Master Indenture. In connection with the issuance of the 2014 Bonds, the University will enter into an agreement with the Trustee substantially in the form of the Continuing Disclosure Supplement also attached to Appendix I-D to this Part I. The State as the obligated person under the Rule will enter into an agreement with the Trustee with respect to the Bonds additionally secured by the State Debt Service Commitment (including the 2014 Bonds), for the benefit of the beneficial holders of such Bonds, substantially in the form of the Continuing Disclosure Agreement attached to Appendix I-D-1 to this Part I. Under this article and supplement with respect to the University, and under this Continuing Disclosure Agreement with respect to the State (such article, supplement and such agreement herein called the "Continuing Disclosure Undertaking"), the University and the State, respectively, agree to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds (only by the University with respect to the University), and (iii) timely notice of a failure to provide the required annual financial information on or before the date specified in the Continuing Disclosure Undertaking. The Underwriters' obligation to purchase the 2014 Bonds shall be conditioned upon their receiving, at or prior to the delivery of the 2014 Bonds, an executed copy of the Continuing Disclosure Undertaking.

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

The purpose of such undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights other than the remedy of specific performance in the event of any actual failure by the University or the State to comply with its written undertaking. The Continuing Disclosure Undertaking shall provide that any failure by the University or the State to comply with any provisions of such undertaking shall not constitute an Event of Default with respect to the Bonds under the Master Indenture.

The University has never defaulted in its obligations to meet any of its undertakings under the Continuing Disclosure Article.

To its knowledge, in the last five years the State has not failed to comply in any material respect with its undertakings pursuant to a continuing disclosure agreement executed by the State in connection with the sale of any other bonds except the State recently discovered that it inadvertently did not file notices of certain bond insurer rating downgrades, which downgrades caused the ratings on the bonds insured by such bond insurers to be downgraded or withdrawn. The State has filed notices reflecting the current rating status on such bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all, but not less than all, of the 2014 Series A Bonds from the University at an aggregate purchase price of $120,302,678.12 (representing the aggregate principal amount of the 2014 Series A Bonds plus net original issue premium of $11,792,198.00 and less Underwriters' discount of $539,519.88). The 2014 Series A Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2014 Series A Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all, but not less than all, of the 2014 Refunding Series A Bonds from the University at an aggregate purchase price of $99,764,036.27 (representing the aggregate principal amount of the 2014 Refunding Series A Bonds plus net original issue premium of $7,044,682.40 and less Underwriters' discount of $220,646.13). The 2014 Refunding Series A Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2014 Refunding Series A Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

Public Financial Management, Inc. and First Southwest Company are serving as financial advisors in connection with the issuance of the 2014 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

AMTEC will deliver to the University, on or before the settlement date of the 2014 Refunding Series A Bonds, its attestation report indicating that it has examined the information and assertions provided by the University and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations to pay, when due, the maturing principal of and interest and redemption premium on the Refunded Bonds, and (b) the mathematical computations supporting the conclusion of Bond Counsel that the 2014 Refunding Series A Bonds are not "arbitrage bonds" under the Code.

FINANCIAL STATEMENTS OF THE UNIVERSITY AND THE STATE

Included in Appendix I-A of Part I is various financial information relating to the University. The audited financial statements of the University (excluding the University of Connecticut Foundation) contained in Schedule 1 and Schedule 2 have been included herein in reliance upon the Certificates of Audit of the Auditors of Public Accounts of the State.

Included in Appendices III-C and III-D of Part III is various financial information relating to the State. The audited financial statements contained in Appendices III-C and III-D have been included herein in reliance upon the Independent Auditors' Report and Certificate of Audit, respectively, of the Auditors of Public Accounts of the State.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the University and its various operations are prepared by officers of the University and provided to the Board of Trustees at its regular monthly meetings. In addition, the University regularly reports to the Governor, the Secretary of the Office of Policy and Management and various committees of the State legislature and regularly receives reports from consultants, commissions and special task forces relating to various aspects of the University's financial affairs.

The University will make available copies of its official statement relating to the issuance of its securities under the Master Indenture from time to time upon request through the Office of the State Treasurer or the University's Executive Vice President for Administration and Chief Financial Officer.

Additional information concerning the University may be obtained upon request of the President, Susan Herbst, Attention: Richard D. Gray, Executive Vice President for Administration and Chief Financial Officer, 352 Mansfield Road, U-2122, Storrs, Connecticut, 06269, (860) 486-3455.

Additional information concerning the State may be obtained upon request of the Office of the State Treasurer, Honorable Denise L. Nappier, Treasurer, Attention: Sarah Sanders, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut, 06106, (860) 702-3288.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representation of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the University and the State and the purchasers or holders of any of the 2014 Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2014 Bonds by the University and may not be reproduced or used in whole or in part for any other purpose.

Pursuant to the UCONN 2000 Act, the 2014 Bonds described above have been sold by the Treasurer of the State of Connecticut in conjunction with the University and the inclusion of Part II and Part III has been authorized by the Treasurer of the State of Connecticut.

TREASURER OF THE STATE OF CONNECTICUT	**UNIVERSITY OF CONNECTICUT**
By: /s/ Denise L. Nappier Denise L. Nappier State Treasurer	By: /s/ Richard D. Gray Richard D. Gray Executive Vice President for Administration and Chief Financial Officer

Dated: April 8, 2014

APPENDIX I-A

UNIVERSITY OF CONNECTICUT
INFORMATION CONCERNING THE UNIVERSITY

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APPENDIX I-A
UNIVERSITY OF CONNECTICUT

April 8, 2014

This Appendix I-A, furnished by the University of Connecticut (the "University"), contains information as of the date of this Official Statement, except as expressly provided herein. This Appendix I-A and the schedules attached hereto should be read collectively and in their entirety.

Board of Trustees

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UNIVERSITY OF CONNECTICUT

INTRODUCTION

The University of Connecticut (the "University") was established and exists as an institution for the education of residents of the State of Connecticut (the "State"). The University, originally established in 1881, is one of the nation's nine colonial land grant colleges. Since it was established, the University has consistently expanded its academic program and physical plant to meet the higher educational needs of State residents. In April 1881, the Connecticut General Assembly established the Storrs Agricultural School after accepting a gift of 170 acres of land, several buildings, and money from Charles and Augustus Storrs. The Storrs Agricultural School opened on September 28, 1881, with twelve students in the first class. Before the turn of the century there were two name changes, to Storrs Agricultural College in 1893 and to Connecticut Agricultural College in 1899. In 1933, it became Connecticut State College, reflecting its steady advances and broadened mission. In 1939, the General Assembly designated it the University of Connecticut, reflecting its graduate and professional education, research and public service programs. In 1965, the University became the flagship institution of higher education in the State under the new Constitution of the State, which in Article VIII, Section 2 provides that the State shall maintain a system of higher education, including the University, dedicated to excellence in higher education.

In addition to the main campus in Storrs ("Storrs"), there are five undergraduate regional campuses (one of which also houses the graduate School of Social Work), a School of Law and a complex of health and educational facilities (sometimes referred to herein as the "University of Connecticut Health Center" or "Health Center"). The Health Center consists of the School of Medicine, the School of Dental Medicine, medical and dental educational clinics and the John Dempsey Hospital. The Storrs and regional campuses and Health Center comprise 4,302 acres of land and are strategically located throughout the State. The University competes with public and private institutions for students.

As of October 2013, the University had nearly 217,000 alumni worldwide and 30,474 students (including the Health Center) studying in 14 colleges and schools offering eight undergraduate and 23 graduate and professional degree programs.

The State's support for the University reflects the status of the University as the flagship institution of the State system of higher education.

GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES

Board of Trustees

Composition. The Board of Trustees of the University consists of 21 persons. The Governor, the Commissioner of Education, the Commissioner of Agriculture, the Commissioner of Economic & Community Development and the Chair of the Health Center Board of Directors are ex-officio members of the Board of Trustees. The Governor is the ex-officio President of the Board of Trustees and is authorized to appoint twelve members of the Board of Trustees who reflect the State's geographic, racial and ethnic diversity. Two members of the Board of Trustees are elected by the University alumni, and two are elected by the students enrolled at the institutions under jurisdiction of the Board of Trustees.

Although the University is governed by a single Board of Trustees with one chief executive officer, the Health Center maintains a separate budget and is by statute a separate entity for purposes of maintaining operating funds and State appropriations. Pursuant to Section 35 of Public Act No. 01-173, the Board of Trustees created a board of directors for the governance of the Health Center, and determined such duties and authority, as it deemed necessary and appropriate to delegate to said board of directors. Information concerning the Health Center is included under the heading "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix I-A.

Membership. The name, term, position and affiliation or profession of each member of the Board of Trustees is as follows:

Name	**Term Ends**	**Position**	**Affiliation/Profession**
The Honorable Dannel P. Malloy		President ex-officio	Governor
The Honorable Stefan Pryor		Member ex-officio	Commissioner of Education
The Honorable Steven K. Reviczky		Member ex-officio	Commissioner of Agriculture
The Honorable Catherine H. Smith		Member ex-officio	Commissioner of Economic and Community Development
Lawrence D. McHugh	2017	Chair	President, Middlesex County Chamber of Commerce
Sanford Cloud Jr.	2014	Member ex-officio, Chair UCHC BOD	Chairman and CEO, The Cloud Company, LLC
Louise M. Bailey	2015	Secretary and Vice-Chair	Government Affairs Consultant
Rose A. Barham	2014	Student Member	Medical Student, University of Connecticut Health Center
Andy F. Bessette	2019	Member	Executive Vice President & Chief Administrative Officer, The Travelers Companies, Inc.
Charles F. Bunnell	2019	Member	Chief of Staff, External & Governmental Affairs, The Mohegan Tribe
Shari G. Cantor	2019	Member	Deputy Mayor, West Hartford, CT
Richard T. Carbray Jr.	2015	Member	Pharmacist
Michael K. Daniels	2015	Student Member	Undergraduate Student
Andrea Dennis-LaVigne, D.V.M.	2019	Member	Veterinarian, Bloomfield Animal Hospital
Marilda L. Gandara, Esq.	2017	Member	Retired President, Aetna Foundation Inc.
Juanita T. James	2015	Member	President & CEO, Fairfield County Community Foundation
Thomas E. Kruger, Esq.	2017	Member	Corporate Attorney
Rebecca Lobo	2015	Member	Sports Broadcaster
Donny Marshall	2017	Member	Sports Broadcaster
Denis J. Nayden	2013*	Vice-Chair	Managing Partner, Oak Hill Capital
Thomas D. Ritter, Esq.	2015	Vice-Chair	Attorney

* Board members continue to serve until re-appointed or replacements are appointed.

Duties of the University of Connecticut Board of Trustees. Subject to statewide policy and guidelines established by the Board of Regents for Higher Education, the Board of Trustees of the University is authorized to establish rules and general policies for the governance of the University, including its mission, regional campuses, degrees and academic programs. The Board of Trustees appoints the President, manages the investments and directs the expenditures of the University. The Board of Trustees is required by law to review and approve University budget requests and propose facility, planning and capital expenditure budget priorities. The Board of Trustees may employ the faculty and other personnel needed to operate and maintain the University. The Board of Trustees is authorized to fix the compensation of University personnel, establish terms and conditions of their employment and prescribe their duties and qualifications. The Board of Trustees is authorized to constitute its professional staff and establish compensation and classification schedules for such personnel.

Officers of the Board of Trustees. The officers of the Board of Trustees, apart from the Governor who is President ex-officio, are the Chair, Vice-Chairs and Secretary. The Chair is privileged to make or discuss motions, and to vote on all questions. The Chair may designate a Vice-Chair to act in his or her absence.

Effective July 2011, Governor Dannel P. Malloy reappointed Lawrence D. McHugh of Middletown, Connecticut as Chairman of the University Of Connecticut Board Of Trustees. McHugh is President of the Middlesex Chamber of Commerce, a position he has held since 1983, and had been serving as the Chairman of the Connecticut State University System ("CSU") Board of Trustees. A 1962 graduate of Southern Connecticut State College (now Southern Connecticut State University), McHugh was a high school teacher and highly successful track and football coach for more than two decades, most of them at Xavier High School in Middletown, Connecticut. From 1975 to 1983 he served as Executive Director of M-X Development Corp., the fund-raising office for Mercy and Xavier high schools. Governor O'Neill first appointed him to the CSU Board of Directors in 1982. He has been reappointed by successive Governors, including Governor Rell in 2005. He also serves on a number of other State panels and commissions, including the Connecticut Employment and Training Commission and the Connecticut Commission on Arts, Tourism, Culture, History and Film.

Committees of the Board of Trustees. The Board of Trustees acts as a committee of the whole on all matters requiring action. The Board of Trustees is authorized by the Act to adopt a resolution delegating to the Finance Committee such matters relating to the issuance and sale of securities in the name of the University on behalf of the State as it may determine appropriate, except as to the authorization of the amount of, the nature of, and property to be financed by, such securities; provided that, the Board of Trustees must retain overall control, responsibility and supervision.

In 2012, the Committee on Compensation was established to provide oversight regarding compensation standards for non-faculty staff. Other Board of Trustees Committees include Academic Affairs; Buildings, Grounds and Environment; Construction Management Oversight; Executive; Financial Affairs; Institutional Advancement; Joint Audit and Compliance; Student Life; and Special Committee for Opportunity and Strategic Initiatives.

University Administration

Administration. The administration of the University is determined in part by legislative enactment, in part by the Laws and By-Laws of the Board of Trustees, and in part by regulations made by the President, the University Senate, and the several faculties. The Board of Trustees is authorized by law to appoint a President of the University. The President is the chief executive officer of the University. The President is responsible for carrying out the policies and enforcing the rules adopted by the Board of Trustees. Among the officers the President may appoint are a Provost and Executive Vice President for Academic Affairs, who oversees academic programs and student life programs at all of the University's campuses; an Executive Vice President for Health Affairs, who oversees programs at the University of Connecticut Health Center; an Executive Vice President for Administration and Chief Financial Officer, with responsibility for operations and financial affairs of the University; a Vice President for Research; a Vice President for Economic Development; a Vice President for Student Affairs; and a Vice President for Enrollment Planning and Management.

The Board of Trustees appointed Susan Herbst as the 15th President of the University of Connecticut on December 20, 2010. Prior to her appointment to the presidency, she served as Executive Vice Chancellor and Chief Academic Officer of the University System of Georgia, where she led 15 university presidents and oversaw the academic missions for all 35 public universities in Georgia. Before going to Georgia, President Herbst was Provost and Executive Vice President at The University at Albany (SUNY), and also served as Officer in Charge (acting president) of the school from 2006 to 2007. She previously served as the Dean of the College of Liberal Arts at Temple University. Dr. Herbst joined Northwestern University in 1989 as an assistant professor and remained there until 2003. At Northwestern, she served in many capacities including Professor of Political Science and Chair of the Department. Dr. Herbst is a scholar of public opinion, media, and American politics, and is author of four books and many articles in these areas, as well as a co-editor of the University of Chicago Press series in American Politics.

The names and backgrounds of the other principal administrative officers of the University are as follows:

Name	Position	Background
Mun Y. Choi	Provost and Executive Vice President for Academic Affairs	Ph.D. Mechanical & Aerospace Engineering, Princeton University, 1992; 22 years in higher education including University of Illinois-Chicago and Drexel University; 5 years as Dean and Professor in the School of Engineering at the University of Connecticut; 7 years as Department Head and Associate Dean for Research at Drexel University.
Richard D. Gray*	Executive Vice President for Administration and Chief Financial Officer	B.A., University of Connecticut, M.B.A., University of New Haven; over 30 years in administration, including Executive Director of the Connecticut Health and Educational Facilities Authority (CHEFA) and Deputy Treasurer of the State as well as various positions in public finance, commercial lending, health care financial management and banking.
Frank M. Torti, M.D., M.P.H.	Executive Vice President for Health Affairs and Dean, School of Medicine	M.D., Harvard Medical School, M.P.H. Harvard School of Public Health; active and well-known clinical investigator in urologic oncology; on faculty at Stanford University, Wake Forest University School of Medicine; served as Acting Commissioner of the FDA in 2009.

* On April 30, 2014 Richard D. Gray will step down as Executive Vice President for Administration and Chief Financial Officer of the University. The University intends to appoint a committee to undertake a national search to identify Mr. Gray's successor. John Biancamano, who recently retired as Chief Financial Officer at the UConn Health Center will serve as Interim Executive Vice President for Administration and Chief Financial Officer beginning on May 1, 2014 until Mr. Gray's successor is appointed and to oversee the transition to a new Executive Vice President for Administration and Chief Financial Officer.

Legal Services. The University receives legal services from the University's Office of the General Counsel and from the State's Office of the Attorney General. Assistant Attorneys Generals are in residence at the Storrs campus and at the Health Center. The University also retains private counsel on occasion through the Office of the Attorney General. The Act authorizes the University, independent of the Attorney General's Office, to use the legal services of private attorneys in connection with the construction, operation or maintenance of any UCONN 2000 project at its discretion. Pursuant to the Act, the University has retained attorneys in connection with the construction of UCONN 2000 projects, including claims and litigation arising from such projects. In addition, the Health Center has the statutory authority to engage outside counsel, relative to the Health Center's clinical enterprise, through the statutorily created University of Connecticut Health Center Finance Corporation.

For further discussion of the University's potential liability as a party to various legal actions arising in the ordinary course of its operations, see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2013" Note 13.

Strategic Planning

Adopted on February 10, 1995, the Strategic Plan now serves as the Board of Trustees' blueprint for the University's future. It describes a University on the road to educational pre-eminence.

> The University of Connecticut aspires to be the outstanding public university in the nation, a center for lifelong learning which excels in both teaching and research, a diverse community whose values promote mutual respect, inspire intellectual curiosity and encourage service to society, an

environment that fosters academic and artistic achievement as well as productive and responsible student life, an institution with a global perspective that recognizes its special obligation to enhance the quality of life and economic well-being of Connecticut.

The Strategic Plan goals approved by the Board of Trustees are as follows:

1. Provide a challenging and supportive learning environment that fosters achievement and intellectual interaction among undergraduates, graduate students and faculty members and promotes excellence in research, scholarship and artistic creativity.

2. Recruit and retain outstanding students, faculty and staff.

3. Create a physical environment that reflects our expectation of excellence and encourages interaction among a diverse population.

4. Enhance our sense of community by increasing and valuing interaction while developing a strong sense of pride and ownership.

5. Allocate and develop resources on the basis of mission value and performance. Hold the community of students, faculty and staff accountable for the success of the University.

6. Streamline administrative functions.

7. Promote the University's role in fulfilling the needs of the State, its citizens and its economic institutions.

8. Foster a sense of partnership with the State.

Just as UCONN 2000 is the General Assembly's blueprint for transforming the physical infrastructure, the Strategic Plan is the blueprint for reshaping UConn's scholastic and social environment. These blueprints may be separate, but they are interdependent; while it is the Board's vision of renewal that sets the context and direction for the capital building program, it is the legislature's support that turns the vision into the bricks and mortar of lecture halls, research labs and residential and recreational facilities.

On September 23, 2008, the Board of Trustees approved an Academic Plan to set the future direction and priorities for the entire University, including the Health Center, building on the previously identified themes of health and human behavior, the environment, and arts, culture and society from a local to global perspective. Organized into five interrelated areas – undergraduate education; graduate and professional education; research, scholarship and creative activity; diversity; and public engagement – it includes specific goals for each theme and identifies timelines and metrics to evaluate the accomplishment of each goal. The Plan takes into account input from a dozen faculty colloquia on specific themes and feedback from the New England Association of Schools and Colleges institutional reaccreditation team, as well as the reorganization that aligns the Health Center more closely with the rest of the University. The Plan represents a systematic approach to guiding the University's strategies for taking the University to the next level as one of the nation's premier public research institutions.

In 2013, the University launched a comprehensive process to develop a new Academic Plan, which has identified new goals and strategic initiatives to realize its aspiration to become an even greater top flagship university, recognized for excellence in breakthrough research, innovative education and engaged collaborations with state, community and industry partners. The plan is characterized by ideas about how to increase research; to adapt to change and new innovations in teaching pedagogy; and interdisciplinary ideas for research and scholarship with global implications and models of academic organizational structures. The new plan had broad participation of faculty and administrators and includes strong accountability to achieve the University's goals, with annual assessments of metrics and progress towards academic goals that enable the University to chart its progress and success and determine future allocation of university resources.

Below is a summary highlighting some of the progress that has been made to date with respect to the UCONN 2000 Program, the Strategic Plan and the Academic Plan.

- Student Recruitment and Enrollment: Student enrollment has increased in size, diversity and academic skill. Since Fall 1995, total enrollment at all campuses has increased 33%, freshman enrollment at the main campus has increased 86% and freshman minority enrollment is up 253% at the main campus. The average SAT score of the freshman class for Fall 2013 was 120 points (excluding the writing component) higher than the entering class of Fall 1996. Since 1995, 1,703 valedictorians and salutatorians have enrolled at all campuses.

- Investments in regional campus facilities have supported the establishment of new degree programs and expanded course offerings at the undergraduate program campuses of Avery Point, Greater Hartford, Stamford, Torrington and Waterbury.

- The Center for Undergraduate Education (CUE), located in the center of campus across from the Library, provides one-stop shopping for students' academic needs and houses units that include the Writing and Quantitative Centers, Academic Center for Exploratory Students, Career Services, Center for Academic Programs, First Year Programs and Learning Communities, Honors, Individualized and Interdisciplinary Studies, Institute for Teaching and Learning, Offices of Global Programs and Study Abroad, Offices of National Scholarships and Undergraduate Research, and Teaching Assistant Programs. These centers and programs also serve the regional campuses.

- The University has implemented both residential and non-residential Learning Communities for students. Non-residential Learning Community students take a one-credit course together based on their major. Or, students can opt to live in a residential Learning Community that carries a theme based on their major or a shared interest (Major-based communities: Business Connections, Engineering, EUROTECH; Fine Arts; Honors; Music; Nursing; Pre-Pharmacy; and WiMSE (Women in Math, Science and Engineering). Interest-based communities open to all majors include: Community Service; Connecting with the Arts; EcoHouse; Global House; Humanities; Leadership; and Public Health. Special programming for Learning Communities is provided by schools and colleges to involve students in the academic and co-curricular life of the University through infusing an intellectual component into residence halls.

- The Honors Program continues to grow in strength and prestige, attracting high-achieving students with small honors seminars, personalized attention, opportunities for research and scholarly work leading to theses, and a strong sense of community. In Fall 2013, approximately 450 new freshmen enrolled in the Honors Program with a mean combined score of 1413 (excluding the writing component) on the SAT (32 on the ACTs) and with a high school class rank in the top 5%. All Honors students have access to more than 100 undergraduate majors as well as to specially developed Honors Core Curriculum courses, the very popular Honors First Year Seminar, and the Honors Residential Community.

- A wide variety of internship opportunities are offered by every school and college and through the Office of Undergraduate Research and the Division of Student Affairs Career Services. For example, the University and Mystic Seaport have collaborated to provide summer internships for students in the Maritime, Coastal, and American Studies programs at the Avery Point campus, to make available the museum's maritime history resources to the University's students and faculty, and to share the University's library resources with Mystic Seaport staff.

Recent Significant Improvements and Achievements

- UConn was ranked 19th among 173 national public universities in the nation by U.S. News & World Report in its America's Best Colleges published in August 2013. For the fifteenth consecutive year, the University was named the top public university in New England.

- The Neag School of Education was ranked 18th among all public doctoral education programs in the country (and in the specialties, 11th in Special Education, 15th in Elementary Teacher Education, and 15th in

Secondary Teacher Education). It was also named the top public graduate school of education in New England. The rankings were in the U.S. News & World Report: America's Best Graduate Schools published in Spring 2013.

- Many of the University's graduate and professional programs were highly rated by U.S. News & World Report in its latest issue of America's Best Graduate Schools. Among public medical schools nationwide, UConn ranked 28th in Medical Schools-Research and 40th in Medical Schools-Primary Care. In the Liberal Arts and Sciences, UConn national public graduate program rankings included 31st in Psychology, 33rd in History, 34th in Sociology, 35th in English, 44th in Economics, and 46th in Political Science. Public graduate and professional program rankings nationwide in other disciplines included: 30th in Best Law Schools, 2nd in Part-Time Law, 29th in Business MBA, 30th in Part-Time MBA, and 39th in Engineering (and 25th in Materials Engineering, 30th in Biomedical/Bioengineering, 32nd in Mechanical Engineering, 38th in Environmental / Environmental Health Engineering, 40th in Chemical Engineering, 40th in Electrical Engineering, 43rd in Computer Engineering and 46th in the Civil Engineering specialty). The U.S. News rankings are based on expert opinion about program quality and statistical indicators of quality of faculty, research, and students. U.S. News does not rank all programs or all specialties every year.

- The University is a member of *Universitas 21,* an international network of 27 leading research-intensive universities in 17 countries. UConn is one of four U.S. universities invited into the network, which comprises some of the world's major institutions of higher education, including the University of Virginia, the University of Nottingham (United Kingdom), Fudan University (China), the University of Queensland (Australia), University College Dublin (Ireland), the University of Amsterdam (The Netherlands), McGill University (Canada), the National University of Singapore, the University of Delhi (India), Technologico de Monterrey (Mexico), and Lund University (Sweden), among others. Participation in the group increases UConn's international visibility and provides world-class international research opportunities for its faculty and students. Founded in 1997, *Universitas 21* provides its membership with unique world-wide collaboration and multilateral alliances for research and education. Its members must have a global focus, be innovative, and be research-led, comprehensive universities.

- The planned university-wide collaboration with the Jackson Laboratory for Genomic Medicine includes the establishment of an Institute for Systems Genomics to develop a world-class program for research and training in genomics medicine, build relationships between the academic and corporate communities, and encourage students to pursue careers in genomics studies. Initial areas of emphasis include a new Ph.D. program in computational genomics and biology and exploration of an undergraduate degree in genomics; education of the general public and primary care providers about the importance of genomics research; fostering of research in genomics across UConn's campuses and beyond; and promotion of economic development within Connecticut in the genomics research industry. Institute partners include the University of Connecticut, the UConn Health Center, The Jackson Laboratory (an independent, nonprofit biomedical research institution and National Cancer Institute-designated Cancer Center based in Bar Harbor, Maine), Connecticut Children's Medical Center, and other regional hospitals and health care organizations.

- U.S. News and World Report, in its rankings of online graduate programs, ranked the School of Business 23rd in M.S. Accounting (21st in Admissions Selectivity and 11th in Faculty Credentials and Training). The magazine evaluated business programs in four categories: admissions selectivity, student engagement and accreditation, faculty credentials and training, and student services and technology. U.S. News evaluated a total of 860 online master's programs in business, education, nursing, engineering, and computer information technology.

- The School of Nursing was named a Center of Excellence by the National League for Nursing, the nation's premier organization for nursing faculty and leaders in nursing education. UConn was recognized for promoting the pedagogical expertise of its faculty. The School of Nursing is Connecticut's largest producer of new nurses, with more than 80 percent of its nursing school graduates remaining and practicing in Connecticut.

- UConn was ranked first in the world in the third year of the Universitas Indonesia's GreenMetric Ranking of World Universities. The review of 215 universities in 49 countries compared university efforts towards campus sustainability and environment friendly university management. The Sierra Club, the largest environmental grassroots organization in the U.S., named UConn the number one "Cool School" for its commitment to environmental sustainability. The national recognition by this leading international environmental advocacy organization highlights what has become a visible and successful internal effort since 2002 to transform how UConn views itself as a steward of the planet. Institutions are ranked based on a variety of criteria, including energy, efficiency, food, transportation, purchasing, and academics. The University has taken many steps to be "green" including: the construction of a reclaimed water facility; implementation of a Climate Action Plan, with detailed energy and transportation action items; the establishment of Ecohouse, an environmentally focused living and learning community; trayless dining halls that serve locally-grown food; a new state-of-the-art composting facility; an annual EcoMadness energy and water conservation competition in the dorms; a solar powered microgrid; and a private giving initiative through a UConn Foundation Campus Sustainability Fund to support programs to raise environmental awareness and develop conservation-minded students.

- The University was ranked the best value public university in New England and ranked 25th in the best values in public higher education by the *Kiplinger's Personal Finance* magazine. The schools were chosen as "Best Values in Public Colleges" for 2014, selected from a pool of nearly 600 public four-year institutions, ranked according to academic quality based on criteria covering academic quality, including admission and retention rates, student-faculty ratios, and four- and six-year graduation rates, as well as on cost and financial aid.

- The University was one of five 2013 Presidential Award winners in the U.S. President's Higher Education Community Service Honor Roll. The Presidential Award is the highest honor that a university can receive for its work in service-learning programs, civic engagement, and commitment to volunteerism. UConn has been on the Honor Roll with approximately 700 other colleges and universities for the past several years, but 2013 was the first year as a Presidential Award winner with recognition for the strength and reach of its programs, growing participation among students, and the meaningful outcomes that those efforts have produced throughout the region and beyond.

- The University is one of only 200 U.S. colleges and universities to have earned the prestigious elective "Community Engagement" classification from the Carnegie Foundation for the Advancement of Teaching for UConn's ongoing commitment to public engagement and service to the community.

- Two new undergraduate degree programs illustrate UConn's expanding leadership in preparing talented graduates for emerging workforce needs. Digital Media and Design, jointly sponsored by the Schools of Fine Arts, Business, and Engineering and offered at the Storrs and Stamford campuses, involves the creative convergence of digital arts, science, technology, and business to present information in visually compelling and innovative ways. It prepares students with a set of skills and tools that are increasingly in demand in the corporate world, entertainment industry, science and technology realms, mass media, and numerous other fields. The new Human Rights degree program in the College of Liberal Arts and Sciences is the sixth of its kind in the United States, the third established at a major research institution and one of the largest programs in human rights in the country. The program spans the social sciences and humanities to teach students about the theory, application and violations of the fundamental rights that apply to humans around the globe.

- A new UConn Technology Park, to be built on the north side of Storrs Campus, continues to evolve with plans for strengthening UConn's liaison program to link entrepreneurs with access to UConn's wide variety of technology, resources, and expertise. In the Master Plan for the Tech Park an initial facility of 125,000 square feet, the Innovation Partnership Building, is expected to be completed in 2016 and will feature research equipment, flexible-use laboratories, and business incubator space. Eventually, the park is planned to encompass about 900,000 square feet of building space divided into three "nodes" of several buildings each, connected by footpaths and preserving much of the area's existing green space intact. The park is anticipated to create between 1,000 and 1,300 jobs in its first decade. About 8,000 companies are within two hours' drive from UConn that are doing the kind of work envisioned for the tech park, including additive manufacturing, nanotechnology, genomics, and digital innovation.

- UConn eCampus (http://ecampus.uconn.edu) offers a centralized gateway for the expanding variety of online undergraduate and graduate courses, post baccalaureate certificates, graduate certificates, and graduate programs at the University. The eCampus courses, designed and taught by UConn faculty, provide extensive opportunities for interaction among students and between students and faculty in a variety of ways including e-mail, phone, skype, virtual and face-to-face office hours, discussion boards and chat rooms. All online courses are designed to meet the standards and guidelines of Quality Matters™ and the Sloan-C Quality Scorecard for the Administration of Online Education Programs. Online programs currently available include: the graduate degree programs of MS in Accounting, MA in Survey Research, MPS in Human Resource Management, and Sixth Year Certificate in Three Summers in Education; graduate certificate programs in Public Health/Interdisciplinary Disability Studies; Geographic Information Systems, and Survey Research; and a post-baccalaureate certificate program in Occupational Safety and Health.

Next Generation Connecticut

Next Generation Connecticut is a new initiative that will greatly expand educational opportunities, research and innovation in the science, technology, engineering and math (STEM) disciplines at the University over the next decade. The shared goal of *Next Generation Connecticut* is to leverage the strength and resources of the University to build Connecticut's future workforce, create jobs and bring new life to the State's economy. The cornerstone of this effort is a major increase in the University's enrollment, the expansion of faculty – above and beyond the University's current faculty hiring initiative – and new and updated facilities to accommodate enhanced STEM research and teaching, as well as the growing population. It will also support the academic missions and the expansion of critical programs at UConn's Greater Hartford and Stamford campuses.

Next Generation Connecticut represents one of the most ambitious state investments in economic development, higher education and research in the nation. With *Next Generation Connecticut*, key, targeted strategic investments in facilities, faculty, and students is expected to establish the University as one of the top public research institutions, fueling Connecticut's economy with new technologies, highly skilled graduates, new companies, patents, licenses, and high-wage jobs. Goals of this ambitious 10-year plan include:

- Hire 259 new faculty (of which 200 will be in STEM);
- Enroll an additional 6,580 undergraduate students at its Storrs and Regional campuses;
- Build STEM research facilities to house materials science, physics, biology, engineering, cognitive science, genomics, and related disciplines;
- Construct new STEM teaching laboratories;
- Create a premier STEM honors program;
- Upgrade aging infrastructure to accommodate new faculty and students;
- Expand digital media and financial management degree programs and provide student housing in Stamford;
- Relocate Greater Hartford Campus to downtown Hartford.

While there is a major ten year capital component of this initiative that stretches out the UCONN 2000 program until Fiscal Year 2024, there is also an operating budget component, which is reflected in the University's State appropriation. The commitment to *Next Generation Connecticut* is a shared fiduciary responsibility. State capital and operating funding will be allocated incrementally between Fiscal Year 2015 and Fiscal Year 2024. Additionally, the University will commit significant institutional resources to launch *Next Generation Connecticut* by contributing $235 million in reallocated UCONN 2000 funds for the building program and over $100 million per year by Fiscal Year 2024 in operating funds to support the academic program components.

The total State request for operating funds by Fiscal Year 2024 is $137 million per year. Public Act 13-184, An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2015, appropriated

$15 million of operating funds in Fiscal Year 2015 for this purpose. Future operating funds beyond Fiscal Year 2015 are subject to the annual legislative appropriations approval process. In addition, Public Act 13-233, An Act Concerning Next Generation Connecticut, extended the UCONN 2000 program another six years until Fiscal Year 2024, added $1.551 billion in new bonding, and added a new project called "Academic and Research Facilities".

Establishing priorities for *Next Generation Connecticut* will be an integral part of the work of the University Academic Vision Committee. Responsibility for and benefits from *Next Generation Connecticut* exist across the entire University, not only in departments or schools focusing on STEM.

Status of UCONN 2000 Projects

Numerous UCONN 2000 projects have been completed from 1997 until the present. The following table lists the UCONN 2000 projects which have been authorized by the Board, the funding source and the construction status of the project:

Projects Authorized	**Project Construction Status**[1]
A. General Obligation Bonds	
Total – Storrs and Regional Campus Project List	
Academic and Research Facilities	Planning
Agricultural Biotechnology Facility	Completed
Agricultural Biotechnology Facility Completion	Completed
Alumni Quadrant Renovations[2]	Completed
Arjona and Monteith (new classroom buildings)	Completed/Planning and Design
Avery Point Campus Undergraduate and Library Building	Completed
Avery Point Marine Science Research Center - Phase I	Completed
Avery Point Marine Science Research Center - Phase II	Completed
Avery Point Renovation	Planning and Design
Beach Hall Renovations	Construction
Benton State Art Museum Addition (Phases I & II)	Completed
Benton State Art Museum Addition (Phase III)	Completed
Biobehavioral Complex Replacement	Completed
Bishop Renovation	Construction
Business School Renovation – Phase II	Completed
Central Warehouse - New	Completed
Chemistry Building	Completed
Deferred Maintenance & Renovation Lump Sum Balance	Completed
Deferred Maintenance & Renovation Lump Sum Balance	Completed
Deferred Maintenance/Code/ADA Renovation Lump Sum - Phase III	Continuing
East Campus North Renovations[2]	Completed
Engineering Building (with Environmental Research Institute)	Design
Equipment, Library Collections & Telecommunications - Phase I	Completed
Equipment, Library Collections & Telecommunications Completion - Phase II	Completed
Equipment, Library Collections & Telecommunications - Phase III	Continuing
Family Studies (DRM) Renovation	Completed
Farm Buildings Repairs/Replacement	Planning
Fine Arts Phase II	Planning
Floriculture Greenhouse	Completed
Gant Building Renovations	Design and Construction
Gant Plaza Deck	Completed
Gentry Completion	Completed
Gentry Renovation	Completed
Grad Dorm Renovations	Completed
Hartford Relocation Acquisition/Renovation	Planning

Total – Storrs and Regional Campus Project List - *continued*

Heating Plant Upgrade[3]	Completed/Design and Construction
Ice Rink Enclosure	Completed
International House Conversion (a.k.a. Museum of Natural History)	Completed
Intramural, Recreational and Intercollegiate Facilities	Completed
Jorgensen Renovation	Completed
Koons Hall Renovation/Addition	Completed
Lakeside Renovation	Completed
Law School Renovations/Improvements	Construction
Litchfield Agricultural Center – Phase I	Completed
Manchester Hall Renovation	Completed
Mansfield Apartments Renovation	Completed
Mansfield Training School Improvements – Phase II	Completed
Mansfield Training School Improvements – Phase III	Planning
Monteith Renovation	Completed
Music Drama Addition	Completed
Natural History Museum Completion	Completed
North Campus Renovation[2]	Completed
North Hillside Road Completion	Design
North Superblock Site & Utilities	Completed
Northwest Quadrant Renovation - Phase I	Completed
Northwest Quadrant Renovation - Phase II	Completed
Old Central Warehouse	Completed
Parking Garage-North	Completed
Pedestrian Spinepath	Completed
Pedestrian Walkways	Completed
Psychology Building Renovation/Addition	Completed
Residential Life Facilities	Planning, Design and Construction
School of Business	Completed
School of Pharmacy	Completed
School of Pharmacy / Biology Completion	Completed
Shippee/Buckley Renovations[2]	Completed
South Campus Complex[4]	Completed
Stamford Campus Improvements/Housing	Planning
Stamford Downtown Relocation – Phase I	Completed
Storrs Hall Addition	Completed
Student Union Addition	Completed
Technology Quadrant-Phase IA	Completed
Technology Quadrant-Phase II	Completed
Torrey Life Science Renovation	Completed
Torrey Renovation Completion and Biology Expansion	Planning
Torrington Campus Improvements	Completed
Towers Renovation[2]	Completed
Underground Steam & Water Upgrade	Completed
Underground Steam & Water Upgrade Completion	Completed
Waring Building Conversion	Completed
Waterbury Downtown Campus	Completed
Waterbury Property Purchase	Completed
West Campus Renovations	Completed
West Hartford Campus Renovations/Improvements	Completed
White Building Renovation	Completed
Wilbur Cross Building Renovation	Completed
Young Building Renovation/Addition	Completed/Design

Health Center

CLAC Renovation Biosafety Level 3 Lab	Construction
Deferred Maintenance/Code/ADA Renovation Sum-Health Center	Continuing
Dental School Renovation	Completed 3 Projects/Planning
Equipment, Library Collections and Telecommunications-Health Center	Continuing
Library/Student Computer Center Renovation	Completed 4 Projects
Main Building Renovation	Completed 3 Projects/Construction
Medical School Academic Building Renovation	Completed 1 Project/Planning
Planning and Design Costs	Completed
Research Tower	Completed 1 Project/Design
Support Building Addition/Renovation	Withdrawn
The University of Connecticut Health Center New Construction and Renovation	Construction

B. Special Obligation Student Fee Revenue Bonds

Alumni Quadrant Renovations[2]	Completed
East Campus North Renovations[2]	Completed
Hilltop Dormitory New[5]	Completed
Hilltop Student Rental Apartments[5]	Completed
North Campus Renovation (including North Campus Student Suites and Apartments)[2]	Completed
Parking Garage-South[5]	Completed
Shippee/Buckley Renovations[2]	Completed
South Campus Complex[4]	Completed
Towers Renovations (including Greek Housing)[2]	Completed

[1] Some projects listed as in construction might be substantially complete for use purposes. Also, note that some projects might reflect a completed status for recently completed work, but future funding may still be available for which work has not yet begun.
[2] Partially funded with proceeds from the University's General Obligation Bonds and partially funded with the proceeds of the University's Student Fee Revenue Bonds, 2002 Series A.
[3] In addition, the University has entered into a tax-exempt lease financing for a Co-Generation Facility for the Heating Plant in the amount of $81.9 million under the UCONN 2000 authority.
[4] Partially funded with proceeds from the University's General Obligation Bonds and partially funded with the University's Student Fee Revenue Bonds, 1998 Series A.
[5] The Hilltop Dormitory New and the Hilltop Student Rental Apartments comprise the Hilltop Housing Complex which was funded along with the Parking Garage South with the proceeds of the Student Fee Revenue Bonds, 2000 Series A.

Office of Higher Education

The University, including the Health Center, is a constituent unit of the State system of higher education. The Office of Higher Education is the statewide policy-making body for the State system of higher education.

Campuses and Physical Plant

General Information. Of the eight campuses, Storrs is the largest campus with 3,433 acres and over 210 major buildings. Additionally, as of Fall 2013, there are more than 130 residential facilities all on the Storrs campus, serviced by eight large dining halls designed to provide room and board for approximately 12,600 graduate and undergraduate students. There are five undergraduate regional campuses strategically located throughout the State in Groton, Stamford, Torrington, Waterbury and West Hartford. The University is planning to relocate the programs currently at its West Hartford regional campus to the City of Hartford and eventually intends to sell the 58 acre West Hartford campus. The West Hartford campus does not have any residential facilities. The specific Hartford site that will house the programs currently located in West Hartford has been selected and the planning process is underway. In addition to the regional campuses, the University includes the University of Connecticut School of Law, located in West Hartford, and the Health Center, located in Farmington. Collectively these campuses are serving a student body of 30,474 in the 2013-14 academic year. The University is involved in a construction program for UCONN 2000 that is currently projected to cost approximately $4.6 billion for which the proceeds of the 2014 Series A Bonds will be used. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" in this Official Statement and "UNIVERSITY FINANCES – Budget and Budgeting Procedure of the University" in this Appendix I-A.

Academic Programs and Degrees Conferred

The University offers a broad spectrum of liberal arts and sciences, professional and graduate education degree programs through its 14 colleges and schools, including the School of Dental Medicine, School of Medicine and School of Law. The University confers eight kinds of undergraduate degrees in 102 majors, 17 graduate degrees in 75 research and professional practice fields of study and six graduate professional programs. The University also offers individualized majors and interdisciplinary fields of study. The University has several special facilities and programs. Research and academic program support is carried out both in the departments of 12 schools and colleges and at more than 85 research centers and institutes across all University campuses. For example, Storrs campus includes the Biotechnology/Bioservices Center, Center for Actuarial Sciences, Center for Environmental Sciences and Engineering, Center for Land Use Education and Research, Center for Regenerative Biology, Connecticut Center for Economic Analysis, Connecticut Sea Grant College Program, Connecticut Transportation Institute, Institute of Materials Science, Marine Sciences and Technology Center, National Undersea Research Center, Roper Center for Public Opinion Research, and Wildlife Conservation Research Center. In addition to numerous research centers and facilities at the Health Center campus supporting the Schools of Medicine and Dental Medicine, many of the centers and institutes benefit from the collaborative efforts of both the Storrs based and Health Center disciplines, including A.J. Pappanikou Center for Developmental Disabilities, Center for Public Health and Health Policy, and Stem Cell Institute.

COMPETITION AND COMPETITIVENESS

Accreditation and Ranking

The New England Association of Schools and Colleges and several other accreditation bodies for specific schools and programs accredit the University.

The National Science Foundation ranks the University 52 out of 405 public universities in the country in research and development spending. The Carnegie Foundation currently classifies the institution with only 108 other public institutions nationwide in the highest category of Research University (Very High Research Activity). To qualify for this classification, universities must annually award at least 20 doctorates and demonstrate high levels of research based on several aggregate and per-capita (full-time faculty) measures, including research and development expenditures, postdoctoral appointees, non-faculty research staff, and doctoral conferrals in humanities, social sciences, STEM (science, technology, engineering, and mathematics) fields, and other fields (e.g., business, education, public policy, social work).

The quality of the University's diverse graduate programs is enhanced by the presence of exceptional graduate students. Almost 6,000 graduate students matriculated at both the master's and doctoral levels in academic year 2013-14; of this figure approximately 2,200 are supported on merit based graduate assistantships and approximately 800 on merit based pre-doctoral and other fellowships. This support is available in 75 fields of study in the arts and sciences and professional disciplines. These assistantships and fellowships have made it possible for the University to compete for quality graduate students.

Student Enrollment and Admission

Enrollment. Compared to Fall 2012, freshman enrollment increased by 7.3% in Fall 2013; and undergraduate degree enrollment increased by 1.4%. Through the *Next Generation Connecticut* initiative, enrollment at the Storrs Campus and the Stamford Campus is expected to grow significantly. See "GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES – *Next Generation Connecticut*" above in this Appendix I-A.

Total Enrollment Data (Head Count)[1]
Fall 2009 – 2013

Undergraduates	2009	2010	2011	2012	2013
Storrs	16,996	17,331	17,808	17,517	18,026
Regional Campuses[2]	4,500	4,550	4,664	4,784	4,569
Total	21,496	21,881	22,472	22,301	22,595
Graduates/Professionals[3]	7,505	7,623	7,522	7,427	7,337
Health Center					
Medicine	346	352	355	359	368
Dental Medicine	170	178	176	169	174
Total	516	530	531	528	542
GRAND TOTAL	**29,517**	**30,034**	**30,525**	**30,256**	**30,474**

[1] Includes non-degree and part-time students.
[2] Includes miscellaneous locations.
[3] Includes master's and doctoral students at all campuses, including the Health Center, and students in the professional degree programs in Law and Pharmacy.

Percentage of Enrollment by Residence Status
Fall 2009 - 2013

	Undergraduate				Graduate/Professional	
	Storrs Campus		All Campuses		Total University (excl. Schools of Medicine and Dental Medicine)	
Fall	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**
2009	75.8%	24.2%	80.3%	19.7%	71.5%	28.5%
2010	75.1	24.9	79.8	20.2	72.1	27.9
2011	74.9	25.1	79.7	20.3	70.5	29.5
2012	75.8	24.2	80.5	19.5	68.4	31.6
2013	75.7	24.3	80.1	19.9	69.2	30.8

Schedule of Freshmen Enrollment - All Campuses
Fall 2009 – 2013

Fall	Freshmen Applications	Change in Applications	Accepted	Enrolled	Change in Enrolled	Enrolled as a Percentage of Accepted
2009	23,289	4.2%	15,768	4,362	(10.2%)	27.7%
2010	23,278	0.0	15,909	4,580	5.0	28.8
2011	28,584	22.8	17,578	4,622	0.9	26.3
2012	31,363	9.7	18,965	4,415	(4.5)	23.3
2013	29,089	(7.3)	19,467	4,859	10.1	25.0

Admissions. The University of Connecticut is rated as "highly competitive" by Barron's Profiles of American Colleges 2013, 30th Edition. The Scholastic Aptitude Test (SAT) scores for students entering the University consistently exceed the statewide and national SAT score averages.

Average Total SAT Scores*
Fall 2009 - 2013

Fall	Storrs Campus	Regional Campuses	Connecticut Average	National Average
2009	1212	1038	1022	1016
2010	1221	1025	1023	1017
2011	1216	1022	1022	1011
2012	1226	1028	1018	1010
2013	1233	1020	1020	1010

*Excluding the writing component

Tuition and Other Fees (Storrs and Regional Campuses)

Pursuant to State law, the Board of Trustees is authorized to adopt a comprehensive schedule of tuition and other fees, which is expected to prevail during the following fiscal year.

Tuition. For the academic year 2014, students classified as full-time undergraduate residents of Connecticut will pay tuition of $9,256. Full-time out-of-state undergraduates will pay $28,204 per year. In the 2014 academic year, total tuition revenues are forecasted to be $289.2 million, of which approximately $122.8 million is expected from out-of-state tuition revenues. Undergraduate degree seeking students are anticipated to account for 86% of tuition revenues in the 2014 academic year. For the academic year 2015, full-time undergraduate residents will pay tuition of $9,858, and full-time out-of-state undergraduates will pay tuition of $30,038 per year.

Mandatory Fees. For academic year 2014, undergraduate students must pay a General University Fee of $1,848 per year. Students also pay $918 per year in other fees, of which $190 is for various student-controlled organizations, $468 is for infrastructure maintenance, $110 is a transit fee, and $150 is a Technology Fee. For academic year 2014, the General University fee is forecasted to generate $35.2 million of revenue. For academic year 2015, undergraduate students must pay a General University Fee of $1,914 and other fees of $928 per year. Commencing in 1998, certain fees have been pledged for the payment of debt service on the University's Special Obligation Bonds. See "UNIVERSITY FINANCES – University Indebtedness" in this Appendix I-A.

Other Fees. There are numerous optional fees at the University. The primary optional fees for the academic year 2014 are the room ($6,278) and board ($5,196) fee. For academic year 2015, the room rate for a standard double room will be $6,466 and the board fee for a value meal plan will be $5,352. Higher and lower cost meal plan options are available.

Annual Cost of an Undergraduate
In-State Student Enrolled at the University
Academic Years 2010 - 2015

	2010	2011	2012	2013	2014	2015
Tuition	$ 7,632	$ 8,064	$ 8,256	$ 8,712	$ 9,256	$ 9,858
Room & Board[1]	9,902	10,552	10,816	11,140	11,474	11,818
General University Fee	1,584	1,656	1,704	1,776	1,848	1,914
Other Fees[2]	670	696	710	874	918	928
TOTAL	**$19,788**	**$20,968**	**$21,486**	**$22,502**	**$23,496**	**$24,518**

[1] The Board Fee reflects the cost of the Value Meal Plan. Lower and higher cost meal plan options are available.

[2] Other Fees includes fees collected by the University on behalf of various student-controlled organizations. The Student Union Building Fee ($26) to support the renovation and expansion of the Student Union is included and was first imposed in FY 2004 and ended in FY 2013. The Other Fees category is higher in FY 2014 due to increases in other fees.

Undergraduate Tuition, Fees, Room and Board
for the University's Aspirant Peers
for Fiscal Year 2014

	In-State Student Cost*	Out-of-State Student Cost*
Duke University	$61,127	$61,127
Dartmouth College	60,575	60,575
Washington University	60,033	60,033
Johns Hopkins University	59,994	59,994
Northwestern University	59,709	59,709
Brown University	57,232	57,232
Pennsylvania State University	27,082	39,656
University of Pittsburgh	25,720	35,726
University of Illinois	24,812	39,194
University of Connecticut	**23,744**	**42,692**
Clemson University	21,164	38,598
Purdue University	20,292	39,094
University of Georgia	18,113	36,323
University of Florida	16,210	38,488

* Student cost includes tuition, mandatory fees, standard double room rate and the most expensive board rate.

Student Financial Aid

The University provides financial aid and financial counseling. The University has a policy of admitting students without regard to financial ability to pay and a policy of providing assistance to those admitted who demonstrate need. During Fiscal Year 2013, approximately 18,200 students received financial aid packages.

Scholarships, Grants and Work-Study. There are a number of state, federal and private student financial aid programs available, including the Federal Pell Grant of $564 to $5,645 (for Fiscal Year 2014) and the Federal Supplemental Education Opportunities Grant (SEOG) of up to $2,000. Both are awarded annually based on need. In addition, the University offers a number of scholarships. The University also offers Federal Work-Study employment, which is need-based, and Student Labor employment, which is available to all students.

Loan Programs. There are several loan programs at the University. The Federal Perkins Loan Program and the Federal Direct Subsidized Federal Stafford Loan are based on financial need. Federal Direct Unsubsidized Federal Stafford Loans are available to students who do not qualify for the Federal Direct Subsidized Federal Stafford Loans. Additionally, there is the Federal Direct Parent Loan to Undergraduate Students (PLUS) program, and the Federal Direct Graduate PLUS loan is available to eligible graduate students.

Tuition Waivers and Graduate Assistantships. The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is required by collective bargaining agreements to waive tuition for dependents of certain employees. The foregone revenue resulting from such waivers in the 2014 academic year is projected at $52.4 million, of which 84% will be provided to graduate assistants.

Financial Aid to University Students
for Fiscal Years 2010 - 2014

	2010	2011	2012	2013	2014 Forecast
Scholarships/Grants					
Institutional	$ 61,110,067	$ 67,155,437	$ 75,585,127	$ 81,214,329	$ 85,653,208
State	13,308,799	13,140,457	10,737,667	9,455,369	9,536,574
Federal Funds	20,093,282	28,215,361	26,071,689	27,303,094	31,048,974
Private	23,050,568	25,822,684	26,693,526	26,201,248	28,413,726
Total Scholarships/Grants	$117,562,716	$134,333,939	$139,088,009	$144,174,040	$154,652,482
Loans	$162,054,038	$171,723,395	$177,118,329	$172,652,101	$174,144,718
Student Employment					
University Student Payroll	$ 16,862,857	$ 18,063,741	$ 18,774,804	$ 20,120,735	$ 21,399,596
Federal Work Study	1,502,780	1,388,846	1,293,169	1,376,105	1,335,507
Total Student Employment	$ 18,365,637	$ 9,452,587	$ 20,067,973	$ 21,496,840	$ 22,735,103
Grand Total	**$297,982,391**	**$325,509,921**	**$336,274,311**	**$338,322,981**	**$351,532,303**

UNIVERSITY FINANCES

Financial Management

As noted earlier, the University's Board of Trustees has the authority for fiscal oversight of the University. In addition to the State appropriation, the University receives tuition, fees and grants and contract revenues. Some of these revenues may be restricted or dedicated as to use by the terms of the appropriation, gift, grant or contract.

The authority granted to the University in the Act builds upon the successful implementation of the operational autonomy and responsibility provided in several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. Unprecedented for State government, the University became responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The responsibilities assigned to the University included a block grant State appropriation, check-writing authority, position control, purchasing authority and management of capital projects not exceeding $2 million. This dollar limitation has been eliminated with the passage of UCONN 2000. The enactment of UCONN 2000 was an extension of the authority vested in the University by the Flexibility Acts, and the result, in part, of the University's documented effectiveness in using the powers granted to it thereby.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this official statement reflect budget execution results that are based upon spending plans and operating and capital budgets approved by the Board of Trustees. In addition, in Fiscal Year 2004, the Board of Trustees restructured and expanded the role of its Joint Audit and Compliance Committee, with a charge that includes oversight of all University financial reporting and processes and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University's internal audit capacity and the work performed by State auditors (the "Auditors of Public Accounts"). The Auditors of Public Accounts annually issue an Independent Auditors' Report on the financial statements of the University.

In 2006, in compliance with statutory requirements, the University established a Construction Management Oversight Committee, the Buildings, Grounds and Environment Committee of the Board of Trustees and the Construction Assurance Office. The University has also implemented and staffed a new organizational structure for capital program contracting and procurement and has engaged an outside auditor to perform annual audits of UCONN 2000.

Financial Statements of the University

The audited financial statements of the University of Connecticut and the University of Connecticut Health Center (excluding the University of Connecticut Foundation, Inc.) for the Fiscal Year ended June 30, 2013 are included as Schedule 1 and Schedule 2 to this Official Statement.

Below is a five-year presentation of the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Years ended June 30, 2009, 2010, 2011, 2012 and 2013. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix I-A for the same information for the Health Center.

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Statement of Revenues, Expenses & Changes in Net Position

	2009	2010	2011	2012	2013
OPERATING REVENUES					
Student tuition and fees[1]	$ 215,641,536	$ 223,765,739	$ 233,881,175	$ 251,016,679	$ 261,641,002
Federal grants and contracts	92,375,974	110,021,873	125,797,636	124,478,400	118,715,272
State and local grants and contracts	27,853,272	26,086,262	27,390,610	22,077,572	25,898,291
Nongovernmental grants and contracts	12,347,917	11,075,416	11,366,745	13,140,769	15,211,587
Sales and services of educational departments	17,216,404	15,203,884	16,160,788	17,348,308	15,813,788
Sales and services of auxiliary enterprises[2]	149,500,934	161,779,750	178,494,666	181,974,163	185,240,404
Other sources	10,681,689	10,854,684	6,446,683	6,228,681	8,113,610
Total operating revenues	$ 525,617,726	$ 558,787,608	$ 599,538,303	$ 616,264,572	$ 630,633,954
OPERATING EXPENSES					
Educational and General					
Instruction	$ 284,036,407	$ 271,938,477	$ 292,202,505	$ 291,370,499	$ 302,201,568
Research	64,028,438	72,285,788	74,481,178	73,508,341	74,948,222
Public service	36,997,632	35,623,219	41,469,821	35,477,844	39,067,856
Academic support	87,046,815	90,592,861	98,392,707	108,339,599	117,678,945
Student services	36,711,365	37,063,394	39,754,920	35,255,666	33,315,154
Institutional support	83,154,603	83,175,410	84,743,763	53,465,323	63,301,666
Operations and maintenance of plant	71,432,217	66,742,254	71,365,159	100,401,506	101,661,524
Depreciation and amortization	90,036,966	90,038,785	90,334,794	88,478,214	91,712,989
Student aid	3,917,207	4,637,480	5,490,504	6,107,357	7,153,704
Auxiliary enterprises	144,375,731	145,413,740	158,422,470	164,388,850	167,473,719
Other operating expenses	30,579,207	24,508,359	19,740,639	-	-
Total operating expenses	932,316,588	922,019,767	976,398,460	956,793,199	998,515,347
Operating loss	($ 406,698,862)	($ 363,232,159)	($ 376,860,157)	($ 340,528,627)	($ 367,881,393)
NONOPERATING REVENUES (EXPENSES)					
State appropriation	$ 327,751,422	$325,461,758	$328,950,858	$282,370,218	$288,455,837
State debt service commitment for interest	37,843,218	38,557,064	39,978,225	39,755,112	40,571,126
Transfer of reserves to State General Fund	-	(8,000,000)	(15,000,000)	-	-
Gifts	21,805,530	18,080,658	21,168,060	24,376,517	19,995,921
Investment income	4,267,674	1,313,379	1,020,058	897,678	858,559
Interest expense	(48,915,717)	(48,557,957)	(48,823,995)	(47,117,080)	(45,401,894)
Other nonoperating expenses, net	4,247,111)	(1,956,883)	(297,112)	(1,635,037)	(439,486)
Net nonoperating revenues	338,505,016	324,898,019	326,996,094	298,647,408	304,040,063
Loss before other changes in net assets	($ 68,193,846)	($ 38,334,140)	($ 49,864,063)	($ 41,881,219)	($ 63,841,330)
OTHER CHANGES IN NET ASSETS					
State debt service commitment for principal	$ 104,910,000	$61,714,293	$ -	$115,400,000	$ -
Capital appropriation	-	-	(479,348)	18,000,000	20,000,000
Capital grants and gifts	3,813,671	2,396,433	1,989,313	2,768,379	6,674,908
Disposal of property and equipment, net	(438,433)	(727,240)	(617,744)	(539,764)	103,386
Additions to permanent endowments	19,703	32,872	50	-	12,983
Net other changes in net assets	$ 108,304,941	$ 63,416,358	$ 892,271	$ 135,628,615	$ 26,791,277
Increase (decrease) in net assets	$ 40,111,095	$ 25,082,218	($ 48,971,792)	$ 93,747,396	($ 37,050,053)
NET ASSETS					
Net assets-beginning of year, adjusted	$1,379,133,888	$1,419,244,983	$1,444,327,201	$1,395,355,409	$1,489,102,805
Net assets-end of year	$1,419,244,983	$1,444,327,201	$1,395,355,409	$1,489,102,805	$1,452,052,752

[1] Net of scholarship allowances of $81,473,702, $95,347,872, $109,105,523, $111,139,284 and $116,061,804 respectively.
[2] Net of scholarship allowances of $2,947,782, $2,990,651, $3,239,628, $3,029,568 and $2,907,169 respectively.

Note: The Statement of Revenues, Expenses, and Changes in Net Assets for the Fiscal Year ended June 30, 2009 has been restated in order to retroactively apply the provision of the GASB Statement No. 51 to include purchased software which was previously expensed. Reclassifications were made for the Fiscal Year ended June 30, 2012 and June 30, 2011 to better reflect changes in the classification of operating revenues and expenses. This had no effect on net assets shown on the Statements of Revenues, Expenses, and Changes in Net Position.

Budget and Budgeting Procedure of the University

The University submits a biennial operating budget to the Governor and General Assembly through the Secretary of the Office of Policy and Management (the Governor's fiscal office). The operating budget request sets forth a proposed expenditure plan for the amount necessary to meet cost increases while providing a constant level of services. It may also include an amount for new or expanded programs. The operating budget includes various revenue sources including the State appropriation, tuition, fees, auxiliaries and other revenue sources. The Governor may reduce State agency allotments by not more than 5% unless approved by the Appropriations Committee of the General Assembly, which shall, within ten days, approve or reject such reduction. The University's Board of Trustees annually approves separate Unrestricted Operating Budgets for the University and the Health Center. On August 7, 2013, the Board of Trustees approved a Revised Spending Plan for Fiscal Year 2014. It is anticipated that the Fiscal Year 2015 Spending Plan will be presented to the Board of Trustees for approval on June 25, 2014 after the level of State appropriation has been determined. See "UNIVERSITY FINANCES-State Support of the University-Appropriations" in this Appendix I-A.

The Health Center submits a separate operating budget and receives a separate appropriation and allotment. For discussion of the Health Center, see "UNIVERSITY OF CONNECTICUT HEALTH CENTER" in this Appendix I-A.

During each fiscal year, the Board of Trustees of the University must quarterly submit to the General Assembly and the Office of Policy and Management, through the Office of Higher Education, a report of the actual expenditures of the University of Connecticut Operating and Research Funds.

The University's Capital Budget request process has been replaced by the Act. The Act provides for a twenty-nine year Capital Budget program of the University and authorizes projects estimated to cost $4,619.3 million of which $4,282.9 million was or will be financed by general obligation bonds of the University, secured by the State debt service commitment, and $18 million has been funded by State general obligation bonds. Gifts or other revenue may finance the balance unless projects are deferred or savings are achieved. For Bonds secured by the debt service commitment of the State, phase I for Fiscal Years 1996-99 totaled $382 million, phase II for Fiscal Years 2000-05 totaled $580 million and phase III for Fiscal Years 2005-24 totals $3,320.9 million. The University is required to provide a semi-annual update as to the progress of capital projects approved as part of UCONN 2000.

University Budget (Storrs and Regional Campuses)

Fiscal Year 2014 Forecast. The Fiscal Year 2014 forecast includes $1,125.7 million in expenditures and $1,095.5 million of revenue, yielding a $30.2 million loss. Prior year balances will be used to fund this loss.

Fiscal Year 2014 Revenue. For Fiscal Year 2014, State support is forecasted at a level of $304.3 million (appropriation/allotments $202.1 million; fringe benefits $102.2 million including year-end accounting accruals), an increase of $15.8 million or 5.5% over the Fiscal Year 2013 amount. State support is the largest source of revenue for the University. Tuition is the second largest source of revenue (excluding waivers) and is forecasted at $289.2 million, an increase of $19.4 million or 7.2% over the Fiscal Year 2013 amount. Tuition revenue collections reflect a 6.25% rate increase. Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off-campus MBA, EMBA, etc). Also included in this category is the General University Fee, which supports multiple Auxiliary Enterprise programs. Finally, there are various other fees included in this category such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. The fee collections for Fiscal Year 2014 are forecasted to be $106.1 million, an increase of $3.2 million or 3.1% over the Fiscal Year 2013 amount. Auxiliary Enterprise Revenue is forecasted to be $197.7 million, which is an increase of $9.5 million or 5.0% over the Fiscal Year 2013 amount. Residence halls and rental properties, dining services and athletics generate most of the Auxiliary Enterprise Revenue. With respect to the Research Fund, the granting agency or donor restricts most of the revenues. Research Fund revenues for Fiscal Year 2014 are forecasted to be $90.5 million, which is a $6.2 million or 6.4% decrease over Fiscal Year 2013.

Fiscal Year 2014 Expenditures/Transfers. Total Fiscal Year 2014 expenditures of $1,125.7 million are forecasted to increase by $73.0 million or 6.9% over the Fiscal Year 2013 amount. The University's Operating

Fund is budgeted to increase by 7.9%. Personal services expenditures are expected to reach $461.2 million or $35.8 million more than Fiscal Year 2013 primarily due to the faculty hiring plan. Fringe benefit expenditures are expected to be $205.7 million or $35.4 million more than Fiscal Year 2013. Financial Aid expenditures are forecasted to be $130.4 million, which is an increase of $5.3 million or 4.2% over the Fiscal Year 2013 amount.

In addition to actual results of operations for Fiscal Years 2010-2013, the following schedule reflects the Fiscal Year 2014 forecast.

Statement of Current Funds Operations (in millions)

	FY10 Actual	**FY11 Actual**	**FY12 Actual**	**FY13 Actual**	**FY14 Forecast**
Current Funds Revenues:					
Operating Fund					
State Support	$325.4	$ 329.0	$ 282.4	$ 288.5	$ 304.3
Tuition (Net of Discounts)	226.2	246.1	259.9	269.8	289.2
Fees	88.6	92.3	97.0	102.9	106.1
Auxiliary Enterprise Revenue	164.8	176.4	185.0	188.2	197.7
All Other Revenues	102.9	117.1	110.3	107.0	107.7
Total Operating Fund	$907.9	$ 960.9	$ 934.6	$ 956.4	$1,005.0
Research Fund	89.7	97.3	97.8	96.7	90.5
Total Current Funds Revenues	**$997.6**	**$1,058.2**	**$1,032.4**	**$1,053.1**	**$1,095.5**
Current Funds Expenditures / Transfers:					
Operating Fund					
Personal Services	$386.9	$ 413.0	$ 414.2	$ 425.4	$ 461.2
Fringe Benefits	137.5	148.3	151.0	170.3	205.7
Other Expenses	186.1	196.9	188.7	192.8	201.7
Equipment	26.0	17.4	15.5	15.2	17.0
Student Financial Aid	104.8	118.4	121.1	125.1	130.4
Transfers	57.2	49.1	40.6	30.1	18.2
Total Operating Fund	898.5	943.1	931.1	958.9	1,034.2
Research Fund Expenditures	88.1	98.4	97.4	93.8	91.5
Total Current Funds Expenditures / Transfers	**$986.6**	**$1,041.5**	**$1,028.5**	**$1,052.7**	**$1,125.7**
Gain (Loss) Prior to Transfer	**$ 11.0**	**$ 16.7**	**$ 3.9**	**$ 0.4**	**$ (30.2)**
Use of Prior Year Fund Balance					30.2
Transfer from Reserves to State					
General Fund	**(8.0)**	**(15.0)**			
Net Gain (Loss)	**$ 3.0**	**$ 1.7**	**$ 3.9**	**$ 0.4**	**$ 0.0**

State Support of the University – Appropriations

The State develops a biennial budget which includes the University appropriation request. The appropriations are applicable to each specific year and the second year's appropriation is subject to review and adjustment. The University has historically received a substantial percentage of its operating revenue from the State General Fund Appropriation. In the State system of higher education, the University of Connecticut receives more State support than any other State institution of higher education. The annual State appropriation the University receives is in the form of a block grant and is allocated biweekly. The University has independent authority to purchase goods and services, hire, fire and promote administrators, faculty and staff, and plan, design and construct capital projects. Public Act 13-184, An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2015, appropriated $230 million, inclusive of $15 million for *Next Generation Connecticut*, for Fiscal Year 2015. The Governor's Fiscal Year 2015 recommendation on February 6, 2014, reflected this same level of support. Actual levels of support will not be known until the end of the Legislative session in May 2014.

Schedule of State Operating Support and Fringe Benefits to the University for Fiscal Years 2010 – 2014 (in millions)

Fiscal Year	Operating Appropriations[1] and Allotments	Fringe Benefits	Operating Total
2010	$233.0	$ 92.4	$325.4
2011	232.7	96.3	329.0
2012	205.6	76.8	282.4
2013	195.4	93.1	288.5
2014[2]	202.1	102.2	304.3

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[1] Excludes State general obligation bonds issued to fund University capital projects.
[2] Reflects appropriation per Public Act 13-184, as amended by Public Act 13-247, which included allocable bottom line savings that required adjustments to agency-specific FY 2014 appropriations.

State Support of the University - Bond Issuance

In addition to appropriating funds for the general operating support of the University, the State has authorized its general obligation bonds to fund capital projects of the University. Certain of those State bonds are categorized as self-liquidating, meaning the University reimburses the State for the principal and interest on such bonds from revenues generated by the University from the operation of the projects funded with the proceeds of the State bonds. As of the date of delivery of the 2014 Bonds, $1,050,428 of self-liquidating bonds remain outstanding. For further discussion of the University's liability to the State with respect to these self-liquidating State general obligation bonds, see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2013."

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State Legislative Bond Authorizations for the University
for Fiscal Years 1996 - 2024

Fiscal Year	State General Obligation Bonds		UCONN 2000[1]	Total
1996	$18,000,000	[2]	$112,542,000	$130,542,000
1997	9,400,000	[2]	112,001,000	121,401,000
1998			93,146,000	93,146,000
1999			64,311,000	64,311,000
2000	2,000,000	[3]	130,000,000	132,000,000
2001	20,000,000	[3]	100,000,000	120,000,000
2002			100,000,000	100,000,000
2003			100,000,000	100,000,000
2004			100,000,000	100,000,000
2005[4]			100,000,000	100,000,000
2006			79,000,000	79,000,000
2007			89,000,000	89,000,000
2008	8,000,000	[5]	115,000,000	123,000,000
2009			140,000,000	140,000,000
2010			0	0
2011			138,800,000	138,800,000
2012	23,000,000	[6,7]	157,200,000	180,200,000
2013	20,000,000	[6]	143,000,000	163,000,000
2014			204,400,000	204,400,000
2015			315,500,000	315,500,000
2016			312,100,000	312,100,000
2017			266,400,000	266,400,000
2018			269,500,000	269,500,000
2019			251,000,000	251,000,000
2020			269,000,000	269,000,000
2021			191,500,000	191,500,000
2022			144,000,000	144,000,000
2023			112,000,000	112,000,000
2024			73,500,000	73,500,000
Total	**$100,400,000**		**$4,282,900,000**	**$4,383,300,000**

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[1] Secured by State Debt Service Commitment.
[2] For Babbidge Library on the Storrs campus.
[3] For the development of a new downtown campus for the University of Connecticut in Waterbury.
[4] For Fiscal Year 2005, $50,000,000 was authorized under UConn 2000 Phase II and an additional $50,000,000 was authorized under UConn 2000 Phase III. Fiscal Years 2005-18 represent authorizations under UConn 2000 Phase III including approximately up to $775,300,000 for Health Center projects. No Health Center projects were authorized in Phase I or Phase II.
[5] Special Act 04-2 authorized the issuance of $8,000,000 of State General Obligation Bonds for renovation, alterations and improvements to the University's Law Library in Hartford which was approved by the State Bond Commission on March 28, 2008.
[6] Public Act 11-57 authorized the issuance of $172,500,000 of State General Obligation Bonds to create a Technology Park on the Storrs Campus. $18,000,000 was approved by the State Bond Commission on August 26, 2011. $20,000,000 was approved by the State Bond Commission on April 26, 2013.
[7] In addition, Public Act 11-75 authorized $5,000,000 in State General Obligation Bonds for a comprehensive cancer center and the University sponsored health disparities institute which was approved by the Bond Commission on October 28, 2011.

Grants and Contracts

Revenue from Federal, state, local and non-governmental grants and contracts totaled $159.8 million in Fiscal Year 2013, representing 25.3% of total operating revenues reported by the University in the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year ended June 30, 2013, included in this Appendix I-A. Revenue from federal, state and local governmental grants and contracts, including financial aid and recovery of indirect costs, totaled $144.6 million for this time period, which represented 22.9% of total operating revenues.

Governmental Grants and Contracts
for Fiscal Years 2009 - 2013
(in Millions of Dollars)

Fiscal Year	Amount
2009	$120.2
2010	136.1
2011	153.2
2012	146.6
2013	144.6

The University of Connecticut Foundation, Inc. and The University of Connecticut Law School Foundation, Inc.

Two other entities also support the mission of the University: The University of Connecticut Foundation, Inc. (Foundation) and the University of Connecticut Law School Foundation, Inc. (Law School Foundation). For financial reporting purposes, the Law School Foundation is included as a component unit with the University; the Foundation is an independent, privately governed institution which is separately audited. It operates exclusively for charitable and educational purposes, raising funds to promote, encourage, and assist education and research at the University and the Health Center. The Foundation solicits and accepts donations of properties, monies, and securities and invests and administers these gifts. The Foundation materially supports the mission of both the University and the Health Center.

Gift revenue to the University, both capital and noncapital, is derived from gifts made directly to the University and from the Foundation and Law School Foundation. These spendable funds are provided to the University for educational, cultural, recreational, and research activities. Both the Foundation and the Law School Foundation disburse funds to the University as requests are made, provided the request is in accordance with donor restrictions, if any. These disbursements paid to the University from both Foundations totaled approximately $31.3 million in Fiscal Year 2013 compared to $27.2 million in Fiscal Year 2012. Both Foundations also paid approximately $3.7 million in Fiscal Year 2013 ($3.5 million in Fiscal Year 2012) to third parties on behalf of the University. This amount is not reflected in the University's financial statements. In addition, the University receives gifts directly. Total nonoperating gifts and capital gifts and grants revenue to the University from all sources amounted to $6.0 million and $10.8 million in Fiscal Years 2013 and 2012, respectively.

Donors to the University set a second year of record-level giving, with contributions of $63.4 million to support the University students, faculty, and programs during Fiscal Year 2013. The gifts and commitments exceeded the $63 million fiscal-year fundraising target. The total number of donors was 32,823 compared to 29,453 in 2012. A substantial number of gifts are attributable to the Sandy Hook School Memorial Scholarship Fund that raised more than $1.1 million from 6,000 donations in the wake of the Sandy Hook Elementary School tragedy.

Of the $63.4 million in new gifts and commitments, $20 million was directed for scholarships and other student support, $9 million for faculty support, and $26.5 million for program support and facilities. Donors contributed nearly $20.9 million to the University's endowment.

	2009 $000's	2010 $000's	2011 $000's	2012 $000's	2013 $000's
Assets					
Endowment assets	$244,031	$263,049	$303,625	$301,637	$330,178
All other assets	78,111	85,195	92,689	97,018	118,405
Total Assets	**$322,142**	**$348,244**	**$396,314**	**$398,655**	**$448,583**
Support and Revenue					
Contributions and educational support	$ 22,466	$ 28,651	$ 32,102	$ 39,018	$ 44,418
Payment from the University	9,028	9,138	8,472	8,584	8,589
Investment income, net	(63,441)	25,359	41,905	2,109	25,929
Other revenues	610	3,141	697	778	638
Total Support and Revenue	**($ 31,337)**	**$ 66,289**	**$ 83,176**	**$ 50,489**	**$ 79,574**
Expenditures					
Disbursements to and on behalf of the University	$ 28,823	$ 23,105	$ 26,382	$ 30,433	$ 35,070
Foundation expenses (development, asset mgt, admin)	14,444	13,666	13,602	14,223	14,975
Total Expenditures	**$ 43,267**	**$ 36,771**	**$ 39,984**	**$ 44,656**	**$ 50,045**
Support and Revenues Over/Under Expenditures	**($ 74,604)**	**$ 29,518**	**$ 43,192**	**$ 5,833**	**$ 29,529**

University Indebtedness

The UCONN 2000 Act, as amended, empowers the University to borrow money and issue securities to finance the acquisition, construction, reconstruction, improvement or equipping of any UCONN 2000 project and to provide for the security and payment of those securities and to refund such securities. Toward this purpose, to date, the University has issued General Obligation Bonds and Special Obligation Bonds and also entered into a privately placed Governmental Lease Purchase Agreement.

The University of Connecticut General Obligation Bonds are issued pursuant to the Master Indenture of Trust, as amended (the "Master Indenture"), and are secured by the full faith and credit of the University and are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is defined by the Act and the Master Indenture as the commitment by the State to pay an annual amount for the punctual payment of Special Debt Service Requirements on securities issued as general obligations of the University, as the same shall arise and shall become due and payable. Special Debt Service Requirements include, among other things, the principal on serial General Obligation Bonds or sinking fund installments on term General Obligation Bonds and interest accruing thereon. As of the date of delivery of the 2014 Bonds, the University's General Obligation Bonds principal outstanding will be $1,023,985,000.

The University of Connecticut also has issued Special Obligation Bonds pursuant to the Special Obligation Indenture of Trust, dated as of January 1, 1997, between the University, as Issuer, and U.S. Bank N.A., as successor to State Street Bank & Trust Company, as Trustee, as amended (the "Special Obligation Master Indenture"). The Board of Trustees approved the Special Obligation Master Indenture on November 8, 1996. Unlike the UCONN 2000 General Obligation Bonds that are paid from the State's General Fund, debt on the Special Obligation Bonds are paid from certain pledged revenues, including student fees of the University as defined in the Special Obligation Master Indenture. To date, nine projects have been authorized to receive $189,180,000 of the UCONN 2000 Special Obligation Bond proceeds, and some of these projects also were supported by State General Obligation Bonds or other funding. See "GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES – Status of UCONN 2000 Projects" in this Appendix I-A. As of the date of delivery of the 2014 Bonds, the Special Obligation Bonds principal outstanding will be $124,615,000.

A privately placed Governmental Lease Purchase Agreement (the "Lease"), with Caterpillar Financial Services Corporation, a Delaware Corporation, secured by the University's general obligation was entered into to finance the cogeneration facility portion of the UCONN 2000 Heating Plant Upgrade project. The $81,900,000 original principal amount of the Lease is a UCONN 2000 debt obligation entered into under certain separately negotiated documents and agreements and is not secured by the Master Indenture or the Special Obligation Master Indenture. On December 18, 2003 the University entered into the Lease in the principal amount of $75,000,000 at a nominal interest rate of 4.42% compounded monthly for a term of 240 months. On August 15, 2005, the University amended the Lease for an additional amount of $6,900,000 at a 5.09% interest rate compounded monthly. In August 2013, the University amended the Leases to lower the interest rate to 3.22% for the full outstanding amount of the Lease, as amended, effective as of the August 2013 monthly payment which lowered the University's monthly payments from $517,135 to $482,448. The cogeneration facility is part of the UCONN 2000 Heating Plant Upgrade project, as defined under the UCONN 2000 Act, which generates substantially all of the needs for electrical power, heating and cooling on the main campus at Storrs. The UCONN 2000 Heating Plant Upgrade project also has been partially funded with General Obligation Bonds of the University secured by the State Debt Service Commitment. As of the date of delivery of the 2014 Bonds, the amount of the Lease outstanding will be $56,422,790.

In addition to UCONN 2000 indebtedness, the University has certain other limited indebtedness; see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2013".

The following schedule sets forth the debt service payments to be made in each University fiscal year on the general obligation bonds issued and outstanding by the University as of the date of delivery of the 2014 Bonds including the 2014 Bonds.

Debt Service on General Obligation Bonds[1] as of April 22, 2014

	Outstanding General Obligation Bonds			**This Issue General Obligation Bonds**			
FYE June 30	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Subtotal**	**Total Debt Service**
2015	$ 54,335,000	$ 37,816,069	$ 92,151,069	$ 37,905,000	$ 6,655,780	$ 44,560,780	$ 136,711,849
2016	53,515,000	35,572,044	89,087,044	32,995,000	7,419,650	40,414,650	129,501,694
2017	59,905,000	33,226,069	93,131,069	24,715,000	5,923,650	30,638,650	123,769,719
2018	71,980,000	30,653,969	102,633,969	9,465,000	4,742,450	14,207,450	116,841,419
2019	72,360,000	27,365,669	99,725,669	5,455,000	4,309,300	9,764,300	109,489,969
2020	61,075,000	23,884,644	84,959,644	11,055,000	4,200,200	15,255,200	100,214,844
2021	60,785,000	21,149,194	81,934,194	5,455,000	3,702,000	9,157,000	91,091,194
2022	55,445,000	18,330,475	73,775,475	5,550,000	3,501,450	9,051,450	82,826,925
2023	51,155,000	15,690,785	66,845,785	5,455,000	3,306,100	8,761,100	75,606,885
2024	46,770,000	13,209,629	59,979,629	5,455,000	3,087,900	8,542,900	68,522,529
2025	37,640,000	10,990,760	48,630,760	9,435,000	2,815,150	12,250,150	60,880,910
2026	37,875,000	9,197,749	47,072,749	5,450,000	2,452,500	7,902,500	54,975,249
2027	33,785,000	7,410,201	41,195,201	5,450,000	2,180,000	7,630,000	48,825,201
2028	29,580,000	5,765,645	35,345,645	5,450,000	1,907,500	7,357,500	42,703,145
2029	29,815,000	4,294,790	34,109,790	5,450,000	1,635,000	7,085,000	41,194,790
2030	22,470,000	2,878,678	25,348,678	5,450,000	1,362,500	6,812,500	32,161,178
2031	17,615,000	1,851,200	19,466,200	5,450,000	1,090,000	6,540,000	26,006,200
2032	8,630,000	992,238	9,622,238	5,450,000	817,500	6,267,500	15,889,738
2033	8,630,000	582,525	9,212,525	5,450,000	545,000	5,995,000	15,207,525
2034	8,630,000	183,388	8,813,388	5,450,000	272,500	5,722,500	14,535,888
Totals[2]	**$821,995,000**	**$301,045,718**	**$1,123,040,718**	**$201,990,000**	**$61,926,130**	**$263,916,130**	**$1,386,956,848**

[1] Secured by State Debt Service Commitment, net of bonds previously refunded.
[2] Totals may not sum due to rounding.

The following table sets forth all bonds and capital leases issued by the University under the UCONN 2000 program and outstanding as of the date of delivery of the 2014 Bonds including the 2014 Bonds.

Total Bonds And Leases Outstanding
as of April 22, 2014

		Original Par Amount[1]	Amount Outstanding Currently[1]	Dated Date[2]
General Obligation Debt Service Commitment Bonds				
GO DSC 1996 Series A		$ 83,929,715	$ -	January 1, 1996
GO DSC 1997 Series A		124,392,432	-	April 1, 1997
GO DSC 1998 Series A		99,520,000	-	June 1, 1998
GO DSC 1999 Series A		79,735,000	-	March 1, 1999
GO DSC 2000 Series A		130,850,000	-	March 1, 2000
GO DSC 2001 Series A		100,000,000	-	March 15, 2001
GO DSC 2002 Series A		100,000,000	-	April 1, 2002
GO DSC 2003 Series A		96,210,000	-	March 1, 2003
GO DSC 2004 Series A		97,845,000	-	January 15, 2004
GO DSC 2004 Series A Refunding[3]		216,950,000	-	January 15, 2004
GO DSC 2005 Series A		98,110,000	4,895,000	February 15, 2005
GO DSC 2006 Series A		77,145,000	46,270,000	March 15, 2006
GO DSC 2006 Series A Refunding[4]		61,020,000	55,035,000	March 15, 2006
GO DSC 2007 Series A		89,355,000	54,600,000	April 12, 2007
GO DSC 2007 Series A Refunding[5]		46,030,000	46,030,000	April 12, 2007
GO DSC 2009 Series A		144,855,000	108,115,000	April 16, 2009
GO DSC 2010 Series A		97,115,000	77,680,000	May 25, 2010
GO DSC 2010 Series A Refunding[6]		36,095,000	23,930,000	May 25, 2010
GO DSC 2011 Series A		179,730,000	152,765,000	December 8, 2011
GO DSC 2011 Series A Refunding[7]		31,905,000	29,420,000	December 8, 2011
GO DSC 2013 Series A		172,660,000	172,660,000	July 31, 2013
GO DSC 2013 Series A Refunding[8]		51,250,000	50,595,000	July 31, 2013
GO DSC 2014 Series A		109,050,000	109,050,000	April 22, 2014
GO DSC 2014 Series A Refunding[9]		92,940,000	92,940,000	April 22, 2014
	Total[10,16]	**$2,416,692,147**	**$1,023,985,000**	
Special Obligation Student Fee Revenue Bonds				
UCONN 2000 SPEC OB 1998-A		$ 33,560,000	$ -	January 1, 1998
UCONN 2000 SPEC OB 2000-A		89,570,000	-	June 1, 2000
UCONN 2000 SPEC OB 2002-A		75,430,000	-	January 15, 2002
UCONN 2000 SPEC OB 2002-A Refunding[11]		96,130,000	-	February 1, 2002
UCONN 2000 SPEC OB 2010-A Refunding[12]		47,545,000	39,260,000	June 16, 2010
UCONN 2000 SPEC OB 2012-A Refunding[13]		87,980,000	85,355,000	December 13, 2012
	Total[14, 16]	**$ 430,215,000**	**$ 124,615,000**	
Capital Leases				
Governmental Lease Purchase Agreement		$ 75,000,000	$ 51,586,084	December 18, 2003
Governmental Lease Purchase Agreement		6,900,000	4,836,706	August 15, 2005
	Total[15, 16]	**$ 81,900,000**	**$ 56,422,790**	

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1 "Original Par Amount" includes bonds previously refunded. "Amount Currently Outstanding" is net of bonds previously refunded.
2 The General Obligation Bonds issued in 1996 and 1997 include capital appreciation bonds, which were dated their date of delivery.
3 The General Obligation 2004-A Refunding Bonds refunded $223,160,000 of the outstanding GO DSC Series 1996-A, 1997-A, 1998-A, 2000-A, 2001, and 2002-A Bonds.
4 The General Obligation 2006-A Refunding Bonds refunded $61,675,000 of the outstanding GO DSC Series 1998-A, 1999-A, 2000-A, 2001-A and 2002-A Bonds.
5 The General Obligation 2007-A Refunding Bonds refunded $46,695,000 of the outstanding GO DSC Series 2002-A and 2003-A Bonds.
6 The General Obligation 2010-A Refunding Bonds refunded $35,885,000 of the outstanding GO DSC Series 1999-A, 2001-A, 2003-A and 2004-A Bonds.
7 The General Obligation 2011-A Refunding Bonds refunded $33,735,000 of the outstanding GO DSC Series 2003-A and 2004 Bonds.
8 The General Obligation 2013-A Refunding Bonds refunded $54,375,000 of the outstanding GO DSC Series 2004A and 2005A Bonds.
9 The General Obligation 2014-A Refunding Bonds refunded $97,930,000 of the outstanding GO DSC Series 2004A Refunding and 2005A Bonds.
10 Debt Service on the General Obligation Bonds is payable from the Debt Service Commitment of the State.
11 The SPEC OB 2002-A Refunding Bonds refunded all of the outstanding $89,570,000 SPEC OB Series 2000-A Bonds.
12 The SPEC OB 2010-A Refunding Bonds refunded all of the outstanding $33,560,000 SPEC OB Series 1998-A Bonds and part of the 2002-A Bonds.
13 The SPEC-OB-2012-A Refunding Bonds refunded all of the outstanding $75,430,000 SPEC-OB Series 2002-A Bonds and $96,130,000 Series 2002-A Refunding Bonds.
14 Debt Service on the Special Obligation Bonds are payable from certain Pledged Revenues of the University as further defined in the Special Obligation Indenture of Trust, dated as of January 1, 1997 as amended.
15 As of the date of delivery of the 2014 Bonds. Does not include capital lease obligations subject to annual appropriation.
16 Totals may not sum due to rounding.

Employee Data

Faculty and Staff. As of October 2013, the University had 4,693 full-time equivalent ("FTE") employees. Full and part-time faculty accounted for 1,507 FTE employees. The University hires adjunct lecturers on a semester-by-semester basis, as needed, who are not included in the above employee count. In Fall 2013, 60% of full-time teaching faculty were tenured, 18% were tenure track and the remaining were non-tenure track faculty. The average age of full-time faculty was 50. Additionally, the University also has 477 FTE graduate student assistants who receive stipends.

Six bargaining units represented approximately 4,268 FTE union members as of October 2013. Approximately 9% of University faculty and staff were non-union employees. The University bargains with two units covering 3,447 FTE employees: the American Association of University Professors (AAUP) and the University of Connecticut Professional Employees Association (UCPEA). Law school faculty, University exempt (management) and certain temporary and part-time employees are not represented by bargaining units. The remaining four unions covering 821 FTE employees bargain directly with the State.

The State Employees Bargaining Agent Coalition (SEBAC) serves all 15 state labor unions representing approximately 45,000 full-time Connecticut State employees to address issues of common concern. The coalition was recognized in 1986 by Public Act 86-411 to negotiate with the State on healthcare and retirement benefits for all State workers. The University, through its Board of Trustees, has statutory authority to negotiate and enter into collective bargaining agreements with AAUP and UCPEA on all other collective bargaining subjects such as wages and working conditions. The University negotiated within the SEBAC framework and reached its own tentative agreements over job security, wages and some language issues in June 2011 subject to state-wide ratification. The entire agreement for the period through June 30, 2016 was ultimately ratified by SEBAC on August 18, 2011.

Retirement Plans and Post-Employment Benefits. Most State employees are eligible to receive retirement benefits under a State retirement plan. Various retirement plans are available for University employees none of which are administered by the University. The State is statutorily responsible for the retirement benefits of University employees. Therefore, no liability for retirement benefits is recorded in the University's financial statements.

In addition to the pension benefits, the State provides post-retirement health care and life insurance benefits to University employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents' coverage) based on the plan chosen by the employee. In addition, the State pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of State service that the retiree had at the time of retirement. The State is responsible and finances the cost of post-retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund; therefore, no liability is recorded in the University's financial statements. For further discussion, see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2013 – Notes to Financial Statements (6. Retirement Plans and Post-Employment Benefits)".

Insurance

The University, as an agency of the State, is self-insured, for general liability purposes, on an unreserved basis. The State purchases blanket policies covering other risks, including property, casualty and hazard insurance for all State agencies. The State pays all premiums for such insurance policies. The University reimburses the State for the cost of coverage of items purchased with other than State appropriation funds. The University may request an allotment of insurance proceeds resulting from the loss of University property. The Act authorizes the University to purchase insurance for its assets, actions and activities. In regard to design and construction projects, the University requires errors and omissions insurance from the lead project design professional (project architect of record), and selected sub-consultants on all construction projects. The University requires that contractors engaged on all construction projects provide and maintain general liability, automobile and statutory workers' compensation coverage. In regard to builders risk policies and protection of construction work in progress for existing buildings, the State, through its property policy provides builders risk coverage subject to a deductible. The University requires the contractors to provide builders risk insurance for construction projects involving new buildings. The University directly purchases workers' compensation insurance as part of an owner-controlled insurance program (OCIP) for select UCONN 2000 Health Center projects

UNIVERSITY OF CONNECTICUT HEALTH CENTER

An organizational unit of the University of Connecticut, the Health Center is a comprehensive State-owned academic Health Center which has the traditional tripartite missions of education, patient care and research facility as well as community service and public health. Its main campus is located in a complex of buildings in suburban Farmington, Connecticut. The Health Center was established in 1961 and is currently comprised of the School of Medicine, the School of Dental Medicine, the John Dempsey Hospital, and related ambulatory clinic facilities, research laboratories, health sciences/medical library and administrative and other support facilities. It operates more than 400 clinical and educational programs throughout Connecticut and is a referral center for persons with certain illnesses requiring complex patient care. The Health Center also provides comprehensive healthcare services for Connecticut's incarcerated inmates through the Correctional Managed Healthcare program. As of Fall 2013, the Health Center had 542 professional students in the Schools of Medicine and Dental Medicine, 331 graduate students in Master's and Doctoral programs, and approximately 780 residents, interns and postdoctoral fellows. It also provides an extensive array of continuing education activities to health professionals throughout the State. The Health Center submits separate operating and capital budgets to the Governor and the General Assembly and receives its appropriation and allotment separate from the University. See "UNIVERSITY FINANCES – Budget and Budgeting Procedure of the University" in this Appendix I-A.

GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES

Board of Directors

Composition. The Board of Directors of the University of Connecticut Health Center consists of up to 18 members. Pursuant to Section 35 of Public Act No. 01-173, the Board of Trustees for the University created the board of directors for the governance of the Health Center, and has determined such duties and authority as it deemed necessary and appropriate to delegate to said board of directors. The Board consists of nine members at large appointed by a nominating committee of the Board of Directors, three members appointed by the Chairperson of the Board of Trustees, three members appointed by the Governor and three voting ex-officio members (the Secretary of the State's Office of Policy and Management, the President of the University and the Commissioner of Public Health or their designees).

Membership. The name, term, position and affiliation or profession of each member of the Board of Directors is as follows:

Name	Term Ends	Position	Affiliation/Profession
Francis X. Archambault Jr.	2016	Member at Large	Retired Emeritus Professor, University of Connecticut
Richard M. Barry	2016	Member at Large	Chief Credit Officer & Executive Vice President, First Niagara Financial Group
Andy F. Bessette	2016	Appointed by Chairperson, Board of Trustees	EVP & CAO, The Travelers Companies, Inc.
Francisco L. Borges	2016	Member at Large	Chairman and Managing Partner, Landmark Partners, Inc.
Richard T. Carbray Jr.	2015	Appointed by Chairperson, Board of Trustees	Pharmacist

Name	Term Ends	Position	Affiliation/Profession
Cheryl A. Chase	2015	Member at Large	EVP, Principal and General Counsel, Chase Enterprises
Sanford Cloud, Jr. , Chair	2014	Appointed by Chairperson, Board of Trustees	Chairman and CEO, The Cloud Company, LLC
Robert S. Dakers		Ex-officio	Executive Financial Officer, Office of Policy & Management (OPM)
John F. Droney	2016	Member at Large	Founding Principal, Levy & Droney, P.C.
Susan Herbst		Ex-officio	President, University of Connecticut
Timothy A. Holt	2016	Member at Large	Independent Business Consultant
Jewel Mullen		Ex-officio	Commissioner, Department of Public Health
Wayne Rawlins	2015	Member at Large	National Medical Director for Racial & Ethnic Equality Initiatives, Aetna
Teresa M. Ressel	2012*	Appointed by the Governor	Private Company Management
Robert T. Samuels	2016	Member at Large	Founder, ABS Development Company
Charles W. Shivery	2015	Member at Large	Former Chairman of Northeast Utilities
Kathleen D. Woods	2013*	Appointed by the Governor	Chairperson, Farmington Woods Golf Club

* Board members continue to serve until re-appointed or replacements are appointed.

Duties of the University of Connecticut Health Center Board of Directors. Subject to duties outlined by the University's Board of Trustees, the Board is authorized to establish rules and general policies for the governance of the Health Center and its academic programs. The Board of Directors manages and directs the expenditures of the Health Center. The Board of Directors is required by law to review and approve Health Center budget requests and propose facility, planning and capital expenditure budget priorities.

Officers of the Board of Directors. The officers of the Board of Directors are the Chair of the Board (Sanford Cloud Jr.), the Vice-Chair (Cheryl Chase), the Secretary (John Droney) and the Treasurer (Robert Samuels). The Chair is privileged to make or discuss motions and to vote on all questions.

Academic Programs of the School of Medicine and School of Dental Medicine

Post Baccalaureate Programs. The Schools of Medicine and Dental Medicine each conduct a four-year post baccalaureate program leading to the M.D. and D.M.D. degrees, respectively.

Residency. The School of Medicine and the School of Dental Medicine each offer residency programs which provide advanced training in preparation for licensure practice and certification within a field of specialization. Approximately 750 residents and fellows populate John Dempsey and other regional hospitals.

Graduate Programs. Programs leading to either a Ph.D. or Master's degree in medically related sciences are offered in nine biomedical sciences and in community health and dental sciences. There are also programs of post-doctoral education of biomedical scientists.

Continuing Education. The schools provide facilities and/or opportunities for the practicing professionals to continue their education by offering a wide variety of courses, lectures, seminars, and visiting lectureships.

Research. The faculty of the Schools of Medicine and Dental Medicine are generally expected to develop an active research program, both to advance knowledge within their field of expertise and to enhance the quality of the educational program. Approximately $88.2 million was generated in Fiscal Year 2013 by the research activities of the various faculties which supplements appropriations from the State.

Student Enrollment and Admission

Enrollment. The Health Center's enrollment in Fall 2013 was 368 in the School of Medicine, 174 in the School of Dental Medicine, and 331 Graduate students. Historically, enrollment at the Health Center has been flat. A key component of the Bioscience Connecticut initiative is to grow enrollment 30%.

Average Total MCAT and DAT Scores
Fall 2009 - 2013

Fall	MCAT	DAT
2009	31.4	19.7
2010	31.7	20.3
2011	31.4	20.5
2012	31.7	20.7
2013	31.9	20.7

Each year, approximately 350 students work toward their medical doctor's degree and 175 toward their doctor of medical dentistry degree. Admission to each school is highly competitive, but both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards.

Passing Rates on National Exams
2009 - 2013

Year	School of Medicine	School of Dental Medicine
2009	99%	100%
2010	97	91
2011	96	100
2012	100	100
2013	97	100

Tuition and Other Fees

Pursuant to State law, the Board of Directors is authorized to adopt a comprehensive schedule of tuition and other fees which are expected to prevail during the following fiscal year. Such tuition and fees must comply with the policy of the Board of Governors of Higher Education that requires them to be between the 70th and 75th percentiles of public schools nationally.

Tuition. For the academic year 2014, students classified as full-time residents of Connecticut will pay tuition of $24,832 for the School of Medicine and $23,363 for the School of Dental Medicine. Out-of-state students will pay $52,312 for the School of Medicine and $53,804 for the School of Dental Medicine per year. For the academic year 2015, students classified as full-time residents of Connecticut will pay tuition of $27,074 for the School of Medicine and $25,531 for the School of Dental Medicine. Out-of-state students will pay $55,928 for the School of Medicine and $57,494 for the School of Dental Medicine per year.

Mandatory Fees. For academic year 2014, students will pay a fee of $10,612 for the School of Medicine and $9,699 for the School of Dental Medicine per year. This fee includes payments for commencement, student affairs, a student activity fee and the optional student health fee. For academic year 2015, students will pay a fee of $9,959 for the School of Medicine and $9,000 for the School of Dental Medicine per year. The 2015 rates are lower than 2014 due to a shift of $1,000 from the category of fees to the category of tuition.

Annual Cost of an In-State Student Enrolled at the Health Center by School Academic Years 2010 - 2015

School of Medicine

	2010	2011	2012	2013	2014	2015
Tuition	$20,824	$21,865	$22,740	$23,649	$24,832	$27,074
Fees*	8,752	9,190	9,557	9,940	10,612	9,959
TOTAL	**$29,576**	**$31,055**	**$32,297**	**$33,589**	**$35,444**	**$37,033**

School of Dental Medicine

	2010	2011	2012	2013	2014	2015
Tuition	$19,592	$20,572	$21,395	$22,251	$23,363	$25,531
Fees*	7,987	8,386	8,721	9,070	9,699	9,000
TOTAL	**$27,579**	**$28,958**	**$30,116**	**$31,321**	**$33,062**	**$34,531**

* Includes optional student health fee estimated at $2,650.

Percentage of Enrollment by Residence Status Fall 2009 - 2013

	School of Medicine		School of Dental Medicine	
Fall	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**
2009	91.3%	8.7%	89.4%	10.6%
2010	92.8	7.2	84.0	16.0
2011	91.0	9.0	84.7	15.3
2012	92.8	7.2	87.1	12.9
2013	95.1	4.9	87.8	12.2

University of Connecticut Health Center Clinical Operations

UConn Medical Group and University Dentists. The faculty practices of the Health Center, UConn Medical Group (UMG) and University Dentists are the key components of the Health Center's integrated health care delivery system administratively designated the "University of Connecticut Clinical Operations" ("Clinical Operations"). The Clinical Operations include an extensive array of ambulatory clinics representing the range of specialty and primary fields that comprise medicine and dentistry operated by UMG and University Dentists. Clinical Operations is the vehicle through which the Health Center contracts with managed care and other health care payors and engages in joint ventures and other arrangements. Clinical Operations also does business through the University of Connecticut Health Center Finance Corporation (the "Finance Corporation"), a statutory corporation authorized to enter into joint ventures, other affiliations and contracts in furtherance of the operations of the clinical programs.

John Dempsey Hospital. The John Dempsey Hospital has 234 licensed beds (224 general acute care beds and 10 nursery beds), and is located in Farmington, a suburb of Hartford. It serves as the primary teaching hospital for the Schools of Medicine and Dental Medicine, and participates in the clinical education of students from other health profession education programs. As the primary teaching hospital, it contains a full range of services, including surgery, medicine, cardiac care, psychiatry, and obstetrics and gynecology. The Hospital is also the focus of specialized programs, including programs dealing with arthritis, lupus, alcoholism, cancer, hemophilia, high-risk pregnancies, dental diseases in the handicapped, and taste and smell deficiencies. The Hospital also provides emergency dental care through an agreement with the Educational Clinics.

Educational Clinics. The Educational Clinics offer comprehensive dental care provided by dental students (pre-doctoral students) in multidisciplinary clinics or by dental residents (postdoctoral students) receiving advanced or specialty training under the supervision of licensed clinical faculty. The Predoctoral Teaching Program is designed to train dental students to be future general dentists or specialists. Dental care provided in the predoctoral program is provided by students under the supervision of experienced dentists. The Postdoctoral Teaching Program is a practice comprised of licensed dentists who spend 2 to 6 years under intensive training to be specialists in endodontics, periodontics, oral surgery, orthodontics, pediatric dentistry, prosthodontics, or advanced education general dentistry (AEGD).

Correctional Managed Health Care. The Health Center is responsible for providing all health care services for all persons incarcerated in Connecticut's jails and prisons. The vast majority of these activities take place at facilities operated by the Department of Correction, but the John Dempsey Hospital does maintain a high security prison ward for patients requiring in-patient services.

Patient Service Revenue

Pursuant to the Master Indenture, patient revenues or any other revenues derived from clinical operations of the University are not pledged towards the repayment of Bonds.

Strategic Plan Initiative

Our Mission. The University of Connecticut Health Center is dedicated to helping people achieve and maintain healthy lives and restoring wellness/health to maximum attainable levels.

In this quest, the Health Center will continuously enable students, professionals and agencies in promoting the health of Connecticut's citizens. The Health Center will consistently pursue excellence and innovation in the education of health professionals; the discovery, dissemination and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

Market Assessment and Regional Planning. The Health Center employs a variety of means to assess the market. Using data available from the Connecticut Hospital Association and the Office of Health Care Access, John Dempsey Hospital assesses its performance relative to other hospitals and in terms of market share. Both John Dempsey Hospital and UConn Medical Group use publicly available and purchased data sets relative to population and disease trends, utilization rates for services, physician and service demand. Health Center executives and product line leaders, both physician and non-physician staff, through professional associations, networking with peers and patient interactions, supply data, information and expertise that is used for assessment and planning. Public input is sought through formal and informal interactions with the Health Center Board of Directors of the Board of Trustees, the State Legislature, Town of Farmington, Connecticut officials, community leaders, patients and the many people who attend the public programs of the Health Center. Strategic plans are developed given the market assessment, in combination with an assessment of the strengths of the Health Center programs and staff. The Health Center has focused efforts on programs that integrate the academic, research, and clinical strengths of the institution to serve the health care needs of the citizens of the State. In order to best extend the access to the Health Center services, it has established and continues to seek relationships with other health care providers including and especially primary care providers.

The Health Center is expected to continue to be challenged by managed care and federal reimbursement rates. The Health Center has adopted a strategy of actively monitoring the market and pursuing agreements with all managed care payors. The Health Center has entered into participation agreements with most of the major HMOs and PPOs. Payors are increasingly interested in shared risk arrangements with providers. The Health Center has executed a number of shared risk agreements and will likely be requested to do more. The Health Center is actively developing the programs and systems necessary to accept and manage risk.

Bioscience Connecticut. The Health Center is part of a new economic revitalization plan called Bioscience Connecticut authorized by Public Act 10-104, as amended by Public Act 11-75. The Bioscience Connecticut initiative aims to make the State a leader in bioscience research and in turn, jumpstart the State's economy by creating jobs and generating long-term economic growth.

For the Health Center, key components of the plan include:

- Renovating existing Health Center facilities to increase bioscience research capacity and productivity, increasing the number of basic and clinical/translational scientists, and expanding small business incubator facilities to foster new business start-ups.
- Increasing the Health Center's medical and dental schools' enrollment by 30 percent, and establishing a loan forgiveness program to attract more graduates to practice primary care medicine and dentistry in Connecticut.
- Constructing the new patient tower and a new ambulatory care facility, and increasing the number of Health Center primary and specialty care clinicians.

The $864 million proposal will be paid for with $254 million in new bonding, $338 million in previously approved bonding, and $69 million from the Health Center. Construction of the ambulatory care facility is financed by a $203 million credit tenant lease between Teachers Insurance and Annuity Association and the University of Connecticut Health Center Finance Corporation through a newly created bankruptcy remote special purpose entity named UCHCFC Circle Road Corp.

In October, 2011 the Connecticut General Assembly adopted legislation which established the Connecticut Bioscience Collaboration Program (the "Collaboration") and authorized $290.7 million of State general obligation bonds to be issued over a ten year period and to be deposited in the Connecticut Bioscience Collaboration Fund. The Collaboration shall support the establishment of a bioscience cluster anchored by a research laboratory housed at the Health Center. Said funds are held and administered by Connecticut Innovations Incorporated.

Immediate short-term goals of these initiatives are already being realized – construction on the Health Center campus is well underway. The projects are proceeding on time and on budget. The first of 3 new parking garages opened in May 2013, and the Ambulatory Care Center (ACC) project and Hospital Tower are very active construction sites.

Professional Liability, Insurance and Litigation

Professional Liability. As a State agency, the Health Center is immune under the doctrine of sovereign immunity from suit and liability, unless such sovereign immunity is expressly waived by an act of, or pursuant to power granted by, the General Assembly. Fetterman v. University of Connecticut, 192 Conn. 539 (1984). The General Assembly has not enacted a general waiver of the sovereign immunity; however, the General Assembly has granted power to the State Claims Commissioner to grant permission to sue the State for the acts and omissions of the State, including its agencies (such as the Health Center), if the Claims Commissioner finds it just and equitable and where a claimant has presented a question of law or fact under which the State, were it a private person, could be liable. The Health Center is not legally obligated to satisfy judgments resulting from damages ordered as a result of such suits. In addition, the State has statutorily granted immunity to and obligated itself to protect and save harmless State officers, employees and students enrolled at the Health Center who are engaged in a supervised program of clinical practice for credit, which is part of the curriculum of the Health Center, unless such person acted in a wanton, reckless or malicious manner in the discharge of their duties or function.

Insurance. The Health Center operates a statutorily created insurance fund designated the "Medical Malpractice Trust Fund" (the "Fund"). The Fund is a separate trust fund of the Finance Corporation. The Fund is required by State law to be established and operated by the Finance Corporation and to be held by the State Treasurer. The Fund is charged with all payments required to satisfy claims against the Health Center arising from the delivery of health care services. Since the Fund was established in 1987, the Health Center has not maintained private professional liability insurance. The Fund has paid all claims against the Health Center and the State for professional liability since 1987. The Hospital Group has implemented quality assurance, risk assessment and peer review processes to mitigate, identify and evaluate risks. Pursuant to Public Act No. 09-3, the Health Center was required to transfer the sum of $10,000,000 from the Fund to the resources of the General Fund for each of the Fiscal Years ending June 30, 2010 and June 30, 2011. The transfer of these dollars has changed the management of the Fund from an actuarially based funding that maintained the investment balance equal to the actuarially calculated liability to a cash based funding that maintains the investment balance to cover expected current payments for the fiscal year. To the extent that claims for cases exceed current year premium charged by the Health Center, the Health Center may petition the State to make up the difference. However, operational subsidies from the State and/or the Health Center may be affected by the performance of the Health Center's malpractice program. At June 30, 2013, the Health Center Malpractice Trust Fund had actuarial reserves of approximately $20 million and assets of approximately $8.4 million.

Litigation. The Health Center is currently defending several suits in State and federal court. The Assistant Attorney General for the Health Center is of the opinion that none of those suits, individually or collectively, place the assets of the Health Center at a significant risk.

Employment

The Health Center employed approximately 5,600 employees as of Fall 2013. Health Center employees are State employees. See "Pension and Retirement Systems" in Part III of this Official Statement for information pertaining to the employees of the Health Center. The terms and conditions of employment of almost 4,800 employees as of Fall 2013 are governed by collective bargaining agreements with nine bargaining units. The State bargains with all bargaining units representing Health Center employees except the University Health Professions (the "UHP") and the American Association of University Professors (the "AAUP") which negotiate directly with the Health Center. The remaining seven unions bargain directly with the State. University exempt (management) and certain temporary and part-time employees are not represented by bargaining units.

HEALTH CENTER FINANCES

Financial Statements of the Health Center

Below is a five-year presentation of the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Years ended June 30, 2009, 2010, 2011, 2012 and 2013.

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Statement of Revenues, Expenses and Changes in Net Position

	2009	2010	2011	2012	2013
OPERATING REVENUES					
Student tuition and fees[1]	$ 11,578,853	$ 12,163,266	$ 13,094,899	$ 13,745,839	$ 13,811,930
Patient services[2]	413,226,263	405,660,387	422,093,597	429,546,352	432,031,821
Federal grants and contracts	60,479,262	59,357,473	60,127,578	56,904,299	60,650,697
Nongovernmental grants and contracts	27,784,536	28,673,290	25,884,982	27,689,761	27,592,752
Contract and other operating revenues	52,017,838	64,590,104	71,694,011	93,729,802	102,574,490
Total operating revenues	$565,086,752	$570,444,520	$592,895,067	$621,616,053	$636,661,690
OPERATING EXPENSES					
Educational and General					
Instruction	$115,260,386	$126,205,942	$129,793,475	$129,216,828	$141,182,398
Research	59,329,330	59,967,127	58,892,036	63,079,569	60,917,712
Patient services	471,209,020	469,340,490	492,788,311	506,719,790	522,826,054
Academic support	16,110,423	14,469,371	16,355,088	20,199,642	20,010,973
Student services	-	-	-	-	-
Institutional support	59,122,168	55,729,538	58,420,502	53,060,463	53,113,749
Operations and maintenance of plant	27,073,219	26,335,059	27,652,573	28,031,529	33,605,872
Depreciation	29,168,032	28,881,299	30,074,922	30,874,683	32,365,035
Student aid	659,089	480,034	415,885	164,722	135,778
Total operating expenses	777,931,667	781,408,860	814,392,792	831,347,226	864,157,571
Operating (loss) income	($212,844,915)	($210,964,340)	($221,497,725)	($209,731,173)	($227,495,881)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	$208,531,369	$218,483,899	$225,268,492	$202,996,519	$213,370,882
Transfers to State	-	(10,000,000)	(10,807,000)	1,312,465	-
Gifts	981,803	3,945,542	2,553,945	7,435,128	7,658,272
Interest income[3]	5,884,533	162,682	133,823	101,259	124,247
Interest on capital asset – related debt	(2,574,423)	(2,364,379)	(1,569,831)	(1,094,634)	(1,071,974)
Net nonoperating revenues	$212,823,282	$210,227,744	$215,579,429	$210,750,737	$220,081,427
Income before other revenues, expenses, gains or losses	$ (21,633)	($ 736,596)	($ 5,918,296)	$ 1,019,564	($ 7,414,454)
Loss on disposal	(280,860)	(37,593)	(482,433)	(7,152)	(2,977,661)
Capital appropriations	40,275,800	35,610,000	169,542	62,500,000	5,000,000
Total other revenues	$ 39,994,940	$ 35,572,407	($ 312,891)	$ 62,492,848	$ 2,022,339
Increase (decrease) in net assets	$ 39,973,307	$ 34,835,811	($ 6,231,187)	$ 63,512,412	($ 5,392,115)
NET ASSETS					
Net assets-beginning of year	$271,031,437	$311,004,744	$345,840,555	$339,609,368	$403,121,780
Net assets-end of year	$311,004,744	$345,840,555	$339,609,368	$403,121,780	$397,729,665

[1] Net of scholarship allowances of $4,134,654, $4,451,437, $4,733,932, $4,648,305 and $5,038,517 respectively.
[2] Net of charity care of $840,699, $1,013,714, $912,282, $543,109 and $801,071 respectively.
[3] Net of investment expense of $83,615, $78,000, $91,000, $16,000 and $98,000 respectively for the primary institution.

Note: Although governed by a single Board of Trustees with one Chief Executive Officer, the University and the Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State appropriations. See "HEALTH CENTER FINANCES – Budget and Budgeting Procedure of the Health Center" in this Appendix I-A.

Budget and Budgeting Procedure of the Health Center

The Health Center submits a separate biennial operating budget to the Governor and General Assembly through the Secretary of the Office of Policy and Management. The operating budget request sets forth a proposed expenditures plan for the amount necessary to meet cost increases while providing a constant level of service. The budget may also include funds for expansion of Health Center programs. The operating budget includes various revenue sources including patient services, federal and private grant funding and State appropriations. The General Assembly appropriates and allocates funds directly to the Health Center. The Governor may reduce State agency allotments by not more than five percent unless approved by the Appropriations Committee of the General Assembly which shall, within ten days, approve or reject such reduction. The Health Center's Board of Directors approves annually the Unrestricted Operating Budgets for the Health Center which then must be approved by the University's Board of Trustees.

During each fiscal year, the Board of Trustees must quarterly submit to the General Assembly and the Office of Policy and Management, through the Board of Regents for Higher Education, a report of the actual expenditures of the Health Center.

The Health Center's capital budget request process is combined with the University as part of UCONN 2000 Phase III for Fiscal Years 2005-2024. Rather than annual requests, the University is required to provide a semi-annual update as to the progress of capital projects approved as part of UCONN 2000.

Fiscal Year 2014. The Health Center is forecasted to end Fiscal Year 2014 with a loss of $11.4 million. The forecast is impacted negatively by lower than expected net patient care revenue, increases in wages and fringe benefits under State collective bargaining contracts, and higher expenditures for pharmaceutical and medical supply costs.

In addition to actual results of operations for Fiscal Years 2010-2013, the following schedule reflects the Fiscal Year 2014 forecast.

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Statement of Current Funds Operations (in millions)

	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Forecast
Revenues:					
State Support	$168.2	$173.2	$153.4	$173.2	$207.9
Tuition & Fees	16.7	17.3	17.5	18.2	20.0
Gifts, Grants and Contracts	87.0	84.8	93.0	88.8	86.0
Interns and Residents	42.8	47.6	53.8	54.9	56.6
Net Patient Care	318.3	334.8	350.3	333.7	350.5
Correctional Managed Health Care	92.0	91.0	86.9	81.5	89.7
Other Income	18.3	18.1	30.7	45.7	46.4
Total Revenues	**$743.3**	**$766.8**	**$785.6**	**$796.0**	**$857.1**
Expenses:					
Personal Services	$299.8	$311.5	$327.9	$338.3	$355.7
Fringe Benefits	100.2	108.9	113.4	139.1	165.9
Correctional Managed Health Care	92.6	91.6	86.9	81.5	89.7
Medical Contractual Support	13.9	16.5	16.4	17.6	17.6
Medical/Dental House Staff	39.4	42.3	43.4	36.1	43.3
Outside Agency Per Diems	2.2	2.2	2.4	2.1	1.5
Drugs/Medical Supplies	63.7	64.2	64.6	63.8	66.7
Utilities	14.0	14.5	13.2	11.3	11.0
Outside & Other Purchased Services	45.1	40.8	49.4	34.6	38.1
Insurance	1.2	6.9	2.5	5.8	5.0
Repairs & Maintenance	9.7	10.3	9.1	11.0	9.7
Other Expenses	23.4	23.4	23.9	29.7	30.2
Depreciation	28.8	29.6	31.5	32.5	34.1
Total Expenses	**$734.0**	**$762.7**	**$784.6**	**$803.4**	**$868.5**
Operating Gain (Loss)	**9.3**	**4.1**			
Cash Transfer to State	**(10.0)**	**(10.0)**			
Net Gain (Loss)	**$ (0.7)**	**$ (5.9)**	**$ 1.0**	**$ (7.4)**	**$ (11.4)**

State Support of the Health Center – Appropriations

The State develops a biennial budget which includes the Health Center's appropriation request. The appropriations are applicable to each specific year and the second year's appropriation is subject to review and adjustment. The Health Center's State appropriation for the Fiscal Year 2013 was $122.3 million and for Fiscal Year 2014 is projected at $125.3 million. Fiscal Year 2014 reflects appropriation per Public Act 13-184, as amended by Public Act 13-247, which included allocable bottom line savings that required adjustments to agency-specific appropriations. Public Act 13-184 appropriated $135.9 million for Fiscal Year 2015. The Governor's Fiscal Year 2015 recommendation on February 6, 2014, reflected this same level of support. Actual levels of support will not be known until the end of the Legislative session in May 2014.

Grants and Contracts

Revenue from Federal, State, local and non-governmental grants and contracts totaled $88.2 million in Fiscal Year 2013, representing 13.9% of total operating revenues reported by the Health Center in the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year ended June 30, 2013, included in this Appendix I-A.

Governmental Grants and Contracts
for Fiscal Years 2009 - 2013
(in Millions of Dollars)

Fiscal Year	Amount
2009	$88.3
2010	88.1
2011	86.0
2012	84.6
2013	88.2

Health Center Long Term Liabilities

Summarized information on the Health Center long-term liabilities is presented in the breakout of long term debt presented below.

The Health Center is self-insured with respect to medical malpractice risks. The estimated malpractice reserve was $20 million at June 30, 2013, of which it was estimated that $2.5 million could be used in Fiscal Year 2014 in settling cases.

The scope of the Health Center's assessment for establishing reserves for malpractice costs encompasses physicians, dentists and all other University of Connecticut Health Center health care providers and support staff. The Health Center has established a trust fund for the payment of medical malpractice claim settlements. The trust is funded based on actuarially determined amounts.

The Health Center also maintains certain accrued compensated absences, to the extent that they are not expected to be utilized in the current year, as long term liabilities. These amounts have been accrued as payables and will offset future payroll expenses as they are utilized.

The following schedules present the Health Center's composition and current year activity related to long term debt and a breakout of debt service payments to be made in each of the Health Center's upcoming fiscal years related to debt outstanding as of June 30, 2013 (including the full amount of the TIAA tenant lease facility the full proceeds of which will not be recognized until April 2015).

Long-term liability composition and activity for the Fiscal Years ended June 30, 2012 and 2013 were as follows:

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Long-Term Liability for Years Ended June 30, 2012 and 2013

	June 30, 2012 Balance	Additions	Reductions	June 30, 2013 Balance	Amounts Due Within One Year
Long-Term Debt					
Loans payable John Dempsey Hospital	$ 415,197	-	$ 415,197	$ -	$ -
Lease Agreements John Dempsey Hospital	471,883	-	471,883	-	-
Mortgage Agreements Primary Institution	17,280,908	46,553,582	945,746	62,888,744	1,007,480
Total Long-Term Debt	**18,167,988**	**46,553,582**	**1,832,826**	**62,888,744**	**1,007,480**
Malpractice Reserve	**19,957,000**	**4,130,192**	**4,198,192**	**19,889,000**	**2,451,000**
Compensated Absences	**45,948,872**	**26,090,506**	**25,153,211**	**46,886,167**	**20,161,052**
Total Long-Term Liabilities	**$84,073,860**	**$76,774,280**	**$31,184,229**	**$129,663,911**	**$23,619,532**

Estimated cash basis interest and principal requirements for the long term debt are as follows:

Fiscal Year Ending June 30th	Total Long Term Debt
2014	$ 7,007,001
2015	12,044,165
2016	15,985,039
2017	15,985,039
2018	15,985,039
Thereafter	316,790,397
Totals	**$383,796,680**

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SCHEDULE 1

UNIVERSITY OF CONNECTICUT JUNE 30, 2013
AUDITED FINANCIAL STATEMENTS

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University of Connecticut

Financial Report
For the Year Ended June 30, 2013

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Message from the Executive Vice President for Administration and Chief Financial Officer

Founded in 1881, the University of Connecticut (University) serves as the State of Connecticut's (State) flagship institution for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, service and outreach. The University of Connecticut is a comprehensive institution of higher education which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University and its Health Center maintain separate budgets and are, by statute, separate entities for purposes of maintaining operating funds and State appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority.

This financial report for the fiscal year ended June 30, 2013 represents the transactions and balances of the University, herein defined as all programs except the Health Center. This includes Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law and the School of Social Work. The University's enrollment in fiscal year 2013 was 29,728 students, taught by 1,377 full-time faculty members and an additional 725 part-time faculty and adjuncts. In total, the University employs 4,624 full and part-time faculty and staff (excluding adjuncts).

The University's Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of legislation known as the Flexibility Acts enacted in the early 1990s. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is responsible for the budgetary allocation of its State appropriation, check-writing authority, human resource control, and purchasing authority and, with the advent of the UCONN 2000 building program in 1995, management of capital projects.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans and operating and capital budgets approved by the University's Board of Trustees. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises oversight of the integrity of the University's financial statements and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University's internal audit capacity and the work performed by the Auditors of Public Accounts. An important component of external oversight, the Auditors of Public Accounts issue an Independent Auditors' Report on the financial statements of the University. They are responsible for auditing its financial operations and their audit opinion appears in this report.

The fiscal operations of the University are not an end in themselves—rather, the maintenance of fiscal health and stability serves the ultimate goal of enabling the University to achieve its teaching, research, service and outreach mission. Over the past decade, the growth and diversification of the University's funding streams, combined with the continuing physical transformation through UCONN 2000, have led the University to record enrollments, research success, and significant contributions to the economy of the State.

The financial condition of the University is closely tied to the State's economic condition. There are significant financial and economic challenges facing the State and the nation. Over the past several years, the University has experienced reductions in the State appropriation in addition to mandatory transfers to the State from the University's unrestricted net assets. Despite the reality of declining State support, the University is committed to continuing its high standard of service to its students and the citizens of the State.

The University continues to seek immediate and long-term efficiencies where possible while focusing on three key goals: assuring access to educational excellence, enabling the University to be a key resource for Connecticut's economic growth, and outreach to Connecticut's people. The fiscal year 2013 financial statements reflect enhanced revenues where possible and reduced expenditures through the following actions: a stringent approval process for all hires and rehires, reductions for non-personnel expenditures, and review of procurement contracts for savings opportunities.

In June 2013, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 13-233, An Act Concerning Next Generation Connecticut. The Next Generation Connecticut Act is a new initiative that will greatly expand educational opportunities, research, and innovation in the science, technology, engineering, and math disciplines at the University over the next decade. The commitment to Next Generation Connecticut is a shared fiduciary responsibility with the State. The proposed capital and operating funding for this initiative will be allocated incrementally between fiscal years 2015 and 2024. Certain goals and objectives of Next Generation Connecticut include hiring 259 new faculty members, enrolling an additional 6,580 undergraduate students, upgrading aging infrastructure to accommodate new faculty and students, and relocating the University's Greater Hartford campus.

The University enjoys strong support across the State, is attracting greater numbers of highly qualified applicants than ever before, and maintains solid national rankings in virtually all relevant areas. Among its many accomplishments, the University continues to be the top public university in New England and is among the top public universities in the nation in the annual *U.S. News and World Report (2013 America's Best Colleges)* rankings. The University is also 25th on *Kiplinger's Personal Finance's* list of 100 Best Values in Public Colleges which ranks schools that combine outstanding education with economic value.

- Undergraduate enrollment is at an all-time high, while the quality and diversity of students choosing the University has shown a documented rise every year since the mid-1990s. Compared to fall of 1995, fall 2012 freshman enrollment at the main campus was up 54%, minority freshman enrollment was up 169%, and since 1996, average SAT scores were up 113 points. 48% of these students ranked in the top 10% of their high school class.
- The University's freshman-to-sophomore retention rate at the main campus is 93% and is substantially higher than the 81% average for 382 colleges and universities in the national Consortium for Student Retention Data Exchange. The 6-year graduation rate is 82% and the average time to graduate is 4.2 years among students completing a Bachelor's degree within six years.
- Approximately 7,500 degrees were conferred in the 2012-13 school year for the completion of undergraduate, graduate and professional programs at the Storrs and regional campuses.
- Research awards for the Storrs-based program grew from $55.9 million in fiscal year 1996 to $115.5 million in fiscal year 2013.
- The endowment for both the University and the Health Center is valued at $359.5 million and is maintained by the University, The University of Connecticut Foundation, and The University of Connecticut Law School Foundation. The support provided to or on behalf of the University and the Health Center from both foundations totaled $36.0 million in 2013 for scholarships, faculty, programs and facilities.
- By the end of fiscal year 2013, the UCONN 2000 program has led to the authorization of 108 major projects totaling $2.1 billion in bond proceeds.

Respectfully Submitted,

Richard D. Gray	Lysa D. Teal
Executive Vice President for Administration and Chief Financial Officer	Associate Vice President of Finance and Budget

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Board of Trustees of the
University of Connecticut

Report on Financial Statements

We have audited the accompanying financial statements of the University of Connecticut (University), a component unit of the University of Connecticut system, which includes the University of Connecticut, the Health Center and the University of Connecticut Foundation, Inc., which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We did not audit the financial statements of the University of Connecticut Law School Foundation, Inc., a discretely presented component unit of the University, which statements reflect total assets of $18,650,952 and $17,038,672 as of June 30, 2013 and 2012, respectively and total revenues and support of $3,076,679 and $2,260,926 for the years then ended. 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 University of Connecticut Law School Foundation, Inc., is based solely on the reports of the other auditors. The audits of the University of Connecticut Law School Foundation, Inc. were conducted in accordance with auditing standards generally accepted in the United States of America.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 financial position of the University, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis on pages 4 through 17 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sincerely,

Robert M. Ward

Robert M. Ward
Auditor of Public Accounts

John C. Geragosian
Auditor of Public Accounts

January 17, 2014
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview, and analysis of those statements. The MD&A, which is unaudited, includes an analysis of the financial position and results of activities of the University of Connecticut (University, as defined below) for the fiscal year ended June 30, 2013, based on currently known facts, decisions, or conditions. It also includes selected comparative information for the years ended June 30, 2012 and 2011, and certain amounts previously reported have been reclassified in order to conform to the current year presentation. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

Founded in 1881, the University of Connecticut serves as the State of Connecticut's (State) flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, service and outreach. The University of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University and the Health Center maintain separate budgets and are, by statute, separate entities for purposes of maintaining operating funds and State appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority.

This financial report for the fiscal year ended June 30, 2013 represents the transactions and balances of the University, herein defined as all programs except the Health Center. This includes Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law and the School of Social Work.

In accordance with the current authoritative guidance issued by the Governmental Accounting Standards Board (GASB), The University of Connecticut Law School Foundation, Inc. (Law School Foundation) is included as a component unit with the University (see Note 1). A related, but independent, corporate entity, The University of Connecticut Foundation, Inc. (Foundation), operates exclusively for charitable and educational purposes, raising funds to promote, encourage, and assist education and research at the University and the Health Center (see Note 12). The Foundation solicits and accepts donations of properties, monies, and securities and invests and administers these gifts. The Foundation materially supports the mission of both the University and the Health Center which are separately audited, producing their own financial statements. Displaying the Foundation's financial statements as a component unit of either the University or the Health Center would distort its actual contribution or economic benefit to that entity, and therefore the Foundation is not included as a component unit in the accompanying financial statements.

The University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, as of July 1, 2012. This Statement amends the net asset reporting requirements defined in previously issued pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure from net assets to net position. The deferred outflows and inflows represent the consumption or acquisition of resources by the University that are applicable to a future reporting period, but do not require further exchange of goods or services. These changes have been reflected in the MD&A, accompanying financial statements and notes to the financial statements.

Effective for the fiscal year ended June 30, 2013, the University changed its practice of accruing construction retainage in order to conform with the provisions of authoritative guidance currently in effect. This change was applied retrospectively to the balances presented on the Statement of Net Position for the fiscal year ended June 30, 2012, but did not affect beginning net position (see Note 1). For purposes of the MD&A, certain amounts were also restated for fiscal year 2012.

The University's Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of several pieces of legislation known as the Flexibility Acts, enacted in the early 1990s. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is now responsible for the budgetary allocation of its State appropriation, check-writing authority, human resource control, purchasing authority and, with the advent of UCONN 2000 in 1995, management of capital projects.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing external review. The financial statements contained in this report reflect budget execution results consistent with spending plans and operating and capital budgets approved by the University's Board of Trustees. The Auditors of

Public Accounts issue an Independent Auditors' Report on the financial statements of the University. They are responsible for auditing its financial operations and their opinion appears on pages 1 and 2.

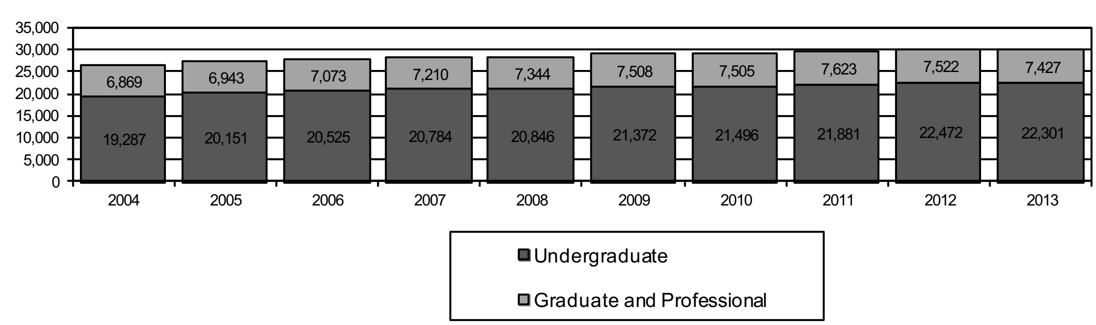
FINANCIAL HIGHLIGHTS AND ECONOMIC OUTLOOK

The University submits a separate biennial operating budget request to the Governor through the Secretary of the Office of Policy and Management (the Governor's fiscal office). The General Assembly appropriates funds upon passage of the annual appropriations bill. In general, the Governor may reduce State agency allotments by not more than 5%, although the General Assembly can approve additional reductions requested by the Governor in order to prevent a deficit in the State budget.

The financial statements contained herein show an operating loss of $367.9 million for the year ended June 30, 2013 (fiscal year 2013) as compared to $340.5 million for the year ended June 30, 2012 (fiscal year 2012), and $376.9 million for the year ended June 30, 2011 (fiscal year 2011). The increase in operating loss in fiscal year 2013 from fiscal year 2012 was due to an increase in total operating expenses of 4.4%, primarily attributed to an increase in fringe benefit rates in addition to an increase in commodities, supplies, and other expenses. The decrease in operating loss in fiscal year 2012 from fiscal year 2011 was due to an increase in total operating revenues of 2.8%, primarily attributed to an increase in undergraduate enrollment, tuition and fees, and board and room fees. There was also a 2.0% decrease in total operating expenses, as result of cost saving measures implemented during the year. For public institutions, the measure more indicative of normal and recurring activities is income or loss before other changes in net position, which includes revenue from the State appropriation. The University experienced a loss before other changes in net position of $63.9 million in fiscal year 2013 as compared to $41.9 million and $49.9 million for fiscal years 2012 and 2011, respectively. Total operating revenues grew $14.4 million in fiscal year 2013 and $16.7 million in fiscal year 2012. At the same time, operating expenses increased $41.7 million in fiscal year 2013 as compared to a decrease in fiscal year 2012 of $19.6 million from fiscal year 2011. Investment income decreased $0.04 million in fiscal year 2013, $0.1 million in fiscal year 2012 and $0.3 million in fiscal year 2011.

Sources of recurring revenues continued to exhibit strength. The University's total enrollment in fiscal year 2003 topped 25,000 students and grew to 29,728 students in fiscal year 2013. These students are taught by 1,377 full-time faculty members (an increase of 47 faculty over the prior year) and an additional 725 part-time faculty and adjuncts. Undergraduate enrollment at the University reached 22,301 students in fiscal year 2013, 0.8% less than fiscal year 2012 (2.7% more students in fiscal year 2012 over 2011). At the same time, an in-state tuition and mandatory fee increase of 6.5% and an out-of-state increase of 5.9% were approved for fiscal year 2013. Graduate and professional enrollment decreased by 1.3% with an in-state tuition and mandatory fee increase of 6.1% and an out-of-state increase of 5.8%. The net decrease in overall enrollment, when combined with the tuition and mandatory fee increases, resulted in an increase in tuition and fee revenue, before scholarship allowances, of $15.5 million (4.3%) as compared to a $19.2 million (5.6%) increase in fiscal year 2012. Sales and services of auxiliary enterprises, before scholarship allowances, increased $3.1 million (1.7%), primarily as a result of an overall increase in room and board fees of 3.0% for undergraduate and 3.6% for graduate students and a decrease in room occupancy of 2.4% from fiscal year 2012. In fiscal year 2012, sales and services of auxiliary enterprises, before scholarship allowances, increased $3.3 million (1.8%), primarily as a result of an overall increase in room and board fees of 2.5% for undergraduate and graduate students and an increase in room occupancy of 1.6% over fiscal year 2011. Grant and contract revenues increased $0.1 million (0.1%) in fiscal year 2013 as compared to a decrease of $4.9 million (3.0%) in fiscal year 2012 from 2011.

HEADCOUNT ENROLLMENT IN FALL OF EACH FISCAL YEAR
TEN YEAR COMPARISON



The University has received reductions in State funding as a result of a continuing economic recession and the State's commitment to a balanced budget. Prior to increases in fringe benefit rates, the State rescinded approximately $15.0 million in appropriation and payments for fringe benefits in response to a widening State budget deficit in fiscal year 2013. In fiscal year 2012, the University experienced a reduction of approximately $39.4 million in appropriation and payments for fringe benefits from the State. In fiscal year 2011, the University also transferred $15.0 million from unrestricted funds to the State's General Fund as a result of a deficit mitigation plan implemented by the State. These funds have not been restored to the University and further reductions in State support of approximately $1.2 million are anticipated in fiscal year 2014 for required adjustments to agency-specific appropriations in accordance with Public Act 13-184, as amended by Public Act 13-247. In response to these measures, the University continues to seek immediate and long-term efficiencies where possible while focusing on three key goals: assuring access to educational excellence, enabling the University to be a key resource for Connecticut's economic growth, and outreach to Connecticut's people. Despite the reality of declining State support, the University is committed to continue its high standard of service to its students and the citizens of the State.

Pursuant to various public or special bond acts, the General Assembly empowers the State Bond Commission to authorize and approve bonds for a variety of projects or purposes. In August 2011, the State Bond Commission approved the issuance of $18.0 million in State General Obligation Bonds to finance the initial design and development costs of the Technology Park (Tech Park) on the Storrs campus. In April 2013, the State Bond Commission approved an additional issuance of $20.0 million in State General Obligation Bonds to purchase equipment for the Tech Park. The total cost of the project is estimated to be approximately $172.5 million. This project will drive technology-based economic development by creating a partnership between UConn and industry, where the University will support the growth of companies by offering access to advanced technology, faculty expertise, along with providing incubator space for new companies. The Tech Park will be a critical component of the State's plan to stimulate long-term economic growth by supporting innovation, new technologies and the creation of new companies and sustainable jobs.

The UCONN 2000 Infrastructure Improvement Program, established by The University of Connecticut 2000 Act (UCONN 2000), is designed to modernize and expand the physical plant of the University and the Health Center. As amended, it provides for a twenty-nine year capital budget program in three phases, estimated to cost $4.6 billion. The UCONN 2000 Act was originally adopted in 1995 to authorize and finance the UCONN Phase I and Phase II projects at the University. It was amended in 2002, to add Phase III projects, and again in fiscal years 2010 and 2011 which extended the UCONN 2000 program for two more years and increased the estimated cost for certain Health Center projects. In June 2013, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 13-233, An Act Concerning Next Generation Connecticut (Next Generation Connecticut), which increased the authorized bond funding by $1.6 billion, which also includes funding for the Health Center, and extended UCONN 2000 for an additional six fiscal years to 2024.

Next Generation Connecticut is a new initiative that will greatly expand educational opportunities, research, and innovation in the science, technology, engineering, and math disciplines at the University over the next decade. The commitment to Next Generation Connecticut is a shared fiduciary responsibility with the State. Proposed capital and operating funding for Next Generation Connecticut will be allocated incrementally between fiscal years 2015 and 2024. Additionally, the University will commit significant institutional resources to launch Next Generation Connecticut by contributing approximately $235.0 million in reallocated UCONN 2000 funds for the Next Generation Connecticut building program and approximately $149.0 million in operating funds to support the academic program components. The total State request for operating funds is $137.0 million through fiscal year 2024, however such funding is not guaranteed. Certain goals and objectives of Next Generation Connecticut include hiring 259 new faculty members, enrolling an additional 6,580 undergraduate students, upgrading aging infrastructure to accommodate new faculty and students, and relocating the University's Greater Hartford campus.

FINANCIAL STATEMENTS

GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 63, establishes standards for financial reporting for public colleges and universities. The University's financial report includes three basic financial statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. In addition, the following elements are included with these general-purpose financial statements: Management's Discussion and Analysis and Notes to the Financial Statements. GASB Statement No. 35 focuses on the University as a whole rather than on accountability by individual fund groups and provides accounting and financial reporting guidelines, enhancing the usefulness and comprehension of financial reports by external users. The adoption of these standards resulted in the conversion from fund accounting statements to statements presented in a single-column format.

The financial statements reflect budget execution results consistent with operating budgets and spending plans approved by the University's Board of Trustees. The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format.

STATEMENTS OF NET POSITION

The Statements of Net Position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year, June 30. The Statements of Net Position are a point in time financial statement – a snapshot – and a measure of the financial condition of the University. These statements present end-of-year data concerning assets, classified as current (those available for use within one year) and noncurrent (those available beyond one year), liabilities, categorized as current (those maturing and due within one year) and noncurrent (those maturing and due after one year) and net position. Net position represents assets, plus deferred outflows, less liabilities, less deferred inflows. Assets represent what is owned by or what is owed to the University, including payments made to others before a service was received. Assets are recorded at their current value, except for property and equipment which are recorded at historical cost, net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by the University. Deferred outflow of resources represent the consumption of net assets by the University that is applicable to a future reporting period, while deferred inflow of resources is an acquisition of net assets by the University that is applicable to a future reporting period.

The Statements of Net Position demonstrate the assets available to continue the operations of the University. The University's net position is the residual value in the University's assets and deferred outflows, after liabilities and deferred inflows are deducted. Over time, an increase in net position is an indicator of the University's improving financial strength.

The following table shows condensed Statements of Net Position at June 30 (in millions):

	2013	**2012***	**2011**
Current assets	$ 500.4	$ 612.3	$ 500.6
Noncurrent assets			
State debt service commitment	751.0	828.8	735.0
Investments	10.6	10.3	10.7
Property and equipment, net	1,474.6	1,430.6	1,399.3
Other	19.0	19.8	19.3
Total assets	$2,755.6	$2,901.8	$2,664.9
Current liabilities	$ 293.5	$ 310.5	$ 268.3
Noncurrent liabilities			
Long-term debt and bonds payable	988.9	1,082.4	978.1
Other	21.2	19.8	23.2
Total liabilities	$1,303.6	$1,412.7	$1,269.6
Net investment in capital assets	$1,222.1	$1,163.4	$1,144.9
Restricted	75.7	156.6	75.0
Unrestricted	154.2	169.1	175.4
Total net position	$1,452.0	$1,489.1	$1,395.3

*As restated

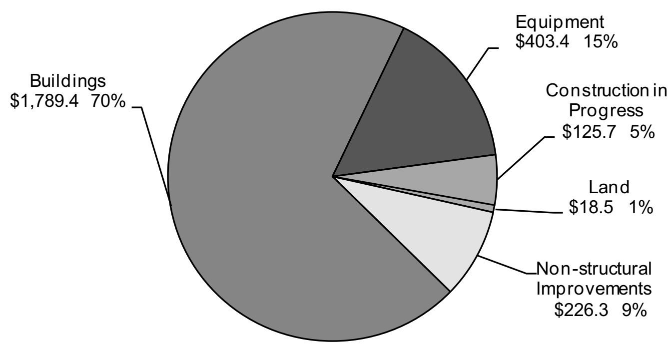
The total assets decreased $146.2 million in fiscal year 2013 from 2012 as compared to an increase of $236.9 million in fiscal year 2012 over 2011. The decrease in fiscal year 2013 was primarily attributed to the $119.5 million decrease in deposit with bond trustee ($106.8 million increase in fiscal year 2012).

The total liabilities for fiscal year 2013 decreased $109.1 million ($143.2 million increase in fiscal year 2012) primarily due to the retirement and refundings of debt on existing bonds and loans of $192.3 million in fiscal year 2013 ($126.1 million in fiscal year 2012) offset by newly acquired debt of $102.8 million ($238.1 million in fiscal year 2012). The combination of the decrease in total assets of $146.2 million ($236.9 million increase for fiscal year 2012) and total liabilities of $109.1 million ($143.2 million increase for fiscal year 2012) yields a decrease in total net position of $37.1 million ($93.8 million increase in fiscal year 2012).

Capital and Debt Activities

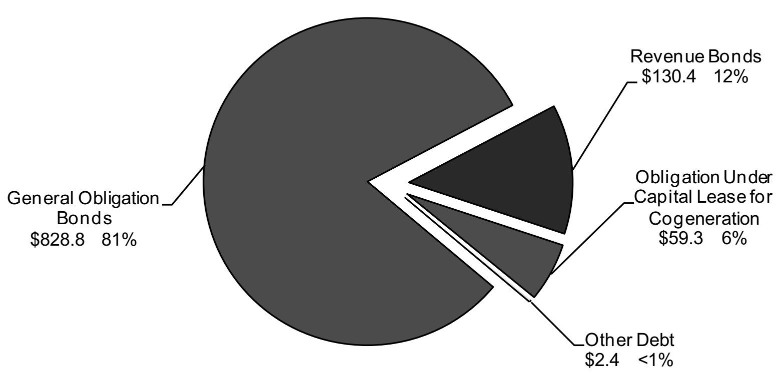
During fiscal year 2013, the University recorded additions to property and equipment totaling $136.1 million ($120.5 million and $93.1 million in fiscal years 2012 and 2011, respectively) of which $110.9 million related to buildings and construction in progress ($91.0 million and $69.2 million in fiscal years 2012 and 2011, respectively). The growth of the University's property and equipment is a direct result of the successful UCONN 2000 program. Subsequent to the year ended June 30, 2013, it was determined by management that buildings with a total carrying amount of approximately $24.5 million were potentially impaired as of year-end; however, the total impairment loss could not be reasonably estimated as of the date of the accompanying financial statements (see Note 4). The following pie chart presents the total property and equipment at cost:

TOTAL PROPERTY AND EQUIPMENT AT COST AT JUNE 30, 2013
($ in Millions) Total $2,563.3



In fiscal year 2013, the University did not issue UCONN 2000 general obligation bonds ($179.7 million in fiscal year 2012 of which $62.5 million was committed to the Health Center for its UCONN 2000 projects. See Note 5). The State has made a commitment to fund the University for all principal and interest payments due on UCONN 2000 general obligation debt. As the general obligation debt is incurred, the commitment from the State is recorded as a current and noncurrent receivable (State debt service commitment in the accompanying Statements of Net Position). When bonds are issued, the amount of the commitment for the Health Center is reflected as a liability by the University. Subsequent to the year ended June 30, 2013, the University issued a combined $223.9 million, with a closing date of July 31, 2013, to fund UCONN 2000 projects and to refund portions of outstanding general obligation bonds (see Note 5). The following chart illustrates the categories of debt as of June 30, 2013, exclusive of premiums, discounts and debt differences due to refunding:

CATEGORIES OF DEBT AT JUNE 30, 2013
($ in Millions) Total $1,020.9

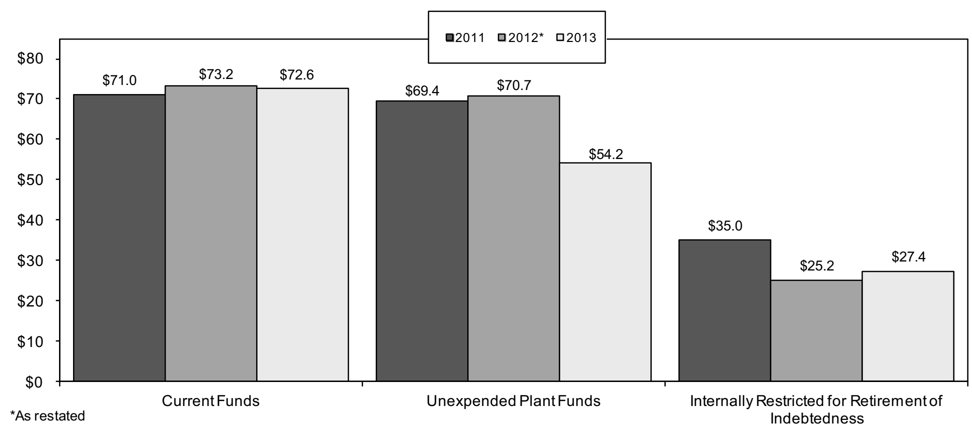


See Notes 4 and 5 of the financial statements for further information on capital and debt activities.

Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, represents the University's equity in property and equipment. The restricted net position category is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes, and in the University's Statements of Net Position this amount represents endowment assets. Expendable restricted net position is available for expenditure by the institution, but must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is defined by GASB Statement Nos. 35 and 63 to include funds not restricted by third-parties, including all unrestricted funds formerly (prior to fiscal year 2002) included in the balances of unrestricted current funds, retirement of indebtedness funds, and plant funds on the Statements of Net Position. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. GASB prohibits a breakout of designated unrestricted funds on the face of the Statements of Net Position. Unrestricted funds are available to the University for any lawful purpose of the institution. The following shows a comparison between fiscal years by category of unrestricted net position:

UNRESTRICTED NET POSITION ($ in Millions)



*As restated

For the most part all unrestricted funds are internally designated for academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Revenues and expenses are classified as operating, nonoperating, or other changes in net position according to definitions prescribed by GASB. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include State appropriation for general operations, State debt service commitment for interest, noncapital gifts, and short-term investment income. By its very nature, a State funded institution does not receive tuition, fees, and room and board revenues sufficient to support the operations of the University. Therefore, these nonoperating revenues are essential to the programs and services provided by the University. Unless a significant increase in tuition and fees and room and board revenues occurs, the University will always show a loss from operations.

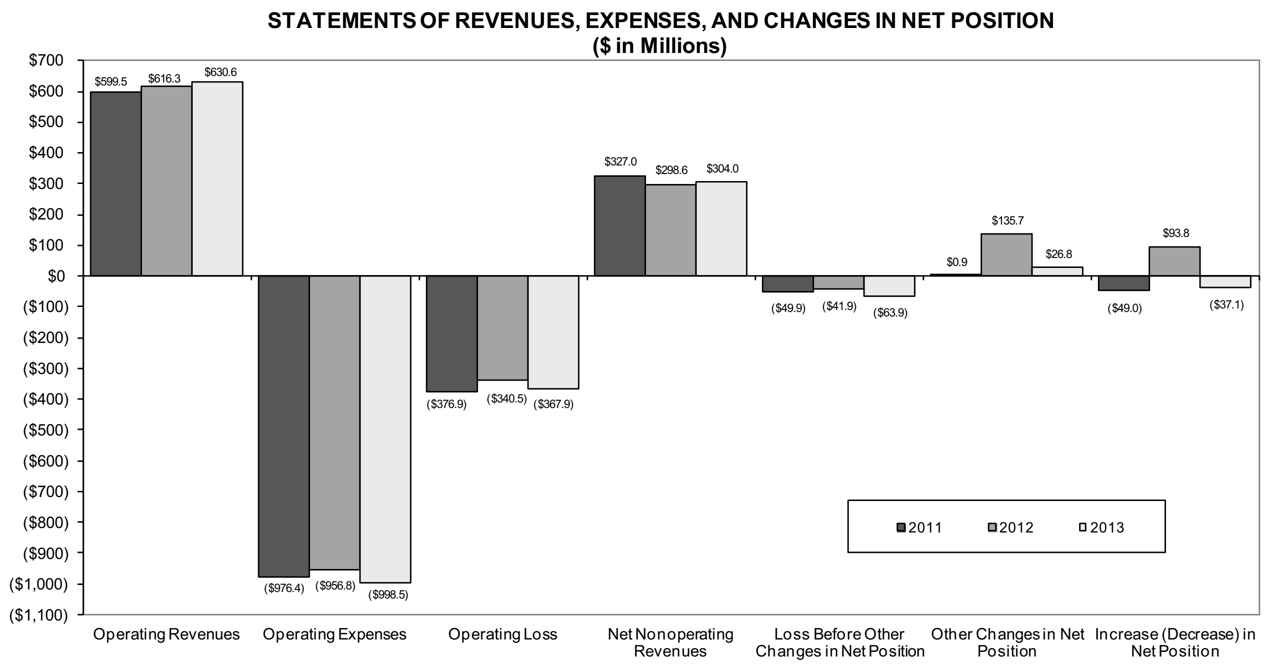
The University performed a review of the categorization of functional expenses and certain reclassifications were made to the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2012 and 2011 to better reflect the appropriate classifications in accordance with applicable guidance. These increases (decreases) have no effect on operating loss or net position for the years indicated and are summarized in the table below (in millions):

	2012	2011
Instruction	$ (4.3)	$ (4.8)
Research	0.7	0.7
Public service	(4.2)	(4.1)
Academic support	8.2	9.1
Student services	(3.8)	(3.7)
Institutional support	(25.6)	(20.1)
Operations and maintenance of plant	35.5	38.0
Auxiliary enterprises	5.1	4.6
Other operating expenses	(11.6)	(19.7)
Total operating expenses	$ -	$ -

The following table shows condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30 (in millions):

	2013	2012	2011
Operating revenues	$ 630.6	$ 616.3	$ 599.5
Operating expenses	998.5	956.8	976.4
Operating loss	(367.9)	(340.5)	(376.9)
Net nonoperating revenues	304.0	298.6	327.0
Loss before other changes in net position	(63.9)	(41.9)	(49.9)
Net other changes in net position	26.8	135.7	0.9
Increase (decrease) in net position	$ (37.1)	$ 93.8	$ (49.0)

While the Statements of Net Position present the financial condition at a point in time, the Statements of Revenues, Expenses, and Changes in Net Position represent the activity for a period of time – one year. These statements present either an increase or decrease in net position based on the revenues received by the University, both operating and nonoperating, the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University.



Generally, operating revenues are earned when providing goods and services to the various customers of the University. Operating expenses are incurred in the normal operation of the University and represent those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Operating expenses also include the provision for estimated depreciation and amortization of property and equipment. The difference between operating revenues and operating expenses is the operating income or loss. The University typically experiences an operating loss each year because State appropriation, the University's largest source of revenue, is not included as operating income.

Nonoperating revenues are revenues received for which goods and services are not provided, including State appropriation and State debt service commitment for interest. Such revenues are provided by the State to the University without the State directly receiving commensurate goods and services in exchange for those revenues. Nonoperating revenues (expenses) also include noncapital gifts, investment income, interest expense, and other expenses not considered operating expenses.

Other changes in net position are comprised of the State's debt service commitment for principal payments on general obligation bonds used for capital purposes, capital allocation, capital grants and gifts, the disposal of property and equipment, and additions to permanent endowments. The Statements of Revenues, Expenses, and Changes in Net Position reflect a decrease in the net position of $37.1 million in fiscal year 2013, an increase in the net position of $93.8 million in fiscal year 2012, and a decrease of $49.0 million in fiscal year 2011.

Revenues

The following table summarizes operating and nonoperating revenues and other changes in net position for the fiscal years ended June 30 (in millions):

	2013	2012	2011
Operating revenues:			
Student tuition and fees, net	$ 261.7	$ 251.0	$ 233.9
Grants and contracts	159.8	159.7	164.5
Sales and services of educational departments	15.8	17.4	16.2
Sales and services of auxiliary enterprises, net	185.2	182.0	178.5
Other sources	8.1	6.2	6.4
Total operating revenues	630.6	616.3	599.5
Nonoperating revenues:			
State appropriation	288.4	282.4	329.0
State debt service commitment for interest	40.6	39.8	40.0
Gifts	20.0	24.3	21.1
Investment income	0.9	0.9	1.0
Total nonoperating revenues	349.9	347.4	391.1
Other changes in net position:			
State debt service commitment for principal	-	115.4	-
Capital allocation	20.0	18.0	-
Capital grants and gifts	6.7	2.8	2.0
Disposal of property and equipment, net and additions to permanent endowments	0.1	-	-
Total other changes in net position	26.8	136.2	2.0
Total revenues	$ 1,007.3	$ 1,099.9	$ 992.6

Revenue highlights, for fiscal years 2013 and 2012 and comparison between fiscal years, including operating and nonoperating revenues and other changes in net position, presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

- Student tuition and fees, net of scholarship allowances, increased 4.2% in fiscal year 2013 (7.3% in fiscal year 2012) and 4.3% before scholarship allowances (5.6% in fiscal year 2012). The increase in fiscal year 2013 was due in part to a 6.5% increase (2.4% in fiscal year 2012) for undergraduate in-state tuition and mandatory fees charged, and a 5.9% increase (2.6% in fiscal year 2012) for out-of-state tuition and mandatory fees offset by a decrease of 0.8% in undergraduate enrollment (2.7% increase in fiscal year 2012) and a 1.3% decrease in graduate enrollment (1.3% in fiscal year 2012).

- Total grants and contracts increased $0.1 million (0.1%) in fiscal year 2013 ($4.9 million or 3.0% decrease in fiscal year 2012) primarily due to a $5.9 million (16.7%) increase in state, local, and nongovernmental grant aid offset by a $5.8 million (4.6%) decrease in federal funding primarily due to sequestration cuts during fiscal year 2013.

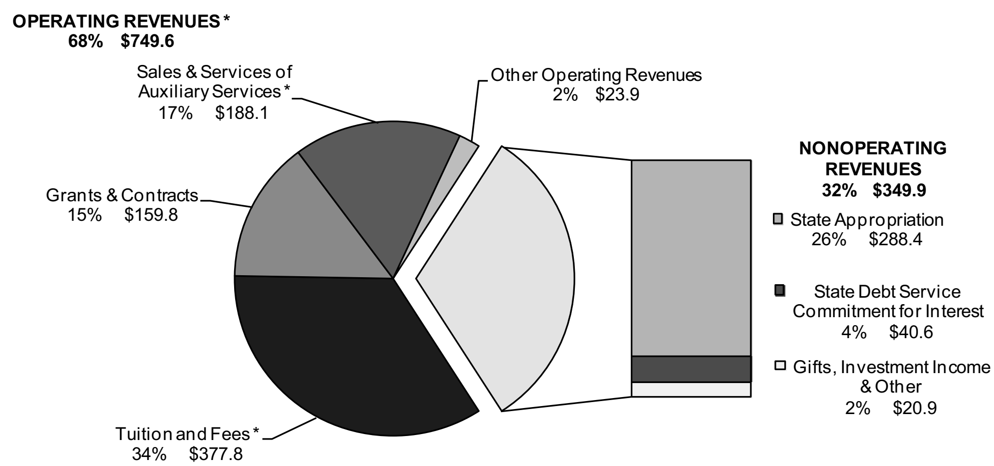
- Sales and services of auxiliary enterprises, net of scholarship allowances, increased approximately 1.8% and 2.0% during fiscal years 2013 and 2012, respectively. The increase in fiscal year 2013 resulted from an increase in fees charged for both room and board of 3.0% for undergraduate and 3.6% for graduate students offset by a decrease in room occupancy of 2.4% from fiscal year 2012. The increase in fiscal year 2012 resulted from an increase in fees charged for both room and board of 2.5% for undergraduate students and graduate students and an increase in room occupancy of 1.6% over fiscal year 2011.

- The largest source of revenue, State appropriation including fringe benefits, increased $6.1 million in fiscal year 2013 compared to a decrease of $46.6 million in fiscal year 2012. The State appropriation is included in the nonoperating section. The State also provides State debt service commitment for the interest payments made annually on general obligation bonds. State debt service commitment for interest revenue is included with nonoperating revenues and corresponds to the total interest paid and accrued on general obligation bonds. Effectively, this revenue offsets a significant portion of interest expense each year. Also, as general obligation bonds are issued (see Note 5) the State commits to the repayment of the future principal amounts and a receivable is recorded on the Statements of Net Position to reflect this commitment. This results in revenue that is recorded in other changes in net position that totaled $115.4 million in fiscal year 2012. There were no general obligation bonds issued in fiscal year 2013. Included in other changes in net position, the State also allocated $20.0 million to purchase equipment in fiscal year 2013 and $18.0 million for design and development costs in fiscal year 2012 for the Tech Park on the Storrs campus (see Note 12).

- Gift revenue, both capital and noncapital, is derived from gifts made directly to the University and from the Foundation and the Law School Foundation. These spendable funds are provided to the University for educational, cultural, recreational, and research activities. Both the Foundation and the Law School Foundation disburse funds to the University as requests are made, provided the request is in accordance with donor restrictions, if any. These gifts, including capital gifts, received by the University from both Foundations in fiscal years 2013 and 2012 totaled approximately $22.9 million for each year. On a combined basis, both Foundations also paid approximately $3.0 million in fiscal year 2013 ($3.1 million in fiscal year 2012) to third parties on behalf of the University. This amount is not reflected in the University's financial statements. Total nonoperating gifts and capital grants revenue to the University from all sources amounted to $26.7 million and $27.1 million in fiscal years 2013 and 2012, respectively.

Revenues, excluding other changes in net position, come from a variety of sources and are illustrated in the following graph:

REVENUES FOR FISCAL YEAR 2013 ($ in Millions)
Total: $1,099.5



*Shown here at gross amounts, not netted for student financial aid totaling $119.0 million.

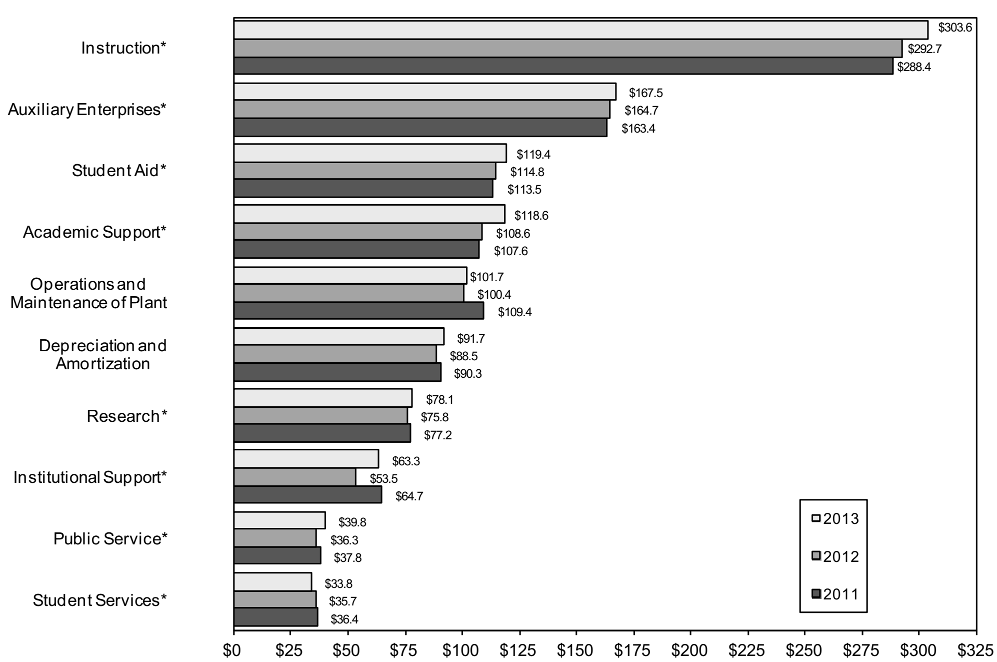
Expenses

The following table summarizes operating and nonoperating expenses and other changes in net position for the fiscal years ended June 30 (in millions):

	2013	2012	2011
Operating expenses:			
Instruction	$ 302.2	$ 291.4	$ 287.4
Research	74.9	73.5	75.2
Operations and maintenance of plant	101.7	100.4	109.4
Auxiliary enterprises	167.5	164.4	163.1
Depreciation and amortization	91.7	88.5	90.3
Other	260.5	238.6	251.0
Total operating expenses	998.5	956.8	976.4
Nonoperating expenses:			
Interest expense	45.4	47.1	48.8
Transfers to State General Fund	-	-	15.0
Other nonoperating expense, net	0.5	1.7	0.3
Total nonoperating expenses	45.9	48.8	64.1
Other changes in net position:			
Capital allocation	-	-	0.5
Disposal of property and equipment, net	-	0.5	0.6
Total other changes in net position	-	0.5	1.1
Total expenses	$ 1,044.4	$ 1,006.1	$ 1,041.6

Operating expenses are classified by function in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. These functions directly contribute to the major mission of the University. Certain amounts previously reported in fiscal years 2012 and 2011 have been reclassified in order to conform to the current year presentation. The following chart depicts comparative functional expenses of the University. It does not include other operating expenses:

EXPENSES BY FUNCTIONAL CLASSIFICATION
($ in Millions)



* Shown here at gross amounts, not netted for financial aid totaling $119.0 million.

Total operating expenses were $998.5 million and $956.8 million in fiscal years 2013 and 2012, respectively, netted for student financial aid totaling $119.0 million and $114.2 million, respectively. Natural classification includes salaries, fringe benefits, utilities, and supplies and other expenses (see Note 14 for operating expenses by natural classification).

Highlights of expenses presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

- Instruction, the University's largest operating expense, increased $10.8 million (3.7%) primarily due to a net increase of approximately 66 full-time equivalent faculty and staff that was mainly a result of a major expansion of faculty. In addition, there was an increase in fringe benefit rates. These increases were offset by a 6.6% decrease in supplies and other expenses. In fiscal year 2012, instruction increased $4.0 million (1.4%) primarily due to an increase of approximately 29 full-time equivalent faculty and staff due to the University's strategic faculty hiring plan which was offset by a 6.2% decrease in supplies and other expenses.

- In fiscal year 2013, research expenses increased $1.4 million or 2.0% ($1.7 million or 2.2% decrease in fiscal year 2012). These expenses are related primarily to sponsored research revenues and are affected by the timing of salaries and the purchase of supplies and commodities that can be charged to grants.

- Academic support increased $9.3 million or 8.6% for fiscal year 2013 ($0.8 million or 0.8% in fiscal year 2012) primarily due to a net increase of approximately 58 full-time equivalent staff and an increase in fringe benefit rates. Furthermore, supplies and other expenses also increased 17.8% which was mostly attributed to an increase in information technology related expenses.

- In fiscal year 2013, institutional support experienced an increase of $9.8 million or 18.4% ($11.2 million or 17.3% decrease in fiscal year 2012). This resulted primarily from an increase of 29.5% in fringe benefits due to rate increases combined with a 23.1% net increase in supplies and other expenses. In fiscal year 2012, institutional support decreased mainly due to a 35.8% net decrease in supplies and other expenses in addition to a 8.1% net decrease in the number of full-time equivalent staff.

- Operations and maintenance of plant increased $1.3 million or 1.3% in fiscal year 2013 as compared to a $9.0 million or 8.2% decrease in fiscal year 2012. This is primarily attributed to an increase of 7.2% (13.1% decrease in fiscal year 2012) for supplies and other expenses related to general maintenance and repairs. This increase was offset by a decrease in natural gas rates, of approximately 9.1% in fiscal year 2013 (8.6% in fiscal year 2012). Natural gas consumption for the Cogeneration plant also decreased in fiscal year 2013 mainly due to switching over to oil for a longer period of time during the winter. The University also experienced a decrease in electricity rates, including distribution and demand charges, of approximately 18.9% in fiscal year 2013 (9.7% in fiscal year 2012).

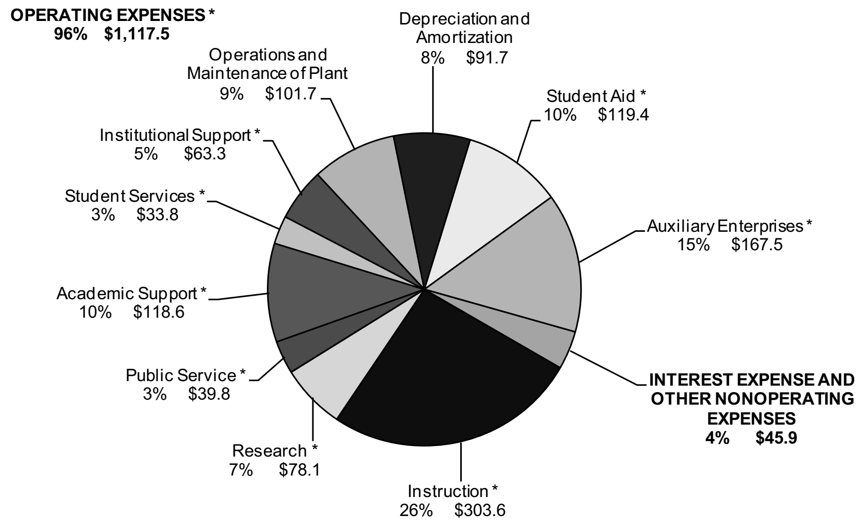
- In fiscal year 2013, the University began to depreciate an additional $49.9 million ($45.6 million in fiscal year 2012) in property and equipment which attributed to an increase of $3.2 million ($1.9 million decrease in fiscal year 2012) in depreciation and amortization expense. Fiscal year 2012 depreciation and amortization was lower than fiscal year 2011 due to changes in the capitalization policy that impacted the capitalization threshold for equipment.

- Auxiliary enterprises expenses increased $3.1 million or 1.9% in fiscal year 2013 (0.7% in fiscal year 2012), primarily due to a net increase of 14 full-time equivalent staff and an increase in fringe benefit rates offset by a 10.5% decrease in utilities (18.7% in fiscal year 2012).

- In fiscal year 2013, the University began allocating expenses by function that were formerly reported under other operating expenses and related to non-capital projects. The majority of these expenses, $11.9 million ($11.5 million in fiscal 2012) were allocated to operations and maintenance of plant and $3.1 million ($0.3 million in fiscal year 2012) were allocated to institutional support. These amounts consist of expenses pertaining to inspections, fire and safety code updates, and other corrective actions needed in order to achieve safety goals for all buildings, in addition to write-offs of certain software (see Note 4). Other expenses include costs not capitalized under University policy such as repairs, project management fees, capital project studies, and mold, lead and asbestos removal projects.

The pie chart below illustrates operating expenses by function, not netted for financial aid, and also includes other operating expenses. A significant portion of student aid is reflected as an allowance against tuition and fees revenue and sales and services of auxiliary enterprises on the Statements of Revenues, Expenses, and Changes in Net Position. The chart also shows interest expense and other nonoperating expenses.

EXPENSES FOR FISCALYEAR 2013 ($ in Millions)
Total $1,163.4



* Shown here at gross amounts, not netted for financial aid totaling $119.0 million.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present detailed information about the cash activity of the University during the year. The first section of these statements, cash flows from operating activities, will always be different from the Statements of Revenues, Expenses, and Changes in Net Positions' operating loss amount. The difference results from noncash items such as depreciation and amortization expense and the use of the accrual basis of accounting in preparing the Statements of Revenues, Expenses, and Changes in Net Position. These statements show revenues and expenses when incurred, not necessarily when cash is received or used. The Statements of Cash Flows, on the other hand, show cash inflows and outflows without regard to accruals. The Statements of Cash Flows have four additional sections including: cash flows from noncapital financing activities including State appropriation, transfers to State General Fund, gifts and other nonoperating revenues and expenses; cash flows from capital financing activities that reflect the cash received and used by the University for financing, principally capital in nature, capital grants and gifts, and State debt service commitments for principal and interest; cash flows from investing activities showing the purchases, proceeds and interest received from investing activities; and a reconciliation of operating loss reflected on the Statements of Revenues, Expenses, and Changes in Net Position to net cash used in operating activities.

The following table shows condensed Statements of Cash Flows for the years ended June 30 (in millions):

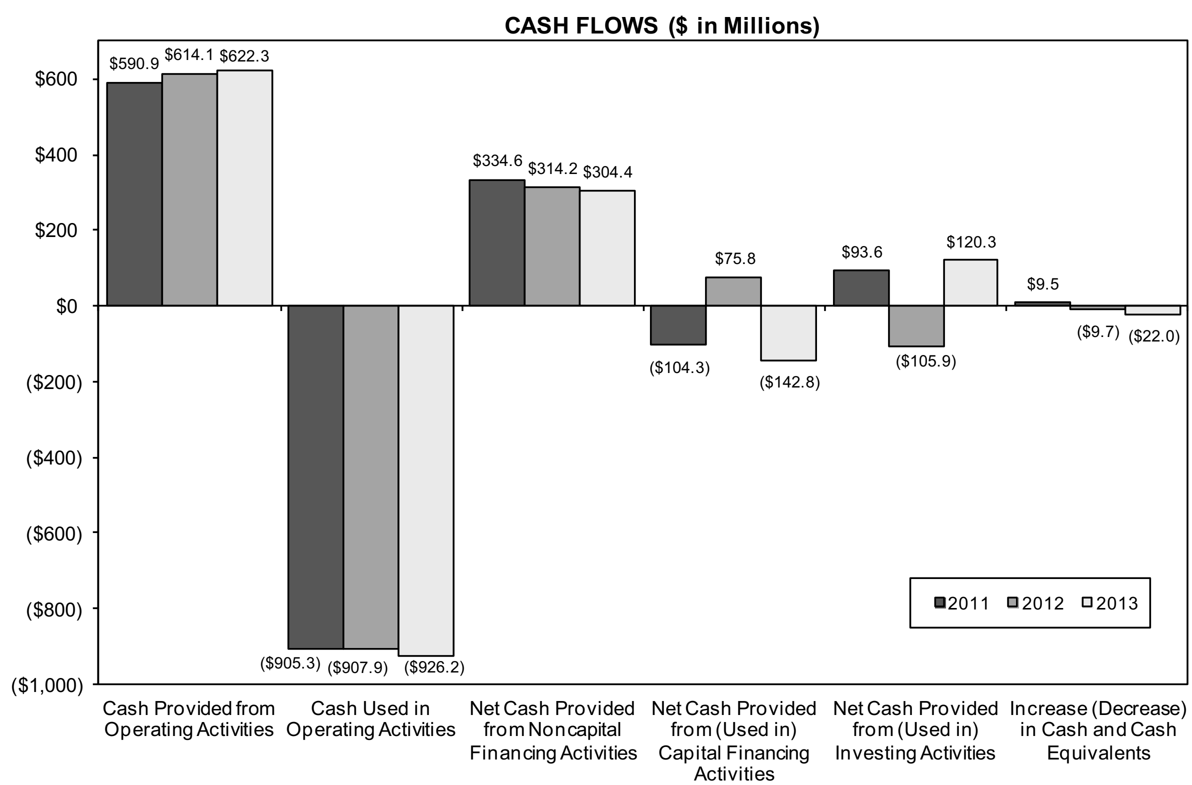
	2013	2012	2011
Cash provided from operating activities	$ 622.3	$ 614.1	$ 590.9
Cash used in operating activities	(926.2)	(907.9)	(905.3)
Net cash used in operating activities	(303.9)	(293.8)	(314.4)
Net cash provided from noncapital financing activities	304.4	314.2	334.6
Net cash provided from (used in) capital financing activities	(142.8)	75.8	(104.3)
Net cash provided from (used in) investing activities	120.3	(105.9)	93.6
Net increase (decrease) in cash and cash equivalents	$ (22.0)	$ (9.7)	$ 9.5

Net cash used in operating activities was $303.9 million and $293.8 million in fiscal years 2013 and 2012, respectively, and is consistent with the operating loss discussed earlier after adding back depreciation and amortization, a noncash expense. GASB requires that cash flows from noncapital financing activities include State appropriation and noncapital gifts. Cash flows from these activities totaled $304.4 million in fiscal year 2013 ($314.2 million in fiscal year 2012), a $9.8 million decrease from fiscal year 2012 ($20.4 million from fiscal year 2011).

Cash flows used in capital financing activities was $142.8 million in fiscal year 2013 and $75.8 million provided in fiscal year 2012. The major difference between fiscal years 2013 and 2012 was that $200.0 million in bond proceeds were received in fiscal year 2012 ($0 in fiscal year 2013) in addition to an increase in the amount of purchases of property and equipment of $23.6 million ($20.0 million in 2012).

Net cash provided from investing activities was $120.3 million in fiscal year 2013 and $105.9 million used in fiscal year 2012. The major difference between fiscal years 2013 and 2012 was that $200.0 million in bond proceeds were received in fiscal year 2012 ($0 in fiscal year 2013) which were invested in the deposit with bond trustee.

Total cash and cash equivalents decreased $22.0 million and $9.7 million in fiscal years 2013 and 2012, respectively, as a result of these activities. The following bar graph shows the cash flows provided from and used by major categories and as described in the preceding paragraphs:



FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT
STATEMENTS OF NET POSITION
As of June 30, 2013 and 2012

($ in thousands)

	2013	2012 (Restated)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 243,348	$ 265,374
Accounts receivable, net	39,204	33,217
Student loans receivable, net	1,838	1,744
Due from State of Connecticut	74,950	52,346
State debt service commitment	92,168	90,600
Inventories	4,237	4,198
Deposit with bond trustee	41,030	160,524
Deferred charges	713	785
Prepaid expenses	2,901	3,515
Total Current Assets	500,389	612,303
Noncurrent Assets		
Cash and cash equivalents	1,438	1,420
Investments	10,614	10,303
Student loans receivable, net	10,374	10,494
State debt service commitment	751,045	828,795
Property and equipment, net	1,474,569	1,430,589
Deferred charges	7,211	7,923
Total Noncurrent Assets	2,255,251	2,289,524
Total Assets	$ 2,755,640	$ 2,901,827
LIABILITIES		
Current Liabilities		
Accounts payable	$ 55,694	$ 33,667
Deferred income	25,525	24,809
Deposits held for others	2,425	2,887
Wages payable	39,898	40,326
Compensated absences	23,302	24,266
Due to State of Connecticut	17,904	14,570
Due to affiliate (see Note 5)	3,938	48,300
Current portion of long-term debt and bonds payable	92,274	88,372
Other current liabilities	32,547	33,360
Total Current Liabilities	293,507	310,557
Noncurrent Liabilities		
Compensated absences	9,925	8,740
Long-term debt and bonds payable	988,922	1,082,351
Refundable for federal loan program	11,233	11,076
Total Noncurrent Liabilities	1,010,080	1,102,167
Total Liabilities	$ 1,303,587	$ 1,412,724
NET POSITION		
Net investment in capital assets	$ 1,222,167	$ 1,163,416
Restricted nonexpendable	11,902	11,574
Restricted expendable		
Research, instruction, scholarships and other	20,602	19,536
Loans	2,469	2,425
Capital projects	33,416	115,315
Debt service	7,279	7,737
Unrestricted (see Note 1)	154,218	169,100
Total Net Position	$ 1,452,053	$ 1,489,103

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012

($ in thousands)

	2013	2012
OPERATING REVENUES		
Student tuition and fees (Net of scholarship allowances of $116,062 for 2013 and $111,139 for 2012. See Note 1.)	$ 261,641	$ 251,017
Federal grants and contracts	118,715	124,478
State and local grants and contracts	25,898	22,078
Nongovernmental grants and contracts	15,212	13,141
Sales and services of educational departments	15,814	17,348
Sales and services of auxiliary enterprises (Net of scholarship allowances of $2,907 for 2013 and $3,030 for 2012. See Note 1.)	185,240	181,974
Other sources	8,114	6,229
Total Operating Revenues	630,634	616,265
OPERATING EXPENSES		
Educational and general		
Instruction	302,202	291,370
Research	74,948	73,509
Public service	39,068	35,478
Academic support	117,679	108,340
Student services	33,315	35,256
Institutional support	63,302	53,465
Operations and maintenance of plant	101,661	100,402
Depreciation and amortization	91,713	88,478
Student aid	7,154	6,107
Auxiliary enterprises	167,474	164,388
Total Operating Expenses	998,516	956,793
Operating Loss	(367,882)	(340,528)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	288,456	282,370
State debt service commitment for interest	40,571	39,755
Gifts	19,996	24,377
Investment income	859	898
Interest expense	(45,402)	(47,117)
Other nonoperating expenses, net	(439)	(1,635)
Net Nonoperating Revenues	304,041	298,648
Loss Before Other Changes in Net Position	(63,841)	(41,880)
OTHER CHANGES IN NET POSITION		
State debt service commitment for principal	-	115,400
Capital allocation	20,000	18,000
Capital grants and gifts	6,675	2,768
Disposal of property and equipment, net	103	(540)
Additions to permanent endowments	13	-
Net Other Changes in Net Position	26,791	135,628
Increase (Decrease) in Net Position	(37,050)	93,748
NET POSITION		
Net Position-beginning of year	1,489,103	1,395,355
Net Position-end of year	$ 1,452,053	$ 1,489,103

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

($ in thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 255,173	$ 248,473
Grants and contracts	154,631	156,152
Sales and services of auxiliary enterprises	185,999	183,996
Sales and services of educational departments	17,146	17,382
Payments to suppliers and others	(259,308)	(247,396)
Payments to employees	(483,049)	(491,073)
Payments for benefits	(181,704)	(167,506)
Loans issued to students	(2,098)	(1,965)
Collection of loans to students	2,095	2,071
Other receipts, net	7,217	6,059
Net Cash Used in Operating Activities	(303,898)	(293,807)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	283,031	289,771
Gifts	21,910	24,529
Other nonoperating expenses, net	(544)	(94)
Net Cash Provided from Noncapital Financing Activities	304,397	314,206
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from bonds	-	200,000
State debt service commitment	116,753	116,684
Purchases of property and equipment	(129,530)	(105,885)
Proceeds from sale of property and equipment	514	182
Principal paid on debt and bonds payable	(84,767)	(88,139)
Interest paid on debt and bonds payable	(51,182)	(48,628)
Capital allocation	2,279	151
Capital grants and gifts	3,081	1,441
Net Cash Provided from (Used in) Capital Financing Activities	(142,852)	75,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	(21)	(54)
Interest on investments	872	952
Deposit with bond trustee	119,494	(106,794)
Net Cash Provided from (Used in) Investing Activities	120,345	(105,896)
DECREASE IN CASH AND CASH EQUIVALENTS	(22,008)	(9,691)
BEGINNING CASH AND CASH EQUIVALENTS	266,794	276,485
ENDING CASH AND CASH EQUIVALENTS	$ 244,786	$ 266,794

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2013 and 2012

($ in thousands)

	2013	2012
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$ (367,882)	$ (340,528)
Adjustments to Reconcile Operating Loss to Net Cash Provided from (Used in) Operating Activities:		
Depreciation and amortization expense	91,713	88,478
Property and equipment	1,154	(4,995)
In-kind donations	-	96
In-kind worker's compensation	1,915	2,337
Obligations under capital leases	-	1,840
Changes in Assets and Liabilities:		
Receivables, net	(6,009)	514
Inventories	(39)	(341)
Prepaid expenses	614	(12)
Accounts payable, wages payable and compensated absences	4,682	(19,061)
Deferred income	716	32
Deferred charges	(9)	46
Deposits	(462)	525
Due from (to) State of Connecticut	1,959	(2,329)
Due to affiliate	(33,246)	(21,075)
Other liabilities	813	(1)
Loans to students	183	667
Net Cash Used in Operating Activities	$ (303,898)	$ (293,807)

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

UNIVERSITY OF CONNECTICUT
COMPONENT UNIT
THE UNIVERSITY OF CONNECTICUT LAW SCHOOL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2013 and 2012

($ in thousands)

ASSETS	**2013**	**2012**
Current Assets		
Cash and cash equivalents	$ 1,148	$ 1,428
Pledges receivable, net of allowance	203	392
Other current assets	71	72
Total Current Assets	1,422	1,892
Noncurrent Assets		
Pledges receivable, net of allowance	119	148
Investments	17,104	14,990
Property and equipment, net of accumulated depreciation of $129 for 2013 and $127 for 2012	6	8
Total Noncurrent Assets	17,229	15,146
Total Assets	$ 18,651	$ 17,038
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 9	$ -
Net Assets		
Unrestricted	1,270	1,216
Temporarily restricted	3,869	2,500
Permanently restricted	13,503	13,322
Total Net Assets	18,642	17,038
Total Liabilities and Net Assets	$ 18,651	$ 17,038

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

($ in thousands)

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**2013 Total**	**2012 Total**
REVENUES AND SUPPORT					
Contributions and grants	$ 387	$ 297	$ 181	$ 865	$ 1,780
Interest and dividends	24	441	-	465	437
Net realized and unrealized gains	88	1,659	-	1,747	43
Net assets released from restrictions	984	(984)	-	-	-
Change in original restriction by donor	-	(44)	44	-	-
Write off of pledges receivable	44	-	(44)	-	-
Total Revenues and Support	1,527	1,369	181	3,077	2,260
EXPENSES					
Program Expenses					
Scholarships and awards	217	-	-	217	195
Student support and faculty support	604	-	-	604	609
Alumni and graduate relations	76	-	-	76	98
Total Program Expenses	897	-	-	897	902
Support Expenses					
Management and general	470	-	-	470	568
Fundraising	106	-	-	106	128
Total Support Expenses	576	-	-	576	696
Total Expenses	1,473	-	-	1,473	1,598
Changes in Net Assets	54	1,369	181	1,604	662
Net Assets-beginning of year	1,216	2,500	13,322	17,038	16,376
Net Assets-end of year	$ 1,270	$ 3,869	$ 13,503	$ 18,642	$ 17,038

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

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements
For the Years Ended June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University of Connecticut and its Health Center maintain separate budgets and are, by statute, separate entities for purposes of maintaining operating funds and appropriations from the State of Connecticut (State). The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. This financial report for the fiscal years ended June 30, 2013 and 2012 represents the transactions and balances of the University of Connecticut (University), herein defined as all programs except the Health Center.

Two related, but independent, corporate entities support the mission of the University: The University of Connecticut Foundation, Inc. (Foundation) (see Note 12) and The University of Connecticut Law School Foundation, Inc. (Law School Foundation). The Foundation raises funds to promote, encourage, and assist education and research at both the University and the Health Center, while the Law School Foundation, with similar objectives, supports only the University.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, states that the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

GASB Statement No. 39 additionally requires that legally separate and tax exempt entities be presented as component units of the reporting entity if they meet all of the following criteria: the economic resources of the organization are entirely or almost entirely for the direct benefit of the reporting unit; the reporting unit is entitled to access all or a majority of the economic resources received or held by the organization; and the economic resources received or held by the organization are significant to the reporting unit. As a result, the Law School Foundation, which is organized for the benefit of the University and whose economic resources can only be used by or for the benefit of the University, is included as a component unit of the University. The Law School Foundation's audited Statements of Financial Position and Statements of Activities are discreetly presented in their original formats on a separate page of the accompanying financial statements.

The Foundation materially supports the mission of the University and the Health Center, which are separately audited, producing their own financial statements. Displaying the Foundation's financial statements as a component unit of either the University or the Health Center would distort its actual contribution or economic benefit to that entity, and therefore, the Foundation is not included as a component unit in the accompanying financial statements.

Financial Statement Presentation

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB.

GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* establishes standards for financial reporting for public colleges and universities. These reporting standards focus on the University as a whole rather than on accountability by individual fund groups and provide accounting and financial reporting guidelines, enhancing the usefulness and comprehension of financial reports by external users. To that end, GASB requires that resources be classified for accounting and reporting purposes into the following categories in net position:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and amortization, and reduced by outstanding principal balances of bonds (net of State debt service commitment) and notes that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component.

- **Restricted nonexpendable:** Represents endowment and similar type assets in which donors or outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may be expended or reinvested in principal.

- **Restricted expendable:** Assets reduced by liabilities and deferred inflows of resources related to those assets that are expendable but where the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.

- **Unrestricted:** The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets." These assets are not subject to externally imposed stipulations; however, they are subject to internal designations. For example, amounts classified as unrestricted may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. For the most part, all unrestricted amounts in net position are internally designated to support academic and research programs, capital projects, retirement of indebtedness, and auxiliary enterprise activities.

The University follows the "business-type activities" (BTA) requirements of GASB Statement No. 35. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with reporting requirements defined in GASB Statement Nos. 35 and 63, the University presents a Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and Notes to the Financial Statements. All significant intra-agency transactions have been eliminated.

Expenses are classified either as restricted or unrestricted based on a variety of factors, including consideration of prior or future revenue sources, the type of expense incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained internally following the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Certain assets, liabilities, and components of net position were restated for the fiscal year ended June 30, 2012 for accruals related to construction retainage. Historically, the University's practice was to delay recording a liability for retainage until projects were closed out due to the uncertainty regarding the progress towards completion prior to final inspection and approval. Effective for the fiscal year ended June 30, 2013, this approach was revised to provide for the recording of a liability for retainage at the point at which the retainage is withheld in order to conform with the provisions of authoritative guidance currently in effect. This change was applied retrospectively to the balances presented for the fiscal year ended June 30, 2012. It did not require restatement of the beginning net position for the fiscal year ended June 30, 2012, as this adjustment did not affect total net position. The net effect of the change was an increase in both assets and liabilities by $7.8 million for the fiscal year ended June 30, 2012. The table below illustrates the adjustments to the Statement of Net Position (amounts in thousands):

Total assets previously reported as of June 30, 2012	$ 2,894,027
Increase in property and equipment, net	7,800
Total assets after adjustment as of June 30, 2012	$ 2,901,827
Total liabilities previously reported as of June 30, 2012	$ 1,404,924
Increase in accounts payable	7,800
Total liabilities after adjustment as of June 30, 2012	$ 1,412,724
Increase in net investment in capital assets	$ 7,800
Decrease in restricted capital projects	(5,700)
Decrease in unrestricted	(2,100)
Total net effect on net position as of June 30, 2012	$ -

For fiscal year 2013, the University performed a review of the categorization of functional expenses and certain reclassifications were made to the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2012 to better reflect the appropriate classifications in accordance with applicable guidance. These increases (decreases) have no effect on operating loss or net position for the year ended June 30, 2012 and are summarized in the table below (amounts in thousands):

	2012
Instruction	$ (4,314)
Research	748
Public service	(4,158)
Academic support	8,198
Student services	(3,792)
Institutional support	(25,638)
Operations and maintenance of plant	35,522
Auxiliary enterprises	5,078
Other operating expenses	(11,644)
Total operating expenses	$ -

New Accounting Standards

The University's financial statements and notes for fiscal years 2013 and 2012 as presented herein include the provisions of the following GASB pronouncements:

The University adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, as of July 1, 2012. This statement establishes recognition, measurement, and disclosure requirements for Service Concession Arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor and an operator in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. There was no impact on the financial statements as a result of this adoption.

The University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, as of July 1, 2012. This statement amends certain reporting criteria set forth in GASB Statement Nos. 14 and 34 for component units presented within the financial statements of the reporting entity. There was no significant impact on the financial statements as a result of this adoption.

The University adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, as of July 1, 2011. This statement incorporates specific guidance found only under pronouncements issued by FASB and the American Institute of Certified Public Accountants (AICPA) into the GASB's authoritative literature. There was no significant impact on the financial statements as a result of this adoption.

The University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of July 1, 2012. This Statement amends the net asset reporting requirements defined in previously issued pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure from net assets to net position. The deferred outflows and inflows represent the consumption or acquisition of resources by the University that are applicable to a future reporting period, but do not require further exchange of goods or services. These changes have been reflected in the accompanying financial statements and notes to the financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. While the University is not required to implement this new standard until fiscal year 2014, the University is evaluating its overall impact on the financial statements. It is anticipated at this time to have a significant impact on the accounting and reporting of the University's debt issuance costs.

Cash Equivalents (see Note 2)
For the purposes of the Statements of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the State of Connecticut Treasurer's Short-Term Investment Fund are considered cash equivalents.

Investments (see Note 2)
The University accounts for its investments at fair value in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* an amendment of GASB Statement No. 3. Changes in the unrealized gain (loss) on the carrying value are recorded in Nonoperating Revenues (Expenses) in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Noncurrent investments are externally restricted by donors or outside sources that have stipulated as a condition of the gift instrument that the principal be maintained inviolate and in perpetuity. Noncurrent investments also include those amounts restricted by creditors for certain debt service payments (see Note 5).

Accounts and Student Loans Receivable (see Note 3)
Accounts receivable consist of tuition, fees, auxiliary enterprises service fees charged to students, faculty, staff and others, and amounts due from state and federal governments for grants and contracts. Student loans receivable consist primarily of amounts due from students under the Federal Perkins Loan Program, which are subject to significant restrictions. The student loans receivable is classified as current and noncurrent based on the amount estimated to be collected from students in one year and beyond one year. Accounts and student loans receivable are recorded net of an estimated allowance for doubtful accounts.

Inventories
Consumable supplies are expensed when received with the exception of certain central inventories which consist primarily of maintenance and custodial supplies, repair parts, and other general supplies used in the daily operations of the University. Inventory is valued at cost as determined by various methods, including the first-in, first-out method.

Deposit with Bond Trustee (see Note 5)
Tax-exempt bond proceeds are deposited to various accounts held by the Trustee Bank as required by certain trust indentures. The funds are invested and disbursed as directed by the University. The University's bond proceeds investment policy is to balance an appropriate risk-return level heavily weighted towards safety of assets, as defined and permitted under the relative indentures and Connecticut General Statutes.

The University directs the Trustee Bank to invest UCONN 2000 General Obligation construction fund proceeds in the State Treasurer's Short-Term Investment Fund. Similarly, the University has directed the Trustee Bank to invest the debt service funds and cost of issuance for the special obligation bonds in dedicated Short-Term Investment Fund accounts.

Investment earnings from UCONN 2000 General Obligation bond proceeds are retained by the State Treasurer's Office and do not flow to the University or to the Trustee Bank. The Student Fee Revenue Bonds investment earnings are part of the pledged revenues and are directly retained by the Trustee Bank to pay debt service on the bonds or for other indenture permitted purposes. The earnings on the UCONN 2000 General Obligation Debt Service Commitment Refunding Bonds and the Special Obligation Student Fee Revenue Refunding Redemption Fund escrows form part of the irrevocable escrows and are used by the Trustee Bank to meet the debt service payments on the defeased bonds until called.

Deferred Charges – Current and Noncurrent (see Note 10)
Deferred charges consist of payments made in advance of revenues being earned. Deferred charges also represent the cost of issuance which will be amortized over the terms of the respective bond issuances.

Noncurrent Cash and Cash Equivalents (see Note 2)
Noncurrent cash and cash equivalents are related to endowment assets and are externally restricted as to use.

Property and Equipment (see Note 4)
Property and equipment are reported at cost at date of acquisition or fair value at date of donation as in the case of gifts. Property and equipment that are exchanged for other assets are recorded based on the fair value of the asset given up or the fair value of the asset received, whichever value is most clearly evident. Renovations that significantly increase the value or useful life of an asset are capitalized. Routine repairs and maintenance, and certain library materials, are charged to

operating expenses in the year incurred. Building components and non-structural improvements have estimated useful lives of 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years.

Deferred Income (see Note 10)
Deferred income includes amounts received for services rendered in a future accounting period including tuition and fee revenues and event ticket sales. It also includes amounts received for certain restricted research grants that are included in revenue until the funds are expended.

Compensated Absences (see Note 7)
Employee vacation, holiday, compensatory, and sick leave are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statements of Net Position and in the various expense functions on the Statements of Revenues, Expenses, and Changes in Net Position. The liability for compensated absences is also classified as current and noncurrent based on the amount estimated to be paid to employees in one year and beyond one year.

Noncurrent Liabilities
Noncurrent liabilities include the long-term portion of compensated absences of the University, principal payments due on bonds (net of unamortized premiums, discounts, and debt differences), loans and capital leases with a maturity of more than one year, and governmental advances for revolving loan programs that would be returned to the federal government upon cessation of the student loan program.

Revenues and Expenses
Operating revenues consist of tuition and fees, state and federal grants and contracts, sales and services of educational activities, auxiliary enterprises revenue, and other sources of revenue. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. Restricted grant revenue that does not meet the nonexchange transaction definition is recognized to the extent expended or in the case of fixed price contracts, when the contract terms are met or completed.

Operating expenses, except for depreciation and amortization and other operating expenses, are reported using functional classification, including those under educational and general and auxiliary enterprises. See Note 14 for operating expenses by natural classification. All other revenues and expenses of the University are reported as nonoperating revenues and expenses including State appropriation, debt service commitment for interest, noncapital gifts, investment income, interest expense, other nonoperating revenues (expenses), net, and other changes in net position. Revenues are recognized when earned and expenses are recognized when incurred.

GASB Statement No. 35 requires that revenues be reported net of discounts and scholarship allowances. Student aid for scholarships and fellowships, recorded in the Statements of Revenues, Expenses and Changes in Net Position, includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees, housing charges and dining services is reflected as a scholarship allowance and is deducted from the University's revenues. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.

Component Unit
The Law School Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the Law School Foundation's net assets and changes therein are classified and reported as follows:

- **Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions.
- **Temporarily Restricted Net Assets:** Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Law School Foundation and/or passage of time. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

- **Permanently Restricted Net Assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Law School Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Investments are reported at fair value based upon quoted market prices. Certain amounts reported in 2012 have been reclassified in order to conform to the current year presentations.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement No. 40 requires governmental entities to disclose credit risk associated with cash deposits and investment balances, and investment policies applied to mitigate such risks, especially as they relate to uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the University's name.

The University’s total cash and cash equivalents balance was $244.8 million and $266.8 million as of June 30, 2013 and 2012, respectively, and included the following (amounts in thousands):

	2013	2012
Cash maintained by State of Connecticut Treasurer	$ 212,749	$ 244,342
Invested in State of Connecticut Short-Term Investment Fund	17,624	16,953
Invested in State of Connecticut Short-Term Investment Fund - Endowments	1,438	1,420
Invested in Short-Term Corporate Notes	6,435	2,639
Deposits with Financial Institutions and Other	6,540	1,440
Total cash and cash equivalents	244,786	266,794
Less: current balance	243,348	265,374
Total noncurrent balance	$ 1,438	$ 1,420

Collateralized deposits are protected by Connecticut statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio – a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State are insured by the Federal Deposit Insurance Corporation or collateralized. As a State agency, the University benefits from this protection, though the extent to which the deposits of an individual State agency such as the University are protected cannot be readily determined.

Short-Term Investment Fund (STIF) is a money market investment pool in which the State, municipal entities, and other 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. For financial reporting purposes, STIF is considered to be “cash equivalents” in the Statement of Net Position.

The University's cash management investment policy permits the University to invest in STIF, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts. Cash and cash equivalents include amounts of $17.6 million and $1.4 million invested in STIF, which had a Standard and Poor’s rating of AAAm during fiscal year 2013. The $6.4 million invested in Short-Term Corporate Notes during fiscal year 2013 includes repurchase agreements held with a financial institution and is collateralized by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, both of which had an AA+ Standard and Poor’s rating.

The University designated the Foundation as the manager of the University's endowment funds. Gifts that are internally designated as endowments, and externally designated endowment gifts that are to be processed for transfer to the Foundation, are included in cash and cash equivalents. The Foundation makes spending allocation distributions to the University for each participating endowment. The distribution is spent by the University in accordance with the respective purposes of the endowments, the policies and procedures of the University and State statutes, as well as in accordance with the Foundation's endowment spending policy described below.

The endowment spending policy adopted by the Foundation's Board of Directors, in conjunction with the strategic asset allocation policy for the long-term pooled investment portfolio, is designed to provide reliable growth in annual spending allocation levels and to preserve or increase the real value of the endowment principal over time. To meet these objectives, the Foundation utilizes a total return investment approach, with total return consisting of interest and dividends as well as realized and unrealized gains and losses, net of management fees.

The Foundation's endowment spending allocation policy adheres to the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA considers prudence in maintaining an endowment fund in perpetuity. Therefore, spending can occur from an endowment fund whose fair value is below its historic value as long as the governing body has determined that its policies will continue the perpetual nature of the endowment over time. The Foundation amended its endowment spending allocation policy in February 2009 in recognition of the change in approach to spending under UPMIFA. Calculations are performed for individual endowment funds at a rate of 4.25% of the rolling 12 quarter average market value on a unitized basis on March 31st each year for the following fiscal year beginning July 1st. The corresponding calculated spending allocations are distributed in equal quarterly installments on the first day of each quarter from the accumulated net total investment return for individual endowment funds where available, otherwise from principal.

An administrative fee is assessed to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities to donors and the University. This on-going administrative fee is also assessed based on a rolling 12 quarter unitized market value calculated on March 31st for the following fiscal year beginning July 1st at a rate of 1.25% to cover the estimated cost of meeting the fiduciary responsibilities associated with each endowment. The calculated fee is charged in equal quarterly installments on the first day of each quarter from the accumulated net total investment return for individual endowment funds where available, otherwise from principal.

The endowment spending allocation and administrative fee taken together cannot exceed 6.5% or fall below 3.0% of the fair value of endowment funds at March 31st. Should this occur, the calculated amounts will be decreased or increased, respectively, on a pro rata basis.

Over the long term, the Foundation expects the current spending allocation and administrative fee policies to allow endowments to grow at least at the annualized rate of inflation on average. This is consistent with the organization's objective of providing resources for the underlying purposes of endowment assets over the life of the endowments whether in perpetuity or for a specified term, as well as to provide additional growth through new gifts and investment return.

University endowment investments are managed by the Foundation in a pooled portfolio, which is actively managed by professional investment managers as determined by the Investment Committee of the Foundation's Board of Directors. The Foundation has established asset allocation guidelines for the pooled investment portfolio, which provides that the maximum exposure with any one manager would be 20% for liquid assets and 5% for illiquid assets. The Foundation's Board of Directors also established an asset allocation policy for the long-term pooled investment portfolio (see following table). The Foundation expects that portfolios will be invested in only the strategies described in the table, not above or below the individual strategy percentage and its total percentage by objective, unless otherwise specified by its Board of Directors.

Investment Objective/Strategies	Allocation Range as Percentage of Market Value
Growth	
High yield fixed income	0% - 10%
Global equities	0% - 70%
Private capital	0% - 20%
Global macro strategies	0% - 10%
Event driven strategies (ex diversified)	0% - 10%
Real estate (public & private)	0% - 10%
Other opportunistic	0% - 10%
Total Growth	40% - 85%
Inflation Hedge	
TIPS	0% - 10%
Natural resources/commodities	0% - 15%
Other inflation hedging strategies	0% - 10%
Total Inflation Hedge	5% - 25%
Risk Minimizing	
Investment grade fixed income	0% - 20%
Relative value/Event driven (diversified)	0% - 15%
Cash equivalents	0% - 10%
Other low volatility strategies	0% - 10%
Total Risk Minimizing	5% - 40%

The endowments invested with the Foundation are subject to risk due to the uncollateralized nature of most of its investments. Certain investments of the Foundation include external investment pools. The bond mutual funds, high yield fixed income, and bank loans had average credit quality of Ba1 (Moody's). The University endowment's foreign publicly traded equities totaled $1.3 million in 2013 and 2012, and private capital investments totaled approximately $1.7 million and $1.9 million at June 30, 2013 and 2012, respectively.

The University also holds a partnership interest in Campus Associates Limited Partnership (see Note 12). The cost basis was used to estimate fair market value for this investment because the fair value was not readily available as of June 30, 2013 and 2012. As a result, the estimated fair value may differ from the value that would have been assigned had a ready market for such an investment existed; however, it is unlikely that such differences would be material.

The cost and fair value of the University's investments including those managed by the Foundation at June 30, 2013 and 2012 were (amounts in thousands):

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Endowments:				
Foundation Managed	$ 9,594	$ 10,464	$ 9,550	$ 10,153
Other:				
Campus Associates Limited Partnership Interest	150	150	150	150
Total Investments	$ 9,744	$ 10,614	$ 9,700	$ 10,303

Certain other funds are held in trust for investment by outside trustees. The University is designated as the income beneficiary and the funds are not under the direct control of the University. Accordingly, the assets of these funds are not included in the financial statements. The fair value of these funds was $12.8 million and $12.0 million as of June 30, 2013 and 2012, respectively. Investment income earned on these assets is transferred to the University in accordance with applicable trust agreements. Income received from those sources for the years ended June 30, 2013 and 2012 was $456,000 and $486,000, respectively.

3. ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable at June 30, 2013 and 2012 consisted of the following (amounts in thousands):

	2013	2012
Grants and contracts	$ 27,876	$ 22,477
Student and general	16,318	16,180
Investment income	66	79
Allowance for doubtful accounts	(5,056)	(5,519)
Total accounts receivable, net	$ 39,204	$ 33,217

The University participated in the U.S. Department of Education Federal Direct Lending program during fiscal years 2013 and 2012 and distributed student loans through this program of $154.6 million and $162.0 million, respectively. These distributions and related funding are not reflected as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements. The excess of direct loans distributed over funding received from the U.S. Department of Education as of June 30, 2013 and 2012 was $68,000 and $93,000, respectively, and these amounts were included as receivables under grants and contracts.

Student loans receivable are substantially comprised of amounts owed from students under the Federal Perkins Loan Program and are reported separately from accounts receivable on the Statements of Net Position, net of an allowance for doubtful accounts of $1.1 million at June 30, 2013 and 2012.

4. PROPERTY AND EQUIPMENT

Land, buildings, non-structural improvements, and equipment are reported at cost at date of acquisition or fair value at date of donation as in the case of gifts. Property and equipment that are exchanged for other assets are recorded based on the fair value of the asset given up or the fair value of the asset received, whichever value is most clearly evident. Any gains or losses on the exchange are recognized immediately.

Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the respective assets. Building components and non-structural improvements have estimated useful lives of 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years. Library materials, capitalized software, art and historical collections are all included in equipment in the schedule of Changes in Property and Equipment.

Library materials have an estimated useful life of 15 years. The value of library materials, before depreciation, was $80.6 million and $80.1 million with accumulated depreciation of $52.6 million and $47.3 million at June 30, 2013 and 2012, respectively.

Capitalized software has an estimated life of 3 years to 5 years. The value of capitalized software, before amortization, was $26.6 million and $25.1 million with accumulated amortization of $15.5 million and $12.4 million at June 30, 2013 and 2012, respectively.

Art and historical collections are recognized at their estimated fair values at the time of donation, and are not depreciated. Art totaled $13.3 million and $12.8 million at June 30, 2013 and 2012, respectively. Historical collections totaled $41.1 million and $40.5 million at June 30, 2013 and 2012, respectively. The Thomas J. Dodd Research Center (Dodd Center) maintains historical collections of original source materials used for research as well as the University's official archive. In fiscal year 2002, historical collections were initially valued at $31.1 million based on an internal valuation performed by the Dodd Center. Since 2002, the value of the Dodd Center Collection has been adjusted for new items only if their fair value could be substantiated by an appraisal or similar authoritative documentation.

On July 1, 2010, the University increased the capitalization threshold for equipment from $1,000 to $5,000. Equipment previously capitalized under the $5,000 threshold will be written-off when it becomes fully depreciated. For the years ended June 30, 2013 and 2012, total amounts of $5.5 million and $13.9 million, respectively, of fully depreciated equipment falling under the new threshold are included in equipment retirements.

As of June 30, 2011, a liability in the amount of $2.7 million was recorded in other current liabilities on the Statement of Net Position for a project to correct structural deficiencies related to the roof design and construction of the Agricultural Biotechnology Laboratory and Advanced Technology Laboratory buildings. This amount was based on an estimate of the cost to replace the roofs on both buildings as of that date. A determination has been made that the replacement of the roofs on these buildings is not necessary and repairs can be made to correct the deficiencies; therefore the $2.7 million liability is no longer needed, and was reversed during the fiscal year ended June 30, 2013. The University has entered into, and is in the process of entering into, agreements seeking funds and in-kind services from the original design professionals and construction contractors to perform the repairs to the roofs. The total cost of the repairs is not fully known at this time.

For the years ended June 30, 2013 and 2012, total amounts of $7.6 million and $3.2 million, respectively, were expensed in the accompanying Statements of Revenues, Expenses, and Changes in Net Position in operating expenses for inspections, fire and safety code updates, and other corrective action needed in order to achieve safety goals for all buildings. At June 30, 2013 and 2012, an accrual for estimated expenses to complete these projects totaling $16.6 million and $12.1 million, respectively, was recorded in other current liabilities in the Statements of Net Position. While the University intends to pursue the recovery of costs related to the code updates and corrective work, the total amount to be recovered is unknown as of the date of these financial statements.

For the year ended June 30, 2013, a total of $1.3 million was expensed in institutional support in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for costs related to the implementation of certain software. It was determined that costs capitalized to date had no realizable value as of June 30, 2013.

Subsequent to the year ended June 30, 2013, it was determined by management that certain buildings with a total carrying amount of approximately $24.5 million were potentially impaired as of year-end. The total impairment loss could not be reasonably estimated as of the date of these financial statements.

The following table describes the changes in property and equipment for the years ended June 30, 2013 and 2012 (amounts in thousands):

Changes in Property and Equipment for the Year Ended June 30, 2013:

	Balance July 1, 2012	Additions	Retirements	Transfers and other	Balance June 30, 2013
Property and equipment:					
Land	$ 14,657	$ 3,843	$ (3)	$ -	$ 18,497
Non-structural improvements	217,567	4,837	-	3,886	226,290
Buildings	1,708,888	28,537	-	51,993	1,789,418
Equipment	396,662	16,543	(9,841)	-	403,364
Construction in progress	99,271	82,343	-	(55,879)	125,735
Total property and equipment	2,437,045	136,103	(9,844)	-	2,563,304
Less accumulated depreciation and amortization:					
Non-structural improvements	107,079	8,395	-	-	115,474
Buildings	673,778	58,523	-	-	732,301
Equipment	225,599	24,795	(9,434)	-	240,960
Total accumulated depreciation and amortization	1,006,456	91,713	(9,434)	-	1,088,735
Property and equipment, net:					
Land	14,657	3,843	(3)	-	18,497
Non-structural improvements	110,488	(3,558)	-	3,886	110,816
Buildings	1,035,110	(29,986)	-	51,993	1,057,117
Equipment	171,063	(8,252)	(407)	-	162,404
Construction in progress	99,271	82,343	-	(55,879)	125,735
Property and equipment, net:	$ 1,430,589	$ 44,390	$ (410)	$ -	$ 1,474,569

Changes in Property and Equipment for the Year Ended June 30, 2012, restated (see Note 1):

	Balance July 1, 2011	Additions	Retirements	Transfers and other	Balance June 30, 2012
Property and equipment:					
Land	$ 14,676	$ -	$ (19)	$ -	$ 14,657
Non-structural improvements	205,766	3,450	-	8,351	217,567
Buildings	1,643,933	16,065	(1,844)	50,734	1,708,888
Equipment	396,841	26,088	(26,267)	-	396,662
Construction in progress	83,433	74,923	-	(59,085)	99,271
Total property and equipment	2,344,649	120,526	(28,130)	-	2,437,045
Less accumulated depreciation and amortization:					
Non-structural improvements	99,318	7,761	-	-	107,079
Buildings	619,902	55,450	(1,574)	-	673,778
Equipment	226,166	25,267	(25,834)	-	225,599
Total accumulated depreciation and amortization	945,386	88,478	(27,408)	-	1,006,456
Property and equipment, net:					
Land	14,676	-	(19)	-	14,657
Non-structural improvements	106,448	(4,311)	-	8,351	110,488
Buildings	1,024,031	(39,385)	(270)	50,734	1,035,110
Equipment	170,675	821	(433)	-	171,063
Construction in progress	83,433	74,923	-	(59,085)	99,271
Property and equipment, net:	$ 1,399,263	$ 32,048	$ (722)	$ -	$ 1,430,589

5. LONG-TERM DEBT PAYABLE

Public Act No. 95-230 enabled the University to borrow money in its own name for a special ten year capital improvement program (UCONN 2000) designed to modernize, rehabilitate, and expand the physical plant of the University. It authorized projects for Phases I and II of UCONN 2000, estimated to cost $1,250.0 million, of which $962.0 million was to be financed by bonds of the University; $18.0 million was to be funded by State general obligation bonds; and the balance of $270.0 million to be financed by gifts, other revenue, or borrowing resources of the University.

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3 of the May 9 Special Session, An Act Concerning 21st Century UConn (Act). The new Act authorized additional projects for the University and the Health Center for what is called Phase III of UCONN 2000 at an estimated cost of $1,348.4 million, of which $1,300.0 million is to be financed by bonds of the University. This Act amended Public Act No. 95-230 and extended the UCONN 2000 financing program that was scheduled to end in 2005, for an additional 10 years to June 30, 2015. The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a $25.0 million reallocation from existing UCONN 2000 Health Center allocations, and a $207.0 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018. In fiscal year 2011, the General Assembly enacted and the Governor signed Public Act No. 11-75, An Act Concerning the University of Connecticut Health Center, which increased the authorized project costs for the Health Center under Phase III by $262.9 million. The Act, as amended, authorized projects under Phase III at a total estimated cost of $1,818.3 million, of which $1,769.9 million is to be financed by bonds of the University and $48.4 million is to be financed by the issuance of special obligation bonds of the University, from gifts, other revenue or borrowing resources of the University, or through the deferring of projects or achieved savings. Total project costs estimated under Phase III are $775.3 million for the Health Center and $1,043.0 million for the University.

In June 2013, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 13-233, An Act Concerning Next Generation Connecticut, which authorized additional projects, increased the cost of certain projects, increased the authorized bond funding by $1,551.0 million and extended UCONN 2000 for an additional six fiscal years to 2024.

The total estimated cost for Phase I, II, and III under UCONN 2000, a twenty-nine year capital project program, is $4,619.3 million.

As part of the UCONN 2000 program and in addition to $4.6 billion for phases I through III, the State Bond Commission authorized $172.5 million in State General Obligation Bonds to finance the development of the Technology Park (Tech Park) on the Storrs campus for the University (see Note 12). In August 2011 and April 2013, $18.0 million and $20.0 million respectively, were approved and issued. These bonds are obligations of the State and are not included as debt in the University's financial statements.

The table below lists general obligation bonds issued to finance UCONN 2000 projects as of June 30, 2013 (amounts in thousands). Please refer to the subsequent detailed schedules for outstanding balances.

1996 Series A	$ 83,930
1997 Series A	124,392
1998 Series A	99,520
1999 Series A	79,735
2000 Series A	130,850
2001 Series A	100,000
2002 Series A	100,000
2003 Series A	96,210
2004 Series A	97,845
2005 Series A	98,110
2006 Series A	77,145
2007 Series A	89,355
2009 Series A	144,855
2010 Series A	97,115
2011 Series A	179,730
Total issued	$ 1,598,792

The University has also issued several series of general obligation refunding bonds, providing debt service savings for bonds refunded in advance of maturity. Sufficient proceeds were deposited into irrevocable escrow accounts held by the Trustee Bank to meet all obligations on the refunded debt (see Note 1) and invested in U.S. Treasury, State and Local Government Securities and cash in accordance with the Escrow Agreement. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State debt service commitment. The State debt service commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State debt service commitment for the payment of the bonds and, accordingly, is not planning to budget any revenues for the payment of these bonds. Under the Master Indenture, the University expects to issue additional bonds to finance UCONN 2000 projects secured by the State debt service commitment.

In fiscal year 2013, there were no general obligation bonds issued or refunded. In fiscal year 2012, the University recorded $179.7 million as State debt service commitment for principal together with part of the original issue premium, which resulted in total proceeds of $200.0 million for the 2011 Series A bonds. The proceeds included $62.5 million to finance projects for the Health Center for fiscal year 2012. As bonds are issued, the amount of the commitment for the Health Center is reflected as an offset to the revenue for the University. In fiscal year 2012, this offset to finance projects for the Health Center resulted in net revenue of $115.4 million, recorded in the Other Changes in Net Position section of the Statements of Revenues, Expenses, and Changes in Net Position in the accompanying financial statements. A corresponding liability is recorded in due to affiliate in the Statements of Net Position for the unspent portion of the bonds due to the Health Center ($3.9 million and $48.3 million at June 30, 2013 and 2012, respectively). Also, for the years ended June 30, 2013 and 2012, nonoperating revenues include the State debt service commitment for interest on general obligation bonds of $40.6 million and $39.8 million, respectively. A portion of interest on general obligation bonds is associated with Health Center projects.

Subsequent to the year ended June 30, 2013, the University issued $172.7 million of general obligation bonds, 2013 Series A, to fund UCONN 2000 phase III projects and $51.2 million of General Obligation Bonds, 2013 Refunding Service A, to refund $54.4 million of the University's outstanding balances consisting of a portion of the 2004 and 2005 Service A bonds previously issued. The sale of this issue concluded in July 2013, with the closing date of July 31, 2013.

The University may also issue special obligation bonds, also called student fee revenue bonds, which are backed by certain pledged revenues of the University. In 1998, 2000 and 2002, the University issued $33.6 million, $89.6 million and $75.4 million of special obligation bonds, respectively, to fund new construction of dormitories, apartments, a parking garage, and the renovations of several dormitories. The 2000 special obligation bonds were refunded in advance of maturity in fiscal year 2002 with the issuance of $96.1 million in refunding bonds. The 1998 and a portion of the 2002 special obligation bonds were refunded in advance of maturity in fiscal year 2010 with the issuance of $47.5 million refunding bonds. The 2002 special obligation bonds and 2002 refunding bonds were refunded in advance of maturity in fiscal year 2013 with the issuance of $88.0 million of special obligation refunding bonds. The 2012 special obligation refunding bonds reduced the special obligation debt service payments in future years by approximately $31.9 million and resulted in an economic gain (the present value of the savings) of approximately $26.7 million. Similar to general obligation bond refundings, the proceeds from special obligation or student fee revenue bond refundings are deposited into certain escrow accounts to meet all obligations of the refunded maturities. In fiscal year 2012, there were no special obligation bonds issued or refunded.

The special obligation bonds are secured by certain pledged revenues, as defined in the indenture, including gross and net revenue amounts. The total gross and net pledged revenues from tuition and fees, auxiliary, investment and other revenues of the University were approximately $67.3 million and $65.1 million in fiscal years 2013 and 2012, respectively. Gross pledged revenues include the infrastructure maintenance fee and the general university fee plus investment income on the bond accounts held by the Trustee Bank, prior to any payments, deductions, offsets, or provisions. Net pledged revenues include the residential life room fee, student apartment rentals, Greek housing fee, the board (dining) fee, and the parking and transportation fees, after providing for the cost of maintaining, repairing, insuring, and operating the facilities for which the fees are imposed. In addition to securing revenue bonds, the gross and net pledged revenues available are pledged toward certain other debt. The University has covenanted to collect in each fiscal year, fees representing pledged revenues so that the sum of gross and net revenue amounts is no less than 1.25 times the debt service requirements in such fiscal year for the special obligation bonds.

The total principal and interest remaining to be paid on all special obligation bonds as of June 30, 2013 and 2012 was $187.6 million and $231.5 million, respectively. The total amount paid by pledged revenues were $5.7 million and $5.1

million, for the principal and $6.3 million and $7.6 million for the interest on this debt in both fiscal years 2013 and 2012, respectively.

Net unamortized premium, discounts, and debt differences due to refundings are recorded as additions to the face value of bonds payable. These amounts are amortized using the straight-line basis over the life of the bonds, reducing interest expense for premiums and increasing it for discounts.

The State issues certain general obligation bonds that are categorized as self-liquidating bonds. These bonds were issued to fund the construction and renovations of revenue-generating capital projects. The University reimburses the State primarily with revenue from student fee charges in the amount equal to the debt service on self-liquidating bonds.

Long-term debt activity, including refunding of debt, for the years ended June 30, 2013 and 2012 was as follows (amounts in thousands):

Long-term Debt Activity for the Year Ended June 30, 2013:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Current portion
General obligation bonds	$ 903,550	$ -	$ (74,755)	$ 828,795	$ 77,750
Revenue bonds	154,170	87,980	(111,735)	130,415	5,800
Self-liquidating bonds	2,171	-	(1,121)	1,050	500
Installment loans	1,727	-	(408)	1,319	377
Obligation under capital lease for Cogeneration	62,785	-	(3,465)	59,320	3,623
Total long-term debt	1,124,403	87,980	(191,484)	1,020,899	88,050
Premiums/discounts/debt difference due to refunding	46,320	14,796	(819)	60,297	4,224
Total long-term debt, net	$ 1,170,723	$ 102,776	$ (192,303)	$ 1,081,196	$ 92,274

Long-term Debt Activity for the Year Ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Current portion
General obligation bonds	$ 804,310	$ 211,635	$ (112,395)	$ 903,550	$ 74,755
Revenue bonds	159,290	-	(5,120)	154,170	5,705
Self-liquidating bonds	2,953	-	(782)	2,171	569
Installment loans	150	1,840	(263)	1,727	408
Obligation under capital lease for Cogeneration	66,098	-	(3,313)	62,785	3,465
Total long-term debt	1,032,801	213,475	(121,873)	1,124,403	84,902
Premiums/discounts/debt difference due to refunding	25,849	24,663	(4,192)	46,320	3,470
Total long-term debt, net	$ 1,058,650	$ 238,138	$ (126,065)	$ 1,170,723	$ 88,372

Long-term debt outstanding at June 30, 2013 and 2012 consisted of the following (amounts in thousands):

Type of debt and issue date	Type of issue	Principal payable	Maturity dates through fiscal year	Interest rate*	Balance 2013	Balance 2012
Bonds:						
GO 2003 Series A	original	annually	2013	3.2-4.4%	$ -	$ 4,735
GO 2004 Series A	original	various	2024	3.0-5.0%	22,160	27,055
GO 2004 Ref. Series A	refund	annually	2020	3.9-5.0%	120,570	149,730
GO 2005 Series A	original	annually	2025	3.7%	55,630	60,530
GO 2006 Series A	original	annually	2026	4.0-5.0%	50,130	53,990
GO 2006 Ref. Series A	refund	annually	2020	4.75-5.0%	57,780	59,555
GO 2007 Series A	original	annually	2027	3.6-5.0%	58,800	63,005
GO 2007 Ref. Series A	refund	various	2022	5.0%	46,030	46,030
GO 2009 Series A	original	annually	2029	3.0-5.0%	115,465	122,815
GO 2010 Series A	original	annually	2030	3.0-5.0%	82,540	87,400
GO 2010 Ref. Series A	refund	annually	2021	2.25-5.0%	26,410	26,435
GO 2011 Series A	original	annually	2031	3.515-5.0%	161,755	170,745
GO 2011 Ref. Series A	refund	various	2023	2.0-5.0%	31,525	31,525
Total general obligation bonds					828,795	903,550
Rev 2002 Series A	original	various	2030	4.125-5.0%	-	32,430
Rev 2002 Ref. Series A	refund	annually	2030	4.0-5.25%	-	76,230
Rev 2010 Ref. Series A	refund	annually	2028	3.0-5.0%	42,435	45,510
Rev 2012 Ref. Series A	refund	annually	2030	1.5-5.0%	87,980	-
Total revenue bonds					130,415	154,170
June 2001	refund	annually	2016	5.5%	225	301
November 2001	refund	annually	2014	5.0-5.125%	295	592
August 2002	refund	various	2016	3.62-4.0%	-	552
April 2005	refund	various	2017	4.37-5.25%	275	275
December 2007	refund	annually	2015	3.5-5.0%	255	451
Total self-liquidating bonds					1,050	2,171
Total bonds					960,260	1,059,891
Loans and other debt:						
Installment loans		various	various	1.05-1.959%	1,319	1,727
Obligation under capital lease for Cogeneration		monthly	2026	4.42-5.09%	59,320	62,785
Total loans and other debt					60,639	64,512
Total bonds, loans and installment purchases					1,020,899	1,124,403
Premiums/discounts/debt difference due to refunding					60,297	46,320
Total bonds, loans and installment purchases, net					1,081,196	1,170,723
Less: current portion, net					92,274	88,372
Total noncurrent portion, net					$ 988,922	$ 1,082,351

**Weighted average coupon rates averaged by year of redemption.*

Long-term debt including general obligation bonds, revenue bonds and loans are scheduled to mature in the following fiscal years as of June 30 (amounts in thousands):

	General obligation bonds			Long-term debt other than general obligation bonds			Total obligations		
Year(s)	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	$ 77,750	$ 38,502	$ 116,252	$ 10,300	$ 8,420	$ 18,720	$ 88,050	$ 46,922	$ 134,972
2015	77,595	35,145	112,740	10,353	8,057	18,410	87,948	43,202	131,150
2016	72,965	31,561	104,526	10,629	7,611	18,240	83,594	39,172	122,766
2017	71,295	28,146	99,441	11,065	7,178	18,243	82,360	35,324	117,684
2018	68,215	24,865	93,080	11,032	6,724	17,756	79,247	31,589	110,836
2019-2023	268,695	80,490	349,185	62,464	25,875	88,339	331,159	106,365	437,524
2024-2028	148,270	29,669	177,939	58,611	10,912	69,523	206,881	40,581	247,462
2029-2033	44,010	3,654	47,664	17,650	880	18,530	61,660	4,534	66,194
Total	$ 828,795	$ 272,032	$ 1,100,827	$ 192,104	$ 75,657	$ 267,761	$ 1,020,899	$ 347,689	$ 1,368,588

6. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

All eligible employees participate in essentially one of three retirement plans. The State Employees' Retirement System (SERS), a single-employer defined-benefit pension plan, is administered by the State and covers approximately 43% of the University's eligible employees. Plan benefits and contribution requirements of plan members and the University are described in Section 5-152 to 5-192 of the General Statutes. The State is statutorily responsible for the pension benefits of University employees who participate in this plan; therefore, no liability for pension benefits is recorded in the University's financial statements. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the State legislature. The plan does not issue stand-alone financial reports. Information on the plan is publicly available in the State of Connecticut's Comprehensive Annual Financial Report.

The University also sponsors the Alternative Retirement Plan (ARP) for unclassified eligible employees, a defined contribution plan administered through a third-party administrator, ING Life Insurance and Annuity Company. Plan provisions, including contribution requirements of plan members and the University, are described in Section 5-156 of the General Statutes.

In accordance with the State Employees Bargaining Agency Coalition (SEBAC) ARP Grievance Award signed by the State and SEBAC on September 22, 2010, employees enrolled in ARP have the one-time opportunity to make their irrevocable choice to either remain in ARP or transfer to SERS. The University employs approximately 2,600 individuals eligible for the conversion. If eligible individuals choose to convert to SERS, fringe benefit costs for these individuals would increase. The deadline for this election shall be determined following receipt of the Internal Revenue Service Private Letter Ruling. It is unclear at this time what the financial impact on the University will be, if any.

On July 22, 2011, an agreement between the State and SEBAC was signed which created a new hybrid plan option for professional employees of higher education institutions. In accordance with the 2011 SEBAC agreement, all employees hired on or after July 1, 2011, that are otherwise eligible for ARP, shall have the choice to enroll into a new hybrid plan, in addition to the other two retirement plan options. Also, employees who are currently members of ARP will be eligible to join the hybrid plan on a one time option at the full actuarial cost. The hybrid plan has defined benefits identical to SERS, but will require additional employee contributions, and have the option of taking out a lump sum cash payment, including interest, at the time of retirement in lieu of a lifetime benefit. The University makes contributions on behalf of the employees for all plans, through a fringe benefit charge assessed by the State.

Employees previously qualified for the Teachers' Retirement System (TRS) continue coverage during employment with the University, and do not participate in the above mentioned retirement plans. TRS is a single-employer defined-benefit plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Plan benefits and required contributions of plan members and the University, are described in Section 10-183b to 10-183pp of the General Statutes.

With respect to the University's Department of Dining Services (DDS), of its 503 full-time employees, 78 participate in either SERS or ARP, while 425 are eligible to participate in two other retirement plans: the Department of Dining Services Money Purchase Pension Plan (MPPP) or the University of Connecticut Department of Dining Services 403(b) Retirement Plan. Under the provisions of MPPP, the University DDS is required to contribute 6% or 8% of employee's covered compensation for eligible employees, dependent upon hire date, and its employees do not make any contributions to the Plan. The MPPP is a defined contribution plan administrated through a third-party administrator, Pension Consultants, Inc. On behalf of MPPP participants, DDS contributed approximately $639,000 and $590,000 to the plan for the years ended June 30, 2013 and 2012, respectively.

In addition to the pension benefits, the State provides post retirement health care and life insurance benefits to University employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents' coverage) based on the plan chosen by the employee. In addition, the State pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of State service that the retiree had at the time of retirement. The State is responsible and finances the cost of post retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund; therefore, no liability is recorded in the University's financial statements.

7. COMPENSATED ABSENCES AND WAGES PAYABLE

Compensated absences are recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability for compensated absences is classified as current and noncurrent based on the amount estimated to be paid to eligible employees in one year and beyond one year, respectively. Compensated absences include accrued unused vacation, holiday, compensatory and sick leave balances for employees. As of June 30, 2013 and 2012, compensated absences totaled $33.2 million and $33.0 million, respectively. During fiscal year 2009, the State offered a Retirement Incentive Plan (RIP) to University employees. According to the terms of the RIP, unused vacation and sick leave will be paid in three payments on July 1 of each year, beginning July 1, 2012. Included in the current compensated absences liability as of June 30, 2013 and 2012, were $873,000 and $897,000, respectively, for accrued vacation and sick leave for University employees that participated in RIP. The noncurrent compensated absences liability as of June 30, 2013 and 2012, included $873,000 and $1.7 million, respectively, for such employees. The following table shows activity for compensated absences for the fiscal years ended June 30 (amounts in thousands):

	2013	**2012**
Beginning balance, July 1st	$ 33,006	$ 34,467
Additions, net	2,787	1,250
Deductions (separations only)	(2,566)	(2,711)
Ending balance, June 30th	$ 33,227	$ 33,006

Wages payable includes salaries and wages for amounts owed at the fiscal year end June 30. The State administers benefit and retirement plans for the University. Therefore, the payable for fringe benefits related to wages payable is included in due to the State as of June 30.

8. COMMITMENTS

On June 30, 2013, the University had outstanding commitments in excess of $500,000 each, which totaled $346.8 million, and included $343.6 million of commitments related to capital projects. Of this amount, commitments totaling $291.3 million related to UCONN 2000 capital projects that are administered by the University for the Health Center. The commitments on behalf of the Health Center are included in the due to affiliate (see Note 5). A portion of the total amount of outstanding commitments was also included in accounts payable on the Statement of Net Position as of June 30, 2013. In addition to the amount for capital outlay, commitments were also related to research and academic support. Of these commitments, the University expects approximately $1.7 million to be reimbursed by federal and state grants.

9. LEASES

Operating Leases

The University leases equipment and building space which expire at various dates. Future minimum rental payments at June 30, 2013 under non-cancelable operating leases, that exceeded $500,000 each, were as follows (amounts in thousands):

Fiscal Year	Payments
2014	$ 1,460
2015	1,532
2016	1,207
2017	374
2018	302
Thereafter	1,154
Total	$ 6,029

Expenses related to operating lease commitments in excess of $500,000 each were approximately $1.5 million and $1.0 million for the fiscal years ended June 30, 2013 and 2012, respectively.

Capital Leases

In December 2003, the University entered into a 20-year lease purchase agreement for a project to provide on-site generation of electricity, steam and chilled water for heating and cooling for the University at its Storrs campus. The project initially assumed a total cost of $75.0 million and included construction of a building, engineering, design and installation of certain equipment at the Storrs campus. The lease was amended in August 2005 as a result of an increase in the total anticipated cost to $81.9 million. With the amendment, monthly payments of $471,000 increased to $517,000. Payments began January 2006 with interest at a nominal rate of 4.42% on the first $75.0 million and 5.09% for the last $6.9 million of advances. The lease was amended again in July 2013 to reflect a new nominal rate of 3.22% on the total amount of advances. The remaining monthly payments decreased to $482,000 beginning August 2013, and the original lease term did not change. Amounts advanced by the lessor include capitalized interest during construction, and are reflected as long-term debt in the accompanying financial statements. At the completion of the lease term, the University has an option to purchase the project assets for one dollar. The historical cost and accumulated depreciation of the Cogeneration facility were $85.0 million and $26.1 million, respectively, as of June 30, 2013.

The University leases equipment assets with an historical cost and accumulated depreciation of $1.9 million and $335,000, respectively, as of June 30, 2013.

All assets subject to capital lease agreements are included in property and equipment on the accompanying Statements of Net Position, and depreciation on these assets is included in depreciation and amortization expense in the accompanying Statements of Revenues, Expenses, and Changes in Net Position (see Note 4). Loans related to these capital lease agreements are included in long-term debt and bonds payable on the accompanying Statements of Net Position (see Note 5).

10. DEFERRED INCOME AND CHARGES

Deferred income is comprised of certain restricted research and operating grants that are not included in revenue until the funds are expended; tuition and fees and auxiliary enterprises fees received in advance of services rendered for summer and fall sessions; athletic ticket sales and commitments received in advance of the season; and other revenues received but not earned.

As of June 30, 2013 and 2012 deferred income was as follows (amounts in thousands):

	2013	2012
Certain restricted research and operating grants	$ 8,358	$ 8,363
Tuition and fees and auxiliary enterprises	13,809	13,619
Athletic ticket sales and commitments	3,358	2,827
Total deferred income	$ 25,525	$ 24,809

A portion of current deferred charges totaling $661,000 and $741,000 and noncurrent deferred charges totaling $7.2 million and $7.9 million at June 30, 2013 and 2012, respectively, represented the cost of issuance on certain bond issuances which is amortized over the terms of the respective bond issues (see Note 5).

11. TUITION WAIVERS AND GRADUATE ASSISTANTSHIPS

The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is also required by collective bargaining agreements to waive tuition for certain employees and their dependents. The University has included the portion of waived tuition related to employees and their dependents as a fringe benefit cost and the same amount as tuition revenue in the Statements of Revenues, Expenses and Changes in Net Position. This increased tuition and fee revenues and operating expenses by $5.1 million and $5.2 million for the fiscal years ended June 30, 2013 and 2012, respectively. The total amount of waivers not reflected in the accompanying financial statements were $44.2 million and $43.6 million in fiscal years 2013 and 2012, respectively. In fiscal years 2013 and 2012, approximately 94% and 93%, respectively, were provided to graduate assistants. Of these amounts, $1.4 million and $1.1 million, respectively, were charged back to grants for reimbursement.

12. RELATED PARTY TRANSACTIONS

The Foundation

The Foundation is a tax-exempt organization supporting the University and the Health Center (see Note 1). The University has entered into a written agreement with the Foundation whereby the University agreed to provide financial support to the Foundation through a guaranteed contractual amount and the Foundation agreed to reimburse the University for certain operating expenses incurred on the Foundation's behalf. The terms of the agreement also stipulate that goals, objectives, and financial arrangements are reviewed and agreed-upon by both parties on a bi-annual basis. The University also provides other services to the Foundation in addition to this agreement.

The following transactions occurred between the University and the Foundation as of and for the years ended June 30, 2013 and 2012 (amounts in thousands):

	2013	2012
Amount paid to the Foundation for its guaranteed contractual services	$ 7,120	$ 7,120
Reimbursements from the Foundation for operating expenses	$ 290	$ 331
Accrued capital and noncapital gift and grant revenue from the Foundation	$ 22,461	$ 22,335
Amount receivable from the Foundation*	$ 2,533	$ 2,885

**Included in accounts receivable, net, in the accompanying Statements of Net Position.*

In accordance with the terms of a ground lease between the University and the Foundation, the University leases approximately 1.58 acres to the Foundation, on which the Foundation building was constructed, at an annual rental amount of one dollar. The initial term of the ground lease is ninety-nine years and the Foundation has the right to extend the term of the ground lease for another ninety-nine years. The ground lease provides that, at its expiration or earlier termination, the Foundation shall surrender the premises and title to the building will be transferred to the University.

The State

The State supports the University's mission primarily via two mechanisms: State appropriation and the provision of payments for fringe benefits. State appropriation represents amounts appropriated to the University from the State's General Fund. Payments for fringe benefits were made by the State for reimbursements related to salaries expensed from the General Fund.

State appropriation and the provision of payments for fringe benefits for the years ended June 30, 2013 and 2012 consisted of the following (amounts in thousands):

	2013	2012
Amount of General Fund appropriation received from the State	$ 195,847	$ 205,586
Amount of payments for fringe benefits received from the State	89,099	86,522
Increase (decrease) of General Fund payroll included in receivable from the State	3,510	(9,738)
Total appropriation and payments for fringe benefits from the State	$ 288,456	$ 282,370

In fiscal year 2012, the University experienced a reduction of approximately $39.4 million in appropriation and payments for fringe benefits as a result of the State's economic difficulties. Prior to increases in fringe benefit rates, the State also rescinded approximately $15.0 million in appropriation and payments for fringe benefits in response to a widening State budget deficit in fiscal year 2013. For fiscal year 2014, the University will be subject to reductions in State support for required adjustments to agency-specific appropriations in accordance with Public Act 13-184, as amended by Public Act 13-247. The reductions pertaining to this legislation are estimated at $1.2 million in fiscal year 2014.

Pursuant to various public or special bond acts, the General Assembly empowers the State Bond Commission to authorize and approve the issuance of bonds for a variety of projects or purposes. In 2011, the State Bond Commission authorized $172.5 million of State General Obligation Bonds to create a Tech Park on the Storrs campus (see Note 5). On August 26, 2011, they approved and issued $18.0 million to finance the initial design and development costs of the Tech Park. On April 26, 2013, they approved an additional issuance of $20.0 million to purchase equipment for the Tech Park. These bonds are an obligation of the State; therefore, they are not recorded as a liability in the accompanying financial statements. The total amounts of $20.0 million and $18.0 million allotted by the State were recorded as capital allocations in other changes in net position in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2013 and 2012, respectively. The unspent portion of these amounts were $35.6 million and $17.8 million as of June 30, 2013 and 2012, respectively, and were included in due from the State of Connecticut in the accompanying Statements of Net Position.

The State and the University were defendants in a lawsuit that was settled for $5.5 million in September 2013. The settlement was paid by the State from funds appropriated to the State Insurance Risk Management Board and from certain insurance policies maintained by the State (see Note 13).

Health Center and Office of Economic Development

Prior to fiscal year 2013, the Office of Technology Commercialization (OTC) was established as a university-wide function consisting of the following divisions: the Center for Science and Technology Commercialization (CSTC), the Research and Development Corporation (R&D Corp), and the Technology Incubation Program (TIP). In fiscal year 2012, the funding for these divisions was consolidated into the Health Center's budget, a part of which was reimbursed by the University in accordance with an annual memorandum of agreement for the transfer of funds. The aggregate total contributed by the University to fund the OTC in fiscal year 2012 was $952,000. Of this amount, $326,000 represented expenses paid by the University associated with OTC functions based on the Storrs campus.

During fiscal year 2012, the Office of Economic Development (OED) was established to ensure the successful economic development outcomes for the Tech Park and Bioscience Connecticut initiative along with coordinating all of the University's economic development activities. The OED consists of divisions formally under the OTC with the addition of the U.S. Economic Development Administration Program. In fiscal year 2013, the Health Center and the University each provided fifty percent funding for CSTC, R&D Corp, and TIP in accordance with an annual memorandum of agreement. The OED budget was managed by the University while selected expenses were paid directly by the Health Center. Any amounts owed by the Health Center for its remaining OED funding obligations were reimbursed directly to the University.

The University also engaged in certain cost share arrangements with the Health Center for shared services such as senior management salaries and managed UCONN 2000 funds for the Health Center's construction projects as well.

University of Connecticut Alumni Association
The University and the University of Connecticut Alumni Association (Association), a Connecticut non-stock corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code have an agreement that recognizes the benefits of a coordinated approach to alumni relationship building and defines the responsibilities of the parties. During the years ended June 30, 2013 and 2012, the University directed $1.1 million of support each year to the Association. The amounts supported by the University consist primarily of payroll and other operating expenses which facilitate the alumni programs and services for the benefit of the University. The Association also agreed to reimburse the University for certain operating expenses incurred on the Association's behalf. The amounts owed to the University related to these expenses from the Association as of June 30, 2013 and 2012 were $45,000 and $14,000, respectively, which were included in accounts receivable, net, in the accompanying Statements of Net Position.

Additionally, the Association manages the University's license plate program that has been established through the Department of Motor Vehicles. All revenue received by the University from the license plate program is disbursed to the Association to fund scholarships and to further support alumni outreach efforts. There was approximately $2,120 and $1,400 payable to the Association for the license plate program as of June 30, 2013 and 2012, respectively.

Campus Associates Limited Partnership
The University entered into a 50-year land lease with Campus Associates Limited Partnership (Campus Associates) on February 1, 2000. The limited partnership was formed for the purpose of managing the Nathan Hale Inn, a hotel located on campus. The lease provided for base rents of $5,000 for the first five years and $25,000 for the sixth year. For the seventh year and every year thereafter, base rent is adjusted by the increase in the Consumer Price Index. In exchange for a rent concession amounting to $100,000 in total for five years, the University received two limited partnership units. On June 15, 2009, the University purchased a third unit in the limited partnership paying $50,000 for the limited partnership interest (see Note 2). Under the land lease agreement, Campus Associates is responsible for certain costs which include real estate taxes, charges for public utilities, and other services. The amounts owed by Campus Associates for these costs as of June 30, 2013 and 2012, were $156,000 and $104,000, respectively, which were included in accounts receivable, net, in the accompanying Statements of Net Position.

Mansfield Downtown Partnership, Incorporated
The Mansfield Downtown Partnership, Incorporated (MDP) is a not-for-profit corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and is comprised of the Town of Mansfield (Mansfield), the University, and individual business members and residents. MDP is responsible for organizing the enhancement and revitalization of three of Mansfield's commercial areas: Storrs Center, King Hill Road and the Four Corners. In accordance with its governing by-laws, members are required to submit annual dues, as determined by the board of directors, in lieu of financial support. In fiscal years 2013 and 2012, the University paid $125,000 each year in annual membership dues to MDP.

In connection with the Storrs Center project, the University entered into an agreement with the master developer of the project to sell 18.80 acres of land for approximately $101,000 per acre which is to be divided up in phases. In fiscal years 2013 and 2012, the University conveyed 5.09 acres and 1.80 acres, respectively, to the master developer which were sold at the stated price per acre. Related to the respective land sales in fiscal year 2012, the University conveyed 4.04 acres that were in turn, transferred to Mansfield at no cost for the provision of public improvements. In a separate transaction, the University also transferred 24.2 acres of land subject to a conservation restriction to Mansfield for consideration of one dollar in fiscal year 2012. Further land transactions are expected as the Storrs Center project continues to progress. Moreover, the University also provided water and sewer services, which were billed in accordance with the University's standard billing practices.

In addition, the University has also provided office space and administrative support for certain other related parties.

13. CONTINGENCIES

Certain claims and judgments against the University are covered by the State under Connecticut General Statute § 4-160 (see Note 12), which governs most tort and breach of contract claims. Additional coverage is provided for the University by insurance policies and funds maintained by the State.

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of the majority of these matters will not have a material effect on the University's financial statements. However, there are a small number of outstanding matters, including unasserted claims, of potential individual significance. With respect to two matters, certain claimants seek an aggregate of approximately $25.0 million. If claimants are successful, the claim would be paid from the State's General Fund, not from the University. The State expects these matters to be resolved for substantially less than the amounts claimed.

In the opinion of legal counsel, the aggregate exposure pertaining to the other remaining claims and unasserted claims cannot be reasonably estimated but is not expected to exceed $5.0 million.

A matter involving allegations of misconduct by a University faculty member has received public attention. In the opinion of legal counsel, this matter does not constitute pending or threatened litigation, nor does it constitute an unasserted possible claim or assessment probable of assertion.

The University also participates in federal, state and local government programs that are subject to final audit by the granting agencies. Management believes the adjustment of costs, if any, resulting from such audits would not have a material effect on the University's financial statements.

14. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The table below details the University's operating expenses by natural classification for the years ended June 30, 2013 and 2012 (amounts in thousands):

For the fiscal year ended June 30, 2013:

	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	Total
Instruction	$ 203,219	$ 73,328	$ 25,655	$ -	$ -	$ 302,202
Research	39,543	8,956	26,449	-	-	74,948
Public services	22,322	7,444	9,302	-	-	39,068
Academic support	61,143	26,573	29,963	-	-	117,679
Student services	19,785	7,738	5,787	5	-	33,315
Institutional support	31,340	16,202	15,696	64	-	63,302
Operations and maintenance	31,984	20,484	36,270	12,923	-	101,661
Depreciation and amortization	-	-	-	-	91,713	91,713
Student aid	301	3	6,850	-	-	7,154
Auxiliary enterprises	73,048	29,821	57,872	6,733	-	167,474
	$ 482,685	$ 190,549	$ 213,844	$ 19,725	$ 91,713	$ 998,516

For the fiscal year ended June 30, 2012:

	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	Total
Instruction	$ 198,883	$ 65,031	$ 27,456	$ -	$ -	$ 291,370
Research	40,887	9,423	23,199	-	-	73,509
Public services	21,169	6,444	7,865	-	-	35,478
Academic support	59,226	23,671	25,443	-	-	108,340
Student services	21,974	8,228	5,054	-	-	35,256
Institutional support	28,130	12,513	12,749	73	-	53,465
Operations and maintenance	32,942	19,549	33,824	14,087	-	100,402
Depreciation and amortization	-	-	-	-	88,478	88,478
Student aid	361	1	5,745	-	-	6,107
Auxiliary enterprises	70,813	27,905	58,146	7,524	-	164,388
	$ 474,385	$ 172,765	$ 199,481	$ 21,684	$ 88,478	$ 956,793

TRUSTEES AND FINANCIAL OFFICERS
As of June 30, 2013

UNIVERSITY OF CONNECTICUT
1881

SCHEDULE 2

UNIVERSITY OF CONNECTICUT HEALTH CENTER JUNE 30, 2013
AUDITED FINANCIAL STATEMENTS

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University of Connecticut
Health Center

Financial Report

For the Year Ended June 30, 2013

Message from the Executive Vice President for Administration and the Chief Financial Officer

Founded in 1881, the University of Connecticut (University) serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research and service. The University of Connecticut is a comprehensive institution of higher education which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. The financial statements contained herein represent the transactions and balances of the Health Center only.

The University's Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is now responsible for the budgetary allocation of its State appropriation, check-writing authority, human resource control, and purchasing authority and, with the advent of UCONN 2000 in 1995, management of capital activities, including projects for the Health Center starting in 2005.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans, operating and capital budgets approved by the University Board of Trustees. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises oversight of all University financial reporting and processes and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University's internal audit capacity and the work performed by state auditors. An important component of external oversight, the Auditors of Public Accounts issue an Independent Auditors' Report on the financial statements of the Health Center. They are responsible for auditing its financial operations and their opinion appears in this report.

The University of Connecticut Health Center is an academic medical center composed of the School of Medicine, School of Dental Medicine, John Dempsey Hospital, the UConn Medical Group, University Dentists, the University of Connecticut Finance Corporation and Correctional Managed Healthcare (CMHC). Established in 1961, the Health Center pursues its mission of providing outstanding health care education in an environment of exemplary patient care, research and public service. With approximately 5,000 employees, the Health Center is one of Connecticut's largest employers and an important contributor to the local and regional economy. The Health Center's campus in Farmington is situated on 209 acres of wooded hilltop from which the skyline of Hartford, the capital of Connecticut, can be seen about eight miles to the east. (The University's main campus is in Storrs, about 30 miles east of Hartford.) The Health Center campus includes 23 buildings totaling close to 2.2 million square feet.

Educational Programs

Dedicated to providing broad educational opportunities in the biomedical sciences, the Health Center offers degree programs in medicine (M.D.), dental medicine (D.M.D.), and biomedical science (Ph.D.); master's degree programs in public health and dental science; postdoctoral fellowships; residency programs providing specialty training for newly graduated physicians and dentists; and continuing education programs for practicing health care professionals. Combined degree programs, such as the M.D./Ph.D., D.M.D./Ph.D., Dental Clinical Specialty/Ph.D. and M.D. /M.P.H. are also offered.

The UConn Health Center is the only academic health center in the nation where a medical school was founded concurrently with a dental school, a circumstance which led to strong links. Medical and dental students share an essentially common curriculum during the first two years of their four-year degree programs and study the basic medical sciences together. This experience provides UConn's dental students with an especially strong foundation in the biomedical sciences, reflected in the dental school's decision to award its graduates the D.M.D. (Doctor of Medical Dentistry).

Each year at UConn, approximately 370 students work toward the medical doctor's degree and 170 toward the doctor of medical dentistry degree. Admission to each school is highly competitive; both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards. In the years since the

Health Center graduated its first students in 1972, 1,491 men and women have received the D.M.D. degree; 3,136 the M.D. degree.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 600 newly graduated M.D.s each year. These physicians come from all over the country to acquire advanced skills in fields such as the surgical specialties, internal medicine, and primary care. Some of the residency training occurs on the Health Center's main campus, but much of it takes place in community hospitals in Greater Hartford, thereby extending the Health Center's positive impact on the region.

Research Programs
Since the Health Center's inception, high-quality research programs have been part of the institution's fabric. This history has enabled the Health Center to recruit distinguished researchers with expertise in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell physiology, toxicology, and endocrinology, among other fields. The Alcohol Research Center is one of only 27 such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of ten. In recent years, the University has also become a leader in stem cell research. Clinical research is facilitated by the Lowell Weicker General Clinical Research Center and the Clinical Trials Unit. Research awards have grown from $44.8 million in FY 97 to over $89.1 million in FY 13.

Health Care Services
Through John Dempsey Hospital (234 licensed beds), the Health Center provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular, cancer and musculoskeletal services, as well as high risk maternity and neonatal intensive care. John Dempsey Hospital is home to the only Emergency Department in Connecticut's fast-growing Farmington Valley and contributes to the region's health in other ways. Health Center physicians make up the UConn Medical Group, the largest medical practice in Greater Hartford, offering primary care and services in more than 50 specialties.

While the hospital and faculty practice continue to have strong volume, the challenges of the health care marketplace (recruitment, malpractice reserves and low reimbursement) continue to take their toll. John Dempsey Hospital's financial health is also directly affected by its small size, bed distribution, poorly reimbursed services provided as part of its public mission and cost factors resulting from its status as a state entity.

Connecticut Health
UConn Health Center faculty, staff, residents, and students participate in a variety of joint efforts to address public health and community health needs of citizens throughout our state. Under the umbrella of Connecticut Health, hundreds of projects have been developed in collaboration with other state agencies, city and town governments, community-based organizations and the public to serve the poor and uninsured by providing better medical care and health education. The UConn Health Center is committed to finding new and effective ways to reach out to the public at large as part of the University's ongoing effort to bring a better quality of life to all our citizens.

Respectfully Submitted,

Richard D. Gray
Executive Vice President for Administration &
Chief Financial Officer
University of Connecticut

Jeffrey P. Geoghegan
Interim Chief Financial Officer

University of Connecticut Health Center

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

Report on Financial Statements

We have audited the accompanying financial statements of the University of Connecticut Health Center (Health Center), a component unit of the University of Connecticut system, which includes the University of Connecticut, the Health Center and the University of Connecticut Foundation, Inc., which comprise the statement of net position as of June 30, 2013 and 2012, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the John Dempsey Hospital, which represented 17 and 18 percent of the assets of the Health Center as of June 30, 2013 and 2012, respectively and 36 and 31 percent of the revenues of the Health Center for the years then ended. 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 John Dempsey Hospital, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 financial position of the Health Center, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The accompanying Management Discussion and Analysis on pages 4 through 9 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sincerely,

Robert M. Ward

Robert M. Ward
Auditor of Public Accounts

John C. Geragosian
Auditor of Public Accounts

January 17, 2014
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion and Analysis

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Connecticut Health Center (Health Center) for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Founded in 1881, the University of Connecticut (University) serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research and service. The University of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center. Although governed by a single Board of Trustees, the University of Connecticut and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority.

The financial statements presented here represent the transactions and balances of the Health Center only. The Health Center offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. The Health Center's component parts are the School of Medicine, School of Dental Medicine, UConn Medical Group, the University of Connecticut Finance Corporation, Correctional Managed Healthcare (CMHC), and University Dentists ("Primary Institution") and John Dempsey Hospital ("Hospital"). The Health Center's enrollment in fiscal year 2013 was 368 in the School of Medicine, 174 in the School of Dental Medicine, and 331 Graduate students, taught by over 500 faculty members. The Health Center in total employs approximately 5,000 FTE's. John Dempsey Hospital (JDH) has 184 staffed acute care beds. In fiscal year 2013, adjusted patient days (a measure of total hospital volume) were 98,000, a decrease of 1.1% over comparable prior year adjusted patient days. During 2013, UConn Medical Group (UMG) had over 543,000 unique patient visits.

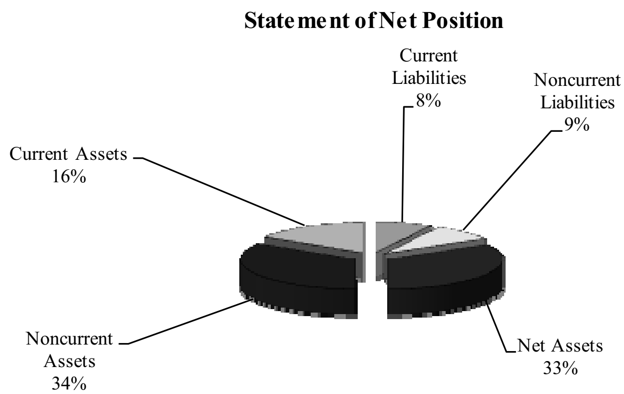
The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview and analysis of those statements. It is designed to assist readers in understanding the accompanying financial statements required by GASB. This discussion, which is unaudited, includes an analysis of the financial condition and results of activities of the Health Center for the fiscal year ended June 30, 2013, based on currently known facts, decisions, or conditions. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows) present the financial position of the Health Center at June 30, 2013, and the results of operations and financial activities for the year then ended. These statements report information about the Health Center using accounting methods similar to those used by private-sector companies. In addition, a prior year column is presented for comparison purposes. The statements of net position include all of the Health Center's assets and liabilities. The statements of revenues, expenses and changes in net position reflect the year's activities on the accrual basis of accounting, i.e., when services are provided or obligations are incurred, not when cash is received or paid. These statements report the Health Center's net assets and how they have changed. Net assets (the difference between assets and liabilities) are one way to measure financial health or position. The statements of cash flows provides relevant information about each year's cash receipts and cash payments and classifies them as to operating, investing, noncapital financing and capital and related financing activities. The financial statements include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

The Health Center's financial position at June 30, 2013, consisted of assets of $597.8 million and liabilities of $200.1 million. Net assets, which represent the residual interest in the Health Center's assets after liabilities are deducted, decreased $5.4 million during fiscal year 2013 to $397.7 million.



The decrease in net assets is attributable to operating losses and charges for losses on disposal associated with the revitalization of the Health Center campus in association with Bioscience Connecticut initiatives.

Changes in net assets represent the operating activity of the Health Center, which results from revenues, expenses, gains and losses, and are summarized for the years ended June 30, 2013, 2012, and 2011 as follows:

(in millions)	2013	2012	2011
Total operating revenue	$ 636.7	$ 621.6	$ 592.9
Total operating expenses	864.2	831.4	814.9
Operating (loss)	(227.5)	(209.8)	(222.0)
Other changes in net assets	222.1	273.3	215.8
(Decrease)/Increase in net assets	$ (5.4)	$ 63.5	$ (6.2)

The financial statements contained herein show an operating loss of $227.5 million for the year ending June 30, 2013 (fiscal year 2013). The measure more indicative of normal and recurring activities is net income before capital appropriations and losses on disposals, which includes revenue from state appropriations. Additions to capital assets are, in a large part, funded by capital appropriations from the state and issuance of UCONN 2000 bond funds, which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income, so a loss under this measurement is expected. The Health Center experienced a loss before capital appropriations and losses on disposals of $7.4 million in fiscal year 2013.

Some sources of recurring operating and nonoperating revenues increased in 2013, including tuition and fees revenue, patient service revenues and contract revenues. These categories are expected to have slight increases in 2014. State support, not including state funded capital appropriations, increased 5.1% in fiscal 2013. The increase was the result of additional funds being allocated to support Bioscience Connecticut endeavors as well as the realization of higher In Kind fringe benefits on increasing fringe benefit costs. State support is expected to remain stable for the upcoming fiscal year.

STATEMENTS OF NET POSITION

The statements of net position present the financial position of the Health Center at the end of the fiscal years and includes all assets and liabilities of the Health Center. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of the Health Center, while the change in net assets is an indicator of whether the overall financial condition has improved or deteriorated during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the Health Center's assets, liabilities and net assets at June 30, 2013, 2012, and 2011 is as follows:

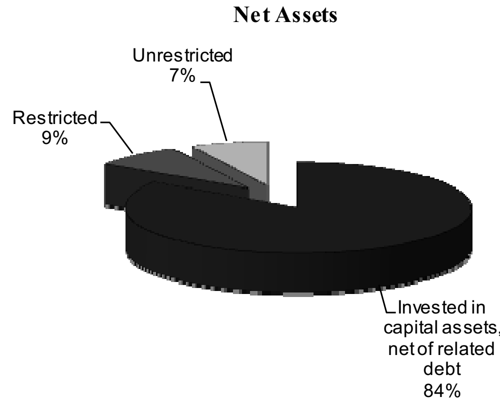
	(in millions) 2013	2012	2011
Current assets	$ 193.2	$ 237.1	$ 207.6
Noncurrent assets:			
Capital assets, net	397.9	320.1	298.3
Other	6.7	4.8	8.7
Total assets	597.8	562.0	514.6
Current liabilities	94.0	99.1	113.5
Noncurrent liabilities	106.1	59.8	61.5
Total liabilities	200.1	158.9	175.0
Net assets	$ 397.7	$ 403.1	$ 339.6

The total assets of the Health Center increased by $35.8 million, or 6.4%, over the prior year. The increase was primarily attributable to increases in Property, Plant, and Equipment which are the result of continued capital expansion at the Health Center and includes $37.7 million of construction in progress for UCHC's new Ambulatory Care Center.

Total liabilities increased by $41.2 million or 25.9% from 2012. The primary driver of the increase was the addition of $46.6 million in long term debt associated with the construction of the Ambulatory Care Center. This increase was offset by normal operational changes to the statements of net position including decreases of $4.2 million in Deferred Revenue and $4 million in amounts Due to Third Party Payors.

Net Assets

Net assets represent the residual interest in the Health Center's assets after liabilities are deducted. The Health Center had net assets of $397.7 million at June 30, 2013.



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statements of revenues, expenses and changes in net position present the Health Center's results of operating and nonoperating activities. A summary of the Health Center's revenues, expenses and changes in net assets for the years ended June 30, 2013, 2012 and 2011 are as follows:

	(in millions) 2013	2012	2011
Operating revenues			
Patient Services	$ 432.0	$ 429.5	$ 422.1
Grants and Contracts	88.2	84.6	86.0
Other	116.5	107.5	84.8
Total operating revenue	636.7	621.6	592.9
Operating expenses			
Patient services	522.8	506.7	492.8
Instruction	141.2	129.2	129.8
Other	200.2	195.5	192.3
Total operating expenses	864.2	831.4	814.9
Operating (loss)	(227.5)	(209.8)	(222.0)
Net nonoperating revenues	220.1	210.8	215.6
Other Changes in Net Assets	2.0	62.5	0.2
Inc/(Dec) in net assets	$ (5.4)	$ 63.5	$ (6.2)

Revenue highlights for the year ending June 30, 2013, including operating and nonoperating revenues, presented on the Statements of Revenues Expenses, and Changes in Net Position are as follows:

- The largest source of revenue was patient service revenue. Net Patient service revenue increased $2.5 million or .6% over prior year. Prior to eliminations the increase for John Dempsey Hospital was $7.9 million. Increases in John Dempsey Hospital reflect strategic rate increases and ongoing shifts in patient and payor mix throughout the Hospital's lines of service. UConn Medical Group net revenues remained flat year over year. The Correctional Managed Health Care program revenues declined by $9.2 million compared to prior year. This decline reflects continued decreases in operational costs of the program. More detailed information about the Health Center's patient revenue is presented in note 4 of the financial statements.

- The state appropriation (including In Kind fringe benefits), which is included in nonoperating revenues, totaled $213.4 million. This represents a 5.1% increase over the prior year and includes both increases in appropriations in support of Bioscience Connecticut and increases in amounts of recognized In Kind fringe benefits.

Highlights of expenses including operating and nonoperating expenses presented on the Statements of Revenues, Expenses and Changes in Net Position are as follows:

- Patient service expense is the largest expense category for the Health Center; it accounts for 60.5% of total operating expenses. It increased to $522.8 million or 3.2% over the prior year. The increase is attributable to increases in patient volume and related increases in salary and fringe costs for John Dempsey Hospital.

STATEMENTS OF CASH FLOWS

The statements of cash flows provide additional information about the Health Center's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the years ended June 30, 2013, 2012, and 2011 is as follows:

	(in millions)		
	2013	**2012**	**2011**
Cash received from operations	$ 591.1	$ 583.9	$ 604.8
Cash expended for operations	(716.1)	(683.0)	(692.4)
Net cash used in operating activities	(125.0)	(99.1)	(87.6)
Net cash (used) provided by investing activities	(0.5)	0.8	1.0
Net cash provided by noncapital financing activities	130.0	117.1	135.2
Net cash used in capital and related financing activities	(42.7)	(33.7)	(52.5)
Net (decrease)/increase in cash and cash equivalents	(38.2)	(14.9)	(3.9)
Cash and cash equivalents, beginning of the year	84.8	99.7	103.6
Cash and cash equivalents, end of the year	$ 46.6	$ 84.8	$ 99.7

CAPITAL AND DEBT ACTIVITIES

During fiscal year 2013 the Health Center again participated in the UCONN 2000 program. This is the third phase of the program also known as 21st Century UConn, which provides $1.8 billion for improvements to facilities at the University and the Health Center. The Health Center is scheduled to receive $775.3 million over the life of this program. There was no bond issuance during fiscal year 2013 and therefore no associated revenue was recorded. During fiscal year 2012, the Health Center received $62.5 million from the UCONN 2000 bond issuance which was included in the capital appropriation line in the Statements of Revenues, Expenses, and Changes in Net Position.

At June 30, 2013, the Health Center had plant and equipment, net of accumulated depreciation, of $397.9 million. The Health Center's fiscal 2014 capital budget allows for spending of approximately $175.6 million, including spending projections of $151 million from projects funded through UCONN 2000 Bond Funds, and $24.6 million from other Health Center sources.

During fiscal year 2013, the Health Center entered into a mortgage agreement with Teachers Insurance and Annuity Association (TIAA) to provide $203 million for the construction of the Ambulatory Care Center (ACC). The project, expected to be completed in April of 2015, will provide new clinical space. During Fiscal 2014, the Health Center will have an additional $115 million available for the construction of the ACC. This amount is not included in the figures above.

The Health Center also continued to make payments on existing debt during the year. John Dempsey Hospital completed payback on its outstanding capital leases while the Finance Corporation continued payment on the Medical Arts and Research Building. More detailed information about the Health Center's capital assets and debt activities are presented in notes 5 and 7 of the financial statements.

FISCAL YEAR 2014 OUTLOOK

As we look forward to fiscal year 2014, the Health Center's main concerns are maintaining outstanding research, education and clinical care while adapting to changes resulting from the state's Bioscience Connecticut initiative, national healthcare reform, and changes resulting from the weakening financial positions of both Federal and State governments.

In 2011, the State of Connecticut made strategic investments in the University of Connecticut and the University of Connecticut Health Center firmly planting the seeds for Connecticut to be at the forefront of the growing bioscience industry. The investments were made with the promise that they would leverage other bioscience initiatives.

The General Assembly approved the Bioscience Connecticut Initiative (Public Act 11-75), a bold $864 million plan to reinvigorate all three areas of the Health Center's mission – research, education and clinical care. These investments would use the Health Center as a cornerstone for reinventing Connecticut's economy by generating long term sustainable economic growth based on bioscience research, innovation, entrepreneurship and commercialization. Of note, the project also calls for short-term economic activity through a surge of construction-related jobs attributable to the expansion and renovation of the Health Center's clinical and research infrastructure.

Bioscience Connecticut is a multifaceted plan that will strengthen our state's position as a national and global center for bioscience innovation and improve access to quality health care for Connecticut citizens, while simultaneously securing the UConn Health Center's future as a top tier academic medical center.

Construction components of Bioscience Connecticut on the Health Center campus include:

- Renovating and modernizing, for the first time in its history, the Health Center's original research facilities on the Farmington campus. This will include expanding space for startup bioscience businesses.
- Constructing a new patient care tower.
- Renovating the John Dempsey Hospital.
- Constructing, with private financing, a new ambulatory care center on the lower campus.

Programmatic components of Bioscience Connecticut include:

- Recruiting new faculty, including clinician-scientists, basic scientists and clinicians to increase healthcare access and double federal and industry research awards.
- Doubling existing business incubator space.
- Expanding the School of Medicine and School of Dental Medicine class sizes by 30 percent.
- Implementing a loan forgiveness program for UConn medical and dental school graduates who pursue careers in primary care in Connecticut.
- Partnering with local hospitals and health care organizations to address pressing health care needs.

The immediate short-term goals of the initiative are already being realized – construction on the Health Center campus is well underway. The projects are proceeding on time and on budget. The first of 3 new parking garages opened in May, and the Ambulatory Care Center (ACC) Project, the Hospital Tower and the Jackson Laboratory Building are all very active construction sites. Also, Jackson Laboratory researchers are on site working in leased space on the Health Center campus.

CONTACTING THE HEALTH CENTER'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of the Health Center's finances and operations. If you have questions about this report or need additional financial information, please contact the Office of the Chief Financial Officer, University of Connecticut Health Center, Farmington, Connecticut 06030.

FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF NET POSITION
As of June 30, 2013 and 2012

($ in thousands)		2013		2012
ASSETS				
Current Assets				
Cash and cash equivalents	$	46,236	$	84,404
Patient receivables, net		47,513		41,110
Contract and other receivables		38,048		33,744
Construction escrow account		21,859		-
Due from Affiliates		3,938		48,300
Due from State of Connecticut		5,262		5,126
Due from Department of Correction		12,636		9,591
Inventories		10,478		10,040
Prepaid expenses		7,192		4,754
Total current assets		193,162		237,069
Noncurrent Assets				
Restricted cash and cash equivalents		400		384
Other assets		1,297		615
Assets limited as to use		-		3,643
Due from State of Connecticut		5,032		158
Capital assets, net		397,903		320,137
Total noncurrent assets		404,632		324,937
Total assets	$	597,794	$	562,006
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	39,417	$	36,054
Due to State of Connecticut		4,280		5,183
Accrued salaries		19,285		17,945
Compensated absences		20,161		19,758
Due to third party payors		2,714		6,741
Deferred revenue		4,705		8,887
Malpractice reserve		2,451		2,742
Long-term debt - current portion		1,007		1,833
Total current liabilities		94,020		99,143
Noncurrent Liabilities				
Malpractice reserve		17,438		17,215
Compensated absences		26,725		26,191
Long-term debt		61,881		16,335
Total noncurrent liabilities		106,044		59,741
Total liabilities	$	200,064	$	158,884
NET POSITION				
Invested in capital assets, net of related debt	$	335,015	$	301,969
Restricted for				
Nonexpendable				
Scholarships		61		61
Expendable				
Research		1,982		3,436
Loans		794		1,081
Capital projects		30,829		48,458
Unrestricted		29,049		48,117
Total net assets	$	397,730	$	403,122

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012

($ in thousands)	2013	2012
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $5,039 and $4,648, respectively)	$ 13,812	$ 13,746
Patient services (net of charity care of $801 and $543, respectively)	432,032	429,546
Federal grants and contracts	60,651	56,904
Nonfederal grants and contracts	27,593	27,690
Contract and other operating revenues	102,574	93,730
Total operating revenues	636,662	621,616
OPERATING EXPENSES		
Educational and General		
Instruction	141,182	129,217
Research	60,918	63,080
Patient services	522,825	506,720
Academic support	20,011	20,200
Institutional support	53,114	53,059
Operations and maintenance of plant	33,606	28,031
Depreciation	32,365	30,875
Student aid	136	165
Total operating expenses	864,157	831,347
Operating loss	(227,495)	(209,731)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	213,371	202,997
Transfer from/(to) State and outside programs	-	1,312
Gifts	7,658	7,435
Investment income (net of investment expense of $98 and $16, respectively)	124	101
Interest on capital asset - related debt	(1,072)	(1,095)
Net nonoperating revenues	220,081	210,750
Loss before other revenues, expenses, gains or losses	(7,414)	1,019
OTHER CHANGES IN NET ASSETS		
Capital appropriations	5,000	62,500
Loss on Disposal	(2,978)	(7)
Net Other Changes in Net Assets	2,022	62,493
(Decrease)/Increase in net assets	(5,392)	63,512
NET ASSETS		
Net assets-beginning of year	403,122	339,610
Net assets-end of year	$ 397,730	$ 403,122

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

($ in thousands)	2013	2012
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 418,557	$ 426,761
Cash received from tuition and fees	13,770	13,718
Cash received from grants, contracts and other revenue	158,799	143,438
Cash paid to employees for personal services and fringe benefits	(454,175)	(435,051)
Cash paid for other than personal services	(261,942)	(247,981)
Net cash used in operating activities	(124,991)	(99,115)
Cash flows from investing activities:		
Net change in malpractice, advances and bond trust funds	(578)	727
Interest received	118	101
Net cash (used)/provided by investing activities	(460)	828
Cash flows from noncapital financing activities:		
State appropriations	122,309	109,670
Gifts	7,658	7,435
Net cash provided by noncapital financing activities	129,967	117,105
Cash flows from capital and related financing activities:		
Additions to property and equipment	(108,946)	(52,726)
Transfer from/(to) State and outside programs	—	1,312
Capital appropriations	44,488	21,055
Interest paid	(1,072)	(1,095)
Net repayment, proceeds from long-term debt	22,862	(2,261)
Net cash used in capital and related financing activities	(42,668)	(33,715)
Net (decrease) in cash and cash equivalents	(38,152)	(14,897)
Cash and cash equivalents at beginning of year	84,788	99,685
Cash and cash equivalents at end of year	$ 46,636	$ 84,788

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2013 and 2012

Reconciliation of operating loss to net cash used in operating activities:

($ in thousands)	2013	2012
Operating loss	$ (227,495)	$ (209,731)
Adjustments to reconcile operating income to net cash		
Used in operating activities:		
Depreciation	32,365	30,875
Personal services and fringe benefits In Kind from State	90,994	93,875
Changes in assets and liabilities:		
Patients receivables, net	(6,403)	1,550
Contract and other receivables	(4,305)	(7,921)
Due from DOC	(3,045)	(1,659)
Inventories	(438)	10
Third party payors	(4,027)	(2,675)
Prepaid expenses	(2,438)	3,928
Other assets	(683)	24
Accounts payable and accrued liabilities	2,625	5,498
Due to State of Connecticut	(168)	3,565
Accrued salaries	1,340	(14,882)
Compensated absences	937	2,138
Deferred revenue	(4,182)	(3,228)
Malpractice reserve	(68)	(482)
Net cash used in operating activities	$ (124,991)	$ (99,115)

Schedule of Non-Cash Financing Transactions		
Mortgage Proceeds held by Trustee in construction escrow account	21,859	—
Accruals of Expenses related to Construction in Progress	4,162	—

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

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NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements
For the Years Ended June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut Health Center (the "Health Center") is a part of a comprehensive institution of higher education, the University of Connecticut (the "University"). Although governed by a single Board of Trustees, the Health Center and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and state appropriations. The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. These financial statements represent transactions and balances of the Health Center for the years ended June 30, 2013 and 2012, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group, University of Connecticut Health Center Finance Corporation, Correctional Managed Healthcare (CMHC) and University Dentists (the "Primary Institution") and John Dempsey Hospital (the "Hospital"). The Health Center offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. There is also an affiliated entity that supports the mission of the Health Center: The University of Connecticut Foundation Inc. (the "Foundation"). The Foundation raises funds to promote, encourage, and assist education and research at the University, including its Health Center.

Basis of Presentation

The Health Center's financial statements are prepared using the economic resources measurement focus and in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," states that proprietary activities may elect to apply the provisions of Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Health Center has not elected this option.

Effective July 1, 2001, the Health Center adopted GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. GASB Statement No. 35 establishes standards for financial reporting for public colleges and universities. These reporting standards focus on the University as a whole rather than on accountability by individual fund groups and provide accounting and financial reporting guidelines, enhancing the usefulness and comprehension of financial reports by external users. To that end, GASB requires that resources be classified for accounting and reporting purposes into the following net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation, and reduced by outstanding principal balances of borrowings attributable to the acquisition, construction, or improvement of those assets.

- **Restricted nonexpendable:** Represents endowment and similar type assets in which donors or outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may be expended or reinvested in principal.

- **Restricted expendable:** Net assets that are expendable but where the Health Center is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.

- **Unrestricted:** Consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." These assets are not subject to externally imposed stipulations. These assets, while not restricted, are generally designated to support instruction, research, auxiliary enterprises, and capital projects.

Expenses are charged to either restricted or unrestricted net assets based on the variety of factors, including consideration of prior or future revenue sources, the type of expense incurred, the Health Center's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

For reporting periods beginning after June 15, 2005, GASB Statement No. 47, *Accounting for Termination Benefits*, was required for universities. This statement requires employers to recognize a liability and expense for voluntary termination benefits when the termination offer is accepted and the amount of the benefits can be estimated. Any pension liability related to early retirement is the State's responsibility and therefore none is recorded by the Health Center (see Note 10).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary Fund Accounting

The Health Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. All revenues and expenses are subject to accrual.

Basis of Presentation

All significant intra-agency transactions have been eliminated in the presentation of the Consolidated Financial Statements. Additional information about eliminations may be found in the supplemental schedules.

Operating and Non-operating revenues:

The Health Center breaks out revenues between operating and non-operating based on the nature of the transaction as being either an exchange or non-exchange transaction. Exchange transactions principally include services provided by the Health Center to the community. Non-exchange transactions include State Appropriations, Gifts, Loss on disposal of property, plant, and equipment, and Investment returns.

Cash and Cash Equivalents:

The Health Center considers all funds that have not been otherwise board designated and which are held on its behalf by the State of Connecticut to be cash.

Construction Escrow Account:

Funds related to the financing of the Ambulatory Care Center are placed into the Construction Escrow account upon advancement from the lender. The Health Center does not have immediate access to these funds and must submit receipts and other prescribed documentation in order to apply for reimbursement of construction expenses from the fund.

Accounts Receivable and Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Investments and Investment Income

The State of Connecticut has established various funds to account for the operations of the Health Center. These funds include the University Health Center Operating Fund (Fund 12018), the University Health Center Research Foundation Fund (Fund 12023), the University Health Center Hospital Fund (Fund 21002) and the John Dempsey Hospital Malpractice Trust Fund (Fund 35015). Grants and contracts for research and related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Trust Fund accounts for assets set aside in conjunction with actuarial funding recommendations. The Operating Fund acts as a "General Fund" for the Health Center, accounting for all operations not accounted for elsewhere.

Unrestricted Research Foundation Fund and Malpractice Trust Fund assets in excess of immediate cash needs are invested in the State of Connecticut Short-Term Investment Fund (STIF). Most restricted Research Foundation Fund assets are not invested, though there are certain exceptions including gift accounts and funds invested at the request of sponsoring organizations. Local student activity funds controlled by the Health Center are also invested in STIF; these funds are minimal in amount.

The STIF, which was established and is operated under Sections 3-27a through 3-27i of the General Statutes, provides State agencies, funds, political subdivisions and others with a mechanism for investing at a daily-earned rate with interest from day of deposit to day of withdrawal. STIF participants have daily access to their account balances. Underlying investments of the STIF are mainly in money market instruments.

Though Operating Fund participation in STIF is not significant, the Health Center earns interest on Operating Fund cash balances through the State Treasurer's interest credit program. Under this program, the Treasurer pays the Health Center STIF equivalent interest on the average daily cash balance held in the Operating Fund each quarter. Additionally, interest is paid on monies transferred from the Health Center's civil list funds into the direct disbursement account used to process checks issued directly to vendors by the Health Center. Though the balance in this account may include assets of the Operating, Research Foundation and Hospital Funds, all interest earned is credited to the Operating Fund. The Hospital Fund does not participate in STIF or, other than described above, the Treasurer's interest credit program.

Investment Income also includes amounts received from endowments.

Inventories

Consumable supplies are expensed when received with the exception of certain central inventories. Cost of the inventory is determined on a moving average basis for the Central Warehouse, and on a first-in, first-out basis for the others. Pharmacy inventory is valued at market which approximates cost due to high turnover rates for institutional pharmaceuticals.

Capital Assets

Property and equipment acquisitions are recorded at cost. Betterments and major renewals are capitalized and maintenance and repairs are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Buildings have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years.

Medical Malpractice

Health care providers and support staff of the Hospital are fully protected by state statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment (“statutory immunity”). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity have been charged against the Health Center’s malpractice self-insurance fund. Effective July 1, 1999, the Health Center developed a methodology by which it could allocate malpractice costs between the Hospital and UMG. For the years ended June 30, 2013, and 2012, these costs are included in the statements of revenues, expenses and changes in net position.

Regulatory Matters

The Hospital is required to file semi-annual and annual operating information with the State of Connecticut Office of Health Care Access (“OHCA”), and is required to file annual cost reports with Medicare and Medicaid.

Reclassification

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation including the reclassification of approximately $3 million of net assets from Restricted Expendable Capital Projects to Unrestricted.

2. CASH DEPOSITS AND INVESTMENTS

Statement No. 40 of the GASB requires governmental entities to disclose credit risk associated with cash deposits and investment balances, and investment policies applied to mitigate such risks, especially as it relates to uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Health Center's name.

The Health Center's cash and cash equivalents, current and noncurrent, balance was $46,635,663 and $84,788,149, as of June 30, 2013 and 2012, respectively and included the following:

	2013	2012
Cash maintained by State of Connecticut Treasurer	$ (4,596,197)	$ 38,135,011
Invested in State of Connecticut Short-Term Investment Fund	45,994,572	43,651,644
Deposits with Financial Institutions and Other	5,235,788	2,999,994
Currency (Change Funds)	1,500	1,500
Total cash and cash equivalents	46,635,663	84,788,149
Less: current balance	46,235,645	84,403,920
Total noncurrent balance	$ 400,018	$ 384,229

Collateralized deposits are protected by Connecticut statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio – a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State of Connecticut were insured by the Federal Deposit Insurance Corporation or collateralized. As a State agency, the Health Center benefits from this protection, though the extent to which the deposits of an individual State agency such as the Health Center are protected cannot be readily determined.

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, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. For financial reporting purposes, STIF is considered to be "cash equivalents" in the statements of net position.

The Health Center's cash management investment policy authorizes the Health Center to invest in the State Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements and savings accounts. The $45,994,572 invested in the State of Connecticut Investment Pool is invested by the State Treasurer in its Short-term Investment Fund and had a Standard and Poor's rating of AAAm during fiscal year 2013.

Certain funds are held by outside fiscal agents and are not under the direct control of the Health Center. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds was $2,547,020 and $2,542,979 as of June 30, 2013 and 2012, respectively. Investment income earned on these assets is transferred to the Health Center in accordance with the applicable trust agreement. Income received from those sources for the years ended June 30, 2013 and 2012 was $3,959 and $4,058, respectively.

3. CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2013 and 2012, the Hospital provided charity care services of $801,071 and $543,109, respectively. The cost basis of these services was $415,547 and $279,796, respectively. All related expenses are included in operating expenses.

4. NET PATIENT SERVICE REVENUE

The Health Center provides health care services primarily to residents of the region. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Health Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Health Center.

The Health Center has agreements with third-party payers that provide for payments at amounts different from its established rates. These third party payers include Medicare, Medicaid and certain commercial insurance carriers and Health Maintenance Organizations. Additionally, under the Correctional Managed Health Care Program, the Health Center provides medical, dental and psychiatric care to the inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Correction.

Patient service revenue for the Health Center is as follows:

	2013			2012		
John Dempsey Hospital						
Gross patient services revenue	$	581,954,466		$	547,510,368	
Less allowances		297,190,471			268,524,698	
Less bad debts		3,351,113			5,464,999	
Net patient service revenue			281,412,882			273,520,671
UConn Medical Group						
Gross patient services revenue		197,450,559			187,975,136	
Less allowances		125,016,081			115,756,890	
Less bad debts		1,392,507			1,425,903	
Net patient service revenue			71,041,971			70,792,343
Correctional Managed Health Care			81,255,195			90,406,437
All other			3,809,858			4,576,470
Total net patient service revenue per business unit			437,519,906			439,295,921
Eliminations			(5,488,085)			(9,749,569)
Total net patient service revenue	$		432,031,821	$		429,546,352

(Amounts above include internal transactions eliminated on the face of the statements. Additional information is provided in the Supplemental Information at the end of these statements)

5. CAPITAL ASSETS

Capital assets at June 30, 2013 and 2012 consisted of the following:

		2013		2012
Land	$	13,537,051	$	12,270,408
Construction in Progress		163,646,123		79,295,845
Buildings		408,394,523		404,291,062
Equipment		262,934,503		262,492,649
Capital leases		13,776,275		13,776,275
		862,288,475		772,126,239
Less accumulated depreciation		464,385,265		451,989,058
Capital assets, net	$	397,903,210	$	320,137,181

The Health Center's fine art collection is capitalized on the statements of net position. This collection is included in equipment in the Primary Institution and totaled $812,272 and $786,677 at June 30, 2013 and 2012, respectively. Plant and equipment activity and related information on accumulated depreciation for the Health Center for the years ended June 30, 2013 and 2012 was as follows:

	2012	Additions	Deletions	2013
Property and equipment:				
Land	$ 12,270,408	$ 1,266,643	$ -	$ 13,537,051
Construction in Progress	79,295,845	102,538,310	(18,188,032)	163,646,123
Buildings	393,665,822	12,515,173	(8,411,712)	397,769,283
Improvements other than buildings	10,625,240	-	-	10,625,240
Equipment	262,492,649	14,976,631	(14,534,777)	262,934,503
Capital leases	13,776,275	-	-	13,776,275
Total property and equipment	772,126,239	131,296,757	(41,134,521)	862,288,475
Less accumulated depreciation:				
Buildings	235,677,855	11,266,071	(6,450,442)	240,493,484
Improvements other than buildings	7,518,391	353,253	-	7,871,644
Equipment	195,986,114	20,317,406	(13,518,386)	202,785,134
Capital Leases	12,806,698	428,305	-	13,235,003
Total accumulated depreciation	451,989,058	32,365,035	(19,968,828)	464,385,265
Net property and equipment:				
Land	12,270,408	1,266,643	-	13,537,051
Construction in Progress	79,295,845	102,538,310	(18,188,032)	163,646,123
Buildings	157,987,967	1,249,102	(1,961,270)	157,275,799
Improvements other than buildings	3,106,849	(353,253)	-	2,753,596
Equipment	66,506,535	(5,340,775)	(1,016,391)	60,149,369
Capital leases	969,577	(428,305)	-	541,272
Total capital assets, net	$ 320,137,181	$ 98,931,722	$ (21,165,693)	$ 397,903,210

	2011	Additions	Deletions	2012
Property and equipment:				
Land	$ 12,270,408	$ -	$ -	$ 12,270,408
Construction in Progress	50,888,685	30,070,578	(1,663,418)	79,295,845
Buildings	393,697,460	15,263	(46,901)	393,665,822
Improvements other than buildings	10,625,235	5	-	10,625,240
Equipment	238,320,143	24,350,428	(177,922)	262,492,649
Capital leases	13,776,275	-	-	13,776,275
Total property and equipment	719,578,206	54,436,274	(1,888,241)	772,126,239
Less accumulated depreciation:				
Buildings	223,880,473	11,797,382	-	235,677,855
Improvements other than buildings	7,470,313	48,078	-	7,518,391
Equipment	177,566,715	18,590,169	(170,770)	195,986,114
Capital leases	12,367,644	439,054	-	12,806,698
Total accumulated depreciation	421,285,145	30,874,683	(170,770)	451,989,058
Net property and equipment:				
Land	12,270,408	-	-	12,270,408
Construction in Progress	50,888,685	30,070,578	(1,663,418)	79,295,845
Buildings	169,816,987	(11,782,119)	(46,901)	157,987,967
Improvements other than buildings	3,154,922	(48,073)	-	3,106,849
Equipment	60,753,428	5,760,259	(7,152)	66,506,535
Capital leases	1,408,631	(439,054)	-	969,577
Total capital assets, net	$ 298,293,061	$ 23,561,591	$ (1,717,471)	$ 320,137,181

Construction in progress at June 30, 2013 and 2012, represents accumulated costs for various Health Center construction projects. The Health Center has entered into various contractual arrangements related to these projects. Upon completion, the cost of the project is transferred to the appropriate investment in plant category and depreciation will commence.

6. ENDOWMENTS

The Health Center designated the Foundation as manager of the Health Center's endowment funds. The Foundation makes spending allocation distributions to the Health Center for each participating endowment. The distribution is spent by the Health Center in accordance with the respective purposes of the endowments and with the policies and procedures of the Health Center. Additional information is presented in footnote 13.

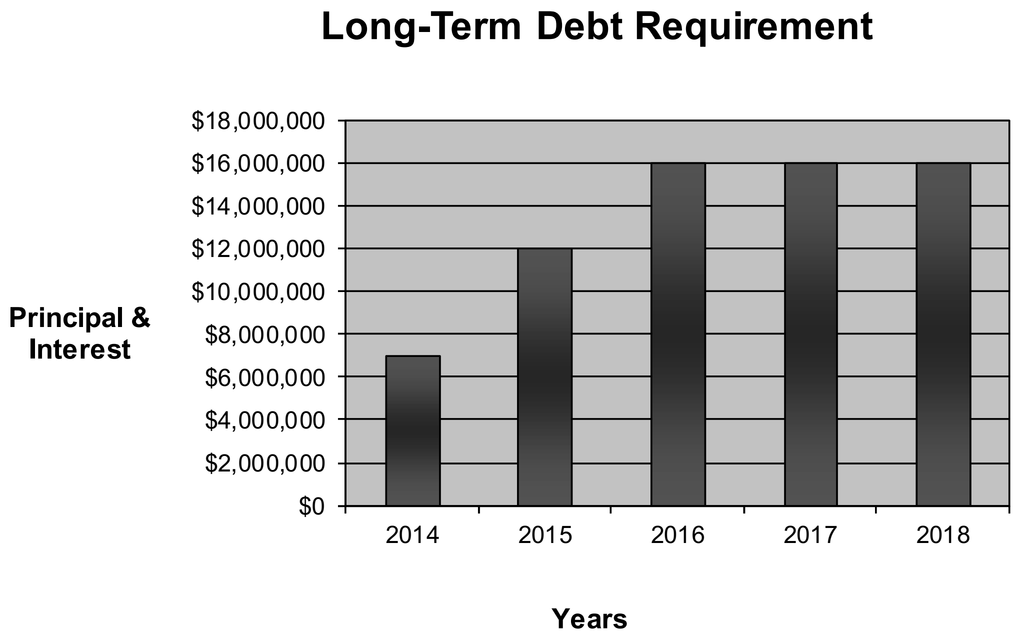
7. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2013 and 2012 was as follows:

	June 30, 2012 Balance	Additions	Reductions	June 30, 2013 Balance	Amounts due within 1 year
Long-Term debt:					
Loans payable John Dempsey Hospital	$ 415,197	-	415,197	-	$ -
Lease Agreements John Dempsey Hospital	471,883	-	471,883	-	-
Mortgage Agreements Primary Institution	17,280,908	46,553,582	945,746	62,888,744	1,007,480
Total Long-Term Debt	18,167,988	46,553,582	1,832,826	62,888,744	1,007,480
Malpractice reserve	19,957,000	4,130,192	4,198,192	19,889,000	2,451,000
Compensated absences	45,948,872	26,090,506	25,153,211	46,886,167	20,161,052
Total Long - Term Liabilities	$ 84,073,860	76,774,280	31,184,229	129,663,911	$ 23,619,532

	June 30, 2011 Balance	Additions	Reductions	June 30, 2012 Balance	Amounts due within 1 year
Long-Term debt:					
Loans payable John Dempsey Hospital	$ 1,245,593	-	830,396	415,197	$ 415,197
Lease Agreements John Dempsey Hospital	1,086,614	-	614,731	471,883	471,883
Mortgage Agreements Primary Institution	18,096,845	-	815,937	17,280,908	945,746
Total Long-Term Debt	20,429,052	-	2,261,064	18,167,988	1,832,826
Malpractice reserve	20,439,000	51,829	533,829	19,957,000	2,742,000
Compensated absences	43,810,809	27,512,989	25,374,926	45,948,872	19,758,007
Total Long - Term Liabilities	$ 84,678,861	27,564,818	28,169,819	84,073,860	$ 24,332,833

Estimated cash basis interest and principal requirements for the long-term debt (including the full amounts payable for the ACC) for the next five years and thereafter are as follows:



Year		Long-Term Debt
2014	$	7,007,001
2015		12,044,165
2016		15,985,039
2017		15,985,039
2018		15,985,039
Thereafter		316,790,397
Totals	$	383,796,680

The Health Center is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under the Health Center's incident reporting system and an estimate of incurred but not reported claims are accrued based on actuarially determined estimates that incorporate the Health Center's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. The scope of the Health Center's assessment for establishing budgets for malpractice costs encompasses physicians, dentists, and all other University of Connecticut Health Center health care providers, and support staff.

The Health Center is involved in litigation claiming a substantial amount of damages arising in the ordinary course of business. Specifically, claims alleging malpractice have been asserted against the Health Center and are currently in various stages of litigation. Costs associated with these known claims, including settlements, as well as any new claims arising during the course of business will be paid from the malpractice trust fund.

Pursuant to Public Act No. 09-3, to the extent that claims for cases exceed current year premiums budgeted by the Health Center, the Health Center may petition the State to make up any difference. However, operational subsidies from the State and/or the Health Center may be affected by the performance of the Health Center's malpractice program. At June 30, 2013, the Health Center Malpractice Trust Fund had actuarial reserves of approximately $20 million and assets of approximately $8.4 million.

8. RESIDENCY TRAINING PROGRAM

The Health Center's School of Medicine Residency Training Program provides area hospitals with the services of interns and residents. Participating hospitals remit payments to the Health Center, in accordance with an established rate schedule, for services provided. The Health Center, in turn, funds the Capital Area Health Consortium, Inc., which coordinates the payment of payroll and the provision of related fringe benefits to the interns and residents, under a contractual arrangement. Amounts remitted or owed by participating hospitals for payments made to interns and residents, and amounts paid or due under contract to the Capital Area Health Consortium, Inc., are reflected in the accompanying financial statements as current unrestricted revenues and expenditures, respectively.

9. BOND FINANCED ALLOTMENTS

The Health Center recognizes an asset when an allotment is processed for State general obligation bonds or when bonds are funded from Health Center resources or issued under the UCONN 2000 program are sold.

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act), also known as Phase III. This Act amended Public Act No. 95-230 and extended the UCONN 2000 financing program that was scheduled to end in 2005, for an additional 10 years to June 30, 2015. The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a $25 million reallocation from existing UCONN 2000 Health Center allocations, and a $207 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018. In fiscal year 2011, the General Assembly enacted and the Governor signed Public Act No. 11-75, An Act Concerning the University of Connecticut Health Center, which increased the authorized project costs for the Health Center under Phase III. The Act, as amended, authorized additional projects for the Health Center at an estimated cost of $775,300,000. The Act also requires the Health Center to contribute not less than $69 million through operations, eligible gifts, or other sources towards new Health Center construction.

In fiscal year 2013, the University did not issue bonds and therefore recorded no associated revenues. In fiscal 2012, the University recorded total revenue of $179,730,000 as State debt service commitment for principal for the 2012 Series A bonds which included $62,500,000 to finance projects for the Health Center. The Health Center reports revenues from these bonds as Capital Appropriations. As noted above, Phase III includes a commitment to fund projects totaling $775,530,000 for the Health Center. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. The University therefore acts as custodian of the funds for the Health Center. A corresponding receivable is recorded for the unspent portion of the bonds ($3,938,207 at June 30, 2013) in the Statements of Net Position.

10. RETIREMENT PLAN

All regular full-time employees participate in one of two retirement plans. The State Employees' Retirement System, a single employer defined benefit public employee retirement system, is administered by the State and covers most full-time employees. The State of Connecticut is statutorily responsible for the pension benefits of the Health Center employees who participate in this plan. The Health Center makes contributions on behalf of the employees through a fringe benefit charge assessed by the State.

Alternatively, employees may choose to participate in the Connecticut Alternate Retirement Program (CARP). CARP is a State-administered, portable pension plan offered to eligible employees of the State's constituent units of higher education as an alternate to the State Employees' Retirement System. This plans third party administrator is ING. Under this defined contribution plan, plan members are required to contribute 5 percent of their annual salaries; the State is required to contribute 8 percent of covered salary.

11. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the State provides post retirement health care and life insurance benefits to eligible Health Center employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at time of retirement. The State finances the cost of post retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

12. COMMITMENTS

On June 30, 2013, the Health Center had individual outstanding commitments exceeding $300,000 in amount, totaling $71,458,409. A portion of this amount was included in the June 30, 2013 accounts payable. Commitments above do not include any commitments arising from the administration of UCONN 2000 funds by the University on the Health Center's behalf. Such obligations would be paid directly from proceeds of current and future bond issuances.

The Health Center agreed to pay $49,342,192 during the 2013-2014 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll, related fringe benefits, and certain program expenses for interns and residents participating in the School of Medicine Residency Training Program. These costs are to be funded by participating hospitals, which will remit payments to the Health Center, in accordance with an established rate schedule, for services provided.

The Health Center leases various building space under operating lease commitments, which expire at various dates through fiscal year 2029. Expenses related to these leases were $3,653,000 and $3,759,000 for the years ended June 30, 2013 and 2012, respectively. Future minimum rental payments at June 30, 2013 under non-cancelable operating leases are approximately as follows:

Year		Payments
2014	$	3,700,951
2015		3,809,606
2016		3,479,739
2017		3,363,938
2018		3,126,928
Thereafter		17,994,771
Total	$	35,475,933

13. RELATED PARTY TRANSACTIONS

The University of Connecticut Foundation, Inc. (the "Foundation") is a tax-exempt organization whose objective is the betterment of the University, including its Health Center. The Foundation is a consolidated part of the University and therefore an affiliated party. As is the case with the University's Storrs based program, the Health Center has entered into a written agreement with the Foundation whereby the Health Center agrees to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse the Health Center for certain services performed and for operating expenses of the Foundation. The following transactions occurred between the Health Center and the Foundation during the year ended June 30, 2013:

Amount paid to the Foundation	$	1,498,356

Amount received from the Foundation for personal services and operating expenses	$	15,098

Amount received from the Foundation from endowments and gifts	$	2,003,969

In addition, the Health Center engages in transactions with the University. Listed below are the material transactions with the University. Not included in this list are certain cost share arrangements for shared services and transactions related to UCONN 2000 for which notation has been made in note 9.

Funds Received in Support of Office of Technology and Commercialization	$	89,849
Funds Paid to the University of Connecticut	$	6,458,082

The Health Center is a component unit of the State of Connecticut. Through the Health Center, the State seeks to meet certain unmet needs in the community including the training and development of new doctors and dentists. The State supports the Health Center's mission primarily via two mechanisms: State Appropriations and the provision of In Kind benefits. State Appropriations represent amounts the State allows the Health Center to charge back directly to the State's General Fund. In Kind benefits take the form of forgone fringe benefit expense reimbursements related to salaries expensed on the General Fund. For the year ended June 30, 2013, the amounts of these benefits recognized were as follows:

Amount of General Fund Appropriations from State of Connecticut	$	122,309,172
In Kind Fringe Benefits:		
Recognized through CMHC		39,439,557
Received elsewhere in Primary Institution		51,622,153
Total In Kind Fringe Benefits received from State of Connecticut:	$	91,061,710
Total Appropriations and In Kind benefits received from State of Connecticut	$	213,370,882

14. CONTINGENCIES

The Health Center is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect on the Health Center's financial statements.

15. HYPOTHECATION

Individual components of the Health Center are allowed to borrow from the State on the basis of their net patient receivables and contract and other receivables to fund operations. These units include John Dempsey Hospital and the UCONN Medical Group. John Dempsey Hospital is allowed to borrow from the State at up to 90% of its receivables. UCONN Medical Group is allowed to borrow at up to 70% of its accounts receivable. As of June 30, 2013 and 2012, the Hospital and UMG had the following draws and availability under the State statute as follows:

	2013		2012	
	John Dempsey Hospital	UCONN Medical Group	John Dempsey Hospital	UCONN Medical Group
Amount Drawn under Hypothecation	$ 12,799,970	-	$ 6,698,130	1,023,801
Remaining amounts available under Hypothecation	$ 25,903,903	7,832,376	$ 23,543,904	8,338,357

16. Operating Expenses by Object

The table below details the Health Center's operating expenses by object for the years ended June 30, 2013 and 2012.

Operating Expenses by object for the Years Ended June 30, 2013 and 2012:

	2013	2012
Salaries and Wages	$ 403,159,063	$ 391,890,345
Fringe Benefits	140,883,528	128,612,942
Supplies and Other Expenses	276,452,270	266,777,559
Utilities	11,297,174	13,191,697
Depreciation and Amortization	32,365,036	30,874,683
Total	$ 864,157,071	$ 831,347,226

SUPPLEMENTAL INFORMATION

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2013

($ in thousands)	2013			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 59,036	$ -	$ (12,800)	$ 46,236
Patient receivables, net	10,495	37,018	-	47,513
Contract and other receivables	32,061	5,987	-	38,048
Construction escrow account	21,859	-	-	21,859
Due from Affiliates	3,938	-	-	3,938
Due from State of Connecticut	5,262	-	-	5,262
Due from Primary Institution	-	16,742	(16,742)	-
Due from Department of Correction	12,636	-	-	12,636
Inventories	2,244	8,234	-	10,478
Prepaid expenses	3,896	3,296	-	7,192
Total current assets	151,427	71,277	(29,542)	193,162
Noncurrent Assets				
Restricted cash and cash equivalents	400	-	-	400
Other assets	697	600	-	1,297
Assets limited as to use	-	-	-	-
Due from State of Connecticut	5,032	-	-	5,032
Capital assets, net	342,113	55,790	-	397,903
Total noncurrent assets	348,242	56,390	-	404,632
Total assets	$ 499,669	$ 127,667	$ (29,542)	$ 597,794
LIABILITIES				
Current Liabilities				
Cash overdraft	$ -	$ 12,800	$ (12,800)	$ -
Accounts payable and accrued liabilities	29,540	9,877	-	39,417
Due to State of Connecticut	1,896	2,384	-	4,280
Accrued salaries	14,367	4,918	-	19,285
Compensated absences	13,583	6,578	-	20,161
Due to John Dempsey Hospital	16,742	-	(16,742)	-
Due to third party payors	-	2,714	-	2,714
Deferred revenue	4,705	-	-	4,705
Malpractice reserve	2,451	-	-	2,451
Long-term debt - current portion	1,007	-	-	1,007
Total current liabilities	84,291	39,271	(29,542)	94,020
Noncurrent Liabilities				
Malpractice reserve	17,438	-	-	17,438
Compensated absences	18,005	8,720	-	26,725
Long-term debt	61,881	-	-	61,881
Total noncurrent liabilities	97,324	8,720	-	106,044
Total liabilities	$ 181,615	$ 47,991	$ (29,542)	$ 200,064
NET POSITION				
Invested in capital assets, net of related debt	$ 279,225	$ 55,790	$ -	$ 335,015
Restricted for				-
Nonexpendable				-
Scholarships	61	-	-	61
Expendable				-
Research	1,982	-	-	1,982
Loans	794	-	-	794
Capital projects	30,829	-	-	30,829
Unrestricted	5,163	23,886	-	29,049
Total net assets	$ 318,054	$ 79,676	$ -	$ 397,730

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2012

($ in thousands)	2012			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 91,102	$ -	$ (6,698)	$ 84,404
Patient receivables, net	9,579	31,531	-	41,110
Contract and other receivables	31,673	2,071	-	33,744
Due from Affiliates	48,300	-	-	48,300
Due from State of Connecticut	5,126	-	-	5,126
Due from Primary Institution	-	12,521	(12,521)	-
Due from Department of Correction	9,591	-	-	9,591
Inventories	2,453	7,587	-	10,040
Prepaid expenses	1,231	3,523	-	4,754
Total current assets	199,055	57,233	(19,219)	237,069
Noncurrent Assets				
Restricted cash and cash equivalents	384	-	-	384
Other assets	16	599	-	615
Assets limited as to use	3,643	-	-	3,643
Due from State of Connecticut	158	-	-	158
Capital assets, net	262,219	57,918	-	320,137
Total noncurrent assets	266,420	58,517	-	324,937
Total assets	$ 465,475	$ 115,750	$ (19,219)	$ 562,006
LIABILITIES				
Current Liabilities				
Cash overdraft	$ -	$ 6,698	$ (6,698)	$ -
Accounts payable and accrued liabilities	24,420	11,634	-	36,054
Due to State of Connecticut	2,449	2,734	-	5,183
Accrued salaries	13,382	4,563	-	17,945
Compensated absences	13,547	6,211	-	19,758
Due to John Dempsey Hospital	12,521	-	(12,521)	-
Due to third party payors	-	6,741	-	6,741
Deferred revenue	8,887	-	-	8,887
Malpractice reserve	2,742	-	-	2,742
Long-term debt - current portion	946	887	-	1,833
Total current liabilities	78,894	39,468	(19,219)	99,143
Noncurrent Liabilities				
Malpractice reserve	17,215	-	-	17,215
Compensated absences	17,950	8,241	-	26,191
Long-term debt	16,335	-	-	16,335
Total noncurrent liabilities	51,500	8,241	-	59,741
Total liabilities	$ 130,394	$ 47,709	$ (19,219)	$ 158,884
NET POSITION				
Invested in capital assets, net of related debt	$ 244,938	$ 57,031	$ -	$ 301,969
Restricted for				-
Nonexpendable				-
Scholarships	61	-	-	61
Expendable				-
Research	3,436	-	-	3,436
Loans	1,081	-	-	1,081
Capital projects	48,458	-	-	48,458
Unrestricted	37,107	11,010	-	48,117
Total net assets	$ 335,081	$ 68,041	$ -	$ 403,122

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

($ in thousands)	2013 Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 13,770	$ 42	$ 13,812	$ -	$ 13,812
Patient services, net	156,107	281,413	437,520	(5,488)	432,032
Federal grants and contracts	60,651	-	60,651	-	60,651
Nonfederal grants and contracts	27,593	-	27,593	-	27,593
Contract and other operating revenues	103,802	23,595	127,397	(24,823)	102,574
Total operating revenues	361,923	305,050	666,973	(30,311)	636,662
OPERATING EXPENSES					
Educational and General					
Instruction	155,423	-	155,423	(14,241)	141,182
Research	60,918	-	60,918	-	60,918
Patient services	239,299	299,596	538,895	(16,070)	522,825
Academic support	20,011	-	20,011	-	20,011
Institutional support	53,114	-	53,114	-	53,114
Operations and maintenance of plant	33,606	-	33,606	-	33,606
Depreciation	22,864	9,501	32,365	-	32,365
Student aid	136	-	136	-	136
Total operating expenses	585,371	309,097	894,468	(30,311)	864,157
Operating loss	(223,448)	(4,047)	(227,495)	-	(227,495)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	213,371	-	213,371	-	213,371
Transfer from/(to) State and outside programs	-	-	-	-	-
Gifts	7,108	550	7,658	-	7,658
Hospital transfer	(15,178)	15,178	-	-	-
Investment income, net	124	-	124	-	124
Interest on capital asset - related debt	(1,068)	(4)	(1,072)	-	(1,072)
Net nonoperating revenues	204,357	15,724	220,081	-	220,081
Loss before other revenues, expenses, gains or losses	(19,091)	11,677	(7,414)	-	(7,414)
OTHER CHANGES IN NET ASSETS					
Capital appropriations	5,000	-	5,000	-	5,000
Loss on Disposal	(2,936)	(42)	(2,978)	-	(2,978)
Net Other Changes in Net Assets	2,064	(42)	2,022	-	2,022
(Decrease)/Increase in net assets	(17,027)	11,635	(5,392)	-	(5,392)
NET ASSETS					
Net assets-beginning of year	335,081	68,041	403,122	-	403,122
Net assets-end of year	$ 318,054	$ 79,676	$ 397,730	$ -	$ 397,730

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2012

($ in thousands)	2012 Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 13,718	$ 28	$ 13,746	$ -	$ 13,746
Patient services, net	165,775	273,521	439,296	(9,750)	429,546
Federal grants and contracts	56,904	-	56,904	-	56,904
Nonfederal grants and contracts	27,690	-	27,690	-	27,690
Contract and other operating revenues	102,024	15,861	117,885	(24,155)	93,730
Total operating revenues	366,111	289,410	655,521	(33,905)	621,616
OPERATING EXPENSES					
Educational and General					
Instruction	146,701	-	146,701	(17,484)	129,217
Research	63,080	-	63,080	-	63,080
Patient services	234,208	288,933	523,141	(16,421)	506,720
Academic support	20,200	-	20,200	-	20,200
Institutional support	53,059	-	53,059	-	53,059
Operations and maintenance of plant	28,031	-	28,031	-	28,031
Depreciation	21,903	8,972	30,875	-	30,875
Student aid	165	-	165	-	165
Total operating expenses	567,347	297,905	865,252	(33,905)	831,347
Operating loss	(201,236)	(8,495)	(209,731)	-	(209,731)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	202,997	-	202,997	-	202,997
Transfer from/(to) State and outside programs	1,312	-	1,312	-	1,312
Gifts	6,935	500	7,435	-	7,435
Hospital transfer	(8,063)	8,063	-	-	-
Investment income, net	101	-	101	-	101
Interest on capital asset - related debt	(1,031)	(64)	(1,095)	-	(1,095)
Net nonoperating revenues	202,251	8,499	210,750	-	210,750
Loss before other revenues, expenses, gains or losses	1,015	4	1,019	-	1,019
OTHER CHANGES IN NET ASSETS					
Capital appropriations	62,500	-	62,500	-	62,500
Loss on Disposal	(7)	-	(7)	-	(7)
Net Other Changes in Net Assets	62,493	-	62,493	-	62,493
(Decrease)/Increase in net assets	63,508	4	63,512	-	63,512
NET ASSETS					
Net assets-beginning of year	271,573	68,037	339,610	-	339,610
Net assets-end of year	$ 335,081	$ 68,041	$ 403,122	$ -	$ 403,122

DIRECTORS AND FINANCIAL OFFICERS
June 30, 2013

BOARD OF DIRECTORS

Members at Large

Richard Barry	*Avon*
Andy F. Bessette	*Orono, MN*
Cheryl Chase	*Hartford*
John Droney	*Farmington*
Tim Holt	*Glastonbury*
Wayne Rawlins	*Hartford*
Robert T. Samuels	*W. Hartford*
Charles Shivery	*Hartford*

Appointed by the Governor

Kathleen Woods	*Avon*
Teresa Ressel	*Stamford*

Members Ex Officio

Susan Herbst	*Storrs*
Robert Dakers	*Glastonbury*
Jewel Mullen	*Hartford*

Appointed by Chairperson, Board of Trustees

Sanford Cloud Jr, Chairperson	*Farmington*
Francis X. Archambault, Jr.	*Storrs*
Wayne Shepperd	*Danbury*

FINANCIAL OFFICERS

Richard D. Gray, Executive Vice President for Administration and Chief Financial Officer
Jeffrey P. Geoghegan, Interim Chief Financial Officer

TRUSTEES
As of June 30, 2013

BOARD OF TRUSTEES

UNIVERSITY OF CONNECTICUT HEALTH CENTER

APPENDIX I-B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST

This section is a brief summary of the General Obligation Master Indenture of Trust (the "Master Indenture"). The summary does not purport to be complete. Reference is made to the Master Indenture for a full and complete statement of the provisions thereof.

Authority for the Master Indenture. [Section 201]. The Master Indenture is made and entered into by virtue of and pursuant to the provisions of the Act.

Authorization for Issuance of Bonds and Obligation of University. [Section 202]. In order to provide sufficient funds for the UConn 2000 Infrastructure Improvement Program, Bonds of the University are authorized to be issued without limitation as to amount except as therein provided or as may be limited by law.

The Bonds issued under the Master Indenture shall be general obligations of the University for the payment of which, in accordance with their terms, the full faith and credit of the University are thereby pledged and are payable out of any revenues or other assets, receipts, funds or moneys of the University, subject only to any agreements permitted by the Act and the Master Indenture with the holders of particular notes or bonds pledging any particular revenues, assets, receipts, funds or moneys. All Bonds issued thereunder shall be additionally secured and entitled to the benefit of the continuing pledge of and lien on the Trust Estate created by the Master Indenture and the covenants of the University and the State contained therein to secure the full and final payment of the principal, or Redemption Price, if applicable, thereof and the interest thereon. Bonds issued thereunder shall not be deemed to constitute a debt or liability of the State or any municipality thereof or a pledge of the faith and credit of the State or of any such municipality and the Bonds, Notes, Swaps, Obligations of the University under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Termination Payments or other similar obligations of or payments made by the University issued or incurred shall not constitute a debt or liability issued or guaranteed by or otherwise of the State, except the amount required by the Act to be so included. All Bonds shall be payable solely from the resources of the University described in and pursuant to the Master Indenture and the Supplemental Indenture under which they are issued.

Pledge Effected by Master Indenture. [Section 601]. The Trust Estate is pledged pursuant to the Master Indenture to secure the payment of the principal or Redemption Price, if any, and the interest on the Bonds (including the Sinking Fund Installments for the retirement thereof). In accordance with the Act, and pursuant to each Supplemental Indenture authorizing Bonds to be additionally secured by the State Debt Service Commitment, the amount of the State Debt Service Commitment in each fiscal year shall be pledged for the punctual payment of the Special Debt Service Requirements on such Bonds as the same arise and shall become due and payable.[1]

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[1] Pursuant to the Nineteenth Supplemental Indenture, the 2014 Series A Bonds are additionally secured by the State Debt Service Commitment and are thereby authorized to be issued under the Master Indenture and pursuant to the Act in a maximum amount not to exceed $254,400,000 for the UConn Projects as set forth therein, plus the amount of the Costs of Issuance.

Pursuant to the Eighth Supplemental Indenture, the 2014 Refunding Series A Bonds are additionally secured by the State Debt Service Commitment and are thereby authorized to be issued under the Master Indenture and pursuant to the Act.

Establishment of Funds and Accounts. [Section 602]. The University establishes and creates the following funds and accounts to be held by the Treasurer, the University or the Trustee as set forth opposite such Fund or Account. Within the Bond Proceeds Fund, the Construction Account, to be held by the Trustee, and the Costs of Issuance Account, to be held by the Treasurer; the Debt Service Fund to be held by the Trustee consisting of the Interest Account and the Principal Installment Account; the Renewal and Replacement Fund to be held by the University and the Redemption Fund to be held by the Trustee. The University has reserved the right to establish additional funds, accounts and sub-accounts thereunder.

Bond Proceeds Fund. [Section 603]. Subject to Section 501 of the Indenture prescribing the application of Bond proceeds, there shall be deposited into the Bond Proceeds Fund the proceeds of all Bonds issued under the Master Indenture. Within the Bond Proceeds Fund the Trustee shall maintain a separate account designated "Construction Account". Monies in the Construction Account shall be expended only for the UConn 2000 Infrastructure Improvement Program.

Except as may be limited by the purposes for which a Series is issued, amounts in the Construction Account shall be expended by the University only to payments for the financing of UConn 2000 Projects for the UConn Infrastructure Improvement Program, principal, redemption price, and interest, on Notes of the University, to the State, of monies paid or advanced by the State to and used by the University for the UConn 2000 Infrastructure Improvement Program, to the University, of monies paid or advanced by the University and used by the University for the UConn 2000 Infrastructure Improvement Program, to the extent that other monies are not available, of Principal Installments of and interest on Bonds when due, and to any other valid purpose of the University under the Act. There shall be paid into the Construction Account the amounts required to be so paid by the provisions of the Master Indenture or any Supplemental Indenture and the University may deposit any monies received by the University from any other sources, unless required to be otherwise applied. The University may establish within the Construction Account separate sub-accounts for UConn Phase I Projects, UConn Phase II Projects and UConn Phase III Projects and a sub-account for proceeds of Special Eligible Gifts, each of which shall be maintained by the Trustee. The University is further authorized and directed to order each disbursement from the Construction Account upon a certification filed with the Treasurer and Trustee stating that such cost has been properly paid or incurred and is consistent with the covenant of the University respecting tax exempt obligations and any Tax Regulatory Agreement with respect thereto.

There shall be deposited in the Costs of Issuance Account of the Bond Proceeds Fund all moneys required to be deposited therein to pay the Costs of Issuance incurred in connection with the authorization, issuance and delivery of the corresponding Bonds. After payment of all Costs of Issuance on the Bonds, any interest earnings in the Bond Proceeds Fund remaining shall be credited to the General Fund of the State and, prior to, such amounts shall be credited to such fund or account thereof, as shall be necessary to comply with the Tax Regulatory Agreement and, upon determination of the Treasurer, to meet an expenditure exception to the rebate requirements of the Code.

Amounts in the Construction Account may be invested by the Trustee, at the direction of the University with the consent of the Treasurer and amounts in the Costs of Issuance Account may be invested by the Treasurer each in obligations permitted for general obligation bonds of the State to the extent the same are Investment Obligations and maturing in such amounts and at such times as may be necessary to provide funding when needed to pay the costs to which such moneys are applicable, provided, interest earnings shall be transferred to the Costs of Issuance Account. The Treasurer shall establish such additional requirements for compliance with the Code.

Debt Service Fund. [Section 604]. In order to provide for the punctual payment of Principal Installments and interest on the Bonds, the University shall pay to the Trustee from Assured Revenues the

Debt Service Fund Requirement for deposit in the Debt Service Fund, and with respect to Bonds additionally secured by the State Debt Service Commitment, shall rely on the amount of the State Debt Service Commitment applicable to the Debt Service Fund Requirement being directly deposited into the Debt Service Fund on or before the Interest Payment Date with respect to interest on such Bonds and on the Principal Installment Date with respect to Principal or Sinking Fund Installments on such Bonds by the Treasurer, such amounts having been appropriated out of the resources of the General Fund of the State, as part of the contract of the State with the Bondholders of the Bonds additionally secured by the State Debt Service Commitment by Section 5(c) of the Act. The Trustee shall pay out of the Interest Account of the Debt Service Fund and out of the Principal Installment Account of the Debt Service Fund to the respective Paying Agents the amounts required for the payment of interest, accrued interest on redeemed or retired Bonds and principal, respectively due on Outstanding Bonds

Renewal and Replacement Fund. [Section 606]. The University shall provide from time to time for deposit of amounts into the Renewal and Replacement Fund so that the amounts therein equals the Renewal and Replacement Requirement. The Master Indenture authorizes the University to apply the amounts in the Renewal and Replacement Fund to the payment or reimbursement of the extraordinary expenses incurred for the rebuilding, replacement, relocating, repair and restoration of any UConn 2000 Project financed by the University under the Master Indenture and other facilities forming part of the physical university plant so to permit the University to operate and maintain the physical university plant in sound operating condition.

Redemption Fund. [Section 607]. Upon deposit of monies in any Series account of the Redemption Fund or within thirty (30) days thereafter, the University may give written direction to the Trustee of the Redemption Date, of the maturity or maturities of the Bonds of such Series to be purchased or redeemed and of the principal amounts of each maturity or maturities to be purchased or redeemed, subject to any limitations with respect thereto contained in the Master Indenture and the Supplemental Indenture authorizing such Series. Monies so held shall be applied to the purchase or retirement of Bonds of the Series in respect of which such account was created. In the event the Trustee is unable to purchase Bonds of a Series and there is $100,000 or more in the Account established for such Series of Bonds, the Trustee shall call for redemption on the next ensuing Redemption Date such amount of Bonds of such maturity or maturities of the Series in respect of which such Account was created at the Redemption Price applicable by operation of the Redemption Fund in the next ensuing Redemption Date, will exhaust said Account as nearly as may be. Unless otherwise directed, Bonds shall be redeemed in inverse order of their maturities and by lot within a maturity. Subject to the provisions of any Supplemental Indenture, amounts in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds, provided, however, the University shall direct the selection of the Bonds to be purchased and the purchase price thereof as rapidly as in its judgment is reasonably practicable.

Investment of Funds and Accounts held by Trustee. [Section 701]. Except as otherwise provided in Sections 607 (Redemption) and 1401 (Defeasance) of the Master Indenture, the Trustee shall, upon written direction of the University, deposit or cause monies to be deposited from any fund or account held by the Trustee, in Investment Obligations, or make similar banking arrangements with a bank insured by the Federal Deposit Insurance Corporation and authorized to be a depository of public funds, provided such monies shall be available for use at the times provided with respect to their investment or reinvestment. All monies deposited shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the State or the United States of America, of a market value equal at all times to the amount of the other similar banking arrangements. Notwithstanding the foregoing, any amounts of the State Debt Service Commitment deposited in the Debt Service Fund shall only be invested in direct obligations of or obligations guaranteed by the United States of America.

Payment of Bonds. [Section 901]. The University covenants that it shall duly and punctually pay or cause to be paid, the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds.

Operating Budget. [Section 903]. Pursuant to the Act for the ensuing Fiscal Year and prior to each such ensuing Fiscal Year or as soon as possible during such Fiscal Year, the University shall adopt an Operating Budget for the University and, pursuant to the Master Indenture, shall include amounts necessary to provide for the amounts necessary to meet the Renewal and Replacement Fund Requirement.

Power to Issue Bonds and Make Pledges. [Section 906]. The University has covenanted that it is duly authorized to create and issue the Bonds and to adopt the Indenture and to pledge its moneys, securities and funds in the manner and to the extent provided for in the Indenture. The moneys, securities and funds pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledges created by the Master Indenture, and all corporate action on the part of the University to that end has been duly and validly taken. The Bonds and the provisions of the Master Indenture are and will be the valid and legally enforceable obligations of the University in accordance with their terms and the terms of the Master Indenture. The University shall at all times, to the extent permitted by law, defend, preserve and protect the pledges including defending, preserving and protecting such pledges as statutory liens as set forth in the Act

Indebtedness and Liens. [Section 907]. (A) Except as provided below, the University shall not issue any bonds, notes or other evidences of indebtedness secured by a pledge of Assured Revenues other than the pledge created by the Indenture with respect to the State Debt Service Commitment and on the Bond proceeds, the Debt Service Fund and the Redemption Fund, shall not create or cause to be created any lien or charge on Assured Revenues or any account or funds established under the Indenture. (B)(1) Nothing in the Indenture shall prevent the University from issuing indebtedness payable out of, or secured by a pledge, assignment or other encumbrances of Assured Revenues to be derived on or after the date of the Indenture shall be discharged and satisfied as provided in the Indenture, or (B)(2) if authorized by law, other than the Act, for University purposes other than the UConn 2000 Infrastructure Improvement Program (a) from issuing its indebtedness payable out of Assured Revenues and (b) may be additionally secured by a pledge, assignment or encumbrance of particular Assured Revenues other than the State Debt Service Commitment, so long as prior to the issuance thereof such particular Assured Revenues have not been pledged pursuant to the Indenture or a Dedication Instrument and the authorizing documents shall be filed with the Trustee, accompanied by a Counsel's Opinion as required under the Indenture. (C) Nothing in the Indenture shall prevent the University from issuing its General Obligation Bonds for financing any one Project pursuant to a financing program or pledging, assigning or encumbering any Project Revenues or assets of the University derived from Projects, including Assured Revenues that may be restricted by the terms thereof to such a particular Project to be so financed, or any special capital reserve fund created therefor pursuant to the Act. (D) Nothing in the Indenture shall prevent the University from pledging, assigning or encumbering any Assured Revenues, other than the State Debt Service Commitment subject to the conditions and limitations described in the Indenture to secure bonds, notes or other evidences of indebtedness by the University, so long as before or simultaneously with any such pledge, there is delivered to or filed with the Trustee: (1) a copy of the Dedication Instrument effecting such pledge, assignment or encumbrance certified as correct, (2) if any such Other Indebtedness is variable rate indebtedness, a certificate specifying the maximum rate therefore, or the budgeted rate, as applicable, and the aggregate principal amount and the stated maturities of and mandatory sinking fund requirements, if any, for such Other Indebtedness to which such rate applies and certifying that a liquidity facility or source of payment other than Assured Revenues is available in the event of a mandatory tender by the holders of such Other Indebtedness thereunder, (3) a

Counsel's Opinion (a) that such pledge is a legal, valid and binding obligation of the University, and does not adversely affect the pledge of the State Debt Service Commitment to pay Outstanding Bonds additionally secured thereby, and (b) that the approvals required by the Act as a condition or conditions precedent to the issuance of such Other Indebtedness as securities under the Act and as Projects to be financed thereby have been obtained.

Issuance of Additional Bonds; Execution of Swaps. [Section 908]. No additional Series of Bonds may be authorized and issued under the Master Indenture unless (a) the University delivers to the Trustee a Certificate of an Authorized Officer and the Treasurer stating that the principal amount thereof, together with the principal amount of the bonds, notes and other obligations of the University theretofore authorized and unissued and theretofore authorized, issued and outstanding, will not exceed in aggregate principal amount any limitation thereon imposed by law; and (b) in the event the Additional Bonds are Bonds additionally secured by the State Debt Service Commitment, a Counsel's Opinion is delivered to the Trustee to the effect that the provision of the Act relating to the State appropriation of all amounts of the State Debt Service Commitment has not been amended, repealed or modified and is in full force and effect.

No Swap (a) with respect to Bonds additionally secured by the State Debt Service Commitment, shall be entered into by the University unless, with respect to such Swap, written confirmation affirming the existing ratings on the Bonds additionally secured by the State Debt Service Commitment is filed thereupon with the Trustee and (b) with respect to Other Indebtedness issued as Bonds hereunder, shall be entered into by the University without meeting requirements, if any, set forth in the Supplemental Indenture authorizing such Bonds.

UConn 2000 Infrastructure Improvement Program. [Section 909]. The University shall use and apply the proceeds of the Bonds for the UConn 2000 Infrastructure Improvement Program and shall do all such acts and things appropriate or necessary to receive and collect Assured Revenues. The University further covenants that so long as any Bonds are Outstanding that it has established and will charge, collect and increase tuition, fees and charges in an amount of which, together with other Assured Revenues or other revenues shall in each of its Fiscal Years be sufficient to pay when due, the Special Debt Service Requirements on Outstanding Bonds and to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education and to operate and maintain the physical university plant in sound operating condition and to otherwise permit the performance of all covenants included in the financing documents. The University covenants that it will promptly proceed with the construction of each UConn 2000 Project financed in whole or in part by the issuance of Bonds and will complete such construction with all expedition possible. The University covenants that it will at all times maintain, to the extent reasonably obtainable, insurance with respect to each Project with such variations as shall reasonably be required to conform to applicable standard or customary insurance practice. The University shall be deemed to be in compliance with this insurance covenant to the extent any Project is covered by the State under a State insurance policy or to the extent the State is a self-insurer on such Project.

Tax Exemption. [Section 910]. In the event Bonds are sold under the Master Indenture or a Supplemental Indenture thereto as federally tax-exempt bonds, the University covenants that it will not take any action or fail to take any action with respect to the proceeds of such Bonds that would result in loss of the exclusion from federal income taxation pursuant to Section 103(a) of the Code of interest paid on such Bonds.[2]

Pledge of State to Bondholders. [Section 914]. Pursuant to the Act, the University includes the following pledge and undertaking for the State, in the Master Indenture and in the Bonds issued under the Master Indenture. Pursuant to the Act, the State has pledged and hereby agrees with the Holders of any Bonds issued under the Master Indenture and the Act, and with those Bondholders pursuant to the provisions of the Act, that the State will not limit or alter the rights vested in the University by the Master Indenture and the Act until such Bonds, together with the interest thereon, are fully met and discharged and such contracts (the Master Indenture and the Bonds) are fully performed on the part of the University, provided nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Holders of such Bonds of the University.

Modification and Amendment Without Consent. [Section 1001]. The University may enter into Supplemental Indentures without consent of the Bondholders, the provider of either a Bond Facility, or a Swap Facility or Swap Provider for any one or more of the following purposes: To modify, amend or revise the UConn 2000 Infrastructure Improvement Program and to provide for the issuance of Bonds or Notes or Swaps pursuant to the provisions of the Master Indenture and to prescribe the terms and conditions pursuant to which such Bonds or Notes or Swaps may be issued, paid or redeemed; to add additional covenants and agreements of the University further securing the payment of the Bonds or Notes or Swaps; to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the University which are not contrary to or inconsistent with the limitations and restrictions in effect; to surrender any right, power or privilege reserved to or conferred upon the University by the Master Indenture; to confirm as further assurance any pledge under the Master Indenture subject to any lien, claim or pledge created or to be created by the provisions of the Master Indenture, of the moneys, securities or funds; to modify any of the provisions of the Master Indenture or any Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Indenture shall cease to be Outstanding, and all Bonds issued under such indentures shall contain a specific reference to the modifications contained in such subsequent indentures; to cure any ambiguity, or defect or inconsistent provision in the Master Indenture or to insert such provisions clarifying matters or questions arising under the Master Indenture as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Master Indenture; to ensure the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes; to grant or to confer upon the Trustee any additional rights, remedies, powers or authority that may lawfully be granted or conferred; and to grant such rights and remedies and make such other covenants subject to the Master Indenture (including any prior Supplemental Indenture) as may be necessary for issuance of a Bond Facility, a Swap or a Swap Facility so long as such rights, remedies and covenants are not contrary to or inconsistent with the Master Indenture as theretofore in effect.

Amendments and Supplemental Indentures Effective With Consent of Bondholders. [Section 1002]. The provisions of the Master Indenture may also be modified or amended, at any time or from time to time, by a Supplemental Indenture, subject to the consent of Bondholders and State Bond

[2] Pursuant to the Nineteenth Supplemental Indenture, the University covenants that it will not take any action or fail to take any action that would cause the 2014 Series A Bonds to be "arbitrage bonds" within the meaning of the Code.

Pursuant to the Eighth Supplemental Indenture, the University covenants that it will not take any action or fail to take any action that would cause the 2014 Refunding Series A Bonds to be "arbitrage bonds" within the meaning of the Code.

Commission in accordance with and subject to the provisions of Article XI of the Master Indenture, such Supplemental Indenture to become effective upon the execution thereof by the University and the Trustee, and the filing with the Trustee of a copy thereof certified by an Authorized Officer of the University and by the Secretary of the State Bond Commission.

Powers of Amendment. [Section 1101]. Except as otherwise provided in Article X of the Master Indenture, any modification or amendment of the Master Indenture may be made by a Supplemental Indenture, with the written consent given of the Holders of not less than 66 2/3% in principal amount of the Outstanding Bonds of each Series affected provided, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section, and that no such modification or amendment shall permit (i) a change in the redemption or maturity of the principal or installment of interest of any Outstanding Bond or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond; or (ii) shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

Consent of Bondholders. [Section 1102]. The University and the Trustee may at any time enter into a Supplemental Indenture making a modification or amendment permitted by the Master Indenture. A copy of such Supplemental Indenture together with a request to Bondholders for their consent satisfactory to the Trustee, shall be mailed by the University to Bondholders. Such Supplemental Indenture shall not be effective unless and until conditions specified in the Master Indenture are satisfied.

Modifications by Unanimous Consent. [Section 1103]. The Master Indenture may be modified or amended upon the execution by the University and the Trustee of a Supplemental Indenture and filing with the Trustee by the University of a certified copy of said Supplemental Indenture and the consent of the Holders of all of the Bonds then Outstanding. No notice to Bondholders either by mailing or publication shall be required.

Exclusion of Bonds. [Section 1105]. Bonds owned or held by or for the account of the University shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds.

Consent of Bond Facility Provider. [Section 1107]. So long as the Bond Facility provider has not defaulted under the Bond Facility, such provider shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Supplemental Indenture.

Approval of State Bond Commission. [Section 1108]. Any amendment under Article XI of the Master Indenture shall be deemed a substantive amendment of the Master Indenture for which the Act requires the approval of the State Bond Commission.

Events of Default. [Section 1201].

An "event of default" shall exist if:

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

(2) the State shall default in observance of its pledge to the Bondholders set forth in the Act and Section 914 of the Indenture or, with respect to Bonds secured by the State Debt Service Commitment, the Treasurer shall fail to pay the amount of the State Debt Service Commitment as provided as part of the contract of the State with the Bondholders of such Bonds and in accordance with Section 604 thereof; or

(3) the University shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, or (vii) take any action for the purpose of effecting any of the foregoing; or

(4) except as provided in (1) above, the University shall fail or refuse to comply with the Indenture, or shall default in the performance or observance of the covenants in the Indenture or any Supplemental Indenture or in any Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than five per cent (5%) in principal amount of the Outstanding Bonds.

Remedies. [Section 1202].

Upon the happening and continuance of any Event of Default after conditions specified in the Indenture have been satisfied, the Trustee may proceed, upon the written request of the holders of not less than 25% in principal amount of the Outstanding Bonds, in its own name, subject to the provisions of Section 804 of the Indenture, to protect and enforce the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effective to protect and enforce such rights:

(1) by mandamus or other proceeding at law or in equity, enforce all rights of the Bondholders, including (a) the right to require the University to receive and collect revenues, including Assured Revenues adequate to carry out the covenant and agreements as to, and any specific pledge of, such Assured Revenues, and (b) to require the Treasurer, under the contract of the State with the Bondholders secured by the State Debt Service Commitment, the right to require the Treasurer to pay the annual amount of the State Debt Service Commitment;

(2) by bringing suit upon the Bonds or under the Act upon the contract of the State with the Bondholders of Bonds secured by the State Debt Service Commitment;

(3) by action or suit in equity, to require the University or the State with respect to Bonds secured by the State Debt Service Commitment, to account as if each were the trustee of any express trust for the holders of the Bonds; and

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the University for principal, Redemption Price, interest or otherwise, under any provision of the Indenture or a Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the University for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable provided, however, with respect to Bonds secured by a pledge of the State Debt Service Commitment the right or remedy of the Trustee shall not be construed to include any right to appoint a receiver pursuant to Section 12 of the Act or any acceleration of payments of Principal Installments of or interest on such Bonds and with respect to Other Indebtedness issued as Bonds hereunder the right or remedy to appoint a receiver pursuant to Section 12 of the Act or to so accelerate shall be available only if included in the Supplemental Indenture authorizing such Bonds.

All remedies conferred upon or reserved to the Holders of Bonds hereunder may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by a Supplemental Indenture.

Priority of Payments After Default. [Section 1203]. In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, funds received or collected by the Trustee after payment of certain charges and expenses and liabilities as provided in the Master Indenture, shall be applied first to the payment of all installments of interest then due on any Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably; second, to the payment of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably; and third, to the payment to other persons entitled to payment under the Master Indenture or under the applicable Supplemental Indenture.

Notice of Event of Default. [Section 1210]. The Trustee shall, except in the case of a default in the payment of the principal or Redemption Price of or interest on any of the Bonds where a determination is made in good faith that the withholding of such notice is in the interests of the Bondholders, give Bondholders notice of each event of default within ninety (90) days after knowledge of the occurrence thereof, unless such default shall have been remedied or cured prior to giving such notice. Written notice of such event of default shall be delivered to all registered Holders of Bonds, to such Bondholders as have filed their names with the Trustee for such purposes, and to all other persons as required by law to receive such notice.

Defeasance. [Section 1401]. If the University shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Master Indenture, then, at the option of the University, expressed in an instrument in writing signed by an Authorized Officer of the University and delivered to the Trustee, the covenants, agreements and other obligations of the University to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the University, execute and deliver to the University all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the University all moneys, securities and funds held by them pursuant to the Master Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries shall be deemed to have been paid within the meaning and effect of this section.

Continuing Disclosure Undertaking. [Article XV]. For summary of the provisions of the Master Indenture respecting the continuing disclosure undertaking of the University, see Appendix I-D entitled, "FORM OF CONTINUING DISCLOSURE UNDERTAKING".

APPENDIX I-C

FORM OF OPINIONS OF BOND COUNSEL AND CO-BOND COUNSEL

Upon the delivery of the 2014 Series A Bonds, Pullman & Comley, LLC, Bond Counsel, and Law Offices of Joseph C. Reid, P.A., Co-Bond Counsel, propose to issue their final approving opinions in substantially the following form:

April 22, 2014

University of Connecticut
352 Mansfield Road, U-2122
Storrs, Connecticut 06269-2122

Honorable Denise L. Nappier, Treasurer
State of Connecticut
Office of the Treasurer
55 Elm Street
Hartford, Connecticut 06106

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $109,050,000 General Obligation Bonds, 2014 Series A (the "2014 Series A Bonds") of the University of Connecticut (the "University"), a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State"), operating and existing under the Constitution and laws of the State. Capitalized terms used herein and not otherwise defined shall have the definitions assigned to them by the Indentures (as hereinafter defined).

The 2014 Series A Bonds are authorized to be issued pursuant to The University of Connecticut 2000 Act, constituting Sections 10a–109a to 10a-109y inclusive of the Connecticut General Statutes, as amended to the date hereof (the "Act"), the General Obligation Master Indenture of Trust, as amended and supplemented by certain supplemental indentures (the "Master Indenture"), including the Nineteenth Supplemental Indenture (the "Nineteenth Supplemental Indenture" and together with the Master Indenture, the "Indentures."). The Master Indenture was entered into as of November 1, 1995 by and between the University and Fleet National Bank of Connecticut, as original trustee (predecessor to U.S. Bank National Association) (the "Trustee").

The 2014 Series A Bonds are dated, will mature on the dates, will bear interest at the rates, and may be subject to redemption prior to maturity, all as set forth in or determined pursuant to the Indentures.

The University is authorized to issue bonds, in addition to the 2014 Series A Bonds, upon the terms, conditions and covenants set forth in the Act and the Master Indenture, and such bonds, when issued, shall, with the 2014 Series A Bonds and with all other such bonds theretofore issued under the Master Indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Master Indenture, in accordance with its terms.

We have examined the law and such other materials as we have deemed necessary in order to render this opinion. We have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the University and the Treasurer and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents.

We are of the opinion that:

1. Under the Constitution and laws of the State, the University exists as a body politic and corporate and an instrumentality and agency of the State, performing an essential public function with good right and lawful authority, among other things, to carry out the UConn 2000 Infrastructure Improvement Program and to provide funds therefor by the execution of the Indentures and the issuance and sale of bonds, including the 2014 Series A Bonds, and to perform its obligations under the terms and conditions of the Indentures including provisions relating to the receipt of Assured Revenues, particularly annual amounts of the State Debt Service Commitment as covenanted in the Master Indenture.

2. The Indentures have been duly executed by the University and are valid and binding upon the University and enforceable in accordance with their terms.

3. The 2014 Series A Bonds have been duly authorized, executed and authenticated and are legal, valid and binding general obligations of the University in accordance with their terms for the payment of the Principal Installment of, interest on and Redemption Price of which, the full faith and credit of the University has been legally and validly pledged. The 2014 Series A Bonds are entitled to the equal benefit, protection, and security of provisions, covenants and remedies provided by the Act and the Indentures.

4. The 2014 Series A Bonds are additionally secured by a pledge of and lien on the State Debt Service Commitment in the manner and to the extent set forth in and created by the Indentures. The Indentures create the valid pledge of and lien upon the Trust Estate and the annual amounts of the State Debt Service Commitment, which the Indentures purport to create, subject only to the provisions of the Indentures permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indentures.

5. Pursuant to the Act and as part of the contract of the State with the holders of the 2014 Series A Bonds, the State has validly appropriated all amounts of the State Debt Service Commitment (including the Principal Installments of, interest on and Redemption Price of the 2014 Series A Bonds) out of the resources of the general fund of the State and the Treasurer has the legal duty and is validly mandated and obligated to pay such amount to the Trustee, as paying agent on the 2014 Series A Bonds as the same arise and shall become due and payable. Such appropriation, mandate and obligation of payment do not require further legislative approval.

6. Pursuant to the Act, the 2014 Series A Bonds do not constitute a debt or liability of the State of Connecticut or any municipality or other political subdivision thereof or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut (except to the extent set forth in the Act), do not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation and are payable solely from the funds provided therefor pursuant to the Indentures and the Act. The University has no taxing power.

7. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met on and subsequent to the delivery of the 2014 Series A Bonds in order that interest on the 2014 Series A Bonds be not included in gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to the use and expenditure of

gross proceeds of the 2014 Series A Bonds, restrictions on the investment of 2014 Series A Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2014 Series A Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the University and the Treasurer will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the University and the Treasurer covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 7, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) continuing compliance by the University and the Treasurer with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

Under existing law, interest on the 2014 Series A Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University and the Treasurer and others in connection with the 2014 Series A Bonds, and we have assumed compliance by the University and the Treasurer with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

8. Under existing statutes, interest on the 2014 Series A Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates, and interest on the 2014 Series A Bonds is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Except as stated in paragraphs 7 and 8 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the 2014 Series A Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the 2014 Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2014 Series A Bonds may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Very truly yours,

Upon the delivery of the 2014 Refunding Series A Bonds, Pullman & Comley, LLC, Bond Counsel, and Law Offices of Joseph C. Reid, P.A., Co-Bond Counsel, propose to issue their final approving opinions in substantially the following form:

April 22, 2014

University of Connecticut
352 Mansfield Road, U-2122
Storrs, Connecticut 06269-2122

Honorable Denise L. Nappier, Treasurer
State of Connecticut
Office of the Treasurer
55 Elm Street
Hartford, Connecticut 06106

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $92,940,000 General Obligation Bonds, 2014 Refunding Series A (the "2014 Refunding Series A Bonds") of the University of Connecticut (the "University"), a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State"), operating and existing under the Constitution and laws of the State. Capitalized terms used herein and not otherwise defined shall have the definitions assigned to them by the Indentures (as hereinafter defined).

The 2014 Refunding Series A Bonds are authorized to be issued pursuant to The University of Connecticut 2000 Act, constituting Sections 10a–109a to 10a-109y inclusive of the Connecticut General Statutes, as amended to the date hereof (the "Act"), the General Obligation Master Indenture of Trust, as amended and supplemented by certain supplemental indentures (the "Master Indenture"), including the Eighth Supplemental Indenture (the "Eighth Supplemental Indenture" and together with the Master Indenture, the "Indentures."). The Master Indenture was entered into as of November 1, 1995 by and between the University and Fleet National Bank of Connecticut, as original trustee (predecessor to U.S. Bank National Association) (the "Trustee").

The 2014 Refunding Series A Bonds are dated, will mature on the dates, will bear interest at the rates, and may be subject to redemption prior to maturity, all as set forth in or determined pursuant to the Indentures.

The University is authorized to issue bonds, in addition to the 2014 Refunding Series A Bonds, upon the terms, conditions and covenants set forth in the Act and the Master Indenture, and such bonds, when issued, shall, with the 2014 Refunding Series A Bonds and with all other such bonds theretofore issued under the Master Indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Master Indenture, in accordance with its terms.

We have examined the law and such other materials as we have deemed necessary in order to render this opinion. We have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the University and the Treasurer and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents.

We are of the opinion that:

1. Under the Constitution and laws of the State, the University exists as a body politic and corporate and an instrumentality and agency of the State, performing an essential public function with good right and lawful authority, among other things, to carry out the UConn 2000 Infrastructure Improvement Program and to provide funds therefor by the execution of the Indentures and the issuance and sale of bonds, including the 2014 Refunding Series A Bonds, and to perform its obligations under the terms and conditions of the Indentures including provisions relating to the receipt of Assured Revenues, particularly annual amounts of the State Debt Service Commitment as covenanted in the Master Indenture.

2. The Indentures have been duly executed by the University and are valid and binding upon the University and enforceable in accordance with their terms.

3. The 2014 Refunding Series A Bonds have been duly authorized, executed and authenticated and are legal, valid and binding general obligations of the University in accordance with their terms for the payment of the Principal Installment of, interest on and Redemption Price of which, the full faith and credit of the University has been legally and validly pledged. The 2014 Refunding Series A Bonds are entitled to the equal benefit, protection, and security of provisions, covenants and remedies provided by the Act and the Indentures.

4. The 2014 Refunding Series A Bonds are additionally secured by a pledge of and lien on the State Debt Service Commitment in the manner and to the extent set forth in and created by the Indentures. The Indentures create the valid pledge of and lien upon the Trust Estate and the annual amounts of the State Debt Service Commitment, which the Indentures purport to create, subject only to the provisions of the Indentures permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indentures.

5. Pursuant to the Act and as part of the contract of the State with the holders of the 2014 Refunding Series A Bonds, the State has validly appropriated all amounts of the State Debt Service Commitment (including the Principal Installments of, interest on and Redemption Price of the 2014 Refunding Series A Bonds) out of the resources of the general fund of the State and the Treasurer has the legal duty and is validly mandated and obligated to pay such amount to the Trustee, as paying agent on the 2014 Refunding Series A Bonds as the same arise and shall become due and payable. Such appropriation, mandate and obligation of payment do not require further legislative approval.

6. Pursuant to the Act, the 2014 Refunding Series A Bonds do not constitute a debt or liability of the State of Connecticut or any municipality or other political subdivision thereof or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut (except to the extent set forth in the Act), do not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation and are payable solely from the funds provided therefor pursuant to the Indentures and the Act. The University has no taxing power.

7. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met on and subsequent to the delivery of the 2014 Refunding Series A Bonds in order that interest on the 2014 Refunding Series A Bonds be not included in gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to the use and expenditure of gross proceeds of the 2014 Refunding Series A Bonds, restrictions on the investment

of 2014 Refunding Series A Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2014 Refunding Series A Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the University and the Treasurer will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the University and the Treasurer covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 7, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) continuing compliance by the University and the Treasurer with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

Under existing law, interest on the 2014 Refunding Series A Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University and the Treasurer and others in connection with the 2014 Refunding Series A Bonds, and we have assumed compliance by the University and the Treasurer with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

8. Under existing statutes, interest on the 2014 Refunding Series A Bonds is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates, and interest on the 2014 Refunding Series A Bonds is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Except as stated in paragraphs 7 and 8 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the 2014 Refunding Series A Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the 2014 Refunding Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2014 Refunding Series A Bonds may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Very truly yours,

APPENDIX I-D

FORM OF CONTINUING DISCLOSURE UNDERTAKING
THE UNIVERSITY - ARTICLE XV OF MASTER INDENTURE

Submission of Annual Financial Information Statements. [Section 1502]. While any Bonds are Outstanding, the University shall provide to the Trustee, when completed, Annual Financial Information beginning on or after January 1, 1996 which Annual Financial Information is expected to be completed within 180 days of the end of the fiscal year (the "Submission Date"). The Trustee shall provide to each NRMSIR and the SID, if any, such Annual Financial Information within 4 business days following the Submission Date or, if received subsequent to such Submission Date, within 3 business days of its receipt by Trustee. The State has also undertaken to provide an Annual Financial Information Statement to the MSRB or other information repository as part of the State's written undertaking to comply with the Rule.

Submission of Audited Financial Statements. [Section 1503]. (A) The University shall submit to the Trustee Audited Financial Statements for each Fiscal Year beginning on or after January 1, 1996, when and if available (but not later than the Submission Date). If the University's Audited Financial Statements are not available by the Submission Date, the University shall provide to the Trustee, by the Submission Date, Unaudited Financial Statements in lieu thereof and, when available, Audited Financial Statements, which Audited Financial Statements the Trustee shall provide to each NRMSIR and SID, if any, within 3 business days of its receipt.

(B) For purposes of the Audited Financial Statements required to be submitted by or on behalf of the State, as an obligated person with respect to the Bonds within the meaning of the Rule, reference is made to the Audited Financial Statements submitted or to be submitted by or on behalf of the State to the MSRB or other information repository as the case may be, as part of the State's written undertaking to comply with the Rule.

Listed Event Notices. [Section 1504]. (A) If a Listed Event occurs while any Bonds are Outstanding, the University shall provide a Listed Event Notice to the Trustee in a timely manner, and the Trustee shall promptly provide to the SID, if any, and either to the MSRB or each NRMSIR, such Listed Event Notice. Trustee shall further advise the University, should the Trustee, in the course of its duties, identify an event which would require the University to provide a Listed Event Notice. However, failure to advise by Trustee shall not be considered a breach.

Notification by Trustee of Failure by the University to File Annual Financial Information. [Section 1505]. (A) The University shall provide to the Trustee notice of any failure of the University to provide the Annual Financial Information by the required date, while any Bonds are Outstanding. Upon receipt of such notice, the Trustee shall provide notice of such failure to the SID, if any, and either to the MSRB or each NRMSIR.

(B) The Trustee shall provide to the SID, if any, and either to the MSRB or each NRMSIR, notice of any failure to provide Annual Financial Information on or before the Report Date (whether caused by failure of the University to provide such information to the Trustee by the Submission Date or for any other reason). For the purposes of determining whether information received by the University is Annual Financial Information, the Trustee shall be entitled conclusively to rely on the University's written representation.

Additional Information. [Section 1506]. (A) Nothing in Article XV of the Indenture shall prevent the University from disseminating any other information in addition to that required thereby. If the University should so disseminate or include any such additional information, the University shall have no obligation under Article XV of the Indenture to update, provide or include such additional information in any future materials disseminated pursuant to Article XV of the Indenture or otherwise. The University may direct the Trustee to provide any such additional information to the SID, if any, and either to the MSRB or each NRMSIR.

Reference to Other Documents. [Section 1507]. It shall be sufficient for purposes of Section 1502 of the Indenture if the University provides Annual Financial Information by specific reference to documents previously (i) provided to each NRMSIR and the SID, if any, or (ii) filed with the SEC. If such a document is an Official Statement, it must also be available from the MSRB.

Disclaimer by the University. [Section 1508]. The University shall be under no obligation to the Holders, the Trustee or any other party to review or otherwise pass upon the Annual Financial Information or the Audited Financial Statements of the State, and the University's obligations hereunder shall be limited solely to the undertakings set forth in Article XV of the Indenture. The University shall be under no obligation to review, pass upon, update, provide or include or continue to include in its Official Statement any additional information regarding the State provided to the MSRB, each NRMSIR or the SID, if any, other than that information required to be submitted as part of the State's undertaking pursuant to paragraph (b)(5) of the Rule.

Transmission of Information and Notices. [Section 1509]. Subject to the limitations stated in the Indenture, the University and the Trustee shall employ such methods of information and notice transmission requested or recommended by the designated recipients of the information and notices required to be delivered pursuant to the provisions of Article XV of the Indenture.

Change in Fiscal Year, Submission Date and Report Date. [Section 1510]. The University may adjust the Submission Date and the Report Date if the University changes its Fiscal Year by providing written notice to the Trustee, which notice shall be promptly delivered to each NRMSIR and the SID, if any; provided, however, that the new Submission Date shall be no more than 180 days after the end of such new Fiscal Year and the new Report Date shall be no more than 4 Business Days following the new Submission Date, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

Termination. [Section 1511]. (A) The University's and the Trustee's obligations under Article XV of the Indenture shall terminate immediately once Bonds are no longer Outstanding.

(B) The provisions of Article XV of the Indenture shall be null and void in the event that the University delivers to the Trustee a Counsel's Opinion stating that those portions of the Rule which require the provisions of Article XV of the Indenture, do not or no longer apply. The Trustee shall, upon receipt of such opinion, promptly provide copies thereof to each NRMSIR and the SID, if any.

(C) The obligations of the University relating to the State as an obligated person may be terminated if the State is no longer an "obligated person" as defined in the Rule. Such termination shall be effective upon the provision of notice by the University to the Trustee, upon receipt of which the Trustee shall notify the SID, if any, and to the MSRB or each NRMSIR.

Amendment. [Section 1512]. (A) Article XV of the Indenture may be amended, by written agreement of the parties, without the consent of the Holders of the Bonds (except to the extent required below under clause (3)(ii)), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or in interpretations thereof, or a change in the identity, nature or status of the University or the type of business conducted thereby; (2) Article XV of the Indenture, as so amended would have complied with the requirements of the Rule as of the date of the Indenture, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (3) either (i) the University shall have delivered to the Trustee a Counsel's Opinion which states that the amendment does not materially impair the interests of the Holders of the Bonds, or (ii) the Holders of the Bonds consent to the amendment to Article XV of the Indenture pursuant to the same procedures as are required for amendments to the Indenture pursuant to Section 901 of the Indenture. In the event the University delivers to the Trustee a Counsel's Opinion pursuant to sub-paragraph (3)(i), the Trustee shall promptly deliver copies of such opinion and amendment to each NRMSIR and the SID, if any.

(B) In addition to subsection (A) above, Article XV may be amended and any provision of Article XV may be waived, by written agreement of the parties, without the consent of the Holders of the Bonds, if all the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued; and (2) the University shall have delivered to the Trustee a Counsel's Opinion stating that performance by the University and Trustee under Article XV as so amended or giving effect to such waiver will not result in a violation of the Rule. The Trustee shall deliver copies of such Opinion and amendment to each NRMSIR and the SID, if any.

(C) In the event of any amendment respecting the type of operating data or financial information contained in the University's Annual Financial Information, the University shall, in accordance with the Rule or any interpretation thereof by the SEC, provide in the first Annual Financial Information provided thereafter a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) In the event of any amendment specifying the accounting principles, for the year in which the change is made, the University shall present a comparison. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the difference and the impact of the change. In the event of any such change in accounting principles, the University shall deliver notice of such change to the Trustee and the Trustee shall deliver notice of such change to the Trustee and the Trustee shall deliver such notice to the SID, if any, and either to the MSRB or each NRMSIR.

Benefit; Third-Party Beneficiaries; Enforcement. [Section 1513]. (A) The provisions of Article XV of the Indenture shall inure solely to the benefit of the Holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of Article XV of the Indenture.

(B) Except as provided in this subsection, the provisions of Article XV of the Indenture shall create no rights in any person or entity. The obligations of the University to comply with the provisions of Article XV of the Indenture shall be enforceable (i) in the case of enforcement of obligations to provide Audited Financial Statements, Annual Financial Information, operating data and notice, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds, or (ii), in the case or challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The Holders' and Trustee's rights to enforce the provisions of Article XV of the Indenture shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the University's obligations under Article XV of the Indenture. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (A) of this Section, beneficial owners shall be deemed to be Holders of

Bonds for purposes of this subsection (B). Without limiting the generality of the foregoing and except as otherwise provided in the Indenture, neither the commencement nor the successful completion of an action to compel performance under Article XV of the Indenture shall entitle the Trustee or any other person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

(C) Any failure by the University or the Trustee to perform in accordance with Article XV of the Indenture shall not constitute a default or an Event of Default under the Indenture or any Supplemental Indenture, and the rights and remedies provided by the Indenture or any Supplemental Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(D) Article XV of the Indenture shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of Article XV of the Indenture shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent Article XV of the Indenture addresses matters of federal securities laws, including the Rule, Article XV of the Indenture shall be construed in accordance with such federal securities laws and official interpretations thereof.

Duties, Immunities and Liabilities of Trustee. [Section 1514]. The Trustee shall have only such duties under Article XV of the Indenture as are specifically set forth therein, and the University agrees to indemnify and save the Trustee, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under Section 1514 of the Indenture excluding liabilities due to the Trustee's gross negligence or willful misconduct. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Indenture. The obligations of the University under Section 1514 of the Indenture shall survive resignation or removal of the Trustee and payment of the Bonds.

Duties, Immunities and Liabilities of Officials. [Section 1515]. Pursuant to Public Act 95-270, the University shall protect and save harmless any official or former official of the University from financial loss and expense, including legal fees and costs, if any, arising out of any claim, demand, suit or judgment by reason of alleged negligence on the part of such official, while acting in the discharge of his or her official duties in providing secondary market disclosure information pursuant to Article XV of the Indenture or performing any other duties set forth in the Indenture. Nothing in Article XV of the Indenture shall be construed to preclude the defense of governmental immunity to any such claim, demand or suit. For purposes of Section 1514 of the Indenture, "official" means any person elected or appointed to office or employed by the University. The University may insure against liability imposed by this provision through any insurance company of another state authorized to write such insurance in the states or may elect to Act as self-insurer of such liability. This Section shall not apply to cases of willful and wanton fraud.

FORM OF SUPPLEMENTAL CONTINUING DISCLOSURE UNDERTAKING

THIS SUPPLEMENTAL CONTINUING DISCLOSURE UNDERTAKING (this "Undertaking"), is being executed and delivered by University of Connecticut (herein the "Issuer") and U.S. Bank National Association, as Trustee (the "Trustee") in connection with the execution and delivery of its Series 2014 Bonds (as hereinafter defined).

WHEREAS, the Issuer has heretofore undertaken to provide pursuant to Article XV ("Article XV") of its General Obligation Master Indenture of Trust dated as of November 1, 1995 (as supplemented and amended, the "Indenture"), and in satisfaction of Rule 15c2-12 under the Securities Exchange Act of 1934 (as amended, the "Rule"), certain secondary market information with respect to bonds issued pursuant to the Indenture (the "Article XV Continuing Disclosure Undertaking"); and

WHEREAS, the Rule was amended, effective November 30, 2010.

NOW THEREFORE, the Issuer hereby undertakes to supplement the Article XV Continuing Disclosure Undertaking with respect to its General Obligation Bonds, 2014 Series A and its General Obligation Bonds, 2014 Refunding Series A (collectively, the "Bonds"), to provide event disclosure in accordance with the Rule in a timely manner not in excess of ten business days after the occurrence of any of the following events (each, a "Notice Event"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on the debt service reserves reflecting financial difficulties;

(4) unscheduled draws on the credit enhancements reflecting financial difficulties;

(5) substitution of the credit or liquidity providers or their failure to perform;

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

(7) modifications to rights of the Bond holders, if material;

(8) Bond calls, if material, and tender offers;

(9) Bond defeasance;

(10) release, substitution or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the University or the State*;

(13) the consummation of a merger, consolidation, or acquisition involving the University or the State or the sale of all or substantially all of the assets of the University or the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

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* For the purposes of the event identified in this clause, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the University or the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University or the State.

Dated: April 22, 2014

UNIVERSITY OF CONNECTICUT

By: ___________________________________
Name: _________________________________
Title: _________________________________

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ___________________________________
Name: _________________________________
Title: _________________________________

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (the "State") will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data and (ii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of the 22nd day of April, 2014 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $109,050,000 University of Connecticut General Obligation Bonds, 2014 Series A, dated April 22, 2014 and $92,940,000 University of Connecticut General Obligation Bonds, 2014 Refunding Series A, dated April 22, 2014 (collectively, "the 2014 Bonds") and U.S. Bank National Association, as Trustee for the Bonds (the "Trustee"). The Bonds are being issued pursuant to a General Obligation Master Indenture of Trust entered into by the University of Connecticut (the "Issuer") and the Trustee dated as of November 1, 1995, as supplemented and amended from time to time (the "Indenture") for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means Parts II and III of the official statement of the Issuer dated April 8, 2014 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2014) as follows:

(i) Financial statements of the State's general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, internal service funds and trust and agency (fiduciary) funds and the general long-term debt account group for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash method of accounting as described in Part III to the Final Official Statement, under the caption **FINANCIAL PROCEDURES - Accounting Procedures)**. As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule described below (with references to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports:

1. Until such time as the State's only method of presenting its financial statements is substantially in accordance with generally accepted accounting principles ("GAAP"):

a. General Fund - Summary of Operating Results - Budgetary (Modified Cash) Basis (for most recent fiscal year) (See Table 2 and Appendices III-D-6 and III-D-7).

b. General Fund - Summary of Operating Results - Budgetary (Modified Cash) Basis vs. GAAP Basis (for most recent fiscal year) (See Table 3).

c. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash) Basis (as of the end of the most recent fiscal year) (See Table 4 and Appendices III-D-4 and III-D-5).

d. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash) Basis vs. GAAP Basis (as of the end of the most recent fiscal year) (See Table 5).

2. Statutory Debt Limit (as of end of most recent fiscal year or a later date) (See Table 7).

3. Direct General Obligation Indebtedness - Principal Amount Outstanding (as of end of most recent fiscal year or a later date) (See Table 8).

4. Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 10).

5. Outstanding Long-Term Direct General Obligation Debt (as of end of most recent fiscal year) (See Table 11).

6. Authorized But Unissued Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 12).

7. Statutory General Obligation Bond Authorizations and Reductions (for recent fiscal years, if any legislative action) (See Table 13).

8. Special Capital Reserve Fund Debt (as of end of most recent fiscal year or a later date) (See Table 16).

9. Funding status of the State Employees' Retirement Fund and the Teachers' Retirement Fund.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The State's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and

(iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Material Events.

(Not applicable to State).

Section 4. Notice of Failure to Provide Annual Financial Information.

The State agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. Termination.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Section 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

Section 8. Miscellaneous.

(a) All documents provided by the State to a Repository pursuant to the State's undertakings set forth in Sections 2 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The State and the Trustee shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 51% of the aggregate principal amount of the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By:______________________________________
Denise L. Nappier
Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:______________________________________
Authorized Officer

APPENDIX I-E

DEFINITIONS OF CERTAIN TERMS OF THE INDENTURES

Definitions. [Section 101]. The following terms shall have the following meanings for all purposes of the Master Indenture and the supplements thereto, including the Eighth Supplemental Indenture and the Nineteenth Supplemental Indenture, except as otherwise defined:

"2014 Series A Bonds" means the Bonds authorized by, and issued in one or more series, pursuant to Article II of the Nineteenth Supplemental Indenture.

"2014 Refunding Series A Bonds" means the Bonds authorized by, and issued in one or more series, pursuant to Article II of the Eighth Supplemental Indenture.

"Accreted Value" shall mean, as of the date of computation with respect to any capital appreciation bonds, an amount equal to:

a. the initial reoffering price of such capital appreciation bonds, plus

b. the interest accrued thereon from the date of delivery compounded on each __________ and __________ (through and including the maturity date of such Bond) at the "approximate reoffering yield" of such Bond, provided that the accreted value on any date other than __________ and __________ shall be calculated by straight line interpolation of the accreted values as of the immediately preceding and succeeding __________ and __________. The term "approximate reoffering yield" means, with respect to any particular Bond, the yield to maturity of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each __________ and __________.

"Act" means Public Act No. 95-230, as amended.

"Additional Bonds" means all Bonds issued under the Master Indenture other than the Initial Bonds and Refunding Bonds for the UConn 2000 Infrastructure Improvement Program.

"Annual Financial Information" means,

(A)(i) the Audited Financial Statements of the University for the preceding Fiscal Year (commencing with the Fiscal Year beginning on or after January 1, 1996), and Unaudited Financial Statements for such Fiscal Year if such Audited Financial Statements are unavailable, pursuant to the Master Indenture;

(ii) investments in the Bond Fund and in the various accounts under the Indenture;

(iii) identification of all Bonds issued by the University and Outstanding Bonds including a table summarizing certain Bond information, such as coupon rates, and call features;

(iv) data reflecting updating of certain tables of operating information relating to the University and included in the official statement of the University for the 2014 Series A Bonds and the 2014 Refunding Series A Bonds consisting of the following: student admissions including the schedule of freshman enrollment and total student enrollment, tuition and other fees, student financial aid, hospital operating information, including staffed beds, discharges, patient days, average length of stay, payor mix as a percent of revenues, and employee data (number of full-time faculty and number of staff), outstanding University indebtedness, annual debt service requirements, and endowment or other similar funds held by or for the benefit of the University; and

(B) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of such financial and operating data listed in (A) above.

Any or all of the items listed above may be included by specific reference to other documents which have been submitted to each NRMSIR and the SID, if any, or filed with the SEC. If such document is an Official Statement, it must be available from the MSRB.

In the event that any of the financial information or operating data constituting Annual Financial Information no longer can be generated because the operations to which such information or data relate have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

"Annual Financial Information" shall mean, with respect to the State, the Annual Financial Information submitted to or to be submitted by or on behalf of the State pursuant to the State's written continuing disclosure undertaking in compliance with the requirements of paragraph (b)(5) of the Rule.

"Assured Revenues" means those revenues of the University (i) other than Project Revenues particularly pledged under Dedication Instruments of the University for the payment of Revenue Bonds or State Bonds or patient revenues or any other revenues derived from the clinical operations of the University or (ii) not otherwise expressly by an existing contract or by statute or by grant restricted or encumbered for specific purposes and, except as limited by the foregoing (i) and (ii) shall include (a) revenues from fees, tuition, rentals, charges, gifts, investments, endowments and from grants, subsidies, contracts, leases or other agreements made by or with the federal government, the State or any political subdivision, agency or instrumentality of the federal government or the State, or others, including the State Debt Service Commitment, the Minimum State Operating Provision and Special Eligible Gifts, and (b) any payment made or required to be made to the University, or to the Trustee, under any Swap or Swap Facility, including, without limitation, Swap Receipts, Termination Receipts and any payment receipts in respect of a Swap for application by the University for Project Operating Expenses.

"Audited Financial Statements" means, with respect to the University, the annual financial statements, if any, of the University, audited by such auditor as shall then be required or permitted by State law or the Master Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however*, that the University may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared including Financial Policy Number 2 of State Comptroller respecting Accounting and Financial Reporting Standards for State of Connecticut Constituent Units of Higher Education, as same may be implemented and amended from time to time. Notice of any such modification shall include a reference to the specific federal or State law or regulation describing such accounting basis and shall be provided by the University to the Trustee, who shall promptly deliver such notice to (i) either the MSRB or each NRMSIR, and (ii) the SID.

"Audited Financial Statements" shall mean, with respect to the State, the Audited Financial Statements submitted or to be submitted by or on behalf of the State pursuant to the State's written continuing disclosure undertaking in compliance with the requirements of paragraph (b)(5) of the Rule.

"Authorized Denomination" means $5,000 or any integral multiple thereof for current interest bonds and for capital appreciation bonds shall mean denominations such that the accreted value of each capital appreciation bond on the maturity date thereof will be $5,000 or an integral multiple thereof.

"Authorized Officer" means, in the case of the University, the Chair or Vice-Chair of the Board of Trustees, the financial affairs committee of the Board of Trustees (acting by resolution and constituting the financial affairs committee of the Board of Trustees within the meaning of the Act), the President, the Vice President and Chief Financial Officer, the Vice President and Chief Operating Officer, the Manager of Treasury Services (for the purpose of making investments and disbursements only) and the Chief Financial Officer (for the purpose of making investments and disbursements only) or any other person duly authorized by the bylaws or resolution of the University to perform the Act or sign the document in question.

"Board of Trustees" means the board of trustees of the University.

"Bond" or **"Bonds"** means the 1996 Series A Bonds, together with any Additional Bonds issued under and pursuant to the Master Indenture.

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

"Bond Facility" shall mean an insurance policy, surety bond or agreement, standby purchase agreement, line of credit, letter of credit or other credit enhancement or liquidity facility entered into for the same or similar purposes, with respect to Bonds.

"Bond Proceeds Fund" means such fund of the University established by Section 602 of the Master Indenture and governed by Section 603 of the Master Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent or any remarketing agent is located, are required or are authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

"Calendar Year" means a twelve-month period commencing January 1 and ending December 31 of any year.

"Capital Appreciation Bonds" shall mean those Bonds for which interest is compounded periodically on each __________ and __________ (through and including the maturity dates thereof) and payable in an amount equal to the then current accreted value only at the maturity or earlier redemption thereof, all as so designated in the supplemental indentures.

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

"Construction Account" means such account of the Bond Proceeds Fund established under Section 601 of the Master Indenture.

"Costs of Issuance" means all costs related to the proceedings under which Bonds are issued under the Indenture including but not limited to salaries, administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility, a Swap Facility, a Swap Provider, including a Termination Payment, other than Reimbursement Obligations or Swap Payments or other termination payments, auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and paying agents, fees and expenses of remarketing agents and dealers, fees and expenses of the underwriters if payable other than as a result of a discount on the purchase price of Bonds or Notes, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers' fees or charges incurred by the University or Treasurer on behalf of the University to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Internal Revenue Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with the Master Indenture.

"Costs of Issuance Account" means such account established by Section 602 of the Master Indenture.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Treasurer, in consultation with the University (who may be the Attorney General or other counsel to the University); provided, however, that for the purposes of Article II and Article IX of the Master Indenture such term shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds.

"Current Interest Bonds" shall mean those Bonds which bear interest payable on __________ and __________ of each year through and including the maturity dates thereof, which may be either serial or term obligations.

"Debt Service Fund" means the fund from which debt service on all Outstanding Bonds of the University shall be paid as provided in the Act, established by Section 602 of the Master Indenture.

"Debt Service Fund Requirement" means, as of any date of computation, an amount at least equal to the aggregate amount of Principal Installments and Interest Requirements as the same become due and payable on all Outstanding General Obligation Bonds of the University.

"Dedication Instrument" means any document or agreement (including a Supplemental Indenture with respect to Other Indebtedness if issued hereunder), duly authorized and executed by or on behalf of the University and approved by resolution of the Board of Trustees of the University, in order to accomplish the UConn 2000 Infrastructure Improvement Program, to the extent permitted by applicable law and the Master Indenture, (a) authorizing the issuance of (i) Revenue Bonds and providing a pledge or assignment of all or any portion of Project Revenues to secure such Revenue Bonds or (ii) General Obligation Bonds and providing a pledge or assignment of all or any portion of Assured Revenues (other than the State Debt Service Commitment) to secure any Other Indebtedness and (b) containing such other terms, provisions or restrictions as the University may deem necessary or appropriate in connection with the foregoing purposes, in each case as each such document, agreement or resolution may be amended or supplemented from time to time in accordance with terms thereof and hereof and the provisions of the Act including any financing documents and financing transaction proceedings as defined in the Act.

"Eighth Supplemental Indenture" shall mean the Eighth Supplemental Indenture dated as of January 15, 2004, as amended, authorizing the 2014 Refunding Series A Bonds (secured by the State Debt Service Commitment).

"Event of Default" shall have the meaning given to such terms in Article XII of the Master Indenture.

"Fiduciary" or **"Fiduciaries"** means the Trustee, any Paying Agent, or either or both of them, as may be appropriate.

"Fiscal Year" shall mean a twelve-month period commencing on the first day of July of any year.

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

"General Obligation Bonds" shall mean the bonds of the University issued under the Master Indenture.

"Indenture" or **"Master Indenture"** means the General Obligation Master Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms and provisions thereof.

"Information Services" means Financial Information, Inc. Kenny Information Services "Daily Called Bond Service," Moody's Investors Service "Municipal and Government," Standard & Poor's "Called Bond Record," and Fitch Investors Service, Inc., any NRMSIR, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the State may designate in writing to the Trustee.

"Initial Bonds" shall mean the initial general obligation bonds issued under the Master Indenture pursuant to the Act and the First Supplemental Indenture.

"Interest Payment Date" shall mean each date on which interest is payable on General Obligation Bonds under the Master Indenture or the applicable Dedication Instrument, or, if such date is not a Business Day, the immediately succeeding Business Day.

"Interest Requirement" means, as of the date of computation with respect to a Calendar Year, an amount equivalent to the aggregate maximum amount coming due during such Calendar Year on any Interest Payment Date, of (i) interest which may be payable on Outstanding Bonds and (ii) Swap Payments, provided that interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate, and further provided that if the University shall have entered into one or more Swaps with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the University under such Swap; if the University shall have entered into one or more Swaps with respect to a Bond or Note that is not a Variable Interest Rate Bond or Note which calls for a Variable Interest Rate Swap Payment by the University then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as a Variable Interest Rate Bond or Note bearing interest for such period at the Variable Interest Rate payable by the University under such Swap.

"Investment Obligations" shall mean and includes any of the following:

(i) Direct obligations of or obligations guaranteed by the United States of America;

(ii) Any bond, debenture, note, participation or other similar obligation issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers' Home Administration and Export-Import Bank;

(iii) Any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by a Federal Agency backed by the full faith and credit of the United States of America other than as provided in (i) hereof;

(iv) Any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State or obligation which may be purchased with proceeds of general obligation bonds of the State under Section 3-20 of the General Statutes as then in effect;

(v) Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or Project Notes issued by Public Housing Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vi) Direct and general obligations of or obligations guaranteed by the State of Connecticut, to the payment of the principal of and interest on which the full faith and credit of the State is pledged;

(vii) Deposits in interest-bearing time or demand deposits or certificates of deposit secured by (a) obligations described in (i) hereof or (b) obligations described in (v) hereof, or (c) obligations described in (iv) hereof;

(viii) Deposits in interest-bearing time or demand deposits or certificates of deposit secured by obligations described in (ii), (iii) or (iv) hereof;

(ix) Participation certificates for the combined investment pool administered by the State Treasurer pursuant to No. 236 of the Public Acts of 1971; and

(x) the Tax Exempt Proceeds Fund, established by the Treasurer pursuant to Section 3-24a of the General Statutes, as amended.

"Listed Event" means any of the following events, if material, with respect to any Bonds under the Master Indenture:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) Modifications to rights of security holders;

(viii) Redemption by the University of any Outstanding Bonds other than by mandatory sinking fund installments;

(ix) Defeasance;

(x) Release, substitution, or sale of property securing repayment of the securities; and

(xi) Rating changes.

"Listed Event Notice" means notice of a Listed Event required to be provided pursuant to Section 1504 of the Master Indenture.

"Maturity Amount" shall mean with respect to a capital appreciation bond its accreted value on its maturity date, being the amount to be paid on a capital appreciation bond at maturity.

"Minimum State Operating Provision" means the commitment of the State to appropriate, annually, an amount for the University for operations after receiving a request from the University therefor and consideration of other amounts available to the University for its operations which amount so appropriated shall be consistent with the University continuing to operate in furtherance and pursuant to the provisions of Section 2 of article eighth of the Constitution of the State and applicable law as an institution dedicated to the excellence in higher education, including the operation of the components of UConn 2000 at Storrs and elsewhere in the State pursuant to Section 5 of the Act; provided, however, nothing in Section 1 to 25, inclusive, of the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous fiscal year so long as the appropriation act provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor entity.

"Nineteenth Supplemental Indenture" means the Nineteenth Supplemental Indenture dated as of April 1, 2014, as amended, authorizing the 2014 Series A Bonds (secured by the State Debt Service Commitment).

"Notes" shall mean any obligations or other evidences of indebtedness or borrowing of the University, other than Bonds, issued for the purposes of the Act to provide funds for deposit in the Bond Proceeds Fund and issued in anticipation of Bonds.

"NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule.

"Official Statement" shall means the "final official statement", as defined in paragraph (f) (3) of the Rule, relating to any Series of Bonds.

"Operating Budget" means the annual operating budget of the University approved by the Board of Trustees pursuant to law.

"Other Indebtedness" shall have the meaning given in Section 907 of the Master Indenture.

“Outstanding” (1) when used with reference to Bonds, other than Bonds referred to in Section 1105 of the Master Indenture, shall mean, as of any date, a Bond or Bonds of such Series theretofore or thereupon being authenticated and delivered under the Master Indenture except:

(i) any Bonds canceled by the Trustee, and Paying Agent or the University at or prior to such date;

(ii) Bonds for the payment or redemption of which cash, equal to the principal amount or Redemption Price, shall be held in trust under the Master Indenture for such purpose, provided that if such Bonds are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III, Section 406 and Section 1106 of the Indenture; and

(iv) Bonds deemed to have been paid as provided in Section 1401 of the Master Indenture.

(2) When used with reference to General Obligation Bonds which are State Bonds, shall have the meaning, as of any date, given in the applicable Dedication Instrument.

“Outstanding Bonds” means any Bond with respect to which a Principal Installment, Interest Payment, Sinking Fund Installment or other payment is or will be due in the future and for which moneys or defeasance securities have not been deposited in escrow.

“Paying Agent” for the Bonds of any series means the bank or trust company located within or without the State and its successor or assigns, appointed by the University pursuant to the provisions of the Master Indenture and any successor or assign so appointed and approved.

“Preliminary Official Statement” shall mean the preliminary official statement of the University relating to the 2014 Series A Bonds and the 2014 Refunding Series A Bonds.

“Principal” or **“principal”** means (1) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), provided, however, when used in connection with (a) the authorization and issuance of Bonds and (b) the order of priority of payments of Bonds after a default under Article XI of the Master Indenture, “Principal” or “principal” means the Original Principal Amount of a Capital Appreciation Bond (being the initial public offering price of such Bond and the difference between the Accreted Value and the Original Principal Amount being deemed interest), and provided further, however, that when used in connection with determining whether the Bondholders of the requisite principal amount of Outstanding Bonds have given any required consent, notice, waiver, request, demand, authorization, direction or notice, “Principal” or “principal” means the Accreted Value, and (2) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

“Principal Amount” means the outstanding principal of a Current Interest Bond and, in the case of a capital appreciation bond, its accreted value.

“Principal Installment” for any Calendar Year, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, the principal amount of Bonds of said Series which mature in such Year, reduced by the aggregate principal amount of such Bonds which would be retired before such Year by reason of the payment and application of Sinking Fund Installments payable before such Year for the retirement of such Bonds, plus the unsatisfied balance (determined as provided in the Master Indenture) of the Sinking Fund Installments, if any, due during such Year for the Bonds of such Series.

"Principal Installment Date" means each date on which Principal and Sinking Fund Installments, if any, is payable on the Bonds as provided in or pursuant to the Master Indenture (or, if such date is not a Business Day, the immediately succeeding Business Day).

"Project" means, in accordance with the Act, any structure designed for use as a dormitory or other housing facility, dining facility, student union, academic building, administrative facility, library, classroom, building, research facility, faculty facility, office facility, athletic facility, health care facility, laboratory, maintenance, storage or utility facility or other building or structure useful for instruction in a program of education provided by the university; or any multipurpose structure designed to combine two or more of the functions performed by the types of structures enumerated in this subsection, including improvements, reconstruction, replacements, additions and equipment acquired in connection with a project or in connection with operation of any facilities of the University existing on the effective date of the Act, including all real and personal property, lands, improvements, driveways, roads, approaches, pedestrian access roads, parking lots, parking facilities, rights-of-way, utilities, easements and other interests in land, machinery and equipment, and all appurtenances and facilities either on, above or under the ground that are used or usable in any Project, including landscaping, site preparation, furniture, machinery, equipment and other similar items useful the operation of a particular facility or structure in the manner for which its use is intended, but does not include items that are customarily under applicable accounting principles considered as a current operating charge, unless the category and maximum amount thereof is specifically included by a determination of the Board of Trustees in the financing transaction proceedings and by percentage or otherwise as may be limited pursuant to such proceedings in order to preserve the excludability of the interest on the securities issued therefor from federal taxation under the applicable provisions of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States as from time to time amended.

"Project Revenues" means revenues received from projects existing on the effective date of the Act, from Project or Projects under construction or from a combination of projects existing on the effective date of this Act and Projects, the acquisition, construction or accomplishment of which, the University has entered into a binding commitment, anticipated by the Board of Trustees to produce annual revenues in an amount not less than the anticipated annual cost of operation, maintenance and repair of any such Project or Projects, and annual debt service payments on any financing transaction proceedings under which Revenue Bonds have been issued for the Project or Projects during the term effected under the Act, as determined by the Board of Trustees.

"Record Date" means the close of business on the fifteenth day preceding an Interest Payment Date, or if such day shall not be a Business Day, the immediately preceding Business Day.

"Redemption Fund" means such fund of the University established by Section 602 of the Master Indenture.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Master Indenture.

"Refunding Bond" means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Section 205 of the Master Indenture.

"Renewal and Replacement Fund" means such account established by Section 602 of the Master Indenture.

"Renewal and Replacement Fund Requirement" means that amount necessary for the University to meet the extraordinary renewal and replacement expenses of Projects financed by the University under the UConn 2000 Infrastructure Improvement Program and other facilities forming part of the physical university plant so as to permit the University to operate and maintain the physical university plant in sound operating condition and in conformity with Section 909(B) of the Master Indenture, as determined in each Operating Budget or otherwise.

"Revenue Bond" means special obligation securities issued by the University pursuant to the Act.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of the Master Indenture, including any official interpretations thereof issued either before or after such date which are applicable to the Master Indenture.

"SEC" means the United States Securities and Exchange Commission or any successor agency.

"Securities Depositories" means The Depository Trust Company, Midwest Securities Trust Company, Philadelphia Depository Trust Company, or successors or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other depositories as the University may designate to the Trustee.

"Series of Bonds" or **"Bonds of a Series"** or words of similar meaning, means the Series of Bonds authorized by the Master Indenture and a Supplemental Indenture.

"SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. (As of the date hereof, there is no SID.)

"Sinking Fund Installment" means, for any Calendar Year as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the Master Indenture or a Supplemental Indenture to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the University by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

"Special Debt Service Requirements" means for any period, and with respect to the Bonds, subject to the Master Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum of (A) the Principal Installments and interest accruing and coming due during such period, (B) the amounts, if any, required, with respect to interest rate fluctuations on variable rate debt, or with respect to securities not secured by the State Debt Service Commitment during such period to establish or maintain reserves, sinking funds or other funds or accounts at the respective levels required to be established or maintained therein in accordance with the proceedings authorizing the issuance of securities, (C) annual expenses of issuance and administration with respect to securities, (D) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to authority granted under the proceedings authorizing the issuance of securities, (E) net amounts owing under interest rate agreements authorized and effective under Section 10 of the Act, (F) arbitrage rebate requirements pursuant to subsection (b) of Section 17 of the Act on securities secured by the State Debt Service Commitment and (G) any other annual costs or expenses necessary or proper to be paid in connection with the securities, including, without limitation, the annual cost of any Bond

Facility, issued by a financial institution pursuant to an agreement approved in the financing transaction proceedings.

"Special Eligible Gift" means a gift to the University of cash or assets which may be reduced to cash by the University which the donor has specifically designated as a donation for use by the University in furtherance of UConn 2000 or which explicitly or implicitly by the terms thereof the University may use for UConn 2000 and which the University determines to so use therefor pursuant to subsection (a) of Section 9 of the Act.

"State" means State of Connecticut and for purposes of the rule, means the State of Connecticut, an obligated person with respect to the Bonds within the meaning of the Rule, acting by and through the Office of the State Treasurer.

"State Bonds" means general obligation bonds of the State issued or to be issued by the State for the purpose of financing capital improvements for the infrastructure of the University.

"State Debt Service Commitment" means with respect to the Bonds issued as general obligations of the University pursuant to subsection (c) of Section 7 of the Act for the UConn 2000 Infrastructure Improvement Program and additionally secured by this State Debt Service Commitment under the Master Indenture and any Supplemental Indenture, an annual amount, commencing in the State Fiscal Year ending June 30, 1996, and any Fiscal Year thereafter for any Special Debt Service Requirements when due and payable.

"Submission Date" shall have the meaning ascribed to it in Section 1502 of the Master Indenture.

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

"Swap" shall have the meaning given in Section 101 of the Master Indenture.

"Swap Facility" means an insurance policy, surety bond, letter of credit or other credit enhancement with respect to a Swap or any similar facility entered into for the same or similar purposes and may include Investment Obligations properly pledged to the University hereunder pursuant to the Swap Facility or by the Swap Provider, in each case sufficient to maintain any existing rating of the University's Bonds. Payments by the University under a Swap Facility related to a Swap shall be deemed Swap Payments under the Master Indenture and shall not be deemed Reimbursement Obligations and payments to the University under a Swap Facility related to a Swap shall be deemed Swap receipts. Payment by the University under a Swap Facility applicable to any fees, expenses or similar other charges or obligations under the Master Indenture shall be a Cost of Issuance or an operation expense, as applicable.

"Swap Payment" means the net amount required to be paid by the University under a Swap that is applicable to the interest rate exchange effected thereunder, but not any (a) fees, expenses or similar other charges or obligations thereunder (which shall be Costs of Issuance or operation expense, as applicable) or (b) an Termination Payment or other payments by the University on account of termination of the Swap.

"Swap Provider" means a financial institution whose long term debt obligations, or whose obligations under a Swap are fully covered by a Swap Facility whose long term debt obligations are (i) rated at least as high by at least two nationally recognized rating agencies as the greater of (a) the University's Bonds additionally secured by the State Debt Service Commitment and (b) the State's general obligation bonds or (ii) secured by a pledge of Investment Obligations in amounts sufficient to achieve the ratings described in (i) the Master Indenture or (ii) meeting the requirements of Section 908.2 of the Master Indenture.

"Swap Receipt" means the net amount required to be paid to the University under a Swap, but shall not include any Termination Receipt.

"Tax Regulatory Agreement" means a tax regulatory agreement, including any supplements and amendments thereto, of the University, signed by an Authorized Officer and by the Treasurer, to be delivered in connection with the issuance of any Bonds under the Master Indenture and setting forth the expectations, certifications and representations concerning the use of the proceeds of such Bonds and other matters relating to compliance with the Code and consistent with the covenant of the University pursuant to Section 910 of the Master Indenture.

"Termination Payment" means with respect to a Swap an amount required to be paid by the University to the Swap Provider or related Swap Facility as a result of the termination of the Swap or required to be paid by the University into a collateral account as security for any termination provided that any payment by the University on account of termination of a Swap shall be subject to amortization over several fiscal years to be determined and approved by the Treasurer in the Swap.

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

"Treasurer" means the Treasurer of the State or the Deputy Treasurer.

"Trust Estate" means all of the funds, securities, property, rights, privileges and interests granted, bargained, sold, conveyed, pledged and assigned unto the Trustee in the Granting Clauses of the Master Indenture securing the payment of the principal or redemption price, if any, of and interest on the Bonds according to their terms and all other amounts due in connection therewith and the performance and observance by the University of all the covenants expressed or implied therein and in Bonds.

"Trustee" means U. S. Bank National Association, as successor to Fleet National Bank of Connecticut, and any successor trust company or bank having the powers of a trust company within or without the State succeeding a prior trust company or bank as trustee, appointed pursuant to Section 810 of the Master Indenture.

"UConn 2000 Infrastructure Improvement Program" means the promotion, planning, designing, developing, encouraging, assisting, acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of any UConn 2000 Project and assisting directly or indirectly in the financing of the cost thereof pursuant to the Act including the program of the University pursuant to which it issues bonds under the Master Indenture.

"UConn 2000 Phase I Project" means any Project which is identified and referenced in Section 5 of the Act as a phase I project, as same may be revised, deleted or added in accordance with the Act and the Master Indenture.

"UConn 2000 Phase II Project" means any Project which is identified and referenced in Section 5 of the Act as a phase II project, as same may be revised, deleted or added in accordance with the Act and the Master Indenture.

"UConn 2000 Phase III Project" means any Project which is identified and referenced in Section 10a-109e of the Act as a phase III project, as the same may be revised, deleted or added in accordance with the Act and the Indenture.

"UConn 2000 Project" means any UConn 2000 Phase I Project, UConn 2000 Phase II Project and UConn 2000 Phase III Project which the Board of Trustees by resolution authorizes to finance with Bonds under the Indenture provided such resolution is submitted to the Governor and has not been disapproved by the Governor within thirty (30) days of its submission.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

"Underwriters" means the initial purchasers of the 2014 Series A Bonds and the 2014 Refunding Series A Bonds pursuant to a bond purchase agreement duly executed by the University, the Treasurer and such purchasers.

"University" means the University of Connecticut, a constituent unit of the State system of public higher education, including The University of Connecticut Health Center and pursuant to the Act having perpetual succession as a body politic and corporate and an instrumentality and agency of the State or any body, agency, or instrumentality of the State or the State which shall hereafter succeed to the powers, duties and functions of the University under the Indenture.

"Variable Interest Rate" means a variable interest rate to be borne by any bond or Note within a Series of Bonds or Notes or by any Swap (whether a Swap Payment or Swap Receipt). The method or computing such variable interest rate shall be specified in the Supplemental Indenture authorizing such Series of Bonds or Notes or the Swap relating thereto. Such Supplemental Indenture or Swap shall also specify either (i) the particular period or periods of time for which such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

"Variable Interest Rate Calculation Rate" shall have the meaning given in Section 101 of the Master Indenture.

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PART II

INFORMATION SUPPLEMENT

OF THE STATE OF CONNECTICUT

April 8, 2014

The Annual Information Statement of the State of Connecticut (the "State"), dated February 28, 2014, appears in this Official Statement as **Part III** and contains information through February 28, 2014. The State expects to provide an updating Information Supplement from time to time in the future, which will appear in this location as Part II of future Official Statements or Reoffering Circulars of the State.

This Information Supplement updates certain information in the February 28, 2014 Annual Information Statement through April 8, 2014. The information in this **Part II** and **Part III** is subject to change without notice, and investors should not assume that there has been no change in the affairs of the State since the date of this **Part II**.

STATE GENERAL FUND

Page III-31. The table titled "**OPM and Comptroller Estimates Fiscal Year 2014 (in Millions)**" under the heading **Fiscal Year 2014 Operations** is revised as follows:

OPM and Comptroller Estimates Fiscal Year 2014
(in Millions)

	OPM's Report			Comptroller's Report		
Period Ending:	Revenues	Expenditures[(a)]	Surplus/ (deficit)	Revenues	Expenditures[(a)]	Surplus/ (deficit)
December 31, 2013	17,614.3	17,108.2	506.1	17,614.3	17,108.2	506.1
January 31, 2014[(b)]	17,614.3	17,109.9	504.4	17,614.3	17,109.5	504.8
February 28, 2014[(b)]	17,614.3[(c)]	17,109.4	504.9	17,614.3	17,110.1	504.2

(a) Expenditures include net appropriations continued and estimated lapses and miscellaneous adjustments.
(b) Estimates are not reflected in Appendix III-E to this Annual Information Statement.
(c) The Secretary of OPM indicated that more than fifty percent of income tax collections is received after January 31st and the current forecast anticipates significant collections during the April 2014 filing season.

The next monthly report of OPM is expected on April 21, 2014 and no assurances can be given that the estimates in such report will match OPM's prior estimates. The next monthly report of the Comptroller is expected on May 1, 2014 and no assurances can be given that the estimates in such report will match the Comptroller's prior estimates or the estimates of OPM.

The above projections are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by OPM, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2014 operations of the General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2014 operations of the General Fund.

Page III-31. The following information supplements the information under the heading **Forecasted Operation:**

On March 17, 2014, the legislature's Office of Fiscal Analysis prepared revised projections of the ending balance for the General Fund for Fiscal Years 2015 through 2018, projecting deficits in the General Fund of $69.4 million, $1,035.4 million, $1,161.6 million and $1,368.7 million, respectively, for Fiscal Years 2015, 2016, 2017 and 2018. The Fiscal Year 2015 projection takes into account the Office of Fiscal Analysis' estimation of the Governor's proposed midterm budget adjustments.

The projections of the legislature's Office of Fiscal Analysis are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates, adjustments or actions of the State will not reflect changes in the operations of the General Fund or in the estimated or final results of such fiscal years. In addition, the State has a balanced budget requirement and an expenditure cap as discussed at ***Page III-7*** under the heading **The Budgetary Process – *Balanced Budget Requirement***. As such, budgets adopted for the future fiscal years will need to comply with those requirements. As a result, the figures included in the report do not represent a projection of the actual financial results that might be expected, but instead serve as a planning tool.

APPENDIX III-A

Page III-A-7. The following information supplements the information included in **Table A-4**:

The Judicial Supervising Marshals contract is in place through June 30, 2016. The State Police (NP-1) contract is currently pending approval by the legislature. The Correctional Supervisors contract has been settled through June 30, 2015 and is currently pending approval by the legislature. Footnote (b) to **Table A-4** thereto is deleted.

PART III
ANNUAL INFORMATION STATEMENT
STATE OF CONNECTICUT

FEBRUARY 28, 2014

This Annual Information Statement of the State of Connecticut (the "State") contains information through February 28, 2014. For information about the State after February 28, 2014, the State expects to update this Annual Information Statement from time to time. This Annual Information Statement and any appendices attached hereto, should be read collectively and in their entirety.

This Annual Information Statement contains the State's June 30, 2013 audited GAAP based financial statements and June 30, 2013 audited legal accounting basis (modified cash) financial statements. The State expects generally to update certain information contained in this Annual Information Statement from time to time. Such updates are expected to include certain interim financial information prepared on a modified cash basis, but are not expected to include interim financial information prepared in accordance with GAAP.

The State's fiscal year begins on July 1 and ends on June 30. References to "Fiscal Year" throughout this Annual Information Statement refer to the referenced fiscal year ending June 30. For example, Fiscal Year 2013 refers to the fiscal year beginning July 1, 2012 and ending June 30, 2013.

This Annual Information Statement may be obtained electronically, by contacting the Office of the State Treasurer, Attn.: Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3288.

Constitutional Elected Officers

*** Governor**	**Dannel P. Malloy**
Lieutenant Governor	**Nancy S. Wyman**
Secretary of the State	**Denise W. Merrill**
*** Treasurer**	**Denise L. Nappier**
*** Comptroller**	**Kevin P. Lembo**
*** Attorney General**	**George C. Jepsen**

Executive Branch Officers

*** Secretary of the Office of Policy and Management**	**Benjamin Barnes**
*** Commissioner of Administrative Services**	**Donald J. DeFronzo**
Commissioner of Transportation	**James P. Redeker**

Legislative Branch Officers

President Pro Tempore of the Senate	**Sen. Donald E. Williams, Jr.**
Speaker of the House of Representatives	**Rep. J. Brendan Sharkey**
*** Co-chairpersons of the Joint Standing Committee on Finance, Revenue and Bonding**	**Sen. John W. Fonfara** **Rep. Patricia M. Widlitz**
*** Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding**	**Sen. L. Scott Frantz** **Rep. Sean J. Williams**
Auditors of Public Accounts	**John C. Geragosian** **Robert M. Ward**

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* Denotes member of the State Bond Commission

PART III
FEBRUARY 28, 2014

ANNUAL INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

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INTRODUCTION

This Annual Information Statement of the State of Connecticut (the "State") contains certain information that a potential investor might consider material in reaching a decision to invest in securities of the State. All quotations from and summaries and explanations of provisions of laws of the State contained in this Annual Information Statement do not purport to be complete and are qualified in their entirety by reference to such provisions of law.

The information included in this Annual Information Statement is organized as follows:

The State of Connecticut comprises a brief introductory summary of the governmental organization of the State and the services it provides, as well as a historical overview of the State's economic performance. A more detailed discussion of these topics, including additional information, is contained in **Appendices III-A** and **III-B** to this Annual Information Statement.

Financial Procedures discusses the legal and administrative processes, procedures, controls and policies that generally apply to all State funds.

State General Fund discusses the State's General Fund, which is the source of financing for most operating activity of the State. The discussion includes both prospective and historical information about the General Fund. Additional information regarding General Fund activity is included in **Appendices III-C, III-D** and **III-E** to this Annual Information Statement.

State Debt describes the procedures for the authorization of the State to incur debt and the various ways in which the State may borrow funds to finance State functions and capital projects. This section provides both current and historical information about the State's borrowing practices and State indebtedness.

Other Funds, Debt and Liabilities provides an overview of certain obligations of the State that are not accounted for in the General Fund but that are contingent liabilities of the State. These include the budget and debt of the Special Transportation Fund, certain special revenue funds and debt, contingent liability debt, and other debt service and contractual commitments. Certain additional information regarding these other funds, debt and liabilities of the State is included in **Appendix III-C** to this Annual Information Statement.

Pension and Retirement Systems describes the major pension and retirement systems of the State. Additional information regarding these systems is included in **Appendix III-C** to this Annual Information Statement.

Litigation comprises a summary of pending legal actions in which the fiscal impact of an adverse decision may not be determined at this time and the Attorney General is unable to opine that a final judgment against the State in such suits would not materially adversely affect the State's financial position.

Appendices III-A through III-E to this Annual Information Statement contain detailed information relating to the information summarized in the Annual Information Statement and should be read in their entirety with the other information contained therein.

The Annual Information Statement speaks only as of its date. For information about the State after February 28, 2014, the State expects to update this Annual Information Statement from time to time. This Annual Information Statement and any appendices attached hereto should be read collectively and in their entirety.

FORWARD-LOOKING INFORMATION AND BONDHOLDER CONSIDERATIONS

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

Actual results could vary significantly from estimates and projections for many reasons including the effect of and from, future federal budgetary matters, including federal grants and other forms of financial aid to the State; macroeconomic economic and business developments, both for the country as a whole and particularly affecting the State; future energy costs; health care related matters including Medicaid reimbursements; federal defense spending; financial services industry; litigation or arbitration; natural disasters and other acts of God; and changes in retirement rates, inflation rates, interest rates, increases in healthcare costs, longevity rates and other factors used in estimating future obligations of the State; among others.

THE STATE OF CONNECTICUT

Governmental Organization and Services

The State Constitution divides the functions and powers of State government into three distinct branches, referred to in the Constitution as "departments". The State government's legislative, executive and judicial functions and powers are vested in the legislative department, the executive department and the judicial department, respectively.

In addition to the State government, a number of other governmental bodies exist in Connecticut. These bodies include: State-wide and regional special purpose authorities, districts and similar bodies, 169 cities and towns, and numerous local special purpose authorities, districts and similar bodies. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within these cities and towns. In certain instances, regional bodies perform governmental functions that would otherwise be performed at the local or county level.

Services provided by the State or financed through State appropriations are classified under one of ten major government function headings or are classified as "non-functional". The major function headings are: Human Services; Education, Libraries and Museums; Health and Hospitals; Corrections; General Government; Judicial; Regulation and Protection; Conservation and Development; Legislative; and Non-Functional (debt service and miscellaneous expenditures including fringe benefits). These function headings apply to the General Fund as well as to other funds of the State that are used to account for appropriated moneys. State expenditures for the Department of Transportation are primarily paid from the Transportation Fund, not the General Fund. For budgetary purposes, State agencies, boards, commissions and other bodies are each assigned to one of the function headings.

A detailed discussion of the organization of State government, including information on state employees, as well as services provided at the various levels of government in the State, is included as **Appendix III-A** to this Annual Information Statement.

State Economy

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. More than one-quarter of the total population of the United States and more than 50% of the Canadian population live within 500 miles of the State. The State's population growth rate trailed the national average during the past four decades, but from 2002 to 2012, within New England, only New Hampshire experienced growth higher than Connecticut. The State has extensive transportation and utility services to support its economy.

Connecticut's economic performance is measured by personal income, which has been among the highest in the nation on a per capita basis, and gross state product (the market value of all final goods and services produced by labor and property located within the State), which has demonstrated slower growth over the last five years than the New England region and the nation. Connecticut's nonagricultural employment reached a high in March of 2008 with 1,712,700 persons employed, but began declining with the onset of the recession falling to 1,591,800 jobs by February 2010, and has since risen to 1,650,700 by October 2013.

A detailed summary of economic resources including population information and services, and economic performance indicators, including personal income, gross state product and employment in the State is included as **Appendix III-B** to this Annual Information Statement.

FINANCIAL PROCEDURES

The State of Connecticut has in place a number of constitutional provisions, statutes, regulations, and administrative policies and procedures that bear on fiscal management and accountability. These include provisions that limit debt and expenditures. They also lay out a sequence for planning future budgets by both the executive and legislative branches, the development and adoption of a biennial budget, and monitoring of the State's financial position against the current budget. Taken as a whole, the State believes these provisions provide sound fiscal management and accountability. These provisions include the following elements, each of which are explained in more detail in the text that follows:

Budget Discipline

Balanced Budget Requirement

The State Constitution provides that the General Assembly may not authorize General Fund expenditures in excess of General Fund revenues. See **The Budgetary Process –** ***Balanced Budget Requirement*** below.

Biennial Budget

The budget covers a two year period and the power to propose, enact, and implement such budget rests with the Governor and General Assembly. See **The Budgetary Process –** ***Biennium Budget*** below.

Budget Reserve Fund

By statute, any General Fund surplus is directed to the Budget Reserve Fund until such fund equals 10% of annual expenditures, unless otherwise directed by law. Legislation is passed from time to time that assigns different uses to such surpluses. Recent legislation was passed to provide for the transfer of up to $220.8 million of the Fiscal Year 2013 surplus to be used in the 2014-2015 biennium. See **Financial Controls –** ***Unappropriated Surplus – Budget Reserve Fund*** below.

Financial Controls

Spending Cap and Controls

The General Assembly is prohibited from increasing expenditures from year to year by a percentage exceeding the greater of the percentage increase in personal income or the percentage increase in inflation, with certain exceptions. The legislative and executive branch each have other tools to control spending, including the appropriations process, encumbrance requirements, agency expenditure plans, and authority to reduce allotments. See **The Budgetary Process** and **Financial Controls** below.

Debt Limit

By statute, the State may not authorize general obligation debt in excess of a multiple of 1.6 of General Fund tax receipts, subject to statutory exceptions. The Treasurer certifies as to the debt limit in connection with each authorization of debt by the General Assembly and the State Bond Commission. See **STATE DEBT – State Direct General Obligation Debt –** ***Statutory Debt Limit***.

Line Item Veto

Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. See **The Budgetary Process –** ***Line Item Veto*** below.

Rescission Authority and Deficit Mitigation

The Governor is required to propose mitigation plans should projections indicate a General Fund deficit greater than 1% of General Fund appropriations. The Governor is authorized to reduce allotments and may make further reductions with legislative backing. See **Financial Controls –** ***Governor's Role in Expenditure Control*** below.

Regular Revenue Forecasting and Monitoring of Fiscal Progress; Multiple-Year Planning Tools

These include monthly reports from the Comptroller and the Office of Policy and Management ("OPM") within the executive branch, and periodic reports from other governmental entities, including the legislature's Office of Fiscal Analysis. See **The Budgetary Process –** ***Consensus Revenue Estimates*****, The Budgetary Process –** ***Fiscal Accountability Report***, and **Financial Controls –** ***Comptroller's Role in Expenditure Control*** below.

Transition to GAAP

The State is in the process of transitioning from the use of a modified cash basis of accounting to the application of Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board. See **Accounting Procedures –** ***Transition to GAAP*** below.

The Budgetary Process

Balanced Budget Requirement. 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 provides a framework for a cap on budget expenditures. The General Assembly is precluded from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage that exceeds the greater of the percentage increase in personal income or the percentage increase in inflation unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the General Assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. The constitutional limitation on general budget expenditures does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There is no statutory or constitutional prohibition against bonding for general budget expenditures.

In 1996, the Connecticut Supreme Court ruled in *Nielson v. State* that the provisions of the constitutional budget cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly, which has not yet occurred. In the interim, the General Assembly has been following a provision of the General Statutes that contains the same budget cap as the constitutional amendment. In addition to the exclusion of debt service from the budget cap, this statute also excludes statutory grants to distressed municipalities, expenditures to implement federal mandates and court orders in the first fiscal year in which such expenditures are authorized, and payments from surplus for certain debt retirement and additional state employee pension contributions.

Biennium Budget. The State's fiscal year begins on July 1 and ends on June 30. The General Statutes require that the budgetary process be on a biennium basis. The Governor is required to transmit a budget document to the General Assembly in February of each odd-numbered year setting forth the financial program for the ensuing biennium with a separate budget for each of the two fiscal years and a report that sets forth estimated revenues and expenditures for the three fiscal years after the biennium to which the budget document relates. In each even-numbered year, the Governor must prepare a report on the status of the budget enacted in the previous year with any recommendations for adjustments and revisions, and a report, with revisions, if any, that sets forth estimated revenues and expenditures for the three fiscal years after the biennium in progress.

Budget Document. By statute, the budget document shall contain the Governor's budget message, the Governor's program for meeting the expenditure needs of the State, as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated basis for the fiscal year in progress and the fiscal years to which the budget relates. If a budget deficit or surplus is projected, the Governor will recommend the manner in which the deficit will be met or surplus used. The budget document also includes the Governor's recommended appropriations from the General Fund and all special and agency funds. Appropriations are set forth for meeting the cost of each major function and program. An accounting of federal funds and recommendations for the capital program are also included. In addition, based on the consensus revenues described below under ***Consensus Revenue Estimates***, the budget document consists of drafts of appropriations and revenue bills to carry out the Governor's budget recommendations. Finally, the budget document contains the Governor's recommendations concerning the State's economy and analysis of the impact on the economy of the proposed spending and revenue programs.

Preparation of the Budget. Formulation of the budget document commences with the preparation of estimates of expenditure requirements for each fiscal year of the next biennium by the administrative head of each budgeted agency. These estimates are submitted on or before September 1 of each even-numbered year to the Office of Policy and Management ("OPM") and to the joint legislative standing committee on appropriations and the committee having cognizance of matters relating to such budgeted agency. On or before September 1 of each odd-numbered year, each agency submits its recommended adjustments or revisions of such estimates. In addition, the administrative head of each budgeted agency transmits to the legislature's Office of Fiscal Analysis copies of the respective agency's monthly status reports relating to finances, personnel, and nonappropriated moneys. A detailed statement showing revenue and estimated revenue for the current fiscal year and estimated revenue for the next fiscal year, and in the even-numbered year, for the next biennium, must also be submitted by such agency heads to OPM on or before September 1 and the joint legislative standing committee on finance on or before November 15. Upon receipt of such agency reports, it is OPM's practice to prepare a preliminary budget report.

Adoption of the Budget. The budget document, as finally developed by the Governor with the assistance of OPM, is published and transmitted to the General Assembly in February of each odd-numbered year. A report summarizing recommended adjustments or revisions is submitted by the Governor to the General Assembly on the day on which the General Assembly first convenes in even-numbered years. The Governor or a representative then appears before the appropriate committee of the General Assembly to explain and address questions concerning the budget document or related reports. Prior to June 30 of each odd-numbered year, the General Assembly enacts legislation making appropriations for the next two fiscal years and setting forth revenue estimates for those years.

Line Item Veto. Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. A statement identifying the items so disapproved and explaining the reasons therefor must be transmitted with the bill to the Secretary of the State and, when in session, the General Assembly. The General Assembly may separately reconsider and repass such disapproved appropriation items by a two-thirds vote of each house.

Consensus Revenue Estimates. OPM and the legislature's Office of Fiscal Analysis are required by statute to issue consensus revenue estimates each year by November 10. The estimates must cover a five-year period that includes the current biennium and the three following fiscal years. It also requires the two offices, by January 15 and April 30 each year, to issue either (1) a consensus revision of their previous estimate or (2) a statement that no revision is needed. If the two agencies cannot arrive at a consensus estimate, they must issue separate ones. In such a case, the Comptroller must issue the consensus estimate based upon the separate estimates. The Comptroller's estimate must equal one of the separate estimates or fall between the two.

Fiscal Accountability Report. By November fifteenth annually, the Secretary of OPM and the Director of the legislature's Office of Fiscal Analysis each submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of State agencies and to finance, revenue and bonding: (1) an estimate of State revenues, expenditures and ending balance for each fund for the current biennium and the next ensuing three fiscal years, and the assumptions on which such estimates are based; (2) the projected tax credits to be used in the current biennium and the next ensuing three fiscal years, and the assumptions on which such projections are based; (3) a summary of any estimated deficiencies in the current fiscal year, the reasons for such deficiencies, and the assumptions upon which such estimates are based; (4) the projected balance in the Budget Reserve Fund at the end of each uncompleted fiscal year of the current biennium and the next ensuing three fiscal years; (5) the projected bond authorizations, allocations and issuances in each of the next ensuing five fiscal years and their impact on the debt service of the major funds of the State; (6) an analysis of revenue and expenditure trends and of the major cost drivers affecting State spending, including identification of any areas of concern and efforts undertaken to address such areas, including efforts to obtain federal funds; and (7) an analysis of possible uses of surplus funds, including the Budget Reserve Fund, debt retirement and funding of pension liabilities.

By November 30, annually, the legislative committees then meet with the Secretary of OPM and the Director of the legislature's Office of Fiscal Analysis to consider the submitted reports.

Financial Controls

Expenditures. The financial control procedures utilized by the State in the expenditure of State funds are described below and may be generally summarized as follows: initially, the legislature appropriates funds for a particular purpose; such funds must then be allotted for such purpose by the Governor; and thereafter such funds are encumbered by the Comptroller upon the request of the responsible State agency. Once this appropriation, allotment and encumbrance procedure (which may be modified as described below) has been completed, State funds are paid by the Treasurer upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. Certain receivables from the federal government or other sources do not require allotment by the Governor.

Governor's Role in Expenditure Control. Before an appropriation for a budgeted agency becomes available for expenditure, the agency must submit to the Governor, through the Secretary of OPM, not less than 20 days before the beginning of the fiscal year for which the appropriation is made, a requisition for the allotment of funds needed for each quarter of the fiscal year. Appropriations for capital outlays may be allotted in any manner the Governor deems advisable. The Governor may reduce the budget allotment request by not more than three percent of the total appropriation from any fund or not more than five percent of any appropriation under certain circumstances. Such allotments are subject to further modification by the Governor throughout the course of the fiscal year if conditions warrant. If the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one per cent of the total of General Fund appropriations, the Governor is required, within thirty days of such statement date, to file a report with the joint standing committees of the General Assembly on appropriations and on finance, revenue and bonding. The report shall include a plan that the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities or any budgeted agency of the legislative or judicial branch, except that the Governor may propose an aggregate allotment reduction of a specified amount for the legislative or judicial branch.

Comptroller's Role in Expenditure Control. The Comptroller is responsible for keeping an account in connection with each appropriation. No warrant, draft or order may be issued by the Comptroller in excess of the available balance of the applicable account unless the General Assembly has passed a deficiency bill for the purpose or unless such appropriation has been increased by the Governor in the limited circumstances of emergency expenditures or allotment modifications as authorized by statute. The Comptroller is required to issue cumulative monthly financial reports concerning the State General Fund on or before the first day of the following month. OPM provides estimates to the Comptroller by the twentieth day of each month of the revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report.

Treasurer's Role in Expenditure Control. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. Payments of principal or interest of State bonds and payments of interest on funds held by the Treasurer on which the Treasurer is required to pay interest do not require specific appropriations.

By statute, the Treasurer may not pay compensation, expenses or fees or otherwise enter into contractual arrangements with any firm providing legal services, investment banking services, investment advisory services, underwriting services, financial advisory services or brokerage firm services if such firm, through its political committee or certain managerial level officers or employees, makes or solicits contributions to any committee established by a candidate for nomination or election to the Office of Treasurer of the State. The statute also prohibits the making or solicitation of contributions by such firms.

Use of Appropriations. No appropriation or part thereof may be used for any purpose other than for the purpose for which it was made, except with respect to certain transfers and revisions of appropriations permitted to be made by the Governor with the concurrence of the Finance Advisory Committee, composed of members of the executive and legislative departments. Civil sanctions may be imposed pursuant to statute upon persons who willfully expend or authorize the expenditure of State funds for any purpose in excess of the amount specifically appropriated for such purpose.

Unexpended Appropriations. All unexpended balances of appropriations for each fiscal year lapse on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except for certain continuing appropriations. Such continuing appropriations include those continuing into the succeeding fiscal year to permit the liquidation of obligations of the prior fiscal year in the case of programs that were not renewed the succeeding fiscal year; those continuing for the entire succeeding fiscal year in the case of highway and other capital construction projects, and limited amounts for certain special programs.

Unappropriated Surplus – Budget Reserve Fund. The State Constitution provides that any resulting unappropriated surplus shall be used to fund a budget reserve fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. The General Statutes provide that the Treasurer shall transfer any unappropriated surplus in the General Fund to a budget reserve fund, unless otherwise directed by law. When the amount in the budget reserve fund in any fiscal year equals 10% of the net General Fund appropriations, no further transfers shall be made by the Treasurer.

Notwithstanding the above, legislation is passed from time to time that assigns different uses to such surpluses. Legislation enacted in 2013 provides for the transfer of up to $220.8 million of the Fiscal Year 2013 surplus to be used in the 2014-2015 biennium prior to any deposits to the budget reserve fund. The current balance in the budget reserve fund is $270.7 million. By statute, the Treasurer is directed to transfer, upon the written request of the Secretary of OPM, up to $15.0 million from the budget reserve fund to the General Fund to be used as revenue for the fiscal year ended June 30, 2013, however, no such request has been made.

Revenues. The Treasurer superintends the collection and receipt of all taxes and revenues belonging to the State and is authorized to deposit the same in any qualified public depository as defined by statute. Each State department, institution, board, commission or other State agency and any official or employee thereof that receives any money for revenue of the State must, within 24 hours of its receipt or within seven days of receipt for amounts less than $500, account for and pay the same to the Treasurer or, with the approval of the Treasurer and the Comptroller, deposit the same in an account in a qualified public depository in the name of the State or in the name of the public official as such official. The Treasurer is authorized to make exceptions to the limitations on amounts and timing of payments or deposits or reporting of receipts provided the Treasurer files a written statement of such exception with the Comptroller and the State's Auditors of Public Accounts. Any public official who deposits funds or moneys in an account in the name of the State or in such official's name must submit a list of all such accounts as of the preceding June 30 to the Treasurer and the Comptroller not later than September 1 of each year.

Accounting Procedures

Financial Statements.

Financial statements of the State are prepared annually on a modified cash basis of accounting for all civil list funds. The Comptroller prepares the statements for submission to the Governor by September 1 of each year, unless extended by State law. The State's Auditors of Public Accounts must audit the books and accounts of the Treasurer and the Comptroller at least annually and have discretion to audit them at more frequent intervals.

At the present time the State is not required to prepare financial statements in accordance with Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board ("GAAP") and does not prepare GAAP statements on an interim basis. However, since 1988 the State has issued comprehensive annual financial reports in accordance with the guidelines established by the Governmental Accounting Standards Board. These reports include audited annual financial statements prepared in accordance with GAAP.

As specifically permitted by statute or decision of the Comptroller, the only present modifications from the cash basis in recording revenues under the modified cash method are: (1) the accrual of sales and use taxes to be received for the calendar quarter ending at the close of such fiscal year as estimated by the Secretary of OPM; (2) the accrual of cigarette tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (3) the accrual of alcoholic beverage tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (4) the accrual of motor fuels tax revenue and motor carrier road tax revenue on all fuel sold or used prior to the end of such fiscal year and received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (5) the accrual of utility company tax revenue and tax revenue on gross earnings from the sale of petroleum products which is received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (6) pursuant to the Comptroller's constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and his statutory powers under Public Act No. 08-111, the accrual of corporation business tax revenue received by the Department of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (7) the accrual of income tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (8) the accrual of nursing home provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (9) the accrual of payments received from any Indian tribe, pursuant to a memorandum of understanding, received by the Treasurer no later than the last day of July immediately following the end of such fiscal year; (10) the accrual of real estate conveyance tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (11) the recording as grants receivable of certain amounts of restricted grants for which the State has the contractual right to be reimbursed by the federal government or other parties; (12) the accrual of electric generator tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (13) the accrual of hospital provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (14) the accrual of intermediate care use fee received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; and (15) the accrual of the amount of the outstanding balances required to be paid to the State for bottle deposits pursuant to Section 22a-245a of the General Statutes, and that is received by the State no later than five business days after the last day of July immediately following the end of such fiscal year.

Expenditures are recorded on a cash basis in the fiscal year in which they are made. Such expenditures are so recorded by the Comptroller when the Comptroller draws and serves a warrant on the Treasurer. Those instances in which warrants are drawn at the close of a fiscal year can, because of required processing time, result in disbursements made after the beginning of the following fiscal year. Certain appropriations that have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations.

The modified cash basis of accounting used for statutory financial reporting and the modified accrual basis used for GAAP financial reporting are different and, as a result, often produce varying financial results, primarily because of differences in the recognition of revenues and expenditures. For example, for statutory reporting purposes, the State's bi-weekly payroll expenditures are recognized in the fiscal year in which employees are paid, while for GAAP purposes they are recognized in the fiscal year in which the services are performed, resulting in GAAP accrual of expenditures for work performed through June 30 but not paid until the following fiscal year. Similarly, the modified accrual basis used for GAAP financial reporting recognizes additional federal and other grant moneys as revenues that are not so recognized in the modified cash basis of accounting.

The State uses an enterprise resource planning system called Core-CT to address its automated financial accounting and human resources needs. This statewide system uses technology to manage financial transaction activities ranging from contracting and purchasing to payment and reporting. The State's financial applications are fully integrated with human resources, providing a single comprehensive management and reporting system. Core-CT is currently the book of record for all of the Comptroller's monthly and annual financial reports and provides formatted reports to all State agencies. Core-CT also provides a data warehouse used to develop custom reporting. Core-CT is fully implemented and stabilized with updates completed on a routine basis.

The audited legal accounting basis (modified cash) financial statements for the fiscal year ending June 30, 2013 and the audited financial statements of the State prepared in accordance with GAAP for the fiscal year ending June 30, 2013 appear in **Parts III-C** and **III-D**.

Transition to GAAP.

Legislation passed in 2011 directed the transition from a modified cash basis of accounting to GAAP. This legislation required that the budget, commencing with Fiscal Year 2014, be prepared on a GAAP basis. The Secretary of OPM has initiated a process intended to result in the implementation of the use of GAAP with respect to the preparation of the biennial budget. This transition includes changing the meaning of a deficit as it relates to the requirement that the Governor's budget includes recommendations to the General Assembly regarding the manner in which any deficit shall be met. Commencing in Fiscal Year 2014, the Governor shall account for the projected amount necessary to extinguish any unreserved negative balance for the prior fiscal year, as reported in the most recently audited comprehensive annual financial report issued by the Comptroller, prior to the start of the biennium in the budget document transmitted to the General Assembly.

The Comptroller has also initiated a process intended to result in the implementation of GAAP with respect to the preparation and maintenance of the biennial budget and the annual financial statements of the State previously prepared on a modified cash basis. The Comptroller established an opening combined balance sheet for each appropriated fund on the basis of GAAP. This combined balance sheet reflects as a deferred charge the accumulated deficit in the General Fund on June 30, 2013, as determined on the basis of GAAP and identified in the comprehensive annual financial report of the State as the unassigned fund balance in the General Fund and is commonly referred to as the accumulated GAAP deficit. Such deferred charge shall be amortized in equal increments in each fiscal year of each biennial budget commencing with the fiscal year ended June 30, 2016, and for the next succeeding twelve fiscal years. Beginning in Fiscal Year 2014, the Comptroller's annual report shall be submitted to the Governor by September 30th and prepared in accordance with GAAP.

Legislation was passed in 2013 that amended the statutory balanced budget provisions to require that future budgets include the amount necessary to eliminate any unassigned negative fund balance arising after June 30, 2013.

In addition, as part of a two-part plan, the State issued bonds in October, 2013 in the amount of \$560.43 million generating net proceeds of approximately \$600 million, which was deposited in the General Fund and applied to reduce the accumulated GAAP deficit ("GAAP Bonds"). The second part of the plan was additional legislation that deemed appropriated the amounts needed to amortize the difference between the remaining accumulated GAAP deficit in each year from Fiscal Year 2016 to Fiscal Year 2028. Finally, the GAAP Bonds contain a contractual covenant with bondholders that no future action of the General Assembly shall diminish the appropriation so long as the GAAP Bonds are outstanding, unless the Governor declares an emergency or there are other extraordinary circumstances. While delaying the amortization of the accumulated GAAP deficit, this plan is intended to result in the elimination of the accumulated GAAP deficit as of June 30, 2013 by the end of Fiscal Year 2028.

Investment and Cash Management

The Treasurer has the investment responsibility for all funds of the State and functions as the trustee of all State pension, retirement and trust funds. The Treasurer is authorized to invest funds under the control of the Treasurer, subject to certain conditions, including in certain circumstances the approval of the Investment Advisory Council, in a variety of investments allowed by statute. The Treasurer is required to report by December 31 annually to the Governor and the Investment Advisory Council as to the activities of the Office of the Treasurer for the preceding fiscal year.

Cash Management. The cash management system and the investment by the Treasurer of State monies, other than monies invested on a longer-term basis, including pension and certain trust funds, are based on the concept of available cash. Available cash consists of the State's common cash pool and funds invested in certain accounts in the Short-Term Investment Fund ("STIF"), including proceeds of various State bonding programs and miscellaneous other STIF accounts. The common cash pool is comprised of the operating cash of most State funds, including the General Fund and the Budget Reserve Fund, and is held or invested in bank deposits, STIF, and other short term investments. It is the State's practice, pursuant to a longstanding and established policy, to permit temporary inter-fund transfers to the common cash pool as needed to address mismatches in the timing of receipts and disbursements. This cash management policy provides flexibility for expenditures to occur when they are needed, without the need to resort to short-term financing mechanisms that could impose additional costs on the State. Cash transferred pursuant to these temporary inter-fund transfers is returned as cash pool balances allow. The State's available cash varies from day to day. The average week-ending balances of available cash for Fiscal Year 2013 exceeded \$1.4 billion.

In addition, the Treasurer has the authority to establish, and has in the past established, lines of credit and other short-term financing mechanisms to secure the availability of cash. In each of 2009 and 2012 the Treasurer arranged a 364-day revolving credit facility in the amount of \$580 million and \$300 million respectively, neither of which was ever drawn upon nor extended beyond its 364-day term. See **State Debt** – ***Certain Short-Term Borrowings***.

On a daily basis, the Treasurer calculates expected cash receipts and disbursements, necessary bank balances, and amounts available for investment. The Treasurer is required to submit a monthly report to certain legislative members and the Office of Fiscal Analysis which includes among other items, a weekly list of the State's cash balance, a year to date total of authorized but unissued bonds, debt instruments or commercial paper of the State, and the amounts in the State's common cash pool.

Short-Term Investment Fund. STIF is a combined investment pool of high quality, short-term money market instruments, which is an investment vehicle for the temporarily surplus cash of all funds for which the Treasurer is custodian and/or trustee, except certain bond funds, State pension funds and selected trust funds. All agencies, instrumentalities and political subdivisions of the State are permitted to invest in STIF. The State is responsible to these governmental entities to manage their deposits and accumulated earnings in a prudent manner. Individual participants in STIF can add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of STIF are the preservation of principal and the provision of liquidity to meet participants' daily cash flow needs, while seeking to earn competitive yields. STIF is managed in accordance with the investment guidelines established by the Treasurer and the investment restrictions of Section 3-27d of the Connecticut General Statutes. These investment guidelines prohibit investment in derivative securities other than floating rate securities that vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements to amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution. STIF is rated "AAAm" by Standard & Poor's.

Other Funds. Minor amounts of State monies are held in certain other funds. Up to $100 million of the State's operating cash may be invested in certificates of deposit of community banks and credit unions, pursuant to Section 3-24k of the Connecticut General Statutes. In addition, investments are made in individual securities pursuant to Section 3-31a of the Connecticut General Statutes. Allowable investments under Section 3-31a of the Connecticut General Statutes include United States government and agency obligations, shares or interests in an investment company or investment trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements collateralized by such obligations, certificates of deposit, commercial paper, savings accounts, and bank acceptances. The Treasurer has adopted guidelines for investments made under Section 3-31a of the Connecticut General Statutes, which specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $900 million. Pursuant to Section 3-28a of the Connecticut General Statutes and guidelines adopted by the Treasurer, the Treasurer is authorized to invest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers acceptances, repurchase agreements collateralized by such securities and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest.

Investment and Payment of Bond Proceeds. Proceeds of bonds are accounted for in various bond funds. Generally, all invested assets of the bond funds are invested in STIF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor, respectively. Assets of the bond funds may from time to time be transferred temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, transfer of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an expenditure is charged to the bond funds. In no case does the transfer of bond fund assets to the common cash pool alter the timing or the extent of expenditures for the purposes for which the bonds were issued.

Investment Advisory Council. Trust fund investments by the Treasurer are reviewed by the Investment Advisory Council, comprised of the Treasurer and the Secretary of OPM as *ex-officio* members, five members of the public with experience in investment matters, three representatives of the teachers' union and two representatives of the State employees' unions. The Treasurer, with the approval of the Council, adopts an Investment Policy Statement for trust funds. Under certain limited circumstances, all private equity or real estate investments require approval of the Investment Advisory Council. The Governor may direct the Treasurer to change any investments when, in the judgment of the Council, such action is in the best interest of the State. At the close of each fiscal year, a report is submitted to the Governor on the value of all security investments of the State.

Investment of Pension Funds. Twelve investment funds serve as the investment medium for the various pension, retirement and trust funds of which the Treasurer is the trustee. They are the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Inflation Linked Bond Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Private Investment Fund, the Real Estate Fund, the Liquidity Investment Fund, the Commercial Mortgage Fund, and the Alternative Investment Fund. The pension, retirement and trust funds acquire units, in varying proportions depending on the investment policies of the funds, in one or more of the twelve investment funds. By statute no more than 60% of any of the State's trust funds may be invested in common stock and if market fluctuations cause this limit to be exceeded, after six months no more than 65% of the State's trust funds may remain invested in common stock. Other than these limits, the statutes of the State permit investment in securities under the "Prudent Investor" rule. See also **PENSION AND RETIREMENT SYSTEMS** herein.

STATE GENERAL FUND

The State finances most of its operations through its General Fund. Certain State functions, such as the State's transportation budget, are financed through other State funds. See **OTHER FUNDS, DEBT AND LIABILITIES** herein. For budgetary purposes, the State's General Fund has been accounted for on a modified accrual basis of accounting ("budgetary-basis"), which generally aligns with generally accepted accounting principles ("GAAP"). The State has not been required by law to prepare GAAP financial statements, although it has prepared such statements annually since 1988. Legislation was passed in 2011 which facilitated a transition from the prior modified-cash basis of accounting to GAAP. For an explanation of the differences between the budgetary-basis and GAAP based accounting and a discussion of the transition to GAAP, see **FINANCIAL PROCEDURES — Accounting Procedures** herein.

GAAP based audited financial statements for all civil list funds of the State for Fiscal Year 2013 are included as **Appendix III-C** to this Annual Information Statement. Budgetary-basis audited financial statements for the General Fund for Fiscal Years 2009 through 2013 are included in **Appendix III-D** to this Annual Information Statement. The adopted budget and final financial budgetary-basis results for Fiscal Year 2013, the adopted budget and estimated (as of December 31, 2013) budget for Fiscal Year 2014, and the adopted budget for Fiscal Year 2015 are included as **Appendix III-E** to this Annual Information Statement. Unless otherwise stated, amounts set forth in the discussion that follows under this caption **STATE GENERAL FUND** refer to such amounts as calculated on the budgetary-basis of accounting.

General Fund Revenues

Forecasted, Adopted and Historical Revenues

Procedure For Forecasting Revenues. Revenues are forecast by the legislature in adopting a budget and by the executive branch in proposing a budget and tracking performance through the year and for other planning purposes. Revenue forecasting in Connecticut incorporates a blend of econometric modeling and economic advice obtained from an array of expert sources. Some of these major sources include: "Blue Chip Economic Indicators", which is a compilation of the consensus forecast for major national economic indicators from the top 50 economic and financial institutions; Moody's Economy.com, a nationally recognized econometric forecasting firm; and "The Connecticut Economy," a University of Connecticut quarterly review written and edited by widely-known State economists.

Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a consensus interpretation of all available data. Annual revenue estimates from the beginning of each year attempt to account for possible variations in economic activity during the year. Periodic economic data, such as seasonal adjustments to estimated personal income growth, or a monthly drop in employment, are analyzed on an on-going basis. Adjustments are made when the aggregate values of such changes deviate beyond tolerance levels derived from aggregate and historical estimates. The State believes that the process followed in developing Connecticut's revenue forecast is consistent with approaches taken in many other states.

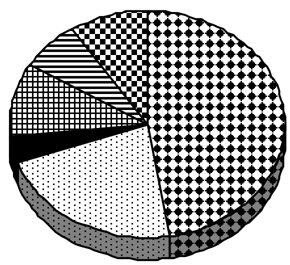
Fiscal Year 2014 and 2015 Adopted Revenues. General Fund revenues are forecasted by the legislature at the adoption of the budgets for Fiscal Years 2014 and 2015 ("Adopted Revenues") and are reflected in **Appendix III-E** to this Annual Information Statement.

General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. The State, as of the forecast date, expected to derive approximately 83.4 percent and 85.8 percent of its General Fund revenues from taxes during Fiscal

Year 2014 and Fiscal Year 2015, respectively. A summary of anticipated General Fund revenue sources based on the Adopted Revenues for Fiscal Years 2014 and 2015, is set forth below:

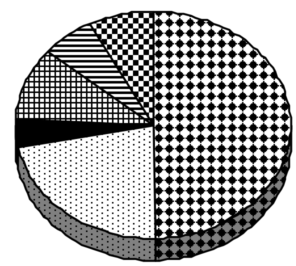
Adopted General Fund Revenues (In Millions)

Adopted Revenues
Fiscal Year 2014
$17,193.1[(a)]



Personal Income Tax	$ 8,808.8	47.6%
Sales and Use Tax	4,044.0	21.8%
Corporate Business Tax	723.5	3.9%
Other Taxes[(b)]	1,941.2	10.5%
Unrestricted Federal Grants	1,312.7	7.1%
Other Non-Tax Revenues[(c)]	1,678.0	9.1%

Adopted Revenues
Fiscal Year 2015
$17,500.7[(a)]



Personal Income Tax	$ 9,399.8	49.8%
Sales and Use Tax	4,164.8	22.2%
Corporate Business Tax	749.3	4.0%
Other Taxes[(b)]	1,940.4	10.3%
Unrestricted Federal Grants	1,227.9	6.5%
Other Non-Tax Revenues[(c)]	1,396.2	7.4%

Note: Totals may not add to 100% due to rounding.

(a) The pie charts reflect the total of the listed tax and revenue amounts of $18,508.2 million for Fiscal Year 2014 and $18,878.4 million for Fiscal Year 2015, while the references in the title of the pie charts reflect reductions from tax refunds, R&D Credit Exchange and transfers to other funds of $1,315.1 million for Fiscal Year 2014 and $1,377.7 million for Fiscal Year 2015. See **Appendix III-E** for anticipated adjustments to adopted tax revenues.

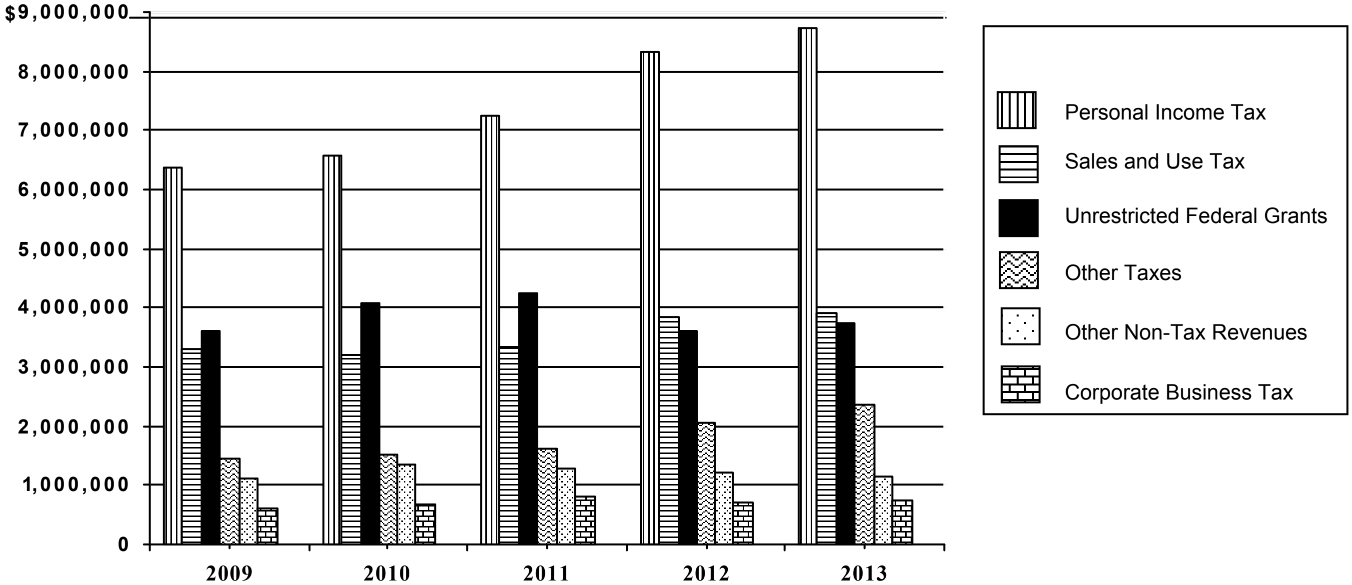
(b) Other taxes are comprised of inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on oil companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers; on electric generation and other miscellaneous taxes. See **Appendix III-E**.

(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund. See **Appendix III-E**.

SOURCE: Public Act No. 13-184, as amended.

Historical General Fund Revenues. Actual General Fund revenues for the fiscal years ending June 30, 2009 through 2013 are set forth in **Appendix III-D** to this Annual Information Statement. A summary of the composition of General Fund gross revenues for the last five fiscal years is illustrated below:

General Fund Revenues[(a)]
Fiscal Year Ending June 30
(In Thousands)



	2009	2010	2011	2012	2013
Taxes:					
Personal Income Tax	$ 6,385,856	$ 6,586,099	$ 7,246,431	$ 8,310,820	$ 8,719,245
Sales Tax	3,318,752	3,203,988	3,353,230	3,830,117	3,896,998
Corporate Business Tax	615,921	667,132	794,473	716,522	742,515
Other Taxes[(b)]	1,448,448	1,507,283	1,619,985	2,055,644	2,343,005
Subtotal	$11,768,977	$11,964,502	$13,014,119	$14,913,103	$15,701,763
R & D Credit Exchange……….	(8,428)	(8,937)	(8,598)	(3,563)	(4,086)
Refunds of Taxes	(1,052,286)	(1,061,433)	(956,054)	(1,105,171)	(1,144,993)
Total Net Taxes	$10,708,263	$10,894,132	$12,049,467	$13,804,369	$14,552,684
Other Revenue:					
Federal Grants (Unrestricted).........................	$ 3,619,490	$ 4,066,314	$ 4,235,178	$ 3,607,163	$ 3,733,909
Other Non-Tax Revenues[(c)]	1,105,217	1,363,385	1,273,290	1,207,800	1,143,366
Transfers to Other Funds	(86,300)	(61,800)	(61,800)	(61,800)	(128,028)
Transfers from Other Funds......	354,131[(d)]	1,426,498[(e)]	211,319	4,101	103,100
Total Other Revenues	$ 4,992,538	$ 6,794,397	$ 5,657,987	$ 4,757,264	$ 4,852,347
Total Revenues	$15,700,801	$17,688,529	$17,707,454[(f)]	$18,561,633	$19,405,031

(a) The bar graph reflects the gross listed tax and revenue amounts and does not reflect the listed adjustments for tax credits and refunds and transfers to or from other funds. See **Appendix III-D** for adjustments to revenues.

(b) Other taxes are comprised of inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on oil companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers; electric generation and other miscellaneous taxes.

(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund less refunds of payments.

(d) For Fiscal Year 2009, $179.4 million of reserved fund balance within the General Fund was released for Fiscal Year 2009 operations and was posted under the "Transfer from Other Funds" category.

(e) Includes numerous transfers from other funds of the State, the largest of which was $1,278.5 million from the Budget Reserve Fund.

(f) Totals do not include the release of the reserved fund balance in the amount of $449,868,589.

SOURCE: 2009, 2010, 2011, 2012 and 2013 Annual Reports of the State Comptroller.

Components of Revenue

Personal Income Tax. The State imposes a Personal Income Tax on the income of residents of the State (including resident trusts and estates), part-year residents and certain non-residents who have taxable income derived from or connected with sources within Connecticut. The current tax is imposed on a graduated scale, with a maximum rate of 6.7%, on Connecticut taxable income. Depending on federal income tax filing status, the taxable year and Connecticut adjusted gross income, personal exemptions are available to taxpayers, ranging from $12,000 to $24,000, with the lower-end of the range increasing annually to $15,000 by taxable year 2015 for certain taxpayers. In addition, tax credits ranging from 1% to 75% of a taxpayer's Connecticut tax liability are also available depending upon federal income tax filing status, the taxable year and Connecticut adjusted gross income. Such exemptions and tax credits are phased out at higher income levels. Under the current structure, the top rate increases to 6.7% with a rate of 3% applicable to taxable income up to certain amounts. The first $20,000 of taxable income for a joint filer and the first $10,000 of taxable income for a single filer is taxed at the 3% rate, rising thereafter to 6.7%. In addition, the lower rates are fully phased out for joint filers earning over $700,000. An income tax credit for property taxes paid of $500 per filer for tax years beginning on or after January 1, 2006, was decreased to $300 per filer for tax years beginning on or after January 1, 2011. Taxpayers also are subject to a Connecticut minimum tax, based on their liability, if any, for payment of the federal alternative minimum tax. Neither the personal exemption nor the tax credits described above are available to trusts or estates.

Sales and Use Taxes. A Sales Tax is imposed, subject to certain limitations, on the gross receipts from certain transactions within the State of persons engaged in business in the State, including (a) retail sales of tangible personal property, (b) the rendering of certain services, (c) the leasing or rental of tangible personal property, (d) the production, fabrication, processing, printing, or imprinting of tangible personal property to special order or with materials furnished by the consumer, (e) the furnishing, preparation or serving of food, meals, or drinks, and (f) hotel or lodging house rooms for a period not exceeding thirty consecutive calendar days. A Use Tax is imposed, with certain exceptions, on the consideration paid for certain services or purchases or rentals of tangible personal property used within the State pursuant to a transaction not subject to the Sales Tax. The tax rate for each of the Sales and Use Taxes is 6.35%. A separate rate of 15% is charged on the occupancy of hotel rooms. Various exemptions from the Sales and Use Taxes are provided, based on the nature, use or price of the property or services involved or the identity of the purchaser. Tax returns and accompanying payments with respect to these taxes are generally due monthly on or before the last day of the month next succeeding the taxable month.

Corporation Business Taxes. A Corporation Business Tax is imposed on any corporation, joint stock company or association, any dissolved corporation that continues to conduct business, any electric distribution company or fiduciary of any of the foregoing that carries on or has the right to carry on business within the State, owns or leases property, maintains an office within the State, or is a general partner in a partnership or a limited partner in a limited partnership, except an investment partnership, which does business, owns or leases property or maintains an office within the State. Certain financial services companies and domestic insurance companies are exempt from this tax. Corporations compute their tax liability under three methods, determine which calculation produces the greatest tax, and pay that amount to the State.

- The first method of computing the Corporation Business Tax is a tax measured by the net income of a taxpayer (the "Income-Base Tax"). Net income means federal gross income with limited variations less certain deductions, most of which correspond to the deductions allowed under the Internal Revenue Code of 1986, as amended. The Income-Base Tax is at a rate of 7.5% for taxable years commencing on and after January 1, 2000.
- The second method of computing the Corporation Business Tax is a tax on capital. This tax is determined either as a specific maximum dollar amount or at a flat rate on a defined base, usually related in whole or in part to the corporation's capital stock and balance sheet surplus, profit and deficit.

- The third method of computing the Corporation Business Tax is a minimum tax in the amount of $250.

The State limits corporation credits from reducing tax liability by more than 70%. The State imposed a corporation business tax surcharge of 10% for income years 2009, 2010 and 2011 for businesses with over $100 million in federal adjusted gross income, and increased it to 20% for tax years 2012 through 2015.

A $250 charge is levied on LLCs, LLPs and S corporations. The tax extends to single-member LLCs that are not considered entities separate from their owners for federal tax purposes. Beginning with taxable year 2013, this tax is due biennially.

Other Taxes. Other tax revenues are derived from inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on oil companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers; on electric generation and other miscellaneous taxes.

Federal Grants. Depending upon the particular program being funded, federal grants-in-aid are normally conditioned, to some degree, on resources provided by the State. Most unrestricted federal grant revenue is based on expenditures. The largest federal grants in Fiscal Year 2013 were made for the purposes of providing medical assistance payments to low income individuals and temporary assistance to needy families. The State also receives certain restricted federal grants that are not reflected in annual appropriations but that nonetheless are accounted for in the General Fund. In addition, the State receives certain federal grants that are not accounted for in the General Fund but are allocated to the Special Transportation Fund, various Capital Project Funds and other funds.

For the periods presented in this Annual Information Statement, three matters affect comparability.

- The American Recovery and Reinvestment Act ("ARRA") provided the State with increased Medicaid and Title IV-E (foster care) grants as well as new funding for education, transportation, and other general government functions in Fiscal Years 2009, 2010 and 2011.
- Beginning with Fiscal Year 2014, the State significantly altered the manner in which it handles federal Medicaid grants for budget and accounting purposes. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of Medicaid expenditures being appropriated. These changes reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015, compared to the prior method.
- Beginning January 1, 2014, the federal Affordable Care Act increased income eligibility under Medicaid from 53% of the federal poverty level to 133% of the federal poverty level, referred to as Medicaid expansion. The expansion of Medicaid will be off-budget and funded entirely from federal revenue. Effective April 1, 2010, Connecticut was the first state in the nation to expand its Medicaid program under the Affordable Care Act by extending Medicaid coverage to low-income childless adults with incomes up to 53% of the federal poverty level. Until that time, the State operated a more limited health benefit program serving approximately 45,000 low-income adults. Enrollment under the April 1, 2010 expansion greatly exceeded expectations and led to a doubling of the previous program's caseload in only three years, resulting in considerable unbudgeted costs that the State was forced to

address mid-year. Beginning January 1, 2014, the federal government assumed full financial responsibility for costs associated with serving these populations under the Affordable Care Act. As a result, it is expected that this shift will mean not only that the State will realize annualized net budgetary savings of more than $400 million, but will also eliminate from State budgetary responsibility the program component that has been the least predictable and the most responsible for expenditure overruns for the past three years.

Other Non-Tax Revenues. Other non-tax revenues are derived from special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenue sources; and designated Tobacco Settlement Revenues.

General Fund Expenditures

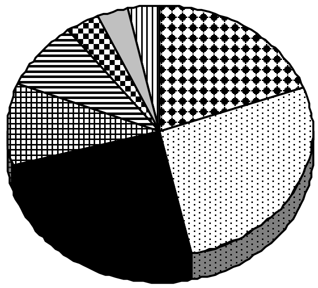
Appropriated and Historical Expenditures

Fiscal Year 2014 and 2015 Appropriated Expenditures. State expenditures are categorized for budget and appropriation purposes under ten functional headings, with expenditures by agency generally shown as subheadings in the following functional categories, listed in order of magnitude of expenditure for the current budget biennium: Human Services; Education, Libraries and Museums; Non-Functional (debt service and miscellaneous expenditures including fringe benefits); Health and Hospitals; Corrections; General Government; Judicial; Regulation and Protection; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, although minor expenditures for transportation related expenditures are occasionally paid from the General Fund. See – **OTHER FUNDS, DEBT AND LIABILITIES - Special Transportation Fund and Debt** herein.

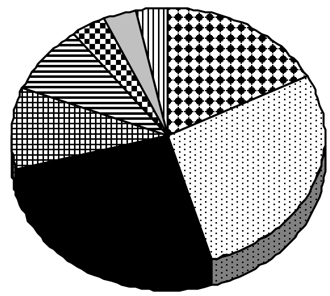
The final financial budgetary-basis results for Fiscal Year 2013, the adopted and estimated (as of December 31, 2013) budget for Fiscal Year 2014, and the adopted budget for Fiscal Year 2015 are included as **Appendix III-E** to this Annual Information Statement. A summary of appropriated General Fund expenditures for Fiscal Years 2014 and 2015 is set forth below.

Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures Fiscal Year 2014 \$17,188.7 [a]



Appropriated Expenditures Fiscal Year 2015 \$17,497.6[a]



	Fiscal Year 2014		Fiscal Year 2015	
Human Services	\$ 3,381.3	19.5%	\$ 3,054.5	17.3%
Education, Libraries and Museums	4,709.5	27.1%	5,004.7	28.3%
Non-Functional	4,174.1	24.0%	4,426.2	25.1%
Health and Hospitals	1,835.4	10.6%	1,827.6	10.3%
Corrections	1,481.9	8.5%	1,516.8	8.6%
General Government	616.7	3.6%	628.1	3.6%
Judicial	577.1	3.3%	601.3	3.4%
Other Expenditures[b]	585.4	3.4%	596.8	3.4%

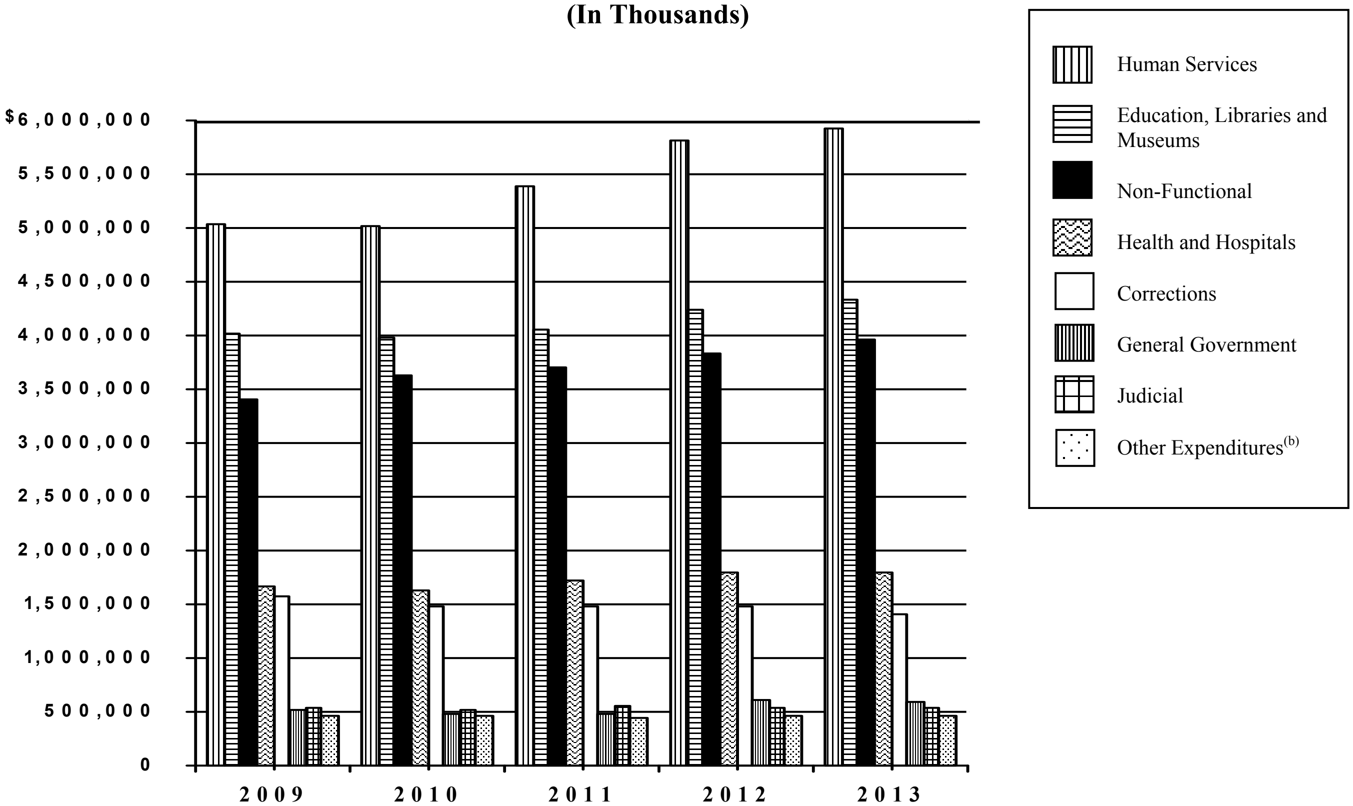
(a) The pie charts reflect the total listed expenditures of \$17,361.4 million for Fiscal Year 2014 and \$17,656.1 million for Fiscal Year 2015, while the references in the title of the pie charts reflect adjustments for unallocated lapses of \$172.6 million for Fiscal Year 2014 and \$158.5 million for Fiscal Year 2015. See **Appendix III-E** for anticipated adjustments to appropriated expenditures.

(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

SOURCE: Public Act No. 13-184, as amended.

Historical General Fund Expenditures. Actual General Fund expenditures for Fiscal Years 2009 through 2013 are set forth in **Appendix III-D** to this Annual Information Statement. A summary of the composition of General Fund expenditures for the last five fiscal years is illustrated below:

General Fund Expenditures By Function[(a)]
Fiscal Year Ending June 30
(In Thousands)



	2009	2010	2011	2012	2013
Human Services	$ 5,041,515	$ 5,012,333	$ 5,387,535	$ 5,817,369	$ 5,931,567
Education, Libraries and Museums	4,019,381	3,990,199	4,060,467	4,235,428	4,328,894
Non-Functional	3,399,404	3,633,977	3,709,293	3,841,292	3,965,211
Health and Hospitals	1,662,540	1,624,827	1,715,670	1,792,435	1,801,952
Corrections	1,577,167	1,475,769	1,484,364	1,472,685	1,408,761
General Government	520,115	486,318	476,090	609,239	593,367
Judicial	543,078	524,043	559,912	545,650	534,512
Other Expenditures[(b)]	471,655	460,655	451,793	467,536	461,403
Totals	$ 17,234,855	$ 17,208,021	$ 17,845,124	$ 18,781,634	$ 19,025,667

(a) The bar graphs and amounts listed do not reflect the offsetting effect of restricted federal and other grants. See **Appendix III-D**.

(b) Other expenditures are comprised of appropriations for Regulation and Protection, Conservation and Development; and Legislative.

SOURCE: 2009, 2010, 2011, 2012 and 2013 Annual Reports of the State Comptroller.

Components of Expenditures

Human Services. Virtually all of the State expenditures for Human Services are allocated to the Department of Social Services for various programs and services, including Medicaid payments, Temporary Assistance to Families, and General Assistance payments. Beginning with Fiscal Year 2014, the State significantly altered the manner in which it appropriates for Medicaid. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of payments to private Medicaid providers being appropriated. These changes reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015 compared to current services.

Education, Libraries and Museums. The majority of State expenditures for Education, Libraries and Museums is allocated to the Department of Education, the largest share of which consists of payments to local governments. The remaining consists of expenditures for higher education (including the University of Connecticut, the Board of Regents and Financial & Academic Affairs for Higher Education), the Office of Early Childhood Education, the Teachers' Retirement Board and the State Library.

Non-Functional. Non-Functional State expenditures consist of debt service payments, State employee fringe benefit accounts and other miscellaneous appropriations.

Health and Hospitals. State expenditures for Health and Hospitals are allocated primarily for programs and services provided by the State Departments of Public Health, Developmental Services, and Mental Health and Addiction Services.

Corrections. Appropriations to the State Department of Correction and the Department of Children and Families comprise the largest portion of State expenditures for Corrections.

General Government. State expenditures for General Government may be classified into three categories: executive, financial administration and legal, the largest of which is expenditures for financial administration. Such expenditures are primarily for salaries and other miscellaneous expenses of various State departments.

Judicial. Judicial expenditures are comprised of salaries, expenses and payments for special programs of the Judicial Department and the Public Defender Services Commission.

Regulation and Protection. State expenditures for Regulation and Protection consist primarily of appropriations for the Department of Public Safety for salaries, equipment, training and other services and expenses. Other agencies and programs for which appropriations are made include the Police Officer Standards and Training Council, the Board of Firearms Permit Examiners, the Military Department, the Commission on Fire Prevention and Control, the Department of Consumer Protection, the Department of Labor, the Commission on Human Rights and Opportunities, the Office of Protection and Advocacy for Persons with Disabilities, and the Office of the Child Advocate.

Conservation and Development. State expenditures for Conservation and Development fall into three general categories: agriculture; development of housing, historical sites, commerce and industry; and environment.

Legislative. Legislative expenditures are comprised primarily of salaries, equipment and other expenses necessary for Legislative Management and the Auditors of Public Accounts.

Expenditures by Type

General Fund appropriations and the corresponding State expenditures are categorized for both administrative and budgetary purposes based on the type of appropriation. Appropriation account types may be grouped conceptually into two broad categories: payments to third parties and costs of State administration. Payments to third parties consist of two major appropriation account types: payments to local governments and payments to parties other than local governments (which include debt service payments for purposes of **Table 1**; see footnote g to **Table 1** below). Such payments to third parties amount to approximately 65.7% of total General Fund appropriations under the adopted budget for Fiscal Year 2013. Costs of State administration consist of three major appropriation account types: personal services, equipment, and other expenses. These expenditures are used directly to operate the facilities and programs of State agencies and include such items as salaries, wages, pension and other benefits for State employees; utility and fuel costs; food; institutional and office supplies; equipment; rent for office space and other facilities; and other current expenses. Appropriations for costs of State administration represent approximately 40.5% of all General Fund appropriations under the revised adopted budget for Fiscal Year 2014.

Appropriations categorized as payments to third parties are generally referred to for budgetary purposes as "fixed charges." Contractually required payments to third parties include debt service payments. Statutorily required payments to third parties include grants to local governments and individual beneficiaries under a wide variety of programs established by statute. The amount of such payments is generally either specifically set forth in the statutes for such payment or is calculated in accordance with a formula set forth in such statutes. Despite the characterization of these statutorily determined payments to third parties as "fixed charges," the Governor's budgetary recommendations routinely include proposed modifications in the amounts and formulas for calculating the amounts of such appropriations, and such modifications are often adopted by the General Assembly. A summary of fixed charges is shown in **Table 1**. This summary includes a breakdown of total fixed charges into payments to local governments and total payments, as well as information as to the most significant types of expenditures in each category.

Table 1[(a)(b)(c)]

Fixed Charges - General Fund
Summarized by Function of Government and Expenditure Category
Including Major Expenditure Items
(In Thousands of Dollars)

	Fiscal Year 2012 (Actual)		Fiscal Year 2013 (Unaudited)		Fiscal Year 2014 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
LEGISLATIVE						
Total – Legislative	516	0	554	0	577	0
GENERAL GOVERNMENT						
Tax Relief for Elderly Renters[(d)]	23,596	0	24,815	0	0	0
Property Tax Relief Elderly Circuit Breaker	20,506	20,506	20,506	20,506	20,506	20,506
Reimbursement to Towns for Loss of Taxes on State Property[(e)]	73,519	73,519	73,642	73,642	73,642	73,642
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property[(e)]	115,432	115,432	115,432	115,432	115,432	115,432
Undesignated	16,230	15,557	10,206	9,426	15,423	14,348
Total – General Government	249,283	225,014	244,600	219,005	225,002	223,927
REGULATION AND PROTECTION						
Total - Regulation and Protection	1,089	0	1,073	0	1,168	0

	Fiscal Year 2012 (Actual)		Fiscal Year 2013 (Unaudited)		Fiscal Year 2014 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
CONSERVATION AND DEVELOPMENT						
Total - Conservation and Development	28,092	12,661	24,444	8,575	111,712	8,584
HEALTH AND HOSPITALS						
Employment Opportunities and Day Services (Dept. of Developmental Services)	181,277	0	193,834	0	212,764	0
Community Residential Services (Dept. of Developmental Services)	419,447	0	423,874	0	435,201	0
Grants for Substance Abuse Services	24,898	0	24,930	0	20,605	0
Grants for Mental Health Services	83,764	0	76,476	0	66,135	0
Undesignated	46,734	14,499	57,044	14,959	42,010	17,604
Total - Health and Hospitals	756,119	14,499	776,157	14,959	776,715	17,604
HUMAN SERVICES						
Medicaid[f]	4,714,306	0	4,897,951	0	2,409,315	0
Old Age Assistance	36,570	0	35,385	0	37,630	0
Aid to the Disabled	60,170	0	58,544	0	63,290	0
Temporary Assistance to Families – TANF	110,078	0	106,550	0	112,140	0
Connecticut Pharmaceutical Assistance Contract to the Elderly	298	0	(41)	0	127	0
Medicaid - Disproportionate Share - Mental Health	105,935	0	108,935	0	108,935	0
Connecticut Home Care Program	47,609	0	42,151	0	44,324	0
Child Care Services - TANF/CCDBG	100,086	0	97,453	0	98,967	0
Housing/Homeless Services	51,187	0	52,589	0	5,211	0
Disproportionate Share - Medical Emergency Assistance	268,487	0	201,365	0	134,243	0
State Administered General Assistance	14,784	0	16,124	0	17,283	0
Undesignated	46,086	863	46,487	897	43,844	227
Total - Human Services	5,555,591	863	5,663,504	897	3,075,308	227
EDUCATION, LIBRARIES AND MUSEUMS						
Charter Schools	56,926	0	0	0	0	0
Adult Education	20,002	20,002	19,995	19,995	21,034	21,034
Transportation of School Children	25,785	25,785	24,921	24,921	24,885	24,885
Education Equalization Grants	1,889,229	1,889,229	1,995,091	1,995,091	2,066,589	2,066,589
Priority School Districts	0	0	118,699	118,699	47,427	47,427
Excess Cost - Student Based	139,829	139,829	139,832	139,832	139,806	139,806
Magnet Schools	206,742	206,742	244,638	244,638	265,449	265,449
Connecticut Independent College Student Grant	18,072	0	15,958	0	0	0
Connecticut Aid for Public College Students	29,808	0	24,225	0	42,012	0

	Fiscal Year 2012 (Actual)		Fiscal Year 2013 (Unaudited)		Fiscal Year 2014 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
Teachers' Retirement Contributions	757,246	0	787,536	0	948,540	0
Undesignated	243,099	174,369	120,733	63,200	217,392	157,609
Total – Education	3,386,738	2,455,956	3,491,628	2,606,376	3,773,133	2,722,799
CORRECTIONS						
Community Support Services (Dept. of Correction)	40,370	0	39,747	0	41,276	0
Board and Care for Children – Adoption	86,744	0	88,966	0	91,066	0
Board and Care for Children – Foster	107,146	0	112,944	0	113,318	0
Board and Care for Children – Residential	169,013	0	140,796	0	141,375	0
Community KidCare	22,764	0	23,451	0	35,717	0
Undesignated	91,142	0	89,541	0	106,317	0
Total – Corrections	517,180	0	495,445	0	529,068	0
NON FUNCTIONAL						
Debt Service (Including UConn 2000 and CHEFA Day Care Security and Teachers' Retirement Pension Obligation Bonds)(g)	1,813,450	0	1,804,222	0	1,719,829	0
Undesignated	0	0	0	0	0	0
Total - Non Functional	1,813,450	0	1,804,222	0	1,719,829	0
Total – Fixed Charges	12,308,058	2,708,993	12,501,627	2,849,812	10,212,513	2,973,140

(a) Table 1 includes actual fixed charge expenditures for Fiscal Year 2012, unaudited fixed charge expenditures for Fiscal Year 2013, and appropriated fixed charge expenditures for Fiscal Year 2014.

(b) In Fiscal Year 2012, Vocational Services, Employment Opportunities and Independent Living Centers moved from the Department of Social Services to the Bureau of Rehabilitative Services; Commission on Tourism was merged into the Department of Economic and Community Development; and Commission on Fire Prevention and Control was merged into the Department of Emergency Services and Public Protection.

(c) In Fiscal Year 2014 two new agencies were created, the Department of Housing and the Office of Early Childhood. The Department of Housing was created from programs found in the Department of Economic and Community Development and Department of Social Services. The Office of Early Childhood was created from programs found in the State Department of Education.

(d) In Fiscal Year 2014 Tax Relief for Elderly were moved from General Government to Conservation and Development (DOH).

(e) In Fiscal Year 2012 Reimbursement to Towns for Loss of Taxes was moved from Nonfunctional to General Government (OPM).

(f) Beginning in Fiscal Year 2014 the State commenced net budgeting of Medicaid. This reduced appropriated revenues and expenditures by $2,768.7 million in Fiscal Year 2014.

(g) Under the old coding system, Debt Service was considered a fixed charge – one of the Payments to Other Than Local Governments. Under the new coding system, Debt Service is coded as an Other Current Expense. Debt Service is included in this table for consistency with past presentation.

SOURCE: Office of Policy and Management

Fiscal Year 2013 Operations

Pursuant to the Comptroller's audited budgetary based financial report provided on December 31, 2013, as of June 30, 2013, General Fund revenues were $19,405.0 million, General Fund expenditures and miscellaneous adjustments (including net appropriations continued and estimated lapses) were $19,007.0 million and the General Fund surplus for Fiscal Year 2013 was $398.0 million. Of the surplus total, pursuant to Public Act No. 13-184, $220.8 million was reserved for future fiscal year activity and $177.2 million was reserved for a statutory transfer to the Budget Reserve Fund bringing the Budget Reserve Fund balance to $270.7 million. This leaves no unappropriated surplus for Fiscal Year 2013. These transfers will not affect the accumulated GAAP deficit.

The final Fiscal Year 2013 operations of the General Fund have been outlined in **Appendices III-D** and **III-E** to this Annual Information Statement.

Biennium Budget for Fiscal Years 2014 and 2015

The General Assembly passed, and the Governor signed into law, Public Act No. 13-184, An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2015 along with additional legislation to implement the policy change reflected in the budget. These acts made General Fund appropriations of $17,188.7 million in Fiscal Year 2014 and $17,497.6 million in Fiscal Year 2015. The budget projects General Fund revenues of $17,193.1 million in Fiscal Year 2014 and $17,500.7 million in Fiscal Year 2015, resulting in a projected surplus of $4.4 million in Fiscal Year 2014 and $3.1 million in Fiscal Year 2015.

The adopted biennial budget made two significant changes in the manner in which the State appropriates for Medicaid expenditures within the Connecticut Department of Social Services ("DSS") and in the Connecticut Department of Mental Health and Addiction Services. The first change was undertaken as part of the upcoming implementation of the federal Affordable Care Act related to the increase in income eligibility under Medicaid from 53% of the federal poverty level to 133% of the federal poverty level, referred to as Medicaid expansion. The expansion of Medicaid will be off-budget and funded entirely from federal revenue. The second change net-budgeted the Medicaid account in DSS. Previously, the State appropriated Medicaid expenditures on a gross basis within DSS, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State will commence net budgeting Medicaid expenditures within DSS, resulting in only the State's share of payments to private Medicaid providers being appropriated. These changes reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and by $3,204.9 million in Fiscal Year 2015 compared to current services. The budget also included expenditure adjustments to reflect the conversion from a cash basis of accounting to an accrual basis of accounting as part of the conversion to GAAP-based budgeting.

Revenue Enhancements

The adopted biennial budget included $564.6 million in revenue enhancements in Fiscal Year 2014 and $160.5 million in Fiscal Year 2015. The significant revenue enhancements included:

- the extension of certain tax measures that were anticipated to expire which include the twenty percent corporate surcharge, the tax on electric generators for one additional calendar quarter, and certain limits on the use of tax credits under the insurance premiums tax, anticipated to raise $88.9 million in Fiscal Year 2014 and $101.0 million in Fiscal Year 2015;
- the elimination of certain revenue intercepts that are targeted toward municipal aid as part of the overall reconfiguration of such aid, anticipated to increase revenue by $92.4 million in Fiscal Year 2014 and $97.9 million in Fiscal Year 2015;

- transfers from other sources totaling $451.5 million in Fiscal Year 2014 and $176.4 million in Fiscal Year 2015, as follows:
    - the use of the Fiscal Year 2013 surplus projected, at the time the budget was adopted, at $220.8 million;
    - the funding of the Mashantucket Pequot Fund grant to towns, which reduces transfers from the General Fund by $146.4 million over the biennium; and
    - $109.7 million over the biennium from the Special Transportation Fund and up to $35 million related to the State's assumption of certain responsibilities and corresponding reserves of the Connecticut Resource Recovery Authority.

The adopted budget also reflected a net revenue reduction of $68.2 million in Fiscal Year 2014 and $214.8 million in Fiscal Year 2015, primarily from the loss of matching federal funds due to proposed expenditure changes outlined below.

Expenditure Changes

Prior to policy changes adopted in the budget, the budget for Fiscal Year 2014 on a current services basis would have been $1,929.0 million above estimated expenditures in the prior fiscal year. Current services expenditures for Fiscal Year 2015 would have increased by an additional $1,017.7 million above the level in Fiscal Year 2014. The largest drivers of these increases were related to the implementation of the federal Affordable Care Act and increases in the level of pension plan funding. The adopted budget appropriated $3,748.1 million less than the current services level in Fiscal Year 2014 and $4,456.9 million less than the current services level in Fiscal Year 2015. The most significant factor contributing to the decrease in appropriations is the net budgeting of Medicaid payments discussed above. Other significant reductions contained in the adopted budget included:

- reduction in expenditures of $196.0 million in each year of the biennium from restructuring the 2009 Economic Recovery Notes by the extension of their maturity for two additional years;
- the phase down of disproportionate share payments to hospitals totaling $120.8 million in Fiscal Year 2014 and $255.1 million in Fiscal Year 2015;
- various savings initiatives in the Medicaid program totaling $247.9 million in Fiscal Year 2014 and $371.7 million in Fiscal Year 2015; and
- the extension of the cap on municipal aid grants totaling $102.8 million in Fiscal Year 2014 and $114.6 million in Fiscal Year 2015.

Section 2-33a of the Connecticut General Statutes sets out the State's expenditure cap. The adopted budget was $9.4 million below the expenditure cap for Fiscal Year 2014 and $166.3 million below the expenditure cap for Fiscal Year 2015.

Bond Authorizations

The adopted budget also included several bonding authorizations, including:

- ***General Obligation --*** a net increase in general obligation bond authorizations totaling $1,619.5 million in Fiscal Year 2014 and $1,581.0 million in Fiscal Year 2015;
- ***Clean Water Fund --*** $380.4 million in additional clean water revenue bond authorizations in Fiscal Year 2014 and $332.0 million in Fiscal Year 2015;
- ***Special Transportation Obligation --*** $706.7 million in special transportation obligation bond authorizations in Fiscal Year 2014 and $588.8 million in Fiscal Year 2015;

- ***University of Connecticut --*** $198.0 million in general obligation bond authorizations for the University of Connecticut take effect in Fiscal Year 2014 and $208.5 million take effect in Fiscal Year 2015;
- ***Connecticut State University System --*** $95.0 million in general obligation bond authorizations of the State for the Connecticut State University System take effect in each of Fiscal Years 2014 and 2015;
- ***Connecticut Bioscience Collaboration Program --*** $59.7 million general obligation bond authorizations for the Connecticut Bioscience Collaboration Program take effect in Fiscal Year 2014 and $19.7 million take effect in Fiscal Year 2015; and
- ***UConn 2000 --*** $1.5 billion expansion to the existing UConn 2000 bond authorization, which extends the UConn capital program through Fiscal Year 2024. This will increase the UConn 2000 bond authorization by $6.4 million in Fiscal Year 2014 and by $107 million in Fiscal Year 2015.

In addition, the budget partially addressed the State's accumulated GAAP deficit reflected on its financial statements as the unassigned fund balance in the General Fund, estimated to be approximately $1.1 billion at June 30, 2013, through the issuance of general obligation bonds in an aggregate principal amount sufficient to generate net proceeds of no more than $750 million and that mature no later than June 30, 2028. The implementing act further provided that there shall be deemed appropriated from the General Fund of the State in each fiscal year from and including Fiscal Year 2016 through Fiscal Year 2028, to be distributed over such fiscal years, an amount equal to the difference between the accumulated deficit of the State in the General Fund determined using GAAP and the amount of bonds authorized for the purpose of reducing the accumulated General Fund GAAP deficit. Additionally, the act required the State to covenant with the bond holders that the State shall not diminish such appropriation until such bonds are fully met and discharged, subject to certain exceptions. See **FINANCIAL PROCEDURES - *Transition to GAAP*** herein.

See **Appendix III-E** of this Annual Information Statement for more information regarding the adopted budget for Fiscal Years 2014 and 2015.

Fiscal Year 2014 Operations

By statute, the State's fiscal position is reported on or before the first day of each month by the Comptroller. Pursuant to Section 4-66 of the Connecticut General Statutes, by the twentieth day of each month, the Office of Policy and Management ("OPM") provides projected estimates to the Comptroller of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. The following summarizes OPM's and the Comptroller's estimates of General Fund revenues; expenditures and miscellaneous adjustments (including net appropriations continued and estimated lapses); and surplus/(deficit) balance in the General Fund for the 2014 Fiscal Year as of the referenced ending period under a GAAP-based budgeting scenario:

OPM and Comptroller Estimates Fiscal Year 2014
(in Millions)

	OPM's Report			Comptroller's Report		
Period Ending:	**Revenues**	**Expenditures**[a]	**Surplus/ (deficit)**	**Revenues**	**Expenditures**[a]	**Surplus/ (deficit)**
November 30, 2013	$17,394.8	$17,121.5	$273.3[b]	$17,394.9	$17,121.2	$273.7
December 31, 2013	17,614.3	17,108.2	506.1	17,614.3	17,108.2	506.1
January 31, 2014[c]	17,614.3	17,109.9	504.4	N/A[d]	N/A[d]	N/A[d]

(a) Expenditures include net appropriations continued and estimated lapses and miscellaneous adjustments.
(b) The Secretary of OPM indicated that he was concerned about the potential economic impact of political confrontation regarding the Federal debt ceiling, which must be addressed in February or March 2014.
(c) Estimates are not reflected in Appendix III-E to this Annual Information Statement.
(d) Estimates are expected on March 3, 2014 and not yet available.

The next monthly report of OPM is expected on March 20, 2014 and no assurances can be given that the estimates in such report will match the OPM's prior estimates. The next monthly report of the Comptroller is expected on March 3, 2014 and no assurances can be given that the estimates in such report will match the Comptroller's prior estimates or the estimates of OPM.

On February 25, 2014, the Office of Fiscal Analysis projected a surplus in the General Fund of $518.2 million for Fiscal Year 2014 on a budgetary basis.

The above projections are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by OPM, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2014 operations of the General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2014 operations of the General Fund. The Office of Policy and Management's estimate for the Fiscal Year 2014 operations of the General Fund (as of the period ending December 31, 2013) has been outlined in **Appendix III-E** to this Annual Information Statement.

Forecasted Operation

Consensus Revenue Estimates. Pursuant to Section 2-36c of the Connecticut General Statutes, on January 15, 2014, OPM and the legislature's Office of Fiscal Analysis issued their consensus revision to their original consensus revenue estimates of November 8, 2013 for the current fiscal year and the four ensuing fiscal years as follows:

Fiscal Year	**2014**	**2015**	**2016**	**2017**	**2018**
Revenue Estimate (in millions)	$17,614.3	$17,685.4	$17,851.5	$18,579.3	$19,377.4

The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the State will not indicate changes in the final results of the fiscal years reported. The next consensus revenue estimates for the same fiscal years are expected on April 30, 2014.

Fiscal Accountability Report. OPM and the legislature's Office of Fiscal Analysis, on November 15, 2013 each submitted a fiscal accountability report projecting the ending balance in the General Fund for the current fiscal year and the four ensuing fiscal years as follows:

General Fund Operating Surplus/(Deficit) Projections
(In Millions)

Fiscal Year	2014	2015	2016	2017	2018
Office of Policy and Management	$ 134.7	$ 35.1	$ (612.4)	$ (432.5)	$ (376.3)
Office of Fiscal Analysis	117.1	8.4	(1,103.4)	(1,226.8)	(1,436.5)

The difference between the projections of the two offices reflects differences in methodology. The projections in the OPM report were based upon a *current practices* approach and assume the continuation of certain budgetary policies that have been customarily enacted in prior years. The projections in the Office of Fiscal Analysis report were based on *current services*.

OPM and the legislature's Office of Fiscal Analysis also projected the amounts by which the estimates of the expenditures would be below or above the State's expenditure cap as follows:

Projection of Amounts Above/(Below) Expenditure Cap
(In Millions)

Fiscal Year	2014	2015	2016	2017	2018
Office of Policy and Management	$(9.4)	$(56.9)	$ 95.8	$ (98.6)	$(106.8)
Office of Fiscal Analysis	(9.4)	11.9	482.8	547.7	655.2

The reports also estimated general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and ensuing four fiscal years. The reports estimated general obligation bond issuances over the five-year period of between $1.9 billion and $2.7 billion per year, with the expenditure on debt service gradually increasing.

The projections of OPM and the legislature's Office of Fiscal Analysis are only estimates and the information in each of the fiscal accountability reports contain only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the State will not indicate changes in the final result of such fiscal years. In addition, the State has a balanced budget requirement and an expenditure cap as discussed at ***Page III-7*** under the heading **The Budgetary Process –** ***Balanced Budget Requirement.*** As such, budgets adopted for the future fiscal years will need to comply with those requirements. As a result, the figures included in these reports do not represent a projection of the actual financial results that might be expected, but instead serve as planning tools.

Midterm Budget Adjustments

Per Section 4-71 of the Connecticut General Statutes, the Governor is required to submit a status report to the General Assembly on the biennial budget enacted in the previous year. The status report shall include any recommendations for adjustments and revisions to the enacted budget. On February 6, 2014 the Governor submitted to the General Assembly a status report including detailed projections of expenditures and revenues and proposed midterm budget adjustments for Fiscal Year 2015. In addition, since the State is projecting a surplus of $506.1 million in Fiscal Year 2014, the Governor proposes that $155 million of the surplus be returned to taxpayers in the form of a sales and gas tax refund, $100 million be deposited into the State Employee Retirement System, and $242.6 million be deposited into the Budget Reserve Fund. The

Governor also proposes that an additional $30.0 million be deposited into the Budget Reserve Fund from the FY 2013 surplus that had been reserved for use in Fiscal Year 2015. The total deposit of $272.6 million would increase the balance of the Budget Reserve Fund to $543.3 million at the end of Fiscal Year 2014.

The midterm budget adjustments incorporate the January 15th consensus revenue forecast as a baseline and include modest tax relief for total revenue collections in the General Fund for Fiscal Year 2015 of $17,518.5 million. The Governor recommended a decrease in General Fund appropriations for Fiscal Year 2015 of $1.4 million from the adopted Fiscal Year General Fund budget of $17,497.6 million for total General Fund appropriations of $17,496.2 million, resulting in a projected General Fund budget surplus of $22.3 million. The proposed budget is $8.1 million below the spending cap in Fiscal Year 2015.

The Governor is proposing modest tax relief in Fiscal Year 2015. Tax policy and revenue changes proposed in this budget include exempting up to 50 percent of teachers' pensions from the personal income tax, exempting non-prescription drugs from the sales and use tax, depositing certain fee income related to immunization revenue in the insurance fund instead of the General Fund, and reserving a one-time $60.0 million of revenue for use by the Board of Regents and the Connecticut State Colleges & Universities. The projected decrease in General Fund revenues from all proposed policy changes is $166.9 million in Fiscal Year 2015.

While modestly decreasing Fiscal Year 2015 appropriations, the proposed adjustments to the Fiscal Year 2015 budget result in investments in several service areas. Included is a $40 million increase in spending on early childhood and K-12 education and an additional $2 million for the Governor's Scholarship Program. The Governor proposes providing $3.6 million to the Department of Labor for a State-wide program to provide training and subsidized employment opportunities to the long-term unemployed. Also included in the Governor's budget is an $8 million increase in the State's payments-in-lieu-of-taxes (PILOT) program benefitting Connecticut's cities and towns. The Governor also recommends additional investment in mental health services in Connecticut.

The largest reductions from the originally adopted Fiscal Year 2015 budget include $30.0 million due to lower debt service costs, $27.2 million due to re-estimation of anticipated GAAP costs, and $16.7 million due to re-estimation of case load for residential board and care in the Department of Children and Families.

The Governor is proposing a total of $445.5 million in Fiscal Year 2015 capital budget adjustments, of which $380.7 million is under the General Obligation Bond program. The adjustments emphasize investments in education, economic development, shoreline improvements, and transportation infrastructure with the goal of rebuilding Connecticut's infrastructure with a focus on funding projects and programs that create and retain jobs in the State.

The General Assembly is expected to deliberate on the Governor's mid-term budget adjustments with an expected adjournment date of May 7, 2014.

State Economic Initiatives

The General Assembly has enacted formal programs targeted at encouraging economic growth within the State. Below is a summary of certain of these programs, including several new initiatives.

First Five. Legislation passed in 2011 allowed the State's existing incentive and tax credit programs to be combined and augmented in order to create incentive packages for the first five companies that promise to either create not less than 200 new jobs within two years or invest not less than $25 million and create not less than 200 new jobs within five years. Eight companies including Cigna, ESPN, NBC Sports and Bridgewater Associates have agreed to participate in this program, pledging to create over 1,050 combined jobs in Connecticut in return for $132.45 million in forgivable loans, grants, and tax credits from the State and potential further tax credits depending on expenditure levels of certain of the companies. After securing these commitments, legislation was passed to expand the program to allow incentives to be bundled in this manner for up to 15 companies.

Bioscience Connecticut. Legislation was passed in 2011 to expand the University of Connecticut Health Center ("Health Center") by making programmatic changes, providing State funding for expansion (including the construction of a new patient tower and renovation of existing facilities), and setting the framework for strengthening research capabilities in the State, including at the Health Center. Later in 2011, the State passed legislation to expand this initiative into an effort to promote the expansion of the bioscience industries in the State. The State reached an agreement to collaborate with Jackson Laboratory, the University of Connecticut, and Yale University for the construction of a new research laboratory on the Health Center campus with a particular focus on personalized medicine. The State is providing $290.7 million in support for this project over ten years, with $145 million in the form of a secured, forgivable construction loan; $46.7 million in the form of a secured, forgivable equipment loan; and $99 million in research partnership funding. These funds are to be provided through the issuance of general obligation bonds over the next ten years. The Jackson Laboratory project is expected to generate short-term construction jobs in addition to 6,800 permanent jobs over the next 20 years. No assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments, legislative actions, or other events will not indicate changes in the final results of this initiative.

Bioscience Innovation Fund. Legislation passed in 2013 which, in concert with the Bioscience Initiative above, would support the State's growing bioscience sector by strengthening the State's capacity to create competitive investment tools and attract additional federal and private dollars. The State will invest $200 million in the new Bioscience Innovation Fund over ten years which will be administered by Connecticut Innovations, Inc.

Economic and Manufacturing Assistance Act. Since 1990, the Economic and Manufacturing Assistance Act program has been one of the State's primary economic development incentive tools. The program provides incentive-driven direct loans for projects with strong economic development potential. The loan funds may be used for the planning of a municipal development project or business development project; the acquisition of real property, machinery or equipment; the construction of site and infrastructure improvements relating to a municipal development or business development project; the construction, renovation and demolition of buildings; relocation expenses for the purpose of assisting an eligible business to locate, construct, renovate or acquire a facility; or such other reasonable expenses necessary or appropriate for the initiation, implementation and completion of the project, including administrative expenses and business support services such as labor training, day care, energy conservation, and pollution control and recycling.

Small Business Assistance Revolving Loan Program. Legislation passed in 2010 provides for loans and lines of credit for businesses with less than 100 employees. The program provides financing of up to $500,000 per business at 4% interest for up to ten years and is capped at $15 million of such loans and lines of credit outstanding at any time.

Small Business Express Program. Legislation passed in 2011 created a program to support the retention and growth of small businesses with 50 or fewer employees through a streamlined process that provides financial assistance in the form of revolving loans, job creation incentives, and matching grants. Loans are available from the revolving loan fund for a maximum of $100,000 per loan to assist small businesses with capital and operational needs. Job creation incentive loans of up to $250,000 per loan are also available to assist small businesses to spur growth, and payments on these loans may be deferred or forgiven if certain prescribed job creation goals are attained. A matching grant component provides grants up to $100,000 per grant to small businesses for training, working capital, acquisition of machinery and equipment, construction or leasehold improvements, relocation within the State, or other authorized expenses so long as the small business matches any funds awarded to it under this program.

Subsidized Training and Employment Program. Legislation passed in 2011 provides for job creation incentives to employers to expand opportunities for unemployed workers. Under the program, small businesses and manufacturers with less than 50 full-time workers may receive wage and training subsidies of up to $12,500 per newly-hired person over six months if they hire an unemployed worker who meets the program eligibility requirements.

Business Tax Credits. The State offers many business tax credits for firms conducting certain activities. Tax credits are offered for investments in human and fixed capital, research and development expenditures, expenditures related to film production and investment, and for job creation, among others.

General Fund Budget History

Table 2 summarizes the results of operation of the General Fund on a budgetary-basis. Summaries of actual revenues and expenditures on the budgetary (modified cash) basis for the Fiscal Years 2009 through 2013 are set forth in **Appendix III-D** to this Annual Information Statement.

TABLE 2

General Fund
Summary of Operating Results — Budgetary (Modified Cash) Basis
(In Millions)

Fiscal Year	2009	2010	2011	2012	2013
Total General Fund Revenues[a]	$15,700.8	$17,688.5	$17,707.5	$18,561.6	$19,405.0
Net Appropriations/Expenditures[b]	16,648.4	17,238.6	17,470.6	18,705.1	19,007.0
Operating Surplus/(Deficit)	$ (947.6)[c]	$ 449.9[d]	$ 236.9[e]	$ (143.5)[f]	$ 398.0[g]

(a) Does not include Restricted Accounts and Federal and Other Grants. See **Appendix III-D-6**.

(b) Does not include expenditures for Restricted Accounts and Federal and Other Grants. Includes Amounts Reserved for Prior Year Appropriations Less Appropriations Carried Forward and Other Adjustments. See **Appendix III-D**.

(c) The State Treasurer was given authority to fund, and did fund, the Fiscal Year 2009 General Fund deficit through economic recovery notes in the amount of $915,795,000.

(d) The entire surplus balance of $449.9 million was reserved for Fiscal Year 2011, $140.0 million for spending and the remaining $309.9 million to reduce the amount of economic recovery revenue bonds to be issued. The State has since repealed the authorization to issue economic recovery revenue bonds.

(e) In accordance with State statute and accounting procedures, this amount was deposited to the Budget Reserve Fund.

(f) The Fiscal Year 2012 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

(g) Pursuant to Public Act No. 13-184, $220.8 million was reserved for future fiscal year funding and $177.2 million was reserved for a statutory transfer to the Budget Reserve Fund, leaving no unappropriated surplus for Fiscal Year 2013.

SOURCE: Comptroller's Office

Table 3 shows the reconciliation of the actual operations surplus (deficit) under the budgetary (modified cash) basis to the GAAP basis of accounting for the last five fiscal years. Audited GAAP based financial statements for Fiscal Year 2013 are included in **Appendix III-C**.

TABLE 3

General Fund
Summary of Operating Results — Budgetary (Modified Cash) Basis vs. GAAP Basis
(In Millions)

Fiscal Year	2009	2010	2011	2012	2013
Modified Cash Basis Operating Surplus/(Deficit)	$ (947.6)	$ 449.9	$ 236.9	$ --	$ 398.0
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	284.0	(113.1)	(103.3)	(178.1)	(38.70)
Other Receivables	101.4	(42.6)	85.2	(117.2)	(74.50)
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	(601.6)	(160.9)	(100.4)	590.2	87.80
Salaries and Fringe Benefits Payable	56.6	(7.8)	4.4	131.3	(32.80)
Increase (decrease) in Continuing Appropriations	(415.3)	32.7	79.5	(70.6)	(17.90)
Reclassification of equity adjustments	--	--	--	--	--
Proceeds of Recovery Notes	--	947.5	--	--	--
Transfer of restricted resources	--	(1,278.5)	(103.2)	--	--
Transfer of prior year surplus	(179.4)	--	(449.9)	(143.5)	--
GAAP Based Operating Surplus/(Deficit)	$ (1,701.9)	$ (172.8)	$ (350.8)	$ 212.1	$ 321.9

SOURCE: Comptroller's Office

Table 4 sets forth on the budgetary (modified cash) basis the actual cumulative unreserved fund balance (deficit) for the General Fund for the last five fiscal years.

TABLE 4

General Fund
Unreserved Fund Balance — Budgetary (Modified Cash) Basis
(In Millions)

Fiscal Year	2009	2010	2011	2012	2013
Operating Surplus/(Deficit)	$ (947.6)	$ 449.9	$ 236.9	$(143.5)	$398.0
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	0.0	0.0	0.0	0.0	177.2
Transfers from Budget Reserve Fund	--	--	--	143.5	
Reserve for Fiscal Year 2011 Operations	--	140.0	--	--	--
Reserve to reduce economic recovery revenue bonds[(a)]	--	309.9	--	--	--
Reserve for Fiscal Year 2009 Operations	--	--	--	--	--
Reserve for Subsequent Fiscal Year Operations	--	--	236.9[(b)]	--	220.8
Total Transfers/Reserves	$ (947.6)	$ 449.9	$ 236.9	$ 143.5	$ 0.0
Unreserved Fund Balance					
Surplus/(deficit)	$ (947.6)	$ 0.0	$ 0.0	$ 0.0	$ 0.0

(a) The State has since repealed the authorization to issue economic recovery revenue bonds.

(b) In accordance with a labor agreement, $14.5 million of this reserve will be deposited in the Other Post Employment Benefit Trust Fund and the remaining balance will be used to pay down Economic Recovery Notes issued in 2009.

SOURCE: Comptroller's Office

Table 5 shows the reconciliation of the actual cumulative unreserved General Fund balance (deficit) under the budgetary (modified cash) basis to the GAAP basis of accounting for the last five fiscal years.

TABLE 5

General Fund
Unreserved Fund Balance — Budgetary (Modified Cash) Basis vs. GAAP Basis
(In Millions)

Fiscal Year	2009	2010	2011	2012	2013
Unreserved Fund Balance (Deficit)					
Modified Cash Basis	$ (947.6)	$ 0.0	$ 0.0	$ 0.0	$ 0.0
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(364.1)	(377.4)	(525.3)	(328.1)	(372.5)
Eliminate Corporation Accrual	(11.2)	(12.6)	(5.4)	(4.4)	(8.9)
Additional Taxes Receivable	4.1	3.8	4.2	3.7	4.4
Net Increase (Decrease) Taxes	(371.2)	(386.2)	(526.5)	(328.8)	(377.0)
Net Accounts Receivable	199.6	218.0	307.9	299.9	291.4
Federal and Other Grants Receivable[(a)]	758.5	645.4	542.1	364.0	325.3
Due From Other Funds	27.1	24.8	19.6	19.0	26.2
Total Additional Assets	$ 614.0	$ 502.0	$ 343.1	$ 354.1	$ 265.9
Additional Liabilities					
Salaries and Fringe Payable	(242.5)	(250.3)	(245.9)	(114.6)	(147.4)
Accounts Payable—Department of Social Services	(585.0)	(573.0)	(711.9)	(588.8)	(550.8)
Accounts Payable—Trade & Other	(891.0)	(1,131.2)	(844.1)	(543.7)	(575.3)
Payable to Federal Government	(146.1)	(124.5)	(186.9)	(176.6)	(124.6)
Due to Other Funds	(105.2)	(102.0)	(103.2)	(76.4)	(84.9)
Total Additional Liabilities	$(1,969.8)	$(2,181.0)	$(2,092.0)	$(1,500.1)	$(1,483.0)
Unreserved Fund Balance (Deficit)					
GAAP Basis	$(2,303.4)	$(1,679.0)	$(1,748.9)	$(1,146.0)	$(1,217.1)

(a) Primarily reimbursement for additional liabilities accrued to federal grant accounts or programs with federal participation, e.g., Medicaid.

SOURCE: Comptroller's Office

Table 6 sets forth on a GAAP basis the components of the fund balance for the General Fund for the last five fiscal years.

TABLE 6

General Fund Fund Balances-GAAP Basis
(In Millions)

Fiscal Year	2009	2010	2011	2012	2013
Reserved:					
Petty Cash	$ 1.0	$ 1.0	$ --	$ --	$ --
Budget Reserve	1,381.7	103.2	--	93.4	270.7
Loans & Advances to Other Funds	9.8	15.0	22.5	26.6	30.5
Restricted Purposes	--	449.9	236.9	--	220.8
Inventories	24.3	13.9	13.6	13.6	15.5
Continuing Appropriations	87.1	113.2	178.6	100.0	91.0
Debt Service	--	--	--	--	--
Total	$ 1,503.9	$ 696.2	$ 451.6	$ 233.6	$ 628.5
Unreserved:	(2,303.4)	(1,679.0)	(1,748.9)	(1,146.0)	(1,217.1)
Total Fund Balance	$ (799.5)	$ (982.8)	$(1,297.3)	$ (912.4)	$ (588.6)

SOURCE: Comptroller's Office

STATE DEBT

Constitutional Provisions

The State has no constitutional limit on its power to issue obligations or incur debt, except that it may borrow only for public purposes. There are no reported court decisions relating to State bonded debt other than two cases validating the legislative determination of the public purpose for improving employment opportunities and related activities. The State Constitution has never required a public referendum on the question of incurring debt. Therefore, the General Statutes govern the authorization and issuance of State debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters.

Types of State Debt

Pursuant to various public and special acts, the State has authorized a variety of types of debt. These types fall generally 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 specified taxes and other funds that are maintained outside the State's General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds that are maintained outside the State's General Fund. In addition, the State provides annual appropriation support for, or is contingently liable on, the debt of certain State quasi-public agencies and political subdivisions. See **OTHER FUNDS, DEBT AND LIABILITIES** for information concerning debt and contingent liabilities on debt other than direct general obligation debt.

State Direct General Obligation Debt

Statutory Authorization and Security Provisions. The State issues general obligation bonds pursuant to specific bond acts and Section 3-20 of the General Statutes (the "General Obligation Bond Procedure Act"). That act provides that such bonds shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on such bonds as the same become due. The act further provides that, as a part of the contract of the State with the owners of such bonds, there is made an appropriation of all amounts necessary for the punctual payment of principal and interest on such bonds, and the Treasurer shall pay such principal and interest as the same become due.

There are no State constitutional provisions precluding the exercise of State power by statute to impose any taxes, including taxes on taxable property in the State or on income, in order to pay debt service on bonded debt now or hereafter incurred. The constitutional limit on increases in General Fund expenditures for any fiscal year does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There are also no constitutional or statutory provisions requiring or precluding the enactment of liens on or pledges of the State's General Fund revenues or taxes, or the establishment of priorities for payment of debt service on the State's general obligation bonds. There are no express statutory provisions establishing any priorities in favor of general obligation bondholders over other valid claims against the State.

Statutory Debt Limit. Section 3-21 of the General Statutes provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted the principal amount of revenue anticipation notes having a maturity of one year or less, refunded indebtedness, bond anticipation notes, borrowings payable solely from the revenues of a particular project, the balances of debt retirement funds associated with indebtedness subject to the debt limit as certified by the Treasurer, the amount of federal grants certified by the Secretary of OPM as receivable to meet the principal of certain indebtedness, all authorized and issued indebtedness to fund any budget deficit of the State for any fiscal year ending on or before June 30, 2009, all authorized debt to fund the Connecticut Development Authority's tax increment bond program, any indebtedness represented by agreements entered into pursuant to certain provisions of the General Statutes, provided the indebtedness in connection with which such agreements were entered into shall be included in such aggregate amount of indebtedness, any indebtedness issued for the purpose of meeting cash flow needs, and any indebtedness issued for the purpose of covering emergency needs in times of natural disaster. For purposes of the debt limit statute, all bonds and notes issued or guaranteed by the State and payable from General Fund tax receipts are counted against the limit, except for the exclusions or deductions described above, and certain other debt specifically excluded by statute. In addition, the amount of authorized but unissued debt for the UConn 2000 program is limited to the amount permitted to be issued under the cap. See ***Types of Direct General Obligation Debt — UConn 2000 Financing Program.***

Under the General Statutes, the Treasurer is required to compute the aggregate amount of indebtedness as of January 1 and July 1 each year and to certify the results of such computation to the Governor and the General Assembly. If the aggregate amount of indebtedness reaches 90% of the statutory debt limit, the Governor shall review each bond act for which no bonds, notes or other evidences of indebtedness have been issued, and recommend to the General Assembly priorities for repealing authorizations for remaining projects so that the aggregate amount of indebtedness authorized will be below 90% of the statutory debt limit.

The total tax receipts for the Fiscal Year 2014 as last estimated by the General Assembly's joint standing committee on finance, revenue and bonding, the calculation of the debt limit, the aggregate amount of outstanding debt and of authorized but unissued debt subject to such limit, and the debt incurring margin, all as of December 15, 2013, are described in the following table.

TABLE 7

Statutory Debt Limit
As of December 15, 2013

Total General Fund Tax Receipts	$14,334,000,000	
Multiplier	1.6	
Debt Limit		$22,934,400,000
Outstanding Debt[(a)]	$11,686,285,038	
Guaranteed Debt[(b)]	$ 999,530,000	
Authorized Debt[(c)]	$ 5,775,096,972	
Total Subject to Debt Limit		$18,460,912,010
Less Debt Retirement Funds[(d)]	$ 4,588,741	
Aggregate Net Debt		$18,456,323,269
Debt Incurring Margin		$ 4,478,076,731

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes General Obligation Notes (Economic Recovery 2009 Series A and 2013 Series A), Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, CRDA Bonds, CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds, and lease financings other than the Juvenile Training School.

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt.** Includes only guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds secured by the State's debt service commitment.

(c) Includes UConn 2000 Bonds secured by the State's debt service commitment that are authorized but unissued under the statutory cap for Fiscal Year 2014.

(d) Includes debt service funds available for self-liquidating debt issued to finance facilities at the University of Connecticut and the Connecticut State University System.

SOURCE: State Treasurer's Office

State Bond Commission. The General Obligation Bond Procedure Act establishes the State Bond Commission (the "Commission") and empowers it to authorize the issuance of general obligation bonds for purposes and in amounts and subject to other limits established by the legislature in a bond act. The Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management ("OPM"), the Commissioner of Administrative Services, and the Co-Chairpersons and Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of OPM serves as secretary to the Commission.

Subject to satisfaction of certain conditions, the Commission may authorize the issuance of general obligation bonds by the approving vote of at least a majority of the Commission, upon a finding that such authorization will be in the best interest of the State. Upon authorization, the principal amount of bonds so authorized is deemed to be appropriated for such purpose or project and, subject to allotment thereof by the Governor, contracts may be awarded and obligations incurred with respect to the project or purpose in amounts not exceeding the authorized principal amount. Such contracts and obligations may at any particular time exceed the amount of the bond proceeds received by the State up to that time. The Commission also determines the terms and conditions of the bonds authorized or delegates such determination to the Treasurer. The Commission generally meets monthly.

Types of Direct General Obligation Debt

General Obligation Bonds. Pursuant to various public or special bond acts, the General Assembly empowers the Commission to authorize bonds for a variety of projects or purposes. Each bond act is usually specific as to its projects or purposes and the amount of bonds to be issued therefor, although each bond act may contain several projects or purposes. Each bond act also generally sets forth a maximum maturity of the bonds.

The types of projects and purposes for which the State has authorized general obligation debt include the following: acquisition, construction, renovation and improvement of buildings and facilities for State departments and agencies, educational institutions, prisons, college and university facilities, library facilities and courthouses, acquisition of development rights to preserve open space and farmland, and the provision of grants and loans to promote economic development within the State. Some bonds authorized for university and college facilities are self-liquidating, and certain fees and charges collected by the college or university are set aside and used to service the debt on these bonds. Bonds are also authorized to fund a wide variety of grant programs. Such grants are made to local governments for local school construction projects or to finance a variety of local government, economic development, highway, bridge and other capital improvement projects. Certain bonds are authorized to finance grants and loans to local housing authorities and developers of affordable housing. Other general obligation debt finances grants and loans to municipalities for design and construction of water pollution control facilities, in addition to loans that are financed under the State's Clean Water revenue bond program.

Teachers' Retirement Fund Pension Obligation Bonds. Legislation passed in 2007 authorized the issuance of pension obligation bonds to fund up to $2 billion of the unfunded accrued liability in the Teachers' Retirement Fund plus capitalized interest and issuance costs. In April 2008 the State issued $2,277 million of such bonds, and $2,349 million (reflecting the accreted value) of such bonds are outstanding as of December 15, 2013. The public act also requires the State to appropriate annually the actuarially-determined annual required contribution to the Teachers' Retirement Fund, while the bonds are outstanding. The bonds are general obligations of the State, but do not count against the State's debt limit.

UConn 2000 Financing Program. In 1995 the General Assembly established the University of Connecticut as a separate corporate entity and instrumentality of the State empowered to issue bonds and construct certain infrastructure improvements at the University's various campuses. Known as UConn 2000, the infrastructure improvement program now is estimated to cost $4,619.3 million to be financed over a twenty-nine year period. The UConn 2000 program contemplates total issuance of $4,282.9 million general obligation bonds of the University secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. Under the enabling legislation, appropriations of all amounts of the State's debt service commitment are made out of the resources of the State's General Fund and the Treasurer is obligated to make such payments. For this reason, all general obligation borrowings by the University that are secured by the State's debt service commitment are treated as part of the State's general obligation debt, and are reflected in **Table 12**. The amount of the University's bonds secured by the State's debt service commitment is capped for each fiscal year, but any amount not used may be carried forward to future fiscal years. Each resolution approved by the University to borrow money, including bonds secured by the State's debt service commitment, may be rejected by the Governor within thirty days of submission. As of December 15, 2013, $1,771.45 million of such debt secured by the State's debt service commitment had been issued, of which $998.33 million remain outstanding, with a remaining authorization of $254.4 million.

The total amount of University bonds and State general obligation bonds authorized by the enabling legislation is approximately $336.4 million less than the estimated total cost of the infrastructure improvements. Approximately $271 million of this difference has been addressed, and the remaining balance of approximately $65 million will be addressed through capital cost reductions, the deferral of certain projects to a future date, and by the securing of additional funding sources, such as private fundraising, general obligations of the University not secured by the State's debt service commitment, and special obligation bonds of the University. Special obligation bonds are to be secured by particular revenues of the University pledged therefore, are not subject to the cap on the University's general obligation bonds and are not counted against the State's debt limit. The University does not have any Special Capital Reserve Fund debt outstanding as of December 15, 2013.

The General Assembly has and may continue to authorize capital improvements for the University of Connecticut in addition to the UConn 2000 Program. In 2011 general obligation bonds of the State were authorized for the establishment of a bioscience cluster anchored by the Jackson Laboratory for Genomic Medicine, a research laboratory to be located on University of Connecticut Health Center's Farmington campus, and for creation of a technology park on the University's Storrs Campus. These are reflected in the Authorized but Unissued Direct General Obligation Debt shown in **Table 12**. The construction of a new $203 million ambulatory care center at the University of Connecticut Health Center also was authorized in 2011 and has been financed through a lease financing through the University of Connecticut Health Center Finance Corporation.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities and an energy facility at a juvenile training school, each based upon State rental payments under a lease purchase agreement between the State and the project developer. The State has treated this method of lease financing as general obligation debt. However, the State has entered into other leasing arrangements for the development of government facilities that are not treated as general obligation debt, most often in circumstances where the lease is a standard lease or the State is not a participant in the securitization of rental payments under the lease.

Tax Increment Financing. In 1992 the General Assembly authorized the Connecticut Development Authority ("CDA") to issue tax increment bonds for certain types of economic development projects. Under the program the amount of such bonds that may be issued is limited so that the debt service on the bonds may not exceed the estimated increases in the sales tax and the admissions, cabaret and dues taxes generated by the project and allocated by the CDA for debt service on the bonds. Under the General Statutes, debt service on the bonds is required to be paid from such tax receipts (whether or not the actual tax receipts equal or exceed the estimated amount) and is deemed appropriated from the General Fund. The State has classified such tax increment bonds as general obligation debt. No such tax increment bonds may be issued without the approval of the State Bond Commission.

Supportive Housing Financing. In 2005 the General Assembly directed the Connecticut Housing Finance Authority ("CHFA") in conjunction with other state agencies to develop a collaborative plan to create affordable housing and support services for specified eligible persons and families up to a specified number of units. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in support of the program and the Commission has authorized the Treasurer and OPM to enter into a contract to provide State assistance and pay debt service on the bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and other similar bond-related expenses. Bonds supported by such State assistance shall not exceed $105 million in the aggregate. As of December 15, 2013, $70.5 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance will be excluded from the State's debt limit.

Emergency Mortgage Assistance Program. In 2008 the General Assembly authorized CHFA to issue up to $50 million of bonds to fund an Emergency Mortgage Assistance Program and required the Treasurer and OPM to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and similar bond-related expenses. As of December 15, 2013, the entire $50 million had been issued, of which $46.1 million was then outstanding. Any provision in the contract providing for the payment of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance will be excluded from the State's debt limit.

Economic Recovery Notes. In 2009 the General Assembly authorized the Treasurer to issue notes to fund the State's budget deficit for Fiscal Year 2009, to pay costs of issuance of such notes and certain interest payable or accrued on such notes and to exempt these notes from the overall limit on state debt. In December 2009, the State issued $915,795,000 of such Economic Recovery Notes. As of December 15, 2013, $580.8 million of such Economic Recovery Notes remain outstanding.

Certain Short-Term Borrowings. The General Statutes authorize the Treasurer, subject to the approval of the Governor, to borrow such funds, from time to time, as may be necessary, and to issue obligations of the State therefor, which shall be redeemed by the Treasurer whenever, in the opinion of the Treasurer, there are funds in the treasury available for such purpose, or not later than two years from the date of issuance, whichever is earlier. The State has established programs of temporary note issuances and credit facilities from time to time to cover periodic cash flow requirements. No temporary notes are outstanding and none have been issued since 1991.

Forms of Debt. In addition to the bonds, notes and lease financings described above, the Treasurer has the authority to issue refunding bonds, bond anticipation notes, and capital appreciation bonds. The State General Obligation Bond Procedure Act provides that the Treasurer may issue temporary notes and any renewals thereof in anticipation of the proceeds from the sale of bonds whenever the Commission has adopted a resolution authorizing bonds. The Treasurer is also authorized by the State General Obligation Bond Procedure Act to issue refunding bonds whenever the Treasurer finds that a refunding is in the best interests of the State and that the State reasonably expects to achieve net debt service savings as a result of such refunding.

Certain of the State's general obligation bonds have been issued as capital appreciation bonds. Capital appreciation bonds are issued at a deep discount and interest on the bonds is compounded semi-annually and only paid at maturity. For purposes of the State's debt tables, the interest that has accrued on capital appreciation bonds up to the date of the table is added to the principal amount of the State's outstanding debt. Pursuant to State statute, accrued interest on UConn 2000 capital appreciation bonds is excluded from the calculation of the statutory debt limit.

Derivatives. The Treasurer, with the authorization of the State Bond Commission, has the power to enter into reimbursement and similar agreements in connection with liquidity or credit facilities and to pledge the full faith and credit of the State or other collateral to secure the State's payment obligations under any such agreement. The Treasurer, with the authorization of the Commission, has the power to enter into contracts to place the obligation of the State as represented by bonds or notes of the State, on such interest rate or cash flow basis as the Treasurer may determine, including swap agreements and other arrangements to manage interest rate risk. When any such arrangement is entered, the counter-party to the arrangement must have a rating on its unsecured long-term obligations that is the same as or higher than the underlying rating of the State on the applicable bonds. The Commission may authorize the Treasurer to pledge the full faith and credit of the State and any other collateral pledged to secure the applicable bonds to also secure the State's payment obligations under any such contract.

The State has entered into swap agreements in connection with various bond issues. The swap agreements typically provide for early termination in certain events, and such "termination events" could result in the State being required to make unanticipated termination payments. Such payments, if any are due, may be substantial. In some cases the State has up to 270 days to make any such termination payments. The amounts payable to each swap provider under the respective swap agreement, including any termination payments, will be general obligations of the State. The State is obligated to make debt service payments on its bonds regardless of the performance of the swap provider of its obligations under the swap agreement. Listed below is a summary of the various swap agreements the State has entered into in connection with its general obligation bonds. See also **Appendix C, Note 19 – Derivative Financial Instruments**.

Swap Agreements as of December 15, 2013

Bond Issue	Notional Amount	Termination Date	Fixed Rate Paid by State
2005 Series A	$140,000,000	March 1, 2023*	3.392%
2005 Series A	$140,000,000	March 1, 2023*	3.401%
2005 Series B	$ 15,620,000	June 1, 2016	3.99%
2005 Series B	$ 20,000,000	June 1, 2017	5.07%
2005 Series B	$ 20,000,000	June 1, 2020	5.20%

* Starting in 2015 the State has the option to terminate the then remaining portion of these swap agreements without making a termination payment.

Debt Statement

The following table shows all direct general obligation indebtedness (including the accreted value of capital appreciation bonds) for the payment of the principal and interest on which the State has pledged its full faith and credit or which is otherwise payable from the State's General Fund.

TABLE 8

Direct General Obligation Indebtedness[(a)]
Principal Amount Outstanding as of December 15, 2013
(In Thousands)

General Obligation Bonds	$12,155,764
Pension Obligation Bonds	2,348,855
UConn 2000 Bonds	998,330
Other [(b)]	250,075
Long Term General Obligation Debt Total	$15,753,024
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	$15,753,024
Deduct:	
University Auxiliary Services[(c)]	4,589
Net Direct General Obligation Debt	$15,748,435

(a) The table does not include refunded bonds for which escrow funds and investments are sufficient to pay all debt service. The table also does not include limited or contingent liabilities of the State or obligations of the State to towns for participation in the construction and alteration of school buildings. See **OTHER FUNDS, DEBT AND LIABILITIES**.

(b) "Other" includes lease financings, tax incremental financings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. Does not include CRDA Bonds or CHEFA Child Care Facilities Bonds. See **OTHER FUNDS, DEBT AND LIABILITIES – Other Debt Service and Contractual Commitments.**

(c) These Bonds are considered self-liquidating; the proceeds of such bonds have been used to build facilities for the State University System and the University of Connecticut. Student fees, other than tuition, for use of such facilities, are deposited into enterprise funds and are used for the operation of such facilities and for deposit annually into a debt service fund maintained by the Treasurer for payment of the debt service on such bonds.

SOURCE: State Treasurer's Office

Debt Ratios

The following table sets forth certain ratios relating to the State's gross and net direct general obligation indebtedness:

TABLE 9

Debt Ratios - Long Term General Obligation Debt

Fiscal Year	2009	2010	2011	2012	2013
Gross Direct Debt[(a)]	$13,945,108	$15,004,732	$14,574,791	$14,557,051	$14,646,101
Net Direct Debt[(a)]	$13,921,725	$14,987,088	$14,561,944	$14,548,591	$14,641,513
Ratio of Debt to Personal Income[(b)]					
Gross Direct Debt	7.29%	7.58%	7.04%	6.79%	6.83%
Net Direct Debt	7.28%	7.58%	7.03%	6.79%	6.83%
Ratio of Debt to Estimated Full Value of Equalized Grand List[(c)]					
Gross Direct Debt	2.37%	2.74%	2.71%	2.81%	2.83%
Net Direct Debt	2.36%	2.74%	2.71%	2.81%	2.83%
Per Capita Debt[(d)]					
Gross Direct Debt	$3,915	$4,192	$4,061	$4,053	$4,073
Net Direct Debt	$3,908	$4,188	$4,057	$4,050	$4,072

(a) In thousands. Includes gross and net long-term direct general obligation bonded indebtedness as set out in **Table 11**.

(b) See **Appendix III-B, Table B-2**. Personal Income: 2009 — $191.3 billion; 2010 — $197.8 billion; 2011 — $207.1 billion; and 2012 — $214.3 billion. The 2013 ratio uses 2012 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2007 – $589.4 billion; 2008 — $547.3 billion; 2009 — $537.2 billion; and 2010 — $517.8 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2009 ratio uses 2007 data; 2010 ratio uses 2008 data; 2011 ratio uses 2009 data; and 2012 and 2013 ratios use 2010 data.

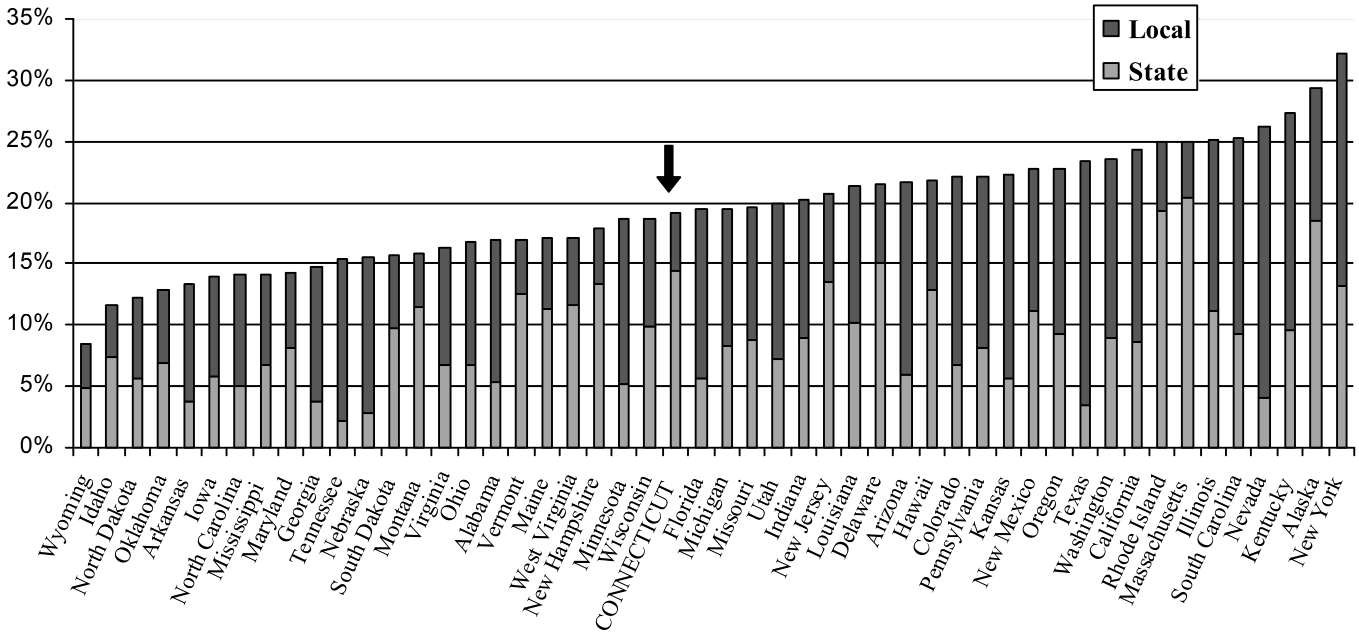
(d) See **Appendix III-B, Table B-1**. State population in thousands: 2009 — 3,562; 2010 — 3,579; 2011 — 3,589; 2012 — 3,592; and 2013 — 3,596.

Aggregate State and Local Debt

The following chart sets forth the per capita aggregate debt level of each state, including debt issued at both the state and local levels, compared to per capita personal income within the state. As the chart shows, the State of Connecticut is 24th among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the sixth lowest ratio of per capita local debt to per capita personal income and fifth lowest ratio of local debt to aggregate debt. This is due in part to the State's practice of financing school construction primarily at the state level and the absence of county-level government in the State.

TABLE 9a[(a)(b)]

Combined State and Local Debt Compared to State Personal Income



(a) The percentages along the vertical axis are calculated by dividing per capita aggregate debt over per capita personal income. Population figures used in the underlying calculations are the population estimates as of July 1, 2013 from the U.S. Census Bureau, Population Division. State and local debt figures used in the underlying calculations are from the U.S. Census Bureau, 2011 Annual Surveys of State and Local Finances. Per capita income figures used in the underlying calculations are from the Bureau of Economic Analysis, which used data from 2012.

(b) The Census Bureau state and local debt figures include debt obligations of all dependent agencies of the state and local government, respectively, including agencies, boards, commissions, or other organizations, regardless of the responsibility for debt service. This differs from the components of debt in other places within this Annual Information Statement.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau

Debt Service Schedule

The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of December 15, 2013. Although not specifically reflected as a result of combining all outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years. The exceptions include thirty-year Rental Housing Term Bonds and certain other bonds with maturities of less than twenty years where required by statute or in instances where the expected period of usefulness of the project or purpose financed does not warrant a maturity of twenty years.

TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)]
As of December 15, 2013

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b,c)]	Total Debt Service
2014	$ 586,284,569	$ 359,603,959	$ 945,888,528
2015	1,176,621,365	695,746,714	1,872,368,079
2016	1,201,505,061	643,352,872	1,844,857,933
2017	1,165,654,988	590,543,317	1,756,198,305
2018	1,160,552,299	543,828,532	1,704,380,831
2019	955,296,471	493,532,584	1,448,829,055
2020	900,565,614	451,801,658	1,352,367,271
2021	861,781,206	409,478,268	1,271,259,474
2022	854,914,111	419,654,400	1,274,568,511
2023	869,631,122	390,774,618	1,260,405,740
2024	778,619,066	378,445,770	1,157,064,837
2025	736,317,437	344,754,985	1,081,072,421
2026-2033	4,428,415,000	871,736,411	5,300,151,411
Totals	$15,676,158,309	$6,593,254,088	$22,269,412,396

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($15,676,158,309), plus accreted interest ($72,277,019), total the amount of such long-term debt ($15,748,435,328) as shown in **Table 8**. See footnotes (b) and (c) for further explanation.

(b) Principal payments include aggregate stated initial values of capital appreciation bonds. Interest payments include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds. Capital appreciation bonds mature in Fiscal Years 2014 through 2025.

(c) Some of the State's direct debt pays interest at variable rates. The interest on such debt is calculated based on the following assumed average rates:

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
1997	$ 100,000,000	$ 10,000,000	2014	4.25%
2005*	300,000,000	280,000,000	2016-2023	4.50
2005*	15,620,000	15,620,000	2016	3.99
2005*	20,000,000	20,000,000	2017	5.07
2005*	20,000,000	20,000,000	2020	5.20
2011	337,620,000	269,485,000	2014-2018	3.50
2011	75,000,000	75,000,000	2016, 2019	3.50
2012	212,400,000	188,800,000	2014-2020	3.50
2012	219,865,000	194,865,000	2014-2024	3.50
2013	244,570,000	244,570,000	2014-2025	3.50
2013	115,000,000	115,000,000	2015-2021	3.50
2013	314,295,000	314,295,000	2016-2018	3.00
Totals	$1,974,370,000	$1,747,635,000		

* Assumed average interest rate based on interest rate swap agreement(s), including projected basis risk.

SOURCE: State Treasurer's Office

Outstanding Long-Term Direct General Obligation Debt

The following table and graph sets forth the total long-term direct general obligation debt outstanding and the net long-term direct general obligation debt outstanding at the end of each of the last ten fiscal years. Net debt excludes bonds that are considered self-liquidating. See **Table 8.**

TABLE 11

Outstanding Long-Term Direct General Obligation Debt
As of June 30
(In Thousands)

Fiscal Year	Gross Debt	Net Debt
2003	$ 9,513,380 [(a)]	$ 9,463,962[(a)]
2004	9,940,945 [(b)]	9,895,717[(b)]
2005	10,168,006 [(c)]	10,121,035[(c)]
2006	10,403,634 [(d)]	10,361,226[(d)]
2007	10,615,810	10,580,359
2008	13,076,942 [(e)]	13,042,524[(e)]
2009	13,945,108[(f)]	13,921,725[(f)]
2010	15,004,732[(g)]	14,987,088[(g)]
2011	14,574,791[(h)]	14,561,944[(h)]
2012	14,557,051[(i)]	14,548,591[(i)]
2013	14,646,101[(j)]	14,641,513[(j)]

(a) Includes $219,235,000 Economic Recovery Notes.
(b) Includes $273,215,000 Economic Recovery Notes.
(c) Includes $209,560,000 Economic Recovery Notes.
(d) Includes $146,090,000 Economic Recovery Notes.
(e) Includes $2,278,382,011 Pension Obligation Bonds.
(f) Includes $2,289,598,815 Pension Obligation Bonds.
(g) Includes $2,301,522,318 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(h) Includes $2,314,197,063 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(i) Includes $2,327,670,401 Pension Obligation Bonds and $747,935,000 Economic Recovery Notes.
(j) Includes $2,341,992,670 Pension Obligation Bonds and $573,365,000 Economic Recovery Notes.

SOURCE: State Treasurer's Office

Future Issuance of Direct General Obligation Debt

Authorized But Unissued Direct General Obligation Debt. The General Assembly has empowered the Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of December 15, 2013, the amount of bonds authorized by bond acts in effect, the amount the Commission has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued and the balance available for authorization. The table shows the same information for UConn 2000 bonds secured by the State's debt service commitment authorized to be issued under the cap through June 30, 2014.

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of December 15, 2013
(In Thousands)

	State Direct Debt[a]	Pension Obligation Bonds[b]	UCONN 2000[c]	Tax Increment[d]	Total
Bond Acts in Effect	$31,776,400	$2,276,578	$2,025,852	$52,750	$36,131,580
Amount Authorized[e]	28,194,406	2,276,578	2,025,852	52,750	32,549,587
Amount Issued	26,254,278	2,276,578	1,771,452	49,155	30,351,463
Authorized but Unissued	1,940,128	0	254,400	3,595	2,198,123
Available for Authorization	3,581,994	0	0	0	3,581,994

(a) Includes CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. Also includes authorization and allocation for GAAP Deficit Bonds in an aggregate principal amount sufficient to generate net proceeds of not more than $750 million. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds, General Obligation Notes (Economic Recovery 2009 Series A and 2013 Series A) and lease financings.

(b) The amount available does not include additional amounts which may exceed the cap to finance issuance costs and capitalized interest.

(c) Includes bonds that may be issued under the cap in effect on the date of the table. The amount available for authorization does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. The amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.

(d) The amount of tax increment bonds authorized is based on the amount authorized by the State Bond Commission, since there is no statutory amount of authorization.

(e) The amount authorized reflects amounts allocated by the State Bond Commission.

SOURCE: State Treasurer's Office; Office of Policy and Management

Bond Authorizations and Reductions. The General Assembly authorizes bonds in various public and special acts each year or each biennium. In addition to authorizing bonds for new projects and purposes, the General Assembly reviews prior authorizations and may repeal certain projects and bond authorizations or otherwise reduce prior bond authorizations. The table and graph below list the amount of new authorizations of general obligation debt that take effect during the fiscal year listed, and the net amount after subtracting prior bond authorizations that have been repealed or reduced. Pension obligation bonds and economic recovery notes are not included since they are not recurring authorizations.

TABLE 13

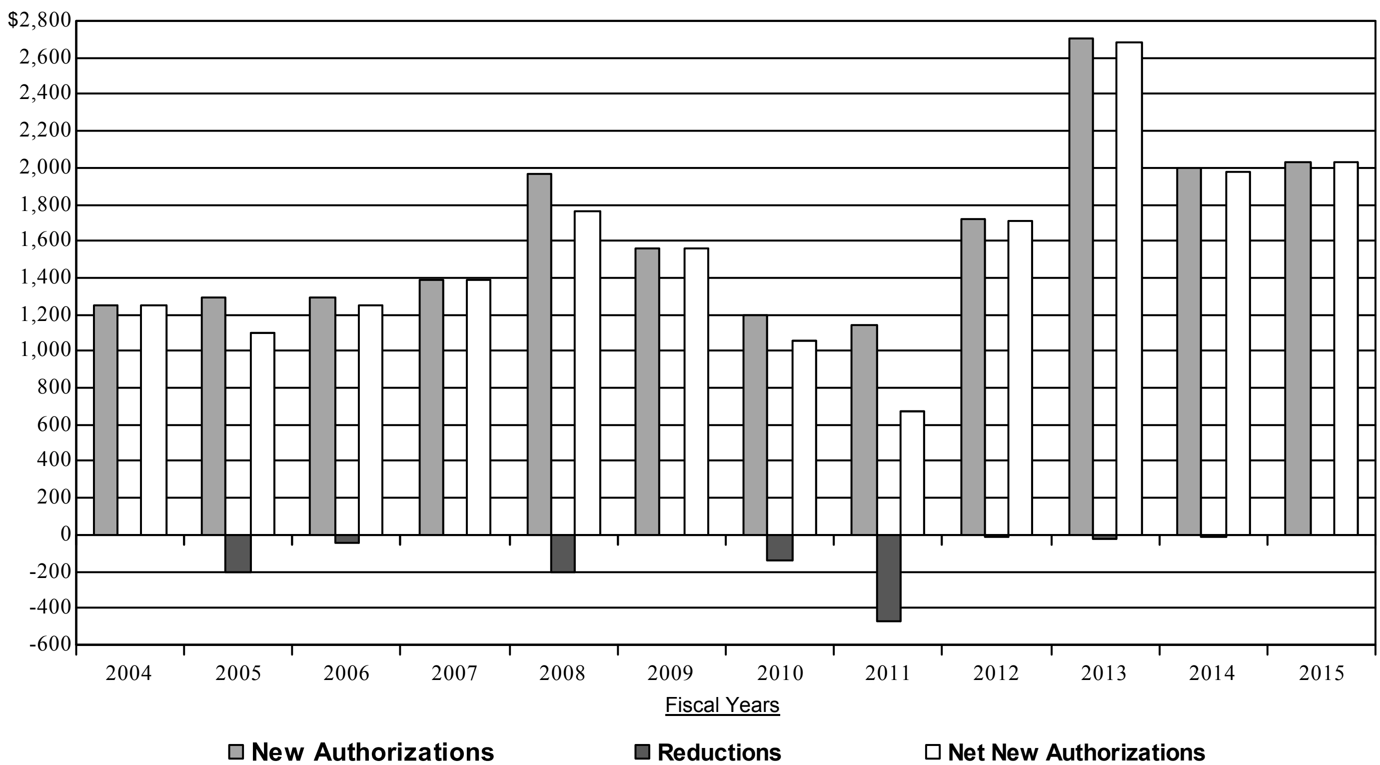
Statutory General Obligation Bond Authorizations and Reductions[(a)]
(In Millions of Dollars)

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
New Authorizations	1,246.1	1,296.5	1,290.4	1,388.7	1,965.0	1,564.5	1,195.4	1,147.2	1,724.8	2,708.3	1,993.6	2,026.1
Reductions	0.0	(200.3)	(41.3)	0.0	(206.9)	0.0	(140.5)	(474.6)	(10.8)	(25.3)	(12.0)	0.0
Net New Authorizations	1,246.1	1,096.2	1,249.1	1,388.7	1,758.1	1,564.5	1,054.9	672.6	1,714.0	2,683.0	1,981.6	2,026.1

(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Does not include GAAP Deficit Bonds authorized in Fiscal Year 2014 in an aggregate principal amount sufficient to generate net proceeds of not more than $750 million. Includes amount for UConn 2000 available under the cap for Fiscal Years 2004 through 2015, as amended, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Amounts are listed in the fiscal year that the bond authorizations become effective. Does not include any authorizations which take effect after Fiscal Year 2015. **See Table 14**.

SOURCE: State Treasurer's Office; Office of Policy and Management

Statutory Bond Authorizations and Reductions
(In Millions)



Purposes of Recent Bond Authorizations. The purposes for which the State issues its general obligation bonds include those described in the table below. The amounts authorized for each of these purposes for recent fiscal years is reflected in the following table, including amounts authorized for UConn 2000. The table does not reflect any statutory reductions of authorized items from prior years, nor are tax increment or cash flow borrowings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds, lease financings, economic recovery notes or pension obligation bonds included.

TABLE 14[(a)]

New Agency Authorizations (Does Not Include Reductions)
(In Thousands)

Fiscal Year	2010[(d)]	2011	2012[(d)]	2013	2014
Purpose					
Office of Policy and Management[(e)]	$ 85,000	$ 117,500	$ 126,700	$ 198,659	$ 335,330
Secretary of the State	0	0	3,000	2,000	0
State Comptroller	0	0	15,000	7,000	0
Attorney General	0	0	2,125	0	0
Veterans Affairs	0	0	2,000	0	750
Administrative Services[(e)(f)]	0	0	35,000	216,500	577,300
Public Works[(e)]	2,500	2,500	0	0	0
Construction Services[(e)(f)]	0	0	543,900	635,000	0
Emergency Services and Public Protection	0	0	6,000	17,420	30,000
Motor Vehicles	3,000	0	0	0	1,703
Military	1,000	1,000	8,250	5,000	6,150
Agriculture	2,500	10,500	15,000	10,000	10,500
Agricultural Experiment Station	0	0	3,500	0	0
Energy and Environmental Protection	81,000	40,000	161,600	171,000	127,900
Labor	0	1,300	10,000	15,000	5,000
Economic and Community Development:[(e)(f)]					
Housing	0	0	55,000	147,500	0
Housing Trust Fund	20,000	0	25,000	25,000	0
Economic Development	0	0	236,000	355,000	150,000
Other	0	0	5,000	24,000	56,500
Department of Housing:[(f)]					
Housing	0	0	0	0	92,000
Housing Trust Fund	0	0	0	0	30,000
Capital Region Economic Development Authority	0	0	0	60,000	39,122
Connecticut Innovations, Incorporated	0	5,000	59,163	120,113	94,728
Public Health	7,000	0	2,000	52,000	10,000
Developmental Services	0	2,500	7,000	7,000	5,000
Mental Health and Addiction Services	0	0	8,000	10,000	2,275
Social Services[(f)]	5,000	0	10,000	10,000	0
Education[(e)]	694,300	646,200	34,250	107,645	62,250
State Library	0	0	0	0	5,000
Charter Oak State College[(e)]	2,500	0	0	0	0
Regional Community-Colleges[(e)]	3,366	56,129	0	0	0

Fiscal Year	2010[d]	2011	2012[d]	2013	2014
Board of Regents for Higher Education[e]	0	0	57,321	76,723	24,990
Correction	0	0	0	0	10,000
Children & Families	32,700	0	6,751	7,285	1,231
Judicial	0	0	11,000	11,000	11,500
Legislative Management	0	9,000	0	0	0
UConn	0	0	18,000	154,500	0
UConn 2000[b]	140,500	146,500	157,200	143,000	204,400
Transportation	8,000	8,000	6,000	25,000	5,000
CSUS 2020[c][e]	95,000	95,000	95,000	95,000	95,000
Totals	$1,183,366	$1,141,129	$1,724,760	$2,708,345	$1,993,629

(a) Does not include authorizations that take effect after Fiscal Year 2015. Does not include Pension Obligation Bonds, Economic Recovery Notes, tax increment or cash flow borrowings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities bonds, GAAP Deficit Bonds or lease financings.

(b) To be issued by University of Connecticut based on cap for the year indicated prior to actual bond issuance. Does not include additional amounts that may exceed cap to finance reserve funds, issuance costs and capitalized interest.

(c) The Connecticut State University Infrastructure Act authorizes $95 million per year from Fiscal Year 2009 through Fiscal Year 2018.

(d) Includes authorizations enacted in prior fiscal years that become effective during the biennium.

(e) During the 2012 session of the General Assembly various agency consolidations and realignment of programs were enacted as follows: The Department of Public Works was eliminated and its responsibilities were divided among the Department of Administrative Services and the newly created Department of Construction Services. The Department of Construction Services was created and assumed the design and construction duties of the former Department of Public Works, the Building Inspection and Fire Marshal duties of the former Department of Public Safety and the Bureau of School Facilities of the Department of Education. The Board of Regents for Higher Education was created and Charter Oak State College, the Community College System and the State University System were consolidated under the administration of the Board of Regents.

(f) During the 2013 session of the General Assembly various agency consolidations and realignments were enacted as follows: The Department of Construction Services was consolidated into the Department of Administrative Services. The Department of Housing was created and assumed the housing duties of the Department of Economic and Community Development, the Office of Policy and Management and the Department of Social Services.

SOURCE: State Treasurer's Office; Office of Policy and Management

OTHER FUNDS, DEBT AND LIABILITIES

The State conducts certain of its operations through State funds other than the State General Fund and, pursuant to legislation, may issue debt secured by the special taxes or revenues pledged to certain of such funds. In addition, the State is contingently liable, or has limited liability, from the resources of the State's General Fund, for payment of debt service on certain obligations of quasi-public State agencies and municipalities of the State. The State also has committed to apply moneys for debt service on loans to finance certain child care facilities. The State also has made commitments to certain municipalities to make future grant payments for school construction projects, payable over a period of years, and has certain other contingent liabilities for future payments.

Special Transportation Fund and Debt

In 1984 the State adopted legislation establishing a transportation infrastructure program and authorizing Special Tax Obligation ("STO") bonds to finance the program. The transportation infrastructure program is a continuous program for planning, construction and improvement of State highways and bridges, projects on the interstate highway system, alternate highway projects in the interstate highway substitution program, waterway facilities, mass transportation and transit facilities, the highway safety program, maintenance garages and administrative facilities of the Department of Transportation, 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. The transportation infrastructure program is administered by the Department of Transportation.

The cost of the transportation infrastructure program for Fiscal Years 1985-2018, which will be met from federal, State, and local funds, is currently estimated at $31.8 billion. The State's share of such cost, estimated at $14.1 billion, is to be funded from transportation-related taxes, fees and revenues deposited in the Special Transportation Fund, as described below, and from the proceeds of STO bonds. The portion of State program costs not financed by STO bonds is estimated at $0.8 billion and includes the expenses of the transportation infrastructure program that either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds. Such expenses currently include liquid resurfacing, minor bridge repairs, highway maintenance activities, safety improvements, and other minor transportation improvements.

The State's share of the cost of the infrastructure program for Fiscal Years 1985-2018 to be financed by STO bonds currently is estimated at $13.3 billion. The actual amount may exceed $13.3 billion in order to finance reserves and cost of issuance amounts. The issuance of such STO bonds has eliminated the need for the authorization of additional general obligation bonds of the State for surface transportation purposes. STO bonds also may be issued for the purpose of refunding general obligation bonds of the State issued for transportation infrastructure purposes.

During Fiscal Years 1985-2015, $28.2 billion of the total transportation infrastructure program was approved by the appropriate governmental authorities. The remaining $3.6 billion of such infrastructure costs is anticipated to be funded by the issuance of $1.8 billion in STO bonds, $59.1 million in anticipated revenues, and $1.8 billion in anticipated federal funds.

The State has established the Special Transportation Fund for the purpose of budgeting and accounting for all transportation-related taxes, fees and revenues credited to such Fund and securing the STO bonds. STO bonds are payable solely from revenues of the Special Transportation Fund. The aggregate of certain motor fuel taxes, motor vehicle receipts, motor vehicle related licenses, permits and fees, and portions of the oil companies tax and sales tax on motor vehicles and other transportation related revenue sources, including enacted adjustments to all the foregoing sources, and any direct pay federal interest subsidy received by the State in connection with the issuance of any taxable STO bonds (Build America Bonds) are intended to cover the cost of the State's share of the infrastructure program, including debt service requirements on STO bonds. After providing for debt service requirements, the balance of the receipts from such revenue sources may be applied to the payment of general obligation bonds of the State issued for transportation purposes and for the payment of annually budgeted expenses of the Department of Transportation and the Department of Motor Vehicles.

The table below shows the amount of STO bonds authorized by bond acts in effect, the amount the State Bond Commission (the "Commission") has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued, the balance available for authorization, and the amount outstanding. It is anticipated that additional STO bonds will be authorized by the General Assembly annually in an amount necessary to finance and complete the transportation infrastructure program. Such additional bonds may be issued on an equal rank with the outstanding bonds provided certain pledged revenue coverage requirements of the STO bond indentures controlling the issuance of such bonds are met. The General Assembly passed and the Governor signed into law, special transportation obligation bond authorizations of $706.7 million in Fiscal Year 2014 and $588.8 million in Fiscal Year 2015.

TABLE 15

Special Tax Obligation Bonds
As of December 15, 2013
(In Millions)

	New Money	Refundings[(a)]	Total
Bond Acts in Effect	$ 11,862	N/A	$ 11,862
Amount Authorized[(b)]	11,423	N/A	11,423
Amount Issued	8,620	3,887	12,507
Authorized but Unissued	2,803	N/A	2,803
Available for Authorization	439	N/A	439
Amount Outstanding	2,944	923	3,867

(a) Refunding Bonds do not require legislative approval.

(b) The amount authorized reflects amounts allocated by the State Bond Commission.

SOURCE: State Treasurer's Office

In addition to STO Bonds, the State has issued direct general obligation bonds for transportation purposes and the debt service on these bonds may be paid from resources of the Special Transportation Fund provided there is sufficient funding first to pay all STO debt service. For Fiscal Year 2013 the Special Transportation Fund paid $6.2 million of State direct general obligation refunding transportation debt service payments. The amount budgeted by the Special Transportation Fund for State direct general obligation transportation debt service payments for Fiscal Year 2014 is $0.3 million.

The Special Transportation Fund's revenues and expenses undergo periodic legislative adjustment. The revenues currently credited to the Fund consist of (i) the motor fuels tax (which includes the gasoline tax and the special fuels tax, which formerly were levied as separate taxes, and the motor carrier road tax); (ii) motor vehicle receipts (e.g., fees for registration of motor vehicles); (iii) license, permit and fee revenue (e.g., fees for license to sell or repair motor vehicles); (iv) specific amounts of the petroleum products gross earnings tax; (v) specific amounts of the tax imposed on casual sales of motor vehicles, vessels, snowmobiles and aircraft; (vi) moneys formerly received by the State from the Federal Transit Administration pursuant to the Urban Mass Transportation Act of 1964; (vii) specified amounts to be transferred from the General Fund during certain fiscal years; and (viii) other receipts, funds, and moneys credited to the Fund.

A Transportation Strategy Board ("TSB") was established in 2001 to propose a transportation strategy, an implementation cost estimate and funding approaches to the Governor and General Assembly. In order to implement the strategy-related projects submitted by the TSB, legislation was passed in 2005 that established fixed transfers from the Special Transportation Fund to the TSB project accounts. Legislation passed in 2011 eliminated the TSB. The 2011 legislation retains the TSB projects enumerated by law and maintains the TSB project accounts within the Special Transportation Fund. Remaining funding for the TSB projects, taking into consideration all legislative changes since the initial funding in 2005 is $15.0 million in Fiscal Years 2014 through 2015.

Other Special Revenue Funds and Debt

Bradley International Airport

As of July 1, 2013, Bradley International Airport, located in Windsor Locks, Connecticut, is owned and operated by the Connecticut Airport Authority ("CAA"), a quasi-public authority of the State governed by an eleven member board. The Airport was previously owned by the State and operated by the Bureau of Aviation and Ports in the State's Department of Transportation. The General Assembly authorized the issuance of revenue bonds for improvements at Bradley International Airport payable from all or a portion of the revenues generated at the Airport. Legislation passed in 2001 removed a bond issuance cap for Bradley International Airport but retained the requirement for Commission approval of any new bond issue. As of December 15, 2013, there were $135.6 million of Bradley International Airport Revenue Bonds outstanding. In addition, the State is a party to certain interest rate swap agreements with respect to certain outstanding bonds. Any obligations of the State under the interest rate swap agreements are payable from all or a portion of the revenues generated at the Airport. See ***Quasi Public Agencies - Connecticut Airport Authority ("CAA")***.

Additional special obligation bonds to finance self-sustaining special facilities at Bradley International Airport payable solely from the revenues derived from such special facilities were authorized in 1993. In March 2000 the State issued $53.8 million Bradley International Airport Special Obligation Parking Revenue Bonds to finance the construction of a five story parking garage facility at the airport and as of December 15, 2013 $32.3 million of such bonds were outstanding.

Clean Water Fund

The General Assembly has authorized the issue of revenue bonds for the purpose of funding various State and federally mandated water pollution control and drinking water projects for up to $2,805.61 million, of which $1,716.59 million have been issued. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys of the Clean Water Fund. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities and public water systems to finance water pollution control and drinking water improvements, and the loan repayments by the municipalities and public water systems secure the revenue bonds. The loans are evidenced by interim funding obligations and project loan obligations of the municipalities and public water systems, pursuant to which either the full faith and credit of each such entity, or the revenues and other funds of a municipal sewer or public water system are pledged. As of December 15, 2013 $747.07 million revenue bonds were outstanding (including refunding bonds). The General Assembly passed and the Governor signed into law clean water revenue bond authorizations of $332.0 million for Fiscal Year 2015.

Unemployment Compensation

The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the State has reserved the authority to issue bonds in an aggregate amount outstanding at any time not in excess of $1.0 billion, plus amounts for certain reserves and costs of issuance. In addition, the State may borrow from the Federal Unemployment Trust Fund to fund a deficit in the State's Unemployment Compensation Fund. As of December 15, 2013, State borrowings outstanding from the Federal Unemployment Trust Fund were $573.7 million. The State anticipates that there will be additional borrowing from the Federal Unemployment Trust Fund in the amount of approximately $150 million during calendar year 2014, and that such additional $150 million will be repaid on or prior to September 1, 2014.

Second Injury Fund

The Second Injury Fund is a State-run workers' compensation insurance fund that pays lost wages and medical benefits to qualified injured workers. The State established the Second Injury Fund in 1945 to encourage the hiring of persons with pre-existing physical impairments, such as veterans and provide relief to employers when an injured worker, who already had a pre-existing injury or condition, was hurt on the job and the second injury was made worse by the existence of the first injury. In 1995 and 1996, the State enacted legislation to close the Second Injury Fund to future second injury claims. Those laws authorized the issuance of an amount not to exceed $750 million in revenue bonds and notes outstanding at any one time to provide funds for paying past claims. No bonds or short-term borrowings are currently outstanding. The State's management objective is to pay additional claims and settlements from current income and, if necessary, short term borrowings.

Contingent Liability Debt

The General Assembly has the power to impose limited or contingent liabilities upon the State in such a manner as it may deem appropriate and as may serve a public purpose. This power has been used to support the efforts of quasi-public agencies, municipalities and other authorities formed to carry out essential public and governmental functions by authorizing these entities to issue indebtedness backed, partially or fully, by General Fund resources of the State. Not all entities that are authorized to issue such indebtedness have done so, and the description below of the State's limited or contingent liability is restricted only to specific indebtedness backed by the State.

Special Capital Reserve Funds

The primary vehicle through which the State has undertaken contingent or limited liability is the special capital reserve fund. A special capital reserve fund ("SCRF"), if established, provides additional security for bonds issued by the entity authorized to establish such a reserve fund. Subject to exceptions in the legislation authorizing the establishment of a particular SCRF, monies held in and credited to a SCRF are intended to be used solely for the payment of the principal of bonds secured by such SCRF, the purchase of such bonds, the payment of interest on such bonds or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. The SCRF is frequently funded with bond proceeds to a specified amount (the minimum of which is often the maximum annual principal and interest payments due on the bonds). The State undertakes the obligation to restore a SCRF to its minimum level. The method for determining such required minimum capital reserve is set out in the legislation authorizing the SCRF. If the SCRF should fall below the required minimum capital reserve amount, an official of the authority or municipality which established the SCRF shall certify to the Secretary of OPM or the Treasurer or both the amount necessary to restore such SCRF to the required minimum capital reserve amount. On or before December 1, annually, there will be deemed to be appropriated from the State's General Fund such amount as specified in the certificate, which amount shall be allotted and paid to the entity that established the SCRF. On an annual basis, the State's liability under any SCRF mechanism is limited to its obligation to restore that fund to its minimum capital reserve amount.

Quasi-Public Agencies

The State has established a number of quasi-public agencies that are not departments, institutions or agencies of the State. They are, however, bodies politic and corporate that constitute public instrumentalities and political subdivisions of the State and whose exercise of authority granted to them is deemed to be the performance of an essential public and governmental function. These organizations provide a wide range of services that might otherwise be provided directly by the State.

Among the public authorities are: the Clean Energy Finance and Investment Authority; the Connecticut Airport Authority; the Connecticut Health and Educational Facilities Authority; the Connecticut Higher Education Supplemental Loan Authority; the Connecticut Housing Finance Authority; Connecticut Innovations, Incorporated, into which has merged the operations and programs of the Connecticut Development Authority; the Capital Region Development Authority, previously known as the Capital City Economic Development Authority; and the Connecticut Resources Recovery Authority. Each of these public authorities is authorized to issue bonds in its own name to facilitate its activities and each has issued bonds secured by a SCRF, or other contractual arrangement, for which the State has limited contingent liability.

Clean Energy Finance and Investment Authority ("CEFIA"). The Clean Energy Finance and Investment Authority ("CEFIA") was formed in 2011 and was designated the successor agency to Connecticut Innovations, Incorporated for the purposes of administering the Clean Energy Fund. CEFIA is an energy finance authority, designed to leverage public and private funds to drive investment and increase clean energy deployment in Connecticut. CEFIA is authorized to issue bonds to facilitate its activities, which bonds may be secured by a SCRF. The CEFIA Board of Directors is comprised of eleven voting and two non-voting members including: the Treasurer, the Commissioner of Energy and Environmental Protection, and the Commissioner of Economic and Community Development, each serving *ex-officio*; four members appointed by the legislative leadership; and four members appointed by the Governor. The president of CEFIA and a member of the Board of Directors of Connecticut Innovations, Incorporated, serve in an *ex-officio*, non-voting capacity.

Connecticut Airport Authority ("CAA"). The Connecticut Airport Authority ("CAA") was created in 2011 and is governed by an eleven member board comprised of the Treasurer, the Commissioner of Transportation, and the Commissioner of Economic and Community Development, each serving *ex officio*; four members appointed by the Governor; and a member appointed by each of the President Pro Tempore of the State Senate, the minority leader of the State Senate, the Speaker of the State House of Representatives and the minority leader of the State House of Representatives. On July 1, 2013 ownership, management and operations of Bradley International Airport and the State's other general aviation airports were transferred from the State's Department of Transportation to CAA. The legislation authorizes the issuance of revenue bonds by CAA, including bonds backed by a SCRF.

Connecticut Health and Educational Facilities Authority ("CHEFA"). CHEFA was established to assist in the financing of facilities for educational or health care purposes, including colleges and universities, secondary schools, nursing homes, hospitals, child care facilities, and any other qualified non-profit institutions through the issuance of bonds and other obligations. Payments from institutions provide funds to service the debt on loans made pursuant to the issuance of bonds and other obligations by CHEFA. CHEFA is also authorized to issue tax-exempt and taxable revenue bonds secured by one or more special capital reserve funds solely to finance projects for "participating nursing homes," or for housing, student centers, food service facilities and other auxiliary service facilities at public institutions of higher learning, including the

Connecticut State University System, or for clinical services projects for the University of Connecticut Health Center, and up to $100.0 million to finance equipment acquisitions by hospitals.

Under CHEFA's nursing home program, loans are secured by mortgages on the nursing homes and pledges of gross receipts. Minimum debt service coverage ratios of 1.0 to 1.25 times annual debt service are required and restrictions are placed on the issuance of additional debt. Participating nursing homes are required to fund a debt service reserve fund in an amount equal to one year's maximum annual debt service. If a participating nursing home is in default or is likely to become in default under its loan agreement with CHEFA due to the failure to make any payment(s) required, CHEFA may request that the Commissioner of the Department of Social Services withhold any funds in the State's custody that are due and payable to the nursing home via a Medicaid intercept. Funds subject to withholding under this section include federal and state grants, contracts, allocations and appropriations.

CHEFA is authorized to issue revenue bonds to finance facility improvements for the Connecticut State University System (the "System") that are secured by one or more special capital reserve funds. CHEFA also is authorized to issue bonds secured by a SCRF to finance equipment acquisitions by hospitals and clinical services projects for The University of Connecticut Health Center, however, these programs have not yet been implemented. In addition, CHEFA is authorized to issue revenue bonds that may be secured by one or more special capital reserve funds to finance projects for any constituent unit of the State higher education system. No statutory limit is imposed on such additional permitted projects and no debt with respect to such additional permitted projects has been issued.

CHEFA also is authorized to issue bonds and loan the proceeds to various entities to finance child care facilities. The State Department of Education is committed to pay a portion of the debt service on these loans, in amounts sufficient to cover a portion of the debt service on the bonds, subject to annual appropriation. See **Other Debt Service and Contractual Commitments – *CHEFA Child Care Program***.

The Connecticut Higher Education Supplemental Loan Authority ("CHESLA") is a subsidiary of CHEFA. See ***Connecticut Higher Education Supplemental Loan Authority ("CHESLA")*** below.

The Board of Directors of CHEFA is comprised of ten members including the Treasurer and the Secretary of OPM, both serving *ex officio*, and eight members appointed by the Governor based on their qualifications in the areas of health care, higher education, or public finance.

Connecticut Higher Education Supplemental Loan Authority ("CHESLA"). CHESLA provides financial assistance in the form of education loans to students in or from the State. CHESLA provides alternative financing that enables institutions of higher education in the State to assist qualified students in attending such institutions. CHESLA is authorized to issue bonds the proceeds of which are used to fund education loans to applicants meeting certain eligibility requirements. The repayment of such loans service the debt on CHESLA bonds. CHESLA, in connection with the issuance of its bonds has made certain covenants with respect to such loans, including a covenant to do or cause to be done all such acts and things necessary to receive and collect all revenues due with respect to such loans. CHESLA bonds are further secured by a SCRF.

CHESLA is a subsidiary of CHEFA. See ***Connecticut Health and Educational Facilities Authority ("CHEFA")*** above. The Board of Directors of CHESLA is comprised of nine members including the Treasurer, the President of the Board of Regents for Higher Education, and the Secretary of OPM, the Chairperson of the Board of Directors of CHEFA, and the Executive Director of CHEFA, each serving *ex officio*; and four members appointed by the Board of Directors of CHEFA, two of whom shall be members of the CHEFA Board of Directors.

Connecticut Housing Finance Authority ("CHFA"). CHFA was established in 1969 to meet the needs of low and moderate income families and persons for decent housing and to encourage and assist the development and construction of multi-family housing by reducing the cost of mortgage financing therefor. CHFA is authorized to issue bonds the proceeds of which are used to fund mortgage loans to applicants meeting certain eligibility requirements including unrestricted statutory income limits in certain urban areas. The enabling act authorizes CHFA to make or purchase construction and permanent mortgage loans that are guaranteed or insured by the United States of America or any agency or instrumentality thereof, by the Federal Home Loan Mortgage Corporation, by a private mortgage insurance company or the State or the Authority itself without limitation as to amount and to make or purchase mortgage loans not so insured or guaranteed in an aggregate amount not to exceed $2.25 billion. In order to finance these activities, CHFA established a Housing Mortgage Finance Program and issued its general obligation bonds under a General Bond Resolution pursuant to which CHFA has pledged all revenues that it may receive in connection with the mortgages financed thereunder including its fees and charges therefor and any recoveries of principal therefrom from any source and any monies received from investments, as well as other mortgages specifically pledged. In addition, such General Bond Resolution provides for general covenants such as a covenant to do all things necessary with respect to the operation of such Housing Mortgage Finance Program in order to pay principal of and interest on its bonds and provides for certification as to self-sufficiency in order to issue any additional bonds. Bonds issued under CHFA's General Bond Resolution are further secured by a SCRF.

CHFA has also established a Special Needs Housing Mortgage Finance Program (formerly known as the Group Home Mortgage Finance Program) and has issued and expects to issue additional State-Supported Special Obligation Bonds under a separate indenture, including bonds for group homes, assisted living facilities, and residential care homes, which bonds are and will be secured by a SCRF. CHFA also issues bonds for supportive housing and emergency mortgage assistance for which the debt service is paid by the State pursuant to contracts for State assistance. See **State Debt –** ***Types of Direct General Obligation Debt – Supportive Housing Financing*** and ***Emergency Mortgage Assistance Program***.

The Board of Directors of CHFA is comprised of sixteen members: the Commissioner of Economic and Community Development, the Commissioner of the Department of Housing, the Secretary of OPM, the Commissioner of Banking and the Treasurer, serving *ex officio*; seven members appointed by the Governor; and a member appointed by each of the President Pro Tempore of the State Senate, the minority leader of the State Senate, the Speaker of the State House of Representatives and the minority leader of the State House of Representatives who among them are experienced in all aspects of housing design, development, finance, management and state and municipal finance. The Chairperson of the Board is appointed by the Governor.

Connecticut Innovations ("CI"). The Connecticut Development Authority ("CDA") was merged into Connecticut Innovations, effective July 1, 2012. In order to discharge its responsibilities and fulfill its purposes, CI is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of December 15, 2013, $20.45 million of State bonds have been authorized but remain unissued to fund the Insurance Fund and loans insured by the Insurance Fund totaled $3.3 million. Other CI programs include the Umbrella Bond Program, the Self-Sustaining Bond Program, the Connecticut Growth Fund, the Connecticut Works Fund, the Connecticut Works Guarantee Fund, the Connecticut Capital Access, the Environmental Assistance Revolving Loan Fund, the Tax Incremental Financing Program, the High-Technology Infrastructure Fund and the General Obligation Bond Program.

Under the General Obligation Bond Program, CI may issue bonds to finance eligible economic development and information technology projects. General revenues of CI, which are not otherwise pledged, are made available to service the debt of bonds issued under the General Obligation Bond Program, and such bonds may be secured by a SCRF. As of December 15, 2013, no such bonds are outstanding. Although there remains legislative authority for the issuance of bonds secured by special capital reserve funds under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and CI does not anticipate a resumption of any lending activity under that program.

The Board of Directors of CI is comprised of 17 members: the Treasurer, the Commissioner of Economic and Community Development, the Secretary of OPM, and the president of the Board of Regents for Higher Education, as *ex officio* members; nine members appointed by the Governor; and four members appointed by legislative leadership.

Capital Region Development Authority ("CRDA"). In 2012 the Capital City Economic Development Authority ("CCEDA") was re-named the Capital Region Development Authority ("CRDA"). Created in 1998 as CCEDA, it was granted the power to issue revenue bonds for a convention center project in the City of Hartford. The bonds are backed by State contractual assistance equal to annual debt service. CRDA also is authorized to use special capital reserve funds in connection with such revenue bonds, but there are currently no plans to do so. The 2012 legislation broadened the CRDA's powers to stimulate development and redevelopment in the City of Hartford and the surrounding towns, including East Hartford. CRDA's Board of Directors is made up of 14 members, four of whom are appointed by the Governor, two of whom are appointed by the Mayor of Hartford, and two of whom are appointed by legislative leadership. The Mayors of Hartford and East Hartford, the Secretary of OPM, and the Commissioners of Transportation, Housing and Economic and Community Development serve as *ex-officio* members of the Board.

Connecticut Resources Recovery Authority ("CRRA"). CRRA was created in 1973 to assist municipalities in meeting their solid waste disposal and recycling needs. To further its purpose CRRA develops, finances and supervises solid waste management facilities and contracts. CRRA has developed four integrated solid waste systems that have served over 100 municipalities in the State. CRRA bonds may be secured by a SCRF. CRRA bonds are generally secured by service agreements with participating municipalities under which the municipalities agree to deliver a minimum amount of waste to a specified facility each year or to pay the tipping fee for any amount that does not meet the minimum commitment. These service agreements are generally secured by the municipality's full faith and credit. CRRA bonds are additionally secured by revenues from the sale of energy generated by the facility and waste from non-municipal sources.

The Board of Directors of CRRA is comprised of eleven members: three members appointed by the Governor; two members appointed by each of the president pro-tempore of the Senate, the speaker of the House of Representatives, the minority leader of the Senate, the minority leader of the House of Representatives. There are two vacancies. In addition, there are eight ad hoc members, two representing each of the four facilities. As of December 15, 2013, only two ad hoc seats were filled.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds that may be secured by a SCRF, which the State undertakes to restore to its minimum level. Before issuing special obligation bonds secured by such a SCRF, the act requires the board of trustees of the University to determine that project revenues, other than those derived from the State's debt service commitment and the State's minimum operating provision, are estimated to be sufficient to pay the debt service on the special obligation bonds, to maintain reserves and to operate the physical infrastructure of the University. The act requires the Treasurer to confirm that such determination is not unreasonable or arbitrary. The University may also issue special obligation bonds that are not secured by such a SCRF. As of December 15, 2013, the University has outstanding $124.6 million special obligation student fee revenue bonds that are not secured by such a SCRF.

Assistance to Municipalities

The State has undertaken certain limited or contingent liabilities to assist municipalities. The State currently has limited or contingent liabilities outstanding in connection with bonds issued by the Southeastern Connecticut Water Authority. The State previously was obligated to secure certain SCRF-backed bonds issued by the Cities of Bridgeport, Waterbury and West Haven to fund past budget deficits; however all such bonds have been refunded. Legislation also authorized distressed municipalities, in certain circumstances and subject to various conditions, to issue deficit funding obligations secured by a SCRF. There are no such obligations currently outstanding.

Southeastern Connecticut Water Authority. The Southeastern Connecticut Water Authority was established for the purpose of developing a reliable water supply for southeastern Connecticut. The Commission is authorized to approve a State guarantee of obligations of the Southeastern Connecticut Water Authority. Amounts borrowed by the Southeastern Connecticut Water Authority are to be repaid by July 1, 2045.

State Treasurer's Role

By statute, CEFIA, CAA, CHEFA, CHESLA, CHFA, CI, CRDA, and CRRA may not owe any money or issue any bonds or notes that are guaranteed by the State or for which there is a SCRF of any kind which is in any way contributed to or guaranteed by the State until or unless such borrowing or issuance is approved by the Treasurer or the Deputy Treasurer. The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to (1) pay the principal of and interest on the bonds and notes to be issued, (2) establish, increase and maintain any reserves deemed by the authority to be advisable to secure the payment of the principal of and interest on such bonds and notes, (3) pay the cost of maintaining, servicing and properly insuring the purpose for which the proceeds of the bonds and notes have been issued, if applicable, and (4) pay such other costs as may be required.

Similarly, no municipality may issue any obligation for which there is a SCRF of any kind that is in any way contributed to or guaranteed by the State unless and until such obligation and the agreement establishing the capital reserve fund are approved by the Treasurer. The Treasurer's approval shall be based upon factors delineated in the general statutes, including the establishment of a property tax intercept procedure to service the municipality's debt.

Outstanding Special Capital Reserve Fund Debt

The amount of outstanding debt that is secured by special capital reserve funds as described above is outlined in the following table.

TABLE 16

Special Capital Reserve Fund Debt
(In Millions)

Indebtedness Secured by SCRF	**Authorized Debt As of 12/15/13**	**Outstanding Debt As of 12/15/13**	**Minimum SCRF Requirement As of 12/15/13**
Clean Energy Finance and Investment Authority	$ 50.0	$ 0.0	$ 0.0
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	7.17	1.6
Connecticut State University System	(a)	342.21	34.50
Hospital Equipment Program	100.0	0.0	0.0
UCONN Health Center Program	(a)	0.0	0.0
Connecticut Higher Education Supplemental Loan Authority	300.0	153.54	20.74
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,051.4	243.5
Special Needs Housing Mortgage Finance Program	(a)	61.8	4.6
Connecticut Innovations			
Umbrella Bond Program	300.0	0.0	0.0
General Obligation Bond Program	30.6	0.0	0.0
Capital Region Development Authority	(a)	0.0	0.0
Connecticut Resources Recovery Authority	725.0	0.0	0.0
Southeastern Connecticut Water Authority	15.0	1.2	N.A.
University of Connecticut	(a)	0.0	0.0

(a) No statutory limit.

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. The State Department of Education may enter into commitments to apply monies for each such entity to pay the debt service on the loans in amounts sufficient to cover a portion of the debt service on CHEFA's Child Care Facilities Bonds. The State Department of Education is obligated to provide a portion of the funds to make debt service payments, which payments are to be made by the Treasurer. Any obligation by the State Department of Education or the Treasurer to pay such debt service is subject to annual appropriation. As of December 15, 2013 CHEFA had approximately $59.2 million in Child Care Facilities Bonds outstanding under this program with annual debt service of approximately $5.1 million, of which the State Department of Education is committed to pay approximately $4.3 million. The remaining portion of debt service is to be paid from State Department of Education intercepts of revenues from providers. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**. Two other Child Care Facilities programs also authorize the Commissioner of the State Department of Education to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the Department, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs. The State's obligations in connection with these programs are not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

Capital Region Development Authority. The State Bond Commission approved up to $122.5 million of revenue bonds and other borrowings for the Hartford convention center project. CCEDA, as predecessor to CRDA issued $110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds, of which $94.81 million was outstanding as of December 15, 2013. The State's obligation under the contract assistance agreement is limited to $9.0 million per year, and the Authority's debt obligations are structured not to exceed this amount. An additional $12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CRDA is obligated to reimburse the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses of the parking garage and the energy facility. Under the agreement between CRDA and the State, after completion of the convention center project, CRDA is required to maintain pledged revenues equal to 1.2 times debt service, after operating expenses. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

The convention center portion of the project opened in June 2005. Other elements of the project include an adjacent parking structure which opened later in 2005, a second adjacent parking structure underlying the Connecticut Science Center and a retail and entertainment district, including two additional parking structures. The entire project is not expected to be fully placed in service until 2017 at the earliest. Since June 2006, the delay in completion of the additional elements of the project, along with higher than anticipated startup expenses and operating expenses have resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments. This situation is expected to continue at least until all elements of the project are completed and placed in service. As debt service on CRDA's revenue bonds continues to be paid under the contract assistance agreement, CRDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CRDA.

School Construction Grant Commitments. The State is obligated to various cities, towns and regional school districts under a grant-in-aid public school building program to fund certain of the costs of construction and alteration of school buildings or to support part of the debt service payments on municipal debt issued to fund the State's share of such school building projects. For certain school projects approved by the General Assembly, cities, towns and districts are ranked according to their adjusted equalized net grand list per capita and based on such rankings a percentage is assigned that determines the amount of grant money a town or regional school district is eligible to receive for a project or type of project authorized by the legislature and approved by the Commissioner of Administrative Services.

For school construction projects approved during the 1997 legislative session and thereafter, the State pays the costs of its share of construction projects on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments which vary in amounts from year to year. The State has authorized new school construction grant commitments of approximately $345 million that take effect in fiscal year 2013. As of June 30, 2013, the Commissioner estimates that current grant obligations under the program for school construction projects approved during the 1997 legislative session and thereafter are approximately $2,792 million, which includes approximately $8,944 million in grants approved as of such date less payments already made of $6,152 million.

Prior to 1997 the grant program was conducted differently. Under the pre-1997 program, school construction project grants are paid to the cities, towns and districts in installments that correspond to the number and time of principal payments due on municipal bonds, or temporary notes renewed for a third or subsequent year, issued to finance project costs. If a project is fully paid from sources other than borrowing, such grants are paid in five annual installments. Grants in support of interest payments correspond to the number and time of such interest payments. As of June 30, 2013, under the pre-1997 grant program, the State is obligated to various cities, towns and regional school districts for approximately $140 million in aggregate principal installment payments and $17 million in aggregate interest subsidies, for a total of $157 million. Funding for these payments may come from future State direct general obligation bond sales. No new grant commitment can be authorized under this program.

The legislature has authorized bonds for both grant programs based on the amount of grants that the Commissioner of Administrative Services estimates will be paid during each fiscal year. Since there is generally a lapse of one or more years from the time grant commitments are approved to the time grant payments are required to be made, the amount of unpaid grant commitments will be significantly greater than the amount of bonds authorized to fund the grant commitments.

Connecticut Lottery Corporation. The Connecticut Lottery Corporation (the "Corporation") was created in 1996 as a public instrumentality of the State to operate the State's lottery pursuant to the Connecticut Lottery Corporation Act (the "CLC Act"). The State and the Corporation purchase annuities under contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2013 the current and long-term liabilities of the Corporation total $200.98 million.

PENSION AND RETIREMENT SYSTEMS

The State sponsors several public employee retirement systems and also provides other post-employment benefits. This section will describe these plans in turn. It should be noted that the characteristics of the pension plan systems, where significant assets are available to meet the State's obligations, are different than the characteristics of the systems providing other post-employment benefits, which have not accumulated significant assets. Both types of plans represent significant financial obligations of the State, both now and in the future. In round numbers, the unfunded liability of the pension systems aggregate approximately $24.4 billion and the unfunded liability of the other post-employment benefits aggregate approximately $19.5 billion.

Pension Systems -- Overview

The State sponsors several public employee retirement systems discussed in more detail in this section. The two largest of these are the State Employees' Retirement System ("SERS") and the Teachers' Retirement System. These plans have been in operation for a number of years and have significant assets held for the purposes of the plan. Like other similar plans, each plan began with "pay-as-you-go" funding, where benefits to beneficiaries were paid from the General Fund when due. In 1971 the plans were converted to actuarially funded plans and irrevocable trusts were established to accumulate assets that are invested on a long-term basis to fund future liabilities on an actuarial basis. In an actuarially funded pension plan, plan contributions, plus plan assets and the return on plan assets, are designed to meet the future benefits payments over the life of the plan.

The transition of the plans from a "pay-as-you-go" basis to a fully funded actuarial basis requires setting aside significant assets. As it would be impractical to set aside the accumulated liability in a short period, it was contemplated that the plans would achieve full funding over a period of time. When both of the State's major pension plans were converted to an actuarial funding method, the original time period set to achieve full funding was set at 40 years, a period which was extended in the past. The remaining period to reach full funding is approximately 22.4 years (as of June 30, 2012) for the Teachers' Retirement Fund and 18 years (as of June 30, 2013) for the State Employees' Retirement Fund. Thus, as expected, the State plans are not currently "fully funded", but are expected to reach full funding by the end of the remaining amortization periods as long as the State fully funds the annual funding requirement recommended by the actuary, as described below. This actuarially recommended contribution is referred to as the "ARC".

One measure of the level of funding is the "funded ratio", which is calculated by dividing the actuarial value of the assets of the plan by the actuarial accrued liability of the plan. The funded ratio for each plan is shown below. Also shown is the funded ratio calculated based on the market value of the assets of the plan. Until 2000, the pension plans made steady progress towards being fully funded; for example, the State Employee's Retirement System experienced an increase in the funded ratio from 51% in 1993 to 63% in 2000, and the funding required remained fairly constant at 12.8% to 14.9% of payroll. Two factors had a significant impact in reversing this trend. First, significant market downturns experienced in Fiscal Years 2000, 2001 and 2009 reduced the market value of the assets set aside in the plans. Second, prior to Fiscal Year 2009, in the case of the Teachers' Retirement System, and prior to Fiscal Year 2012 in the case of the State Employees' Retirement System, the State failed to fully fund its ARC payments. In Fiscal Years 2009-2011 the shortfall totaled $314.5 million.

Because of factors such as these, it is important that the funding plan be revisited periodically. Accordingly, by statute, actuarial valuations are performed with respect to the systems every two years. Because these valuations are estimating future resources and future liabilities, it is necessary to make important assumptions in arriving at these future assets and liabilities. Using these assumptions, the actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an unfunded actuarial accrued liability ("UAAL"). This UAAL represents the remaining amortization of the original unfunded status, changes in the UAAL arising from actual experience compared to these assumptions (including actual investment performance compared to assumed performance), changes in the actuarial assumptions, and any failure to fully fund actuarially recommended contributions in prior years. The actuarial valuation then arrives at a recalculated actuarially recommended contribution for future years, which represents the sum of benefits to be accrued in these years, plus the amortization of the recalculated UAAL over the remaining amortization period.

In addition to these recalculations, the State has taken several additional steps in the last few years to address the funding issues with the plans. In the case of the State Employees' Retirement System, it has negotiated reduced benefits, as described below, made more conservative assumptions which have had the effect of increasing the ARC payment, and eliminated the provisions which permitted the State to not make its full ARC payment. In the case of the Teacher's Retirement System, it has issued pension obligation bonds to augment the funding of the system. These additional steps are described in more detail below for each plan.

While the UAAL for each plan is large and the funded ratio is low, the State believes that the amortization period it uses and its commitment to amortization of the UAAL are indicators of stronger overall health of its retirement plans, compared to plans of other states using longer amortization periods but having similar funded ratios. In addition to statutory commitments (which can be, and have been, changed by legislation), and unlike many similar plans, the State now has contractual commitments requiring annual funding of the ARC. In the case of the Teachers Retirement System, the State is required to fund the annual amount as a condition of a bond covenant which runs through the end of the plan's amortization period in 2032. In the case of the State Employees' Retirement System, the State is required to annually fund the ARC pursuant to its bargaining agreement with the State Employees Bargaining Agent Coalition ("SEBAC"), which runs through 2022; the amortization period continues to 2032.

Actuarial Valuations

The actuarial value of the liabilities of the plan are not current liabilities but represent a present value measure of the stream of benefits that the plan is expected to pay over the foreseeable future. These benefits in turn depend on future events, such as the size of the workforce, the rate workers leave the workforce, the rate of retirement, the rate of mortality of retirees, the rate of salary increase and the rate benefits accrued at retirement increase by future cost of living increases, among other factors. The State engages actuaries to assist it in selecting assumptions about these factors, and based on these assumptions, the actuary estimates the current stream of future benefits. In order to come to an estimate of the accrued liabilities of the plan, this stream of estimated future benefits is discounted to a present value based on an assumed discount rate. The State uses a discount rate which is the same as its investment return assumption. The significant assumptions used in making these calculations are described below for each plan.

The actuarial valuation also will state an actuarially recommended contribution, the ARC, which is the recommended payment of the State to the applicable pension plan. These recommendations are used in the next budget cycle. The actuarially recommended contribution consists of two components: (1) normal costs, which represent the portion of the present value of retirement benefits that are allocable to active members' current year of service, and (2) an amortization of a portion of the unfunded actuarial accrued liability, or UAAL. These additional contributions, made over the length of time chosen as the amortization period, are designed to eliminate the UAAL and bring the plan to the state of being fully funded, after which only the normal cost amount would need to be contributed to maintain this state, plus the effect of actual experience compared to the actuarial assumptions. Table 18 below illustrates how the normal costs and amortization of the UAAL are intended to bring the plan into the state of being fully funded, and the subsequent drop in the required funding to normal cost. One of the most significant factors in determining this amount, and determining the point in time when the plan should be fully funded, is the remaining period over which the UAAL will be amortized. This period is approximately 22.4 years (as of June 30, 2012) for the Teachers' Retirement Fund and 18 years (as of June 30, 2013) for the State Employees' Retirement Fund, having originally started with an amortization period of 40 years for each. A second important factor is determining how much to amortize in each year of the remaining amortization period. The State plans use a "level percent of payroll" formula for this purpose, where in each year the same percent of assumed payroll for that year, is calculated as the amount to be amortized. This method assumes that the amortization payments increase in future years by the assumed increase in payroll since it calculates amortization payments as a constant percentage of projected payroll over a given number of years. The increase in the contribution rates are primarily attributable to the significant asset losses that are being recognized and increase the UAAL. This results in an increase in required funding to offset these recognized losses over the remaining amortization period. This makes the assumption of the rate at which payroll increases each year an important assumption. State Employees' Retirement System uses a "projected unit credit" method to calculate the annual amortization payments needed to amortize the UAAL, while the Teachers' Retirement System uses an "entry age normal" method. The actuaries have indicated that the entry age normal method is the most widely used cost method of large public sector plans and has demonstrated the highest degree of contribution stability to alternative methods and also is the only method allowed under the new Governmental Accounting Standards Board ("GASB") reporting standards coming into effect for 2014.

Between actuarial valuations the State generally receives an interim valuation, in which the actuarial value of assets are "rolled forward" but the actuarial value of liabilities are not recalculated. Where these interim valuations have been performed we set out below the new funding ratios that result.

The State will be reporting pensions in accordance with GASB 67 and GASB 68 beginning with Fiscal Year 2014, which prescribe certain methods for comparability and other purposes. These methods will not necessarily be the same as those used in calculating the actuarial recommended contribution of the State, which are determined by statute and/or contract.

Set forth below in greater detail is information about the State Employees' Retirement Fund and the Teachers' Retirement Fund, including information about the matters discussed above, how plan benefits are calculated, how plan assets are invested, and the investment experience of these plans. With respect to SERS in particular, the discussion of plan benefits is complicated because the benefits are not uniform but are divided into "tiers," which have significantly decreased benefits for newer State employees.

State Employees' Retirement Fund

The State Employees' Retirement Fund is one of the systems maintained by the State with approximately (i) 49,269 active members, consisting of 38,896 vested members and 10,373 non-vested members, (ii) 1,495 deferred vested members, and (iii) 43,959 retired members and beneficiaries as of June 30, 2013.

Payments into the fund are made from employee contributions, General and Special Transportation Fund appropriations and grant reimbursements from Federal and other funds. State contributions to the fund are made monthly on the basis of transfers submitted by the Office of the State Comptroller.

Full actuarial valuations are performed as of June 30th of each even-numbered year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the State Employees' Retirement Fund. The actuarial accrued liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on service to date) of the projected benefit payable at death, disability, retirement or termination. The valuation uses an asset valuation method that smoothes the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fifth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial accrued liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the active population count for hazardous and nonhazardous duty members, total payroll growth, age and salary distributions for new entrants, and actual plan experience with respect to terminations, retirement, mortality, and cost of living increases, among other things.

Two actuarial valuations are currently relevant to the State Employees' Retirement Fund. The first is a November 2010 valuation, which was revised by an interim actuarial valuation in February 2012 and calculated the annual required contribution for Fiscal Year 2013. The second is a November 2012 valuation, which calculated the annual required contribution for Fiscal Years 2014 and 2015, as supplemented by a "roll forward" actuarial valuation further discussed below. The next valuation is expected in November 2014.

November 2010 Actuarial Valuation and the Fiscal Year 2013 Annual Required Contribution

An actuarial valuation prepared in November 2010 determined an employer contribution requirement of $1,045.0 million for Fiscal Year 2013, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions, which contribution is sufficient to meet GASB standards. A subsequent interim actuarial valuation dated February 8, 2012 was prepared determining an employer contribution requirement of $1,059.7 million for Fiscal Year 2013 based on the same assumptions and methods. The State's contribution to the State Employees' Retirement Fund for Fiscal Year 2013 together with grant reimbursements from Federal and other funds were sufficient to meet 99.9% of the annual contribution requirement as determined in the February 8, 2012 interim valuation (actual federal receipts were slightly less than were assumed, which is why less than 100% of the annual contribution requirement was funded).

November 2012 Actuarial Valuation, December 2013 Roll Forward Actuarial Valuation and the Fiscal Year 2014 and 2015 Annual Required Contributions

The State Employees Retirement Commission (the "Commission") received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation dated November 5, 2012 prepared as of June 30, 2012. In addition, the Commission received a roll forward valuation dated December 10, 2013, prepared as of June 30, 2013, which is an informational update to the actuaries' projected required employer contribution amount based on the actual experience of the investment return for the June 30, 2013 plan year and roll forward techniques to best estimate what payroll and liabilities will be as of June 30, 2013. The actuaries have not performed a reconciliation of census data or development of liabilities as of June 30, 2013 in the December 2013 roll forward valuation. The valuations included changes to the actuarial assumptions adopted by the Commission based on an experience investigation report dated September 12, 2012 and prepared by the actuaries for the State Employees' Retirement Fund for the four-year period ending June 30, 2011, assessing the reasonableness of the actuarial assumptions and valuation methods used by the retirement system.

Based on the September 2012 experience investigation report, the following changes were made to the actuarial assumptions to be used in the November 2012 actuarial valuation and December 2013 roll forward actuarial valuation from those used in the valuation dated November 15, 2010:

- the investment return assumption was changed from 8.25% to 8.00%
- the price inflation adjustment was changed from 3.00% to 2.75%
- demographic changes in the rates of withdrawal, disability and mortality were made, increasing the annual employer contribution by 2.97% from fiscal year ending June 30, 2011 to June 30, 2012 and resulting in a 2.6% decrease in the funded ratio of the plan.

The November 2012 actuarial valuation reported the following results as of June 30, 2012 with respect to the State Employees' Retirement Fund:

Market Value of Assets	$8,468.5 million
Actuarial Value of Assets	$9,745.0 million

Actuarial Accrued Liability	$23,018.8 million
UAAL	$13,273.8 million
Funded Ratio (based on the actuarial value of the assets)	42.3%
Funded Ratio (based on the market value of assets)	36.8%

The December 2013 roll forward actuarial valuation reported the following results as of June 30, 2013 with respect to the State Employees' Retirement Fund:

Market Value of Assets	$9,182.4 million
Actuarial Value of Assets	$9,784.5 million
Actuarial Accrued Liability	$23,768.2 million
UAAL	$13,983.7 million
Funded Ratio (based on the actuarial value of the assets)	41.2%
Funded Ratio (based on the market value of assets)	38.6%

The November 2012 actuarial valuation and December 2013 roll forward actuarial valuation were based upon the following assumptions among others:

- 8.00% investment return assumption
- Projected salary increases of 4.0% to 20.0%
- Cost-of-living adjustments of 2.3% to 3.6%
- Social security wage base of 3.5%
- Payroll growth of 3.75%
- Recalculation of the actuarial value of assets for the past four valuations so that the actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets
- Benefits for members retiring from service on or after the ***Longley v. State Employees Retirement Commission*** decision were assumed to increase by 0.084% as a result of the revised treatment of longevity pay. Retroactive application of ***Longley*** was reflected in the valuation to the extent impacted retiree benefits were recalculated. These recalculations are ***not*** reflected in Table 17 below. (The Longley decision is described below under "Litigation".)
- Remaining amortization period of 19 years for the November 2012 actuarial valuation and 18 years for the December 2013 roll forward actuarial valuation.

Pursuant to the statutory provisions applicable to the State Employees' Retirement Fund and agreements between the State and SEBAC, which supplant the statutory provisions in part, the Fund's UAAL is amortized as a level percent of payroll over a declining period of years, beginning with 40 years as of July 1, 1991. The State is currently in year 22 of an initial 40 year amortization period. While this method of funding does lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the State Employee's Retirement Fund is not projected to be reduced significantly until the latter years of the amortization period. Two collective bargaining agreements with SEBAC negotiated in 1996 and 1997 ("SEBAC IV" and "SEBAC V", respectively) designed to take advantage of sizable market gains in plan assets at the time, have the effect of extending the period until the UAAL is expected to increase because it allowed less than 100% funding of the actuarial required contribution. These provisions are no longer in effect.

The November 2012 actuarial valuation determined the following employer contribution requirements, which contributions are sufficient to meet GASB standards: (i) $1,268.9 million for Fiscal Year 2014; and (ii) $1,379.2 million for Fiscal Year 2015, resulting in an annual employer contribution rate of 37.82% of payroll and 43.94% of payroll, respectively. The adopted budget passed by the General Assembly and signed into law by the Governor for the Fiscal Year 2014-2015 biennium contains appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirements for such biennium as determined in the November 2012 actuarial valuation. The December 2013 roll forward actuarial valuation determined the Fiscal Year 2015 employer contribution requirement to be $1,374.1 million, but the actuaries indicated that it is not recommended that the results of a roll forward valuation be used as the basis of adjusting the scheduled contribution requirements but rather as information as to the expected condition of the State Employees' Retirement System at the end of the interim fiscal year.

The November 2012 actuarial valuation breaks out the normal cost component and the amortization component as well. The following table shows the amount and rate of contribution (as a percent of payroll) payable by the State as determined for Fiscal Years 2014 and 2015.

Contributions for:	**2014**		**2015**	
	Amount (in millions)	Rate	Amount (in millions)	Rate
A. Normal Cost of Benefits:	$315.5	9.40%	$323.5	10.31%
B. Less Member Contributions	($65.5)	(1.95%)	$62.7	2.00%
C. Employer Normal Cost	$250.0	7.45%	$260.8	8.31%
D. Net Unfunded Actuarial Accrued liabilities (19 year level percent of payroll amortization)	$1,018.9	30.37%	$1,118.4	35.63%
E. Total (C + D)	$1,268.9	37.82%	$1,379.2	43.94%

SOURCE: November 2012 Actuarial Valuation.

As mentioned, the valuation used the projected unit credit actuarial cost method to calculate the annual amortization payments needed to amortize the State Employees' Retirement Fund's UAAL. In this method, the present value, discounted based on the interest rate assumed to be earned in the future (currently 8.00%), of each member's expected benefits at retirement or death is determined, based on age, service and sex. In the experience investigation report dated September 12, 2012, the actuaries indicated that while this is an accepted actuarial method, the Commission may want to consider changing to the entry age normal cost method used by the Teachers' Retirement System for several reasons, including that it is the only method allowed under the new Governmental Accounting Standards Board ("GASB") reporting standards coming into effect for 2014. Changing to the entry age normal cost method would increase the unfunded accrued liability, decrease the funding ratio and increase the employer annual required contribution rate. The valuation cost method currently in place may not be changed without the agreement of the SEBAC and approval by the legislature.

Set forth in the following table are State contributions to the State Employees' Retirement Fund, Federal grant programs, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarial recommended contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2008, June 30, 2010, June 30, 2011 and June 30, 2012, and interim "roll forward" valuations as of June 30, 2009 and June 30, 2013.

TABLE 17

State Employees' Retirement Fund (In Millions)

	Fiscal Year 2009	2010	2011	2012	2013
General Fund Contributions	$ 454.8	$ 478.1	$ 563.3	$ 652.6	$ 721.5
Transportation Fund Contributions	71.4	70.4	82.4	90.1	107.9
Federal and other Reimbursements	173.5	172.0	180.0	183.7	228.8
Employee Contributions	70.8	65.7	67.6	68.8	164.0
Total Contributions	$ 770.6	$ 786.2	$ 893.4	$ 995.1	$ 1,222.2
Benefits Paid[c]	$ 1,063.3	$ 1,263.8	$ 1,315.7	$ 1,417.0	$ 1,487.7
Investment Income[a]	$ 252.4	$ 207.6	$ 290.9	$ 233.6	$ 284.7
Net Realized Gains (Losses)[b]	12.3	346.4	156.1	126.4	507.2
Net Unrealized Gains (Losses)	(1,973.2)	401.1	1,176.4	(450.5)	205.7
Total Investment Income and Net Gains (Losses)	$ (1,708.5)	$ 955.1	$ 1,623.4	$ (90.5)	$ 997.6
Actuarial Recommended Contribution	$ 753.7	$ 897.4	$ 944.1	$ 926.4	$ 1,059.7
Percentage of Actuarial Recommended Contribution Made	92.8%	80.3%	87.5%	100.0%	99.9%
Actuarial Accrued Liabilities	N/A[d]	$21,054.2	$21,126.7	$23,018.8	$23,768.2
Actuarial Values of Assets	$ 8,787.2	$ 9,349.6	$10,122.8	$ 9,745.0	$ 9,784.5
Unfunded Accrued Liabilities	N/A[d]	$11,704.6	$11,004.0	$13,273.8	$13,983.7
Market Value of Assets	$ 7,322.6	$ 7,791.3[e]	$ 8,984.9[f]	$ 8,468.5[g]	$ 9,182.4[h]
Funded Ratio (actuarial value)	N/A[d]	44.4%	47.9%	42.3%	41.2%
Funded Ratio (market value)	N/A[d]	37.0%	42.5%	36.8%	38.6%
Ratio of Actuarial Value of Assets to Market Value of Assets	N/A[d]	120.0%	112.7%	115.1%	106.6%

(a) Investment Income (exclusive of net realized gains and losses).
(b) Net realized gain (loss) on shares redeemed.
(c) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.
(d) Information not available in actuarial valuation.
(e) As reported in Actuarial Valuation. This amount includes $2,087,879 of receivables.
(f) As reported in Actuarial Valuation. This amount includes $2,509,578 of receivables.
(g) As reported in Actuarial Valuation. This amount includes $6,635,867 of receivables.
(h) As reported in Roll Forward Actuarial Valuation. This amount includes $5,839,847 of receivables.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2044

In 2012, the Office of Policy and Management requested the consulting actuary for State Employees' Retirement Fund to prepare a model of future funded ratios and annual contribution requirements for the State Employees' Retirement Fund through Fiscal Year 2044. The modeling was prepared January 3, 2013 and has not been updated since that time. The modeling does not represent a forecast, estimate or projection, but represents only modeling based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures. The modeling does not reflect future factors or conditions that would cause the actual future experience of the State Employees' Retirement Fund to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 18

Modeling Of State Employees' Retirement Fund
Future Funded Ratios and Annual Contribution Requirements
(In Thousands)

The funded ratio and annual contributions for each fiscal year have been modeled based on the assumption of an actuarial valuation prepared as of the June 30 two years prior to the end of such fiscal year.

Fiscal Year Ending June 30	Valuation Date June 30	Funded Ratio as of Valuation Date	Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution	Employee Contribution	Total State and Employee Contribution
2014	2012	42.3%	$249,996	$ 1,018,938	$ 1,268,934	$ 64,919	$ 1,333,853
2015	2013	40.7	260,807	1,118,381	1,379,188	67,261	1,446,449
2016	2014	41.4	261,519	1,181,352	1,442,871	69,462	1,512,333
2017	2015	42.8	263,850	1,236,834	1,500,684	72,726	1,573,410
2018	2016	43.7	266,159	1,308,781	1,574,940	75,938	1,650,878
2019	2017	45.4	268,130	1,367,254	1,635,384	79,286	1,714,670
2020	2018	47.5	267,871	1,425,042	1,692,913	82,951	1,775,864
2021	2019	49.6	268,180	1,484,972	1,753,152	86,321	1,839,473
2022	2020	52.0	267,886	1,547,956	1,815,842	90,095	1,905,937
2023	2021	54.5	268,895	1,613,558	1,882,453	93,949	1,976,402
2024	2022	57.3	270,126	1,682,296	1,952,422	98,164	2,050,586
2025	2023	60.3	272,191	1,753,477	2,025,668	102,528	2,128,196
2026	2024	63.7	273,216	1,827,380	2,100,596	106,972	2,207,568
2027	2025	67.4	274,131	1,903,637	2,177,768	111,549	2,289,317
2028	2026	71.5	273,927	1,982,767	2,256,694	116,134	2,372,828
2029	2027	76.0	273,687	2,064,276	2,337,963	120,907	2,458,870
2030	2028	81.1	273,473	2,147,507	2,420,980	125,975	2,546,955
2031	2029	86.8	276,511	2,228,286	2,504,797	131,313	2,636,110
2032	2030	93.1	279,944	2,292,630	2,572,574	136,741	2,709,315
2033[(a)]	2031	100.0	285,338	0	285,338	142,461	427,799
2034	2032	100.0	292,477	0	292,477	148,322	440,799
2035	2033	100.0	301,484	0	301,484	154,396	455,880
2036	2034	100.0	311,889	0	311,889	160,684	472,573
2037	2035	100.0	323,566	0	323,566	167,048	490,614
2038	2036	100.0	336,221	0	336,221	173,577	509,798
2039	2037	100.0	349,345	0	349,345	180,287	529,632
2040	2038	100.0	363,990	0	363,990	187,170	551,160
2041	2039	100.0	379,224	0	379,224	194,151	573,375
2042	2040	100.0	395,118	0	395,118	201,388	596,506
2043	2041	100.0	411,945	0	411,945	208,881	620,826
2044	2042	100.0	429,415	0	429,415	216,490	645,905

(a) In fiscal year ending June 30, 2033 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there no longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the State Employees' Retirement Fund, which requires employee contributions. As of July 1, 2013 approximately 5.7% of the total work force was covered under the Tier I Plan. Other employees generally participate in the Tier II plan, which is non-contributory for certain members and provides somewhat lesser benefits. As of July 1, 2013, approximately 34.0% of the total workforce was covered under the Tier II plan. Employees hired after July 1, 1997 participate in the Tier IIA plan, which requires contributions from its employee members. As of

July 1, 2013, approximately 50.8% of the total work force was covered under the Tier IIA Plan. SEBAC 2011 provides for two new retirement plans for State employees first hired on and after July 1, 2011, Tier III employees and, for unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education only, the Hybrid Plan. SEBAC 2011 also provides a one-time, irrevocable opportunity for current members of the Connecticut Alternate Retirement Program to transfer membership to the new Hybrid Plan and purchase credit for their prior State service in that plan at the full actuarial cost. From time-to-time the State has instituted, and in the future may institute, early retirement incentive plans that may impact retirement plan eligibility and benefits.

The average annual benefit payable to a retired Tier I, Tier II, or Tier IIA member in fiscal year ending June 30, 2013 was approximately $39,636, $24,884, and $12,009, respectively. There were no retired Tier III members receiving benefits in Fiscal Year 2013 and there were 91 Hybrid retirees in Fiscal Year 2013. The State Employees' Retirement Fund also provides disability and pre-retirement death benefits.

Member contribution requirements, and the eligibility for and calculation of normal retirement benefits varies by tier and plan, as set forth below:

TABLE 19

State Employees' Retirement System Member Contribution Requirements, Eligibility Requirements and Normal Retirement Benefits

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
Tier I - Hazardous	4% of earnings up to the Social Security Taxable Wage Base plus 5% of earnings above that level	20 years of hazardous duty credited service	50% of FAE plus 2% for each year of service in excess of 20 years
Tier I - Plan A or C	5% of earnings	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service, with a minimum benefit with 25 years of service of $833.34 per month
Tier I - Plan B	2% of earnings up to Social Security Taxable Wage Base plus 5% of earnings above that level	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service up to age 65; for retirements after age 65, 1% of FAE up to $4,800, plus 2% of FAE in excess of $4,800 times years of service, with a minimum benefit with 25 years of service of $833.34 per month; for retirements at or after age 70, the greater of 1.25% of FAE up to $4,800 plus 2.5% of FAE in excess of $4,800 times years of service (maximum 20 years) or 1.0% of FAE up to $4,800 plus 2% of FAE in excess of $4,800 times year of service
Tier II – Hazardous	4% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
All Other Tier II	None	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	(a) 1.333% of FAE plus 0.50% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation), times (b) years of service from October 1, 1982 up to 35 years, plus (c) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier IIA – Hazardous	5% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier IIA	2% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	(a) 1.333% of FAE plus 0.50% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation), times (b) years of service from October 1, 1982 up to 35 years, plus (c) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier III - Hazardous	5% of earnings	25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[a]
All Other Tier III	2% of earnings	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE plus 0.50% of FAE in excess of the year's breakpoint times years of service up to 35 years and 1.625% of FAE times any years of service in excess of 35 years
Hybrid Plan	5% of earnings for members first hired on or after July 1, 2011 5% of earnings for members with original date of hire on or after July 1, 1997 3% of earnings for members with original date of hire prior to July 1, 1997	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE plus 0.50% of FAE in excess of the year's breakpoint times years of service up to 35 years and 1.625% of FAE times any years of service in excess of 35 years [b]

(a) For all members of all Tiers other than Tier III and Hybrid, "FAE" is defined as the average salary of the three highest paid years of service, provided that, effective January 1, 1986, no one year's earnings can be greater than 130% of the average of the two preceding years for purposes of calculating the FAE. For Tier III and the Hybrid Plan members, FAE is defined as the average salary of the five highest paid years of service, provided that no one year's earnings can be greater than 130% of the average of the preceding two years. Effective July 1, 2014, this limit will be 150% for Tier III and the Hybrid Plan members with mandatory overtime earnings.

(b) The Hybrid Plan provides members with the option to receive at retirement a lump sum payment of their contributions plus a five percent (5%) employer match and four percent (4%) interest in lieu of their receipt of monthly benefit payments.

The following table shows the normal cost associated with the several tiers of employees, as calculated for Fiscal Year 2014.

Normal Cost by Tier

Group	Number of Active Members	Average Age (years)	Average Service (years)	Normal Cost (Millions)	Normal Rate (percent of payroll)
Tier I—Hazardous	94	56.2	27.6	$0	0.0%
Tier I-Plan B	2,942	56.1	30.2	$33.0	12.5%
Tier I-Plan C	117	58.4	31.9	$0.9	9.0%
Tier II-Hazardous	3,466	48.6	18.8	$43.3	13.9%
Tier II-Others	13,809	52.3	21.2	$88.1	8.0%
Tier IIA-Hazardous	6,311	40.6	8.2	$35.0	7.8%
Tier IIA-Others	19,148	44.8	7.2	$48.0	4.2%
Tier III-Hazardous	321	34.0	0.3	$0.4	3.1%
Tier III-Others	1,603	37.2	0.4	$1.4	2.2%
Tier III Hybrid	57	37.7	0.6	$0	0.0%
Total	47,868	47.1	13.5	$250.0	7.45%

SOURCE: January 8, 2014 Report to the Governor "Reducing the State's Debt."

The State Employees' Retirement Fund provides annual cost-of-living allowance adjustments each July 1 as set forth below:

TABLE 20

State Employees' Retirement Benefit Cost-Of-Living Allowances[(a)]

Retirement Date	Adjustment Based On	Minimum Increase	Maximum Increase	Maximum Increase For Members And Beneficiaries Not Covered By Social Security And Age 62 And Over
Prior to July 1, 1980	Increase in National Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W")	3.0%	5.0%	6.0%
On and after July 1, 1980 but prior to July 1, 1997	N/A	3.0%	3.0%	6.0%
On and after July 1, 1997 but prior to July 1, 1999, an irrevocable choice between one of the two following plans required:	(1) 60% of the increase in "CPI-W" up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
	(2) N/A	3.0%	3.0%	N/A
On or after July 1, 1999, but prior to October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
On or after October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.0%	7.0%	N/A

(a) An employee from Tier IIA must have at least ten (10) years of actual State service or directly make the transition into retirement in order to be eligible for annual adjustments.

Teachers' Retirement Fund

The Teachers' Retirement Fund, administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2013, there were (i) 66,015 active and former employees, consisting of 50,014 active members, 1,849 inactive vested members and 14,152 inactive non-vested members, (ii) 33,037 retired members and beneficiaries, and (iii) 252 members on disability allowance.

Contributions to the fund are made by employees and by General Fund appropriations from the State. State contributions to the fund are made quarterly on the basis of certifications submitted by the Teachers'

Retirement Board and are funded with annual appropriations from the General Fund. State contributions to the Fund for Fiscal Year 2008 included $2.0 billion of the proceeds of the State's Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series), as discussed below.

October 2012 Actuarial Valuation

Actuarial valuations are performed as of June 30th of each even-numbered year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the Teachers' Retirement Fund. The actuarial accrued liability is determined using the entry age normal cost method as the portion of the present value of future benefits allocated to years of service prior to the valuation date. The valuation uses an asset valuation method of smoothing the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fourth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit, the rates of mortality, the rates of disability, the rates of pay increases and the assumed age or ages at actual retirement.

The Teachers' Retirement Board received an actuarial valuation as of June 30, 2012 dated October 24, 2012 from Cavanaugh Macdonald Consulting, LLC. The actuarial valuation reported the following results as of June 30, 2012 with respect to the Teachers' Retirement Fund:

Market Value of Assets	$13,473.7 million
Actuarial Value of Assets	$13,734.8 million
Actuarial Accrued Liability	$24,862.2 million
UAAL	$11,127.4 million
Funded Ratio (based on the actuarial value of the assets)	55.24%
Funded Ratio (based on the market value of assets)	55.19%

The October 2012 actuarial valuation was based upon the same actuarial assumptions and methods as the actuarial valuation dated November 3, 2010, after consideration of an experience study dated April 7, 2011 prepared by the actuaries for the Teachers' Retirement Fund for the five-year period ending June 30, 2010, assessing the reasonability of the actuarial assumptions and valuation methods used by the retirement system. These included:

- 8.50% earnings assumption
- Projected salary increases of 3.5% to 7.00%
- Cost-of-living adjustments of 3.0% annually for members retired before September 1992 and 2.0% for members retired on and after September 1, 1992
- Payroll Growth Rate of 3.75%

The Teachers' Retirement Fund uses the Entry Age Normal cost method to calculate the annual amortization payments needed to amortize the unfunded actuarial accrued liability, which method allocates the plan's actuarial present value of future benefits to various periods based on service. The amortization period begins with 40 years as of July 1, 1991 for the contribution for fiscal year beginning July 1, 1992 and the annual required employer contribution amount is based on a level percentage of payroll payments over such declining period of years. The net effective amortization period for the computed State contribution amounts for Fiscal

Year 2012 is 22.4 years. While this method of funding does lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the Teachers' Retirement Fund is not anticipated to be reduced significantly until the later years of the amortization period. Following full amortization of the UAAL, the actuarially recommended contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to active members' current year of service.

A November 2010 actuarial valuation determined an employer contribution requirement of $787.5 million for fiscal year ending June 30, 2013, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions, which contribution is sufficient to meet GASB standards. To meet the annual contribution requirement for Fiscal Year 2013, $787.5 million was appropriated. The October 2012 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions, which contributions are sufficient to meet GASB standards: (i) $948.5 million for Fiscal Year 2014, and (ii) $984.1 million for Fiscal Year 2015. The State's contribution to the Teachers' Retirement Fund was sufficient to meet the annual contribution requirement for the system for Fiscal Year 2013 as determined in the November 2010 actuarial valuation. The adopted budget passed by the General Assembly and signed into law by the Governor for the Fiscal Year 2014-2015 biennium contains appropriations sufficient to fully fund the employer contribution requirements for such biennium as determined in the October 2012 actuarial valuation.

Set forth below are State contributions to the Teachers' Retirement Fund, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarial recommended contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2008, June 30, 2010 and June 30, 2012.

TABLE 21

Teachers' Retirement Fund[(a)]
(In Millions)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund Contributions	$ 539.3	$ 559.2	$ 581.6	$ 757.2	$ 787.5
Employee Contributions[(b)]	243.1	254.1	256.1	263.5	274.3
Total Contributions	$ 782.4	$ 813.3	$ 837.7	$ 1,020.7	$ 1,061.9
Benefits Paid[(e)]	$ 1,381.1	$ 1,415.9	$ 1,499.9	$ 1,531.7	$ 1,625.7
Investment Income[(c)]	$ 393.7	$ 321.4	$ 456.4	$ 368.9	$ 456.7
Net Realized Gains (Losses)[(d)]	24.9	502.5	202.6	173.3	611.7
Net Unrealized Gains (Losses)	$ (2,958.8)	$ 648.2	$ 1,858.0	$ (687.6)	$ 515.9
Total Investment Income And Net Gains (Losses)	$ (2,540.2)	$ 1,472.1	$ 2,517.0	$ (145.4)	$ 1,584.3
Actuarial Recommended Contribution	$ 539.3	$ 559.2	$ 581.6	$ 757.2	$ 787.5
Percentage of Actuarial Recommended Contribution Made	100.0%	100.0%	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	N/A	$23,495.9	N/A	$24,862.2	N/A
Actuarial Values of Assets	N/A	$14,430.1	N/A	$13,734.8	N/A
Unfunded Accrued Liabilities	N/A	$ 9,065.7	N/A	$11,127.4	N/A
Market Value of Assets	$11,397.1	$12,273.6[(f)]	$14,143.9	$13,473.7[(f)]	$14,480.5
Funded Ratio (actuarial value)	N/A	61.4%	N/A	55.2%	N/A
Funded Ratio (market value)	N/A	52.2%	N/A	54.2%	N/A
Ratio of Actuarial Value of Assets to Market Value of Assets	N/A	117%	N/A	102%	N/A

(a) As actuarial valuations are performed every two years, not all of the data is available for each year.

(b) Includes municipal contributions under early retirement incentive programs ($1,573,023 during Fiscal Year 2009, $857,420 during Fiscal Year 2010, $902,153 during Fiscal Year 2011, $582,142 during Fiscal Year 2012 and $361,042 during Fiscal Year 2013). Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

(c) Investment Income (exclusive of net realized gains and losses).

(d) Net realized gain (loss) on shares redeemed.

(e) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership ($14,691,011 during Fiscal Year 2009, $12,382,933 during Fiscal Year 2010, $16,181,894 during Fiscal Year 2011, $13,831,495 during Fiscal Year 2012 and $14,658,485 during Fiscal Year 2013).

(f) Figure derived from actuarial valuation.

Pension Obligation Bonds

Public Act No. 07-186 authorized the issuance of general obligation bonds ("TRF Bonds") of the State in amounts sufficient to fund a $2.0 billion deposit to the Teachers' Retirement Fund plus amounts required for costs of issuance and up to two years of capitalized interest. The Secretary of the Office of Policy and Management and the State Treasurer subsequently determined that issuance of such bonds would be in the best interests of the State, and in April 2008 the State issued $2,276.6 million of such bonds.

Section 8 of Public Act No. 07-186 provides that in each fiscal year that any TRF Bonds (or any refunding bonds) are outstanding, there shall be deemed appropriated from the General Fund an amount equal to the annual required contribution to the Teachers' Retirement Fund, and such amount shall be deposited in the fund in such fiscal year. The amounts of the annual required contributions for each biennial budget shall be based on the actuarial valuation required to be completed by the December 1 prior to the beginning of the next biennial budget. Under Section 8 the State has pledged to and agreed with the holders of any TRF Bonds that, so long as the actuarial evaluation of the Teachers' Retirement Fund is completed and the certification of the annual contribution amounts is made as required by such Section, no public or special act of the General Assembly shall diminish such required contribution until such bonds, together with interest thereon, are fully met and discharged unless adequate provision is made by law for the protection of the holders of the bonds. Such contributions may be reduced in any biennium, however, if (i) the Governor declares an emergency or the existence of extraordinary circumstances (which may include changes in actuarial methods or accounting standards) in which the provisions of Section 4-85 of the Connecticut General Statutes is invoked, (ii) at least three-fifths of the members of each Chamber of the General Assembly vote to diminish such required contributions during the biennium for which the emergency or extraordinary circumstances are determined, and (iii) the funded ratio of the fund is at least equal to the funded ratio immediately after the sale of the bonds in accordance with the actuarial method used at the time. If such conditions are met, the funding of the annual required actuarial contribution may be diminished, but in no event shall such diminution result in a reduction of the funded ratio of the fund by more than 5% from the funded ratio that would otherwise have resulted had the State funded the full required contribution, or the funded ratio immediately after the sale of the bonds, whichever is greater.

Contribution, Eligibility and Benefits Requirements

Each member of the Teachers' Retirement Fund is required to contribute 6% of annual salary for the pension benefit. The State's contribution requirement is determined in accordance with Section 10-183z of the General Statutes, which requires the retirement system to be funded on an actuarial reserve basis.

Eligibility for normal retirement benefits is available at age 60 for those with 20 years of credited Connecticut service, or 35 years of credited service including at least 25 years of service in Connecticut. The normal retirement benefit is 2% of average annual salary received during three years of highest salary times years of credited service (maximum benefit is 75% of average annual salary received during three years of highest salary), subject to certain maximum dollar limits under the Internal Revenue Code of 1986, as amended. In addition, amounts derived from the accumulation of supplemental account contributions made prior to July 1, 1989 and voluntary contributions by the member are payable. Effective January 1, 1999, there is a minimum monthly retirement benefit of $1,200 to members who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement. The plan also provides reduced early retirement and pro-ratable retirement benefit, disability benefits, return with interest on certain contributions upon termination of employment, and pre-retirement death benefits for spouses and dependent children. The average annual benefit payable to a retired member in fiscal year ending June 30, 2013 was approximately $47,500.

The plan includes cost-of-living allowances as set forth below:

TABLE 22

Teachers' Retirement Benefit Cost-Of-Living Allowances

Retirement Date	Adjustments Consistent With Adjustments To:	Minimum Increase	Maximum Increase	Limitation On Maximum Increase Based On Previous Year's Plan Assets Return
Prior to September 1, 1992	National Consumer Price Index for Urban Wage Earners and Clerical Workers	3.0% per annum	5.0% per annum	N/A
On or after September 1, 1992, and became System member before July 1, 2007[(a)]	Social Security benefits	0.0% per annum	6.0% per annum	If asset return less than 8.5% per annum, the maximum increase is 1.5%
On or after July 1, 2007, and became System member after July 1, 2007[(a)]	Social Security benefits	0.0% per annum	5.0% per annum	If asset return less than 11.5% per annum, the maximum increase is 3.0%; if less than 8.5% per annum, maximum increase is 1.0%.

(a) Based on the current cost-of-living allowances formulas no benefit adjustment for Fiscal Years 2010 and 2011 was granted for members retiring on or after September 1, 1992. For Fiscal Year 2012, a 3.6% benefit adjustment was granted. For Fiscal Year 2013, a 1.5% benefit adjustment was granted.

A board of education may offer a retirement incentive plan. Such plan is required to provide for the purchase by the board of education and a member of the system who chooses to participate in the plan of additional credited service from the Teachers' Retirement Fund for such member and for payment by the board of education of not less than 50% of the entire cost of such total cost. Any such plan shall specify a maximum number of years to be purchased, not to exceed five. Members must have attained age 50 and be eligible for retirement with the additional purchased service. The amount of service purchased cannot exceed the lesser of five years or one-fifth of the member's credited service.

Investment of Pension Funds

Twelve investment funds serve as the investment medium for the State Employees' Retirement Fund and the Teachers' Retirement Fund. They are the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Inflation Linked Bond Fund, the Liquidity Investment Fund, the Real Estate Fund, the Private Investment Fund, the Commercial Mortgage Fund, and the Alternative Investment Fund. See also **FINANCIAL PROCEDURES** herein. Set forth below are the percentage allocation of holdings for the State Employees' Retirement Fund and the Teachers' Retirement Fund as of June 30, 2013 in each of these twelve funds.

TABLE 23

Pension Fund Investment Allocations
As of June 30, 2013

	State Employees' Retirement Fund	Teachers' Retirement Fund
Mutual Equity Fund	24.5%	24.9%
Developed Markets International Stock Fund	21.6	21.9
Emerging Markets International Stock Fund	9.5	9.3
Core Fixed Income Fund	7.5	6.7
Emerging Markets Debt Fund	4.6	5.5
High Yield Fund	4.0	4.1
Inflation Linked Bonds Fund	3.4	3.3
Liquidity Investment Fund	5.2	4.0
Real Estate Fund	5.5	5.7
Private Investment Fund	9.7	10.0
Commercial Mortgage Fund	0.0	0.0
Alternative Investment Fund	4.5	4.6
	100.0%	100.0%

Investment Returns

Annualized Net Returns on Investment Assets in Retirement Funds
Periods Ending June 30, 2013[(a)]

	5 Year	10 Year	15 Year	20 Year	25 Year
State Employees'	4.40%	6.89%	5.50%	7.44%	7.87%
Teachers'	4.58%	7.04%	5.61%	7.56%	7.97%

(a) These annualized net returns now fully incorporate the impact of the negative return on investment assets resulting from the downturn in the financial markets during the fall of 2008 through spring of 2009.

Other Retirement Systems

The other minor retirement systems funded by the State include the Judges, Family Support Magistrates and Compensation Commissioners Retirement System (the Judicial Retirement System), the General Assembly Pension System, the State Attorneys' Retirement Fund and the Public Defenders' Retirement Fund. As of June 30, 2013, there were approximately 184 active members of these plans and approximately 177 retired members.

Unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education are eligible to participate in the Connecticut Alternate Retirement Program. This program is a defined contribution program, and thus the State has no unfunded liability with respect to the program. All member contributions and State appropriations are held in a separate retirement fund by the third party administrator of the plan, who invests the fund's assets allocable to a member at the direction of such member in the investment funds available under the plan. A member may not withdraw funds from the plan unless such member has reached age 55 and has terminated from service, retired or died, provided that any member with less than five years of participation in the plan who is under the age of 55 and terminates from service may rollover such member's entire account into an eligible retirement plan.

The State is the administrator of the Connecticut Municipal Employees' Retirement System and the Connecticut Probate Judges and Employees' Retirement System. As the administrator of these systems the State owes a fiduciary obligation to these systems; however, the State has no direct financial liability to pay benefits under these systems.

Social Security and Other Post-Employment Benefits

Social Security

State employees and teachers are treated in various ways for purposes of federal social security. Most state employees are covered under social security, and most teachers are not. As of June 30, 2013, approximately 57,888 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

Category	Covered
Teachers	No
State employees under the State Employees' Retirement Fund	Yes
State employees under other retirement systems hired after 2/21/58	No
State police hired after 2/21/58 and before 5/8/84	No
State police hired after 5/8/84	Yes
Employees under the Connecticut Alternate Retirement Program hired after 7/12/90	Yes
Employees under the Connecticut Alternate Retirement Program hired before 7/12/90	Could elect

The amount expended by the State for Social Security coverage for fiscal year ending June 30, 2013 was $315.7 million. Of this amount, $206.8 million was paid from the General Fund and $13.5 million was paid from the Special Transportation Fund and the balance was recovered from other funds, including federal funds and higher education funds. The State has appropriated $240.5 million for Social Security coverage for fiscal year ending June 30, 2014. Of this amount, $224.9 million has been appropriated from the General Fund and $15.6 million has been appropriated from the Special Transportation Fund.

Other Post-Employment Benefits – State Employees

The State provides post-retirement health care and life insurance benefits to all employees who retire from State employment. The State currently finances the cost of such benefits on a pay-as-you-go basis through a transfer of an appropriation from the General Fund to a trust fund established for the payment of post-retirement health care and life insurance benefits. The State has established the trust also for the accumulation of assets with which to pay post-retirement health care benefits and post-retirement life insurance benefits to future retirees in future years. All employees hired on or after July 1, 2009 are required to contribute 3% of salary for ten years, to be deposited into the trust. Commencing July 1, 2010, employees with less than five years of service are required to contribute 3% of salary for ten years, to be deposited into the trust. SEBAC 2011 extended the requirement of trust contributions to all other State employees to be phased in beginning July 1, 2013, as follows: 0.5% of salary for fiscal year ending June 30, 2013, 2.0% of salary for fiscal year ending June 30, 2014, and 3.0% of salary for fiscal ending June 13, 2015 and thereafter, with a period of required contribution of ten years or to the beginning of retirement (whichever occurs first). As of June 30, 2013, the fair market value of the net assets within the trust totaled $143.8 million. A portion of the trust contributions are invested in the Combined Investment Funds. See also **note 15** of **Appendix III-C** hereto and **FINANCIAL PROCEDURES** herein. It is not currently anticipated that the trust will provide any significant contribution to the funding for post-retirement health care and life insurance benefits in the near future. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. For fiscal year ending June 30, 2013, General Fund expenditures on post-retirement health care and life insurance benefits were $587.4 million and $8.7 million, respectively. For fiscal year ending June 30, 2014, the projected General Fund expenditures on post-retirement health care and life insurance benefits are $548.7 million and $8.8 million, respectively. Because the plan is being funded on a pay-as-you-go basis, the amounts are much less than the annual required employer contribution payment calculated for the plan, which includes a component to amortize the UAAL.

Implementation of GASB Statement No. 45 regarding accounting and financial reporting for post-employment benefits other than pensions requires the State to obtain an analysis of the unfunded actuarial accrued liability of such post-retirement health care and life insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements commencing with those for fiscal year ending June 30, 2008. The State received an actuarial report dated February 20, 2014 ("2014 OPEB Report") with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System from The Segal Company which indicated the following as of June 30, 2013:

Actuarial Accrued Liability	$19,676.3 million	
UAAL	$19,532.5 million	
Actuarial Value of Assets	$143.8 million	Based on Market Value at June 30, 2013.
Funded Ratio	0.73%	
Annual Required Contribution	$1,271.3 million (Fiscal Year 2013) $1,525.4 million (Fiscal Year 2014) (comprised of normal cost of $480.6 million, amortization of UAAL of $999.9 million, and adjustment for timing of $44.9 million)	Based on a projected unit credit actuarial cost method and level percent-of-payroll amortization over 30 years (with 24 years remaining as of June 30, 2013).

Annual OPEB Cost	$1,560.0 million (Fiscal Year 2014)	The annual OPEB cost adjusts the annual required contribution and contribution in relation to the annual required contribution. The annual OPEB cost is the cost of OPEB actually booked as an expense for the fiscal year.

In Fiscal Year 2013, the State contributed 42.68% of the Annual Required Contribution and 41.21% of the Annual OPEB Cost.

The 2014 OPEB Report includes the following assumptions, among others:

- A discount rate of 5.7%
- Payroll growth rate of 3.75% (lowered from 4.00% in prior valuation)
- Medical cost trend rate of 7.0% graded to 5.0% over 5 years
- Drug cost trend rate of 6.0% graded to 5.0% over 5 years
- Dental and part B trend rates of 5.0%
- Projected salary increases of 0.0% to 20.0%
- Updated medical, prescription drug and dental claim costs for recent experience and adjusting trend rates for medical and prescription drug
- Explicit administrative expense of $263 (lowered from $271 in prior valuation) per participant increasing at 3% per year
- Average premium used to calculate the early retirement premiums was updated to $10,797
- Adjustment of the retiree contribution increase
- Adjustment of the assumption for Medicare Part B
- Includes certain plan changes made pursuant to revised agreements with SEBAC

For Fiscal Years 2009 through 2013, the State paid $434.6 million, $527.9 million, $490.9 million, $549.1 million and $587.4 million, respectively, for retirees' health care costs. While not a part of post-employment costs, for Fiscal Years 2009 through 2013, the State paid $521.9 million, $525.5 million, $524.6 million, $554.5 million and $597.2 million, respectively, for General Fund eligible employees' health care costs. The State has appropriated $615.9 million in the General Fund for eligible employees' and $548.7 million for retirees' health care costs in Fiscal Year 2014.

Set forth below for each of the past five fiscal years are the number of employees retired from State employment eligible to receive post-retirement health care and life insurance benefits, the number of retirees, respectively, actually receiving health care benefits and life insurance benefits, and the amount of General Fund appropriations by the State for such coverage.

TABLE 24

State Employee Retirees Health Care and Life Insurance Benefits

	Fiscal Year				
	2009	2010	2011	2012	2013
Retirees Eligible to Receive Benefits	38,736	42,556	43,086	44,770[(a)]	47,510
Retirees Receiving Health Care Benefits	38,613	42,383	42,905	44,659	45,092
Retirees Receiving Life Insurance Benefits	25,368	27,694	28,017	28,405	28,204
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions)	\$458.0	\$541.0	\$595.3[(b)]	\$574.1[(c)]	\$596.1[(d)]

(a) Prior to the conversion of the retirement payroll and retirement benefit systems in May 2013 to the same system, it was not possible to accurately account for retirees eligible but not enrolled in benefits.

(b) Of the \$595.3 million appropriated for Fiscal Year 2011, \$490.9 million was expended on retiree health care and life insurance benefits.

(c) The \$574.1 million appropriated for Fiscal Year 2012 includes a combined appropriation of \$8.9 million for active employee and retiree life insurance benefits. Of the \$574.1 million appropriation, \$562.2 million was expended on retiree health care benefits and \$4.4 million was expended on retiree life insurance benefits.

(d) The \$591.8 million appropriated for Fiscal Year 2013 includes a combined appropriation of \$8.7 million for active employees and retiree life insurance benefits. Of the \$596.1 million appropriation, \$587.4 million was expended on retiree health care benefits and \$4.4 million was expended on retiree life insurance benefits.

Other Post-Employment Benefits – Teachers

The State is required to (i) make General Fund appropriations to the Teachers' Retirement Board to cover one-third of retiree health insurance costs plus any portion of the balance of such costs that is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund; (ii) subsidize the health insurance costs of retired teachers who are not members of the Teachers' Retirement Board's health benefit plan; and (iii) provide an additional health insurance subsidy of at least \$110 per month on behalf of retired teachers who are ineligible to participate in Medicare Part A "premium free" and who pay at least \$220 per month to participate in the local board of education retiree health benefit plans. No General Fund appropriations to the Teachers' Retirement Fund to cover retiree health insurance costs were made for Fiscal Years 2010 and 2011. The State made General Fund appropriations of \$32.3 million and \$34.4 million for Fiscal Years 2012 and 2013, respectively, to subsidize the Teachers' Retirement Health Insurance Fund. The Governor's midterm budget adjustments for Fiscal Year 2013, reduced the State's appropriation from 33% to 25% (\$22.3 million) of the Medicare supplemental health insurance program, and utilized retiree drug subsidies which would have otherwise already been available to the Teachers' Retirement Health Insurance Fund, to offset, in part, the State's share of retiree health costs. The Teachers' Retirement Health Insurance Fund is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. Fund assets do not constitute plan assets for purposes of GASB Statements Nos. 43 and 45, and for actuarial valuation purposes fund assets are not treated as valuation assets available to offset the accrued liability of the plan. Since July 1, 1994, retiree health benefits sponsored through the Teachers' Retirement Board have been self-insured.

Implementation of GASB Statement No. 45 requires the State to obtain an analysis of the unfunded actuarial accrued liability of such retiree health insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements. The Teachers' Retirement Board received an actuarial valuation dated October 2012 of the State's liability as of June 30, 2012 with respect to post-retirement health care benefits for members of the Teachers' Retirement Fund and for retired teachers who are not members of the Teachers' Retirement Board's health benefit plan from Cavanaugh Macdonald Consulting, LLC. The actuarial liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on service to date) of the projected benefit payable. The report indicates an actuarial accrued liability as of June 30, 2012 of $3,048.3 million on an unfunded basis, based upon certain stated assumptions including a 4.5% earnings assumption and a 30 year amortization period and no valuation assets available to offset the liabilities of the plan. Against these liabilities, as of June 30, 2012 the plan had no present assets for valuation purposes. The actuarial valuation determined a $180.5 million employer contribution requirement for fiscal year ending June 30, 2013 and $187.2 million for fiscal year ending June 30, 2014, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions and applying a 4.5% discount rate.

Set forth below for each of the past five fiscal years are State contributions to the Teachers' Retirement Health Insurance Fund to cover retiree health insurance costs and the portions of such contribution attributable to post-retirement Medicare supplement health insurance and to the health insurance cost subsidy for retired teachers who are not members of the Board's health benefit plan, active and retired teacher's contributions, investment income, Federal drug subsidy receipts, the expenditures from the Fund, and the reported fund balance of the Fund as of June 30.

TABLE 25

Teachers' Retirement Health Insurance Fund
(In Thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund Contribution Attributable To Post- Retirement Medicare Supplement Health Insurance	$ 14,548.2	$ 2,131.2[(a)]	$ 0	$ 27,886.3	$ 21,816.2[(c)]
General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy	7,885.2	1,927.6[(a)]	0	7,372.7	5,223.9
Total General Fund Contributions	$ 22,433.4	$ 4,058.9[(a)]	$ 0	$ 35,259.0	$ 27,040.1
Teacher Contributions (Active and Retired)	70,809.5	71,992.7	72,388.4	85,483.4	85,483.6
Investment Income	1,137.0	181.0	135.4	99.1	124.5
Federal Drug Subsidy	7,061.8	8,049.2	5,312.2	14,227.1	0[(d)]
Total Receipts	$101,441.7	$ 84,281.7	$ 78,836.0	$135,068.5	$112,648.2
Fund expenditures	($ 85,195.1)	($ 91,944.6)	($ 91,852.8)	($ 96,347.4)	($101,450.5)
Fund Balance as of June 30	$ 73,785.1	$66,0720.3[(b)]	$ 53,055.5	$ 91,776.6	$102,974.3

(a) Correcting adjustment as to prior General Fund contributions; does not reflect an actual receipt.

(b) An administrative review of the Fund determined that the reported fund balance as of June 30, 2010 was overstated by approximately $2.0 million. A correcting adjustment was made as of June 30, 2011.

(c) Includes Retiree Federal Drug Subsidy of $10,203,832.

(d) Retiree Federal Drug Subsidy amount of $10,203,832 included in General Fund Contribution Attributable to Post-Retirement Medicare Supplement Health Insurance above.

Additional Information

The audited financial statements for Fiscal Year 2013 which are included as **Appendix III-C** hereto, and in particular notes 11 through 15 and note 17 and the required PERS Supplementary Information of the accompanying Basic Financial Statements, provide additional information about the foregoing retirement systems and their funding. In addition, paragraph B of note 26 of such financial statements identifies a contingent liability of the State to pay pension liabilities of certain persons who are not employees of the State.

The cumulative value of the annual differences between the State's contribution to a public employee pension or OPEB plan and the actuarially recommended contribution to the plan for that fiscal year constitutes the "net pension obligation" or "net OPEB obligation" of the State with respect to such plan, and is reported as a liability in the State's financial statements. The net pension obligation or net OPEB obligation of the State with respect to a plan is not the equivalent of the State's actuarial accrued liability with respect to such plan.

LITIGATION

The State and its officers and employees are parties to numerous legal proceedings, many of which normally occur in government operations. The final outcomes of most of these legal proceedings are not, in the opinion of the Attorney General, either individually or in the aggregate 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, either individually or in the aggregate may require the State to make material future expenditures or may impair revenue sources. It is not possible to determine the impact that the outcomes of these proceedings, either individually or in the aggregate, could have on the State's financial position. Among these proceedings, an adverse judgment in the matters described below, in the opinion of the Attorney General, individually could have a fiscal impact on the State of $50 million or more.

Sheff v. O'Neill is a Superior Court action originally brought in 1989, on behalf of school children in the Hartford school district. In 1996, the State Supreme Court reversed a judgment the Superior Court had entered for the State, and remanded the case with direction to render a declaratory judgment in favor of the plaintiffs. The Court directed the legislature to develop appropriate measures to remedy the racial and ethnic segregation in the Hartford public schools. The Supreme Court also directed the Superior Court to retain jurisdiction of this matter. The 1997 General Assembly enacted P.A. 97-290, An Act Enhancing Educational Choices and Opportunities, in response to the Supreme Court decision.

In December 2000 the plaintiffs filed a motion seeking to have the Superior Court assess the State's compliance with the State Supreme Court's 1996 decision. Before the Court ruled upon that motion the parties reached a settlement agreement, which was deemed approved by the General Assembly and approved by the Superior Court on March 12, 2003. That agreement obliged the State over a four year period to institute a number of measures and programs designed to advance integration for Hartford students. That agreement expired in June 2007 but the State and the plaintiffs have subsequently negotiated a number of follow on agreements obligating the State to programming and other efforts designed to promote achievement of specified integration goals. Most recently, the parties negotiated a stipulation that would govern the parties obligations through June 2015. The latest proposed agreement, which establishes a target of 44% of Hartford resident minority students in integrated settings, must be approved during the next general legislative session commencing in February 2014. If the legislature disapproves the settlement agreement, it is null and void, in which case the plaintiffs would be entitled to seek relief to enforce the judgment in the Superior Court, although it is likely that legislative disapproval would lead to further negotiations towards a revised agreement.

S*tate Employees Bargaining Agent Coalition v. Rowland* is a Federal District Court case originally brought in 2003 in which a purported class of laid off State employees have sued the Governor and the Secretary of the Office of Policy and Management alleging that they were laid off in violation of their constitutional rights. The plaintiffs claim back wages, damages, attorneys' fees and costs. The defendants moved to dismiss the action based on absolute immunity, and that motion was denied on January 18, 2005. The defendants appealed that decision to the U.S. Court of Appeals. On July 10, 2007 the U.S. Court of Appeals remanded the case back to the District Court for trial. The parties subsequently entered into a stipulation of facts and then filed cross-motions for summary judgment on all remaining claims. By order dated May 31, 2013, the Second Circuit sustained the appeal directing that summary judgment be entered in plaintiff's favor on the official capacity claims and remanding for entry of appropriate equitable relief. In addition, the remand order requires that the individual capacity claims against the former Governor and Secretary of the Office of Policy and Management proceed through discovery and eventually trial. The Attorney General filed a petition for writ of certiorari seeking review of the official capacity claims by the United States Supreme Court, as did the individual capacity defendants. A motion to stay the Second Circuit's mandate pending the defendants' petitions for writ of certiorari was granted. Subsequently, the Attorney General withdrew his petition without prejudice to refiling if necessary upon entry of final judgment. The withdrawal was in response to an invitation by the plaintiffs to commence settlement negotiations. The parties anticipate that further activity in the case and related state court litigation will remain stayed pending settlement discussions. The individual capacity defendant's petition for writ of certiorari remains pending.

The same purported class has brought related state law claims in State Court under the caption ***Conboy v. State of Connecticut***. On October 20, 2006 the Superior Court in ***Conboy v. State of Connecticut*** denied the State's motion to dismiss, and the State has appealed. The appeal has been denied and the case has been remanded to the trial court for further proceedings. By agreement of the parties, proceedings in the state court action have been stayed pending disposition of the federal court action.

State of Connecticut v. Philip Morris, Inc., et al. is the action that resulted in the 1998 Master Settlement Agreement ("MSA"), through which Connecticut and fifty-one other states and territories resolved their claims against the major domestic tobacco manufacturers. The Connecticut Superior Court retains continuing jurisdiction over disputes involving the MSA. From 2006 through 2013, the State was engaged in litigation and arbitration against tobacco companies that participate in the MSA regarding the calculation of the companies' payments to the State for the year 2003. A multistate arbitration proceeding regarding the calculation of the 2003 payments was convened in 2010. In 2013, during the course of the arbitration, almost half of the states entered into an agreement with the manufacturers to settle the outstanding Non-Participating Manufacturer Adjustment ("NPM Adjustment") disputes for the years 2003-2014, and to alter some of the ground rules for future NPM Adjustment disputes. Connecticut joined that settlement, which was approved by the arbitration panel, but which was subsequently challenged in the state courts of at least a dozen states that had rejected the settlement. Most of those state court challenges to the settlement are still pending, but to date, no state court has ruled that the settlement is invalid. In theory, a state court could rule that the settlement is invalid and invalidate certain payments made to the states that joined the settlement, to the extent those payments came from a special escrow account known as the Disputed Payments Account. In the case of Connecticut, the total amount of money paid to the State from that account for the years from 2003 to 2013 is roughly $97 million. In light of the fact that none of the states challenging the settlement has named *any* of the settlement party states as a defendant, it is unlikely that any state court would find that it has jurisdiction to rescind payments made to Connecticut or any other settlement party states from the Disputed Payments Account.

In ***Connecticut Coalition for Justice in Education Funding et al. v. Rell, et al.***, brought in Hartford Superior Court in 2005, the plaintiffs are a non-profit coalition comprised of parents, teachers, school administrators and educational advocates, as well as several parents on behalf of their minor children who reside in selected rural, suburban and urban municipalities in the State. Plaintiffs claim the students' State constitutional rights to a free public education under Article VIII, Section 1, equality of rights under Article I, Section 1 and equal protection of the laws under Article I, Section 20 are being violated by the alleged inequitable and inadequate financing of their schools by the State. In particular, plaintiffs claim for a variety of reasons that the State's primary statutory mechanism for the distribution of State aid for public schools currently fails to ensure both substantially equal educational opportunities and a suitable education for some students, as purportedly reflected by both the educational challenges they face and their poor performance on state standardized measures. The action seeks a declaratory judgment from the Court, an injunction against the operation of the current system, an order that a new system be devised, the appointment of a special master to oversee such activities, continuing Court jurisdiction and attorney fees and costs under 42 USC § 1983, on the grounds that minority students have been disproportionately impacted. The court ruled that the Coalition, as opposed to the other plaintiffs, lacks legal standing to pursue the claims. The plaintiffs sought to replead to overcome the impact of this ruling. The defendants moved to strike the plaintiffs' claims for a "suitable" education under the State Constitution. On September 17, 2007 the Superior Court issued a ruling granting the State's motion to strike three counts of the plaintiffs' complaint. After the Court's ruling, one count of the plaintiffs' complaint remained, alleging that the plaintiffs have been denied substantially equal education opportunity in violation of the State constitution. The State did not move to strike that count. The plaintiffs sought and obtained permission to appeal immediately to the Connecticut Supreme Court. On March 30, 2010 a plurality of the Supreme Court reversed the trial court, ruled that the State Constitution guarantees public school students a right to suitable educational opportunities and remanded the case for a determination of whether such opportunities are being provided. The Court has established a schedule for discovery and scheduled a trial to commence in 2014 and has dismissed the State's motion to dismiss the operative complaint. The State is seeking to modify the scheduling order, including by extending the trial date currently set for 2014.

Indian Tribes. It is possible that claims for land and/or sovereignty over land areas that are part of the State of Connecticut could be brought by Indian groups who have petitioned the Federal Government for Federal recognition. In any of the land claims matters, irrespective of whether federal recognition is granted, denied or upheld, a particular tribe could institute or renew land claims against the State or others, or press the claims it has already asserted. Currently, the federal Bureau of Indian Affairs is considering regulations that could give Connecticut tribes previously denied Federal tribal recognition – such as the Schaghticoke Tribal Nation and the Eastern Pequot Tribe – another opportunity to seek it and to do so under relaxed standards.

Bouchard v. State Employees Retirement Commission is a state court proceeding representing an administrative appeal from a denial by the State Employees Retirement Commission of a request to recalculate the pensions of three retirees, based on the 2007 case of ***Longley v. State Employees Retirement Commission*** and its progeny. In ***Longley*** the State Supreme Court held that the State Employees Retirement Commission was required to include a retiree's final prorated longevity payment in their final year salary, for the purpose of calculating retirement benefits. The State Employees Retirement Commission initially interpreted ***Longley***, with the exception of the ***Longley*** plaintiffs, as prospective in application. In April 2009, the State Employees Retirement Commission adopted a resolution to extend ***Longley*** retroactively to October 2, 2001. The plaintiffs in ***Bouchard*** et al, comprise State employees who retired prior to October 2, 2001, who have appealed the denial and seek a recalculation of current pension benefits, an award of past underpayment of benefits and attorney's fees. This case has been certified as a class action. The class approximates 18,000 retirees. Currently, the matter is in the discovery stage.

INDEX TO APPENDICES

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Appendix III-A

GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

The components and structure of State governmental organization are laid out in the State's Constitution and the General Statutes of Connecticut. A number of State-wide and regional authorities and similar bodies are also created or provided for in the General Statutes or by Special Act of the General Assembly. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within the cities and towns. A number of regional bodies exist to perform governmental functions that would otherwise be performed at the local level. Most of the State's 169 cities and towns were established or incorporated during the 18th and 19th centuries, and many are still governed under charters enacted by the General Assembly by Special Act. The State's Constitution grants home rule powers to cities and towns, within certain limitations. A large number of smaller municipalities lack charters, and the components and structure of these municipalities are determined directly by the General Statutes. The General Statutes also contain a variety of provisions pertaining to the organization and operation of all units of local government, including both those with charters and those without. In addition to the 169 cities and towns that are the basic units of local government in Connecticut, the General Statutes provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. These include, among others, local housing authorities, regional school districts, and a variety of special tax and service districts.

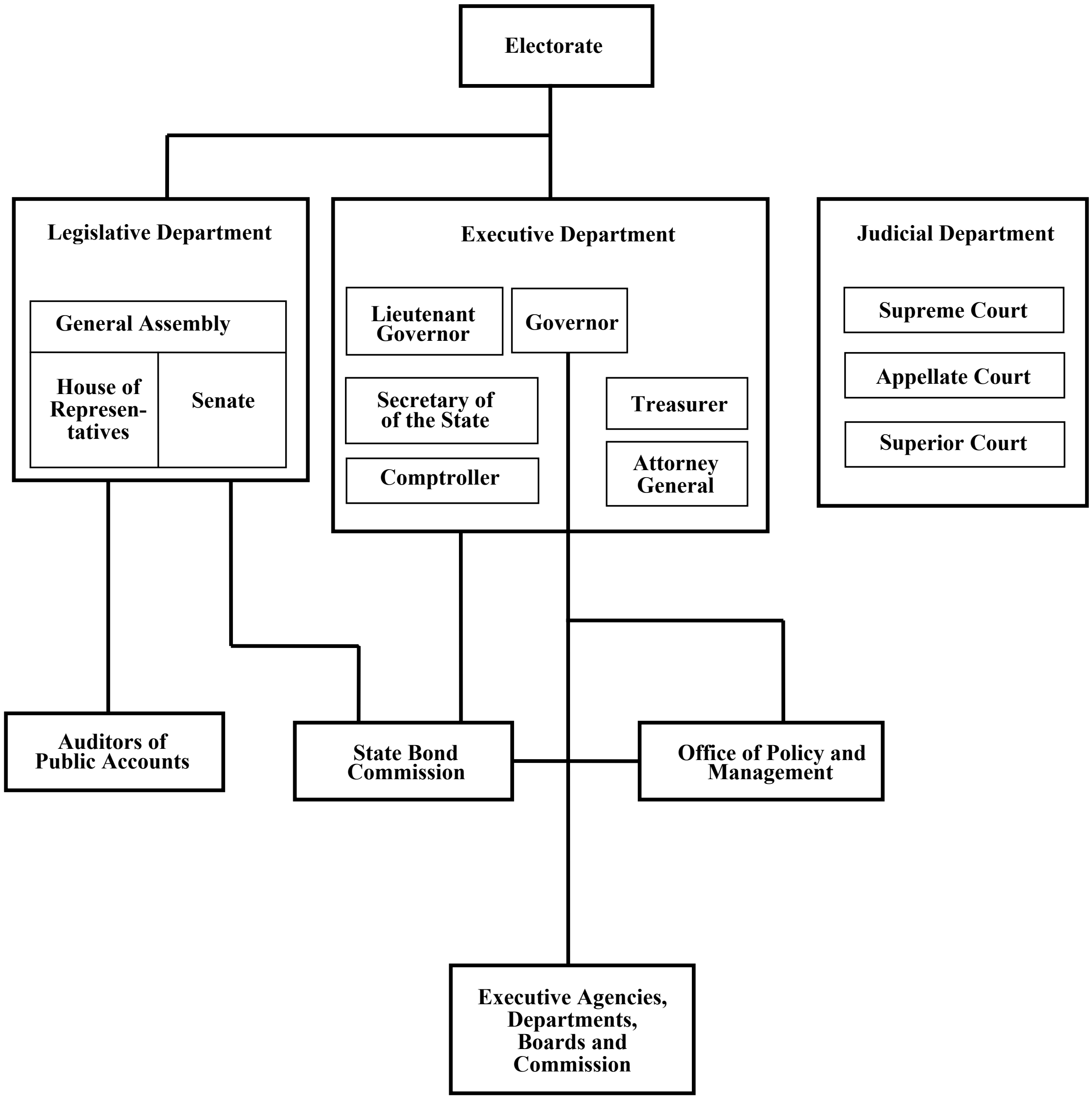
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute to file petitions to become debtors under Chapter Nine of Title 11 of the Federal Bankruptcy Code without the prior written consent of the Governor.

State Government Organization

Under the State Constitution, the legislative, executive and judicial functions and powers of State government are divided among three distinct branches referred to in the Constitution as "departments": the legislative department, the executive department and the judicial department. The following table shows the structure of the three departments.

TABLE A-1

Structure of State Government



Legislative Department. Legislative power is vested in the General Assembly, composed of the Senate and House of Representatives. Currently the Senate consists of 36 members, each representing a single senatorial district, and the House of Representatives consists of 151 members, each representing a single assembly district. Both the number of members and the boundaries of the legislative districts may vary in accordance with the requirements of the State's Constitution. The General Assembly is assisted by a full-time staff. General Assembly employees are included under the legislative function in **Tables A-2** and **A-3** below.

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2012, and the new members took office in January 2013.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or any actual or contemplated breakdown in the safeguarding of any resources of the State promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables A-2** and **A-3** below.

Executive Department. The Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 2010 for terms beginning in January 2011. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and, on request, rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables A-2** and **A-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table A-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. By statute, there are 201 authorized Superior Court judges, with approximately 165 sitting judges as of December 1, 2013, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

On July 1, 1983 the Appellate Court was created and the appellate session of the Superior Court was dissolved. The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are nine Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the Supreme Court unless specifically provided by statute. The Supreme Court consists of seven

Justices (one Chief Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 54 probate districts situated throughout the State.

Employees of the judicial department are shown in **Tables A-2** and **A-3** under the judicial function heading.

Quasi-Public Agencies. In addition to the budgeted components of State government provided for in the State's Constitution and the General Statutes, important State-wide governmental functions are performed by quasi-public agencies, authorities and similar bodies created under the General Statutes. A number of these entities receive significant funding from the State, although they are not budgeted agencies of the State. Each of these entities is governed by a board of directors chosen in accordance with its respective enabling statute. These boards generally include legislative appointees, gubernatorial appointees and ex-officio directors holding certain executive branch offices.

State Employees

Employment Statistics. Statistics regarding approximate filled permanent full-time positions within budgeted components of State government are shown on the following two tables.

TABLE A-2

State Employees[(a)]
By Function of Government

Function Headings[(b)]	2009	2010	2011	2012	2013
Legislative	681	651	680	678	660
General Government	3,497	3,312	3,328	3,028	3,064
Regulation and Protection	4,373	4,133	4,276	4,084	4,188
Conservation and Development	1,356	1,306	1,347	1,424	1,367
Health and Hospitals	7,551	7,049	6,874	6,534	7,082
Transportation	4,029	4,068	3,878	3,646	3,759
Human Services	1,913	1,876	1,911	1,923	1,817
Education	16,486	16,474	17,217	17,272	16,129
Corrections	9,612	9,057	9,020	8,590	8,446
Judicial	4,516	4,435	4,454	4,299	4,479
Total	54,014	52,361	52,985	51,478	50,991

(a) Table shows count of employees by fund category and function of government paid in April of each year. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) A breakdown of the budgeted agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table A-5**.

SOURCE: Office of Policy and Management

TABLE A-3

State Employees as of June 30, 2013[a][b]
By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	TOTALS
Legislative	660					660
General Government	2,777	1	13	146	127	3,064
Regulation and Protection	2,123	588	402	786	289	4,188
Conservation and Development	865		111	56	335	1,367
Health and Hospitals	6,412	3	7		660	7,082
Transportation		2,713		1,046		3,759
Human Services	1,754		9		54	1,817
Education	4,940			11,038	151	16,129
Corrections	8,354			73	19	8,446
Judicial	4,364		67		48	4,479
Total	32,249	3,305	609	13,145	1,683	50,991

(a) Table shows a count of employees by fund categories. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) Reflects funding source based on Core-CT chart of accounts coding.

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guarantee State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 34 such bargaining units representing State employees.

The General Statutes establish the general parameters of the collective bargaining process with respect to bargaining units representing State employees. At any given point in time, there are generally a number of collective bargaining units with agreements under negotiation. All collective bargaining agreements require approval of the General Assembly. The General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject any such agreement as a whole by a majority vote of either house. Subject to certain parameters set forth in the General Statutes, if the State and the bargaining unit are unable to reach an agreement, one or both parties may initiate arbitration. The award of the arbitrator shall be final and binding upon the parties unless rejected by the legislature. An arbitration award may be rejected in whole by a two-thirds vote of either house of the General Assembly upon a determination that there are insufficient funds for full implementation of the award.

The General Statutes deny State employees the right to strike. Questions concerning employment or bargaining practices prohibited by the sections of the General Statutes governing collective bargaining with regard to State employees may generally be brought before the State Board of Labor Relations.

Information regarding employees participating in collective bargaining units and employees not covered by collective bargaining is shown in the following table:

TABLE A-4

Full-Time Work Force
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

Bargaining Unit/Status Group	Percentage of State Employees Represented[(a)]	Contract Status, if any
Covered by Collective Bargaining		
Administrative and Residual (P-5)	5.83%	Contract in place through 6/30/2016
Administrative Clerical (NP-3)	7.15	Contract in place through 6/30/2016
Community Technical Colleges -Counselors/Librarians	0.02	Contract in place through 6/30/2016
Community Technical Colleges-Faculty	0.39	Contract in place through 6/30/2016
Community Colleges-Faculty –10 & 12 Months	1.24	Contract in place through 6/30/2016
Correctional Officers	8.83	Contract in place through 6/30/2016
Correctional Supervisors	0.86	Contract in place through 6/30/2012[(b)]
Criminal Justice Inspectors A & B	0.14	Contract in place through 6/30/2016
Criminal Justice Residuals	0.25	Contract in place through 6/30/2016
CT Association of Prosecutors	0.48	Contract in place through 6/30/2016
DHE-Professional Employees	0.06	Contract in place through 6/30/2016
Education Administrative (P-3A)	0.49	Contract in place through 6/30/2016
Education Technical (P-3B)	1.28	Contract in place through 6/30/2016
Engineering, Scientific and Technical (P-4)	4.82	Contract in place through 6/30/2016
Health Care Unit-Professional (P-1)	5.92	Contract in place through 6/30/2016
Health Care Unit-Non-Professional (NP-6)	6.17	Contract in place through 6/30/2016
Judicial – Non-Professional	2.74	Contract in place through 6/30/2016
Judicial - Professional	2.57	Contract in place through 6/30/2016
Judicial Marshals	1.36	Contract in place through 6/30/2016
Judicial Supervising Marshals	0.11	Contract in place through 6/30/2013[(b)]
Protective Services (NP-5)	1.57	Contract in place through 6/30/2016
RCTC Admin	1.01	Contract in place through 6/30/2016
Services/Maintenance (NP-2)	7.48	Contract in place through 6/30/2016
Social Services (P-2)	7.65	Contract in place through 6/30/2016
State Police (NP-1)	2.03	Contract in place through 6/30/2015
State Police Lieutenants & Captains (NP-9)	0.08	Contract in place through 6/30/2016
State University-Faculty	2.89	Contract in place through 6/30/2016
State University- Non-Faculty Professional	1.46	Contract in place through 6/30/2016
Technical Colleges - Administrators	0.13	Contract in place through 6/30/2016
University-Faculty	3.15	Contract in place through 6/30/2016
University-Non-Faculty Professional	3.53	Contract in place through 6/30/2016
University Health Center-Faculty	1.09	Contract in place through 6/30/2016
University Health Center-Non-Faculty Professional	4.49	Contract in place through 6/30/2016
Vocational Schools-Faculty	2.25	Contract in place through 6/30/2016
Total Covered by Collective Bargaining	89.52%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.23%	Not Applicable
Other Employees	10.25%	Not Applicable
Total Not Covered by Collective Bargaining	10.48%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 49,104 filled full-time positions as of June 30, 2013.

(b) Currently in negotiation.

SOURCE: Office of Policy and Management

Governmental Services

Services provided by the State or financed by State appropriations are classified under one of ten major government function headings or are classified as "non-functional". These function headings are used for the State's General Fund and for other funds of the State used to account for appropriated moneys. State agencies, boards, commissions and other bodies are each assigned to one of the function headings for budgeting purposes. The following table shows a breakdown of the government function headings according to the major agencies, boards, commissions and other bodies assigned to them.

TABLE A-5

Function of Government Headings [a][b]

Legislative
Legislative Management
Auditors of Public Accounts
Commission on Aging
Commission on the Status of Women
Commission on Children
Latino and Puerto Rican Affairs Commission
African-American Affairs Commission
Asian Pacific American Affairs Commission

General Government
Governor's Office
Lieutenant Governor's Office
Secretary of the State
Office of Governmental Accountability
State Treasurer
State Comptroller
Department of Revenue Services
Office of Policy and Management
Department of Veterans' Affairs
Department of Administrative Services
Attorney General
Division of Criminal Justice

Regulation and Protection
Department of Emergency Services and Public Protection
Department of Motor Vehicles
Military Department
Department of Banking
Insurance Department
Office of Consumer Counsel
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Commission on Human Rights and Opportunities
Office of Protection and Advocacy for Persons with Disabilities
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Energy and Environmental Protection
Council on Environmental Quality
Department of Economic and Community Development
Department of Housing
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of the Chief Medical Examiner
Department of Developmental Services
Department of Mental Health and Addiction Services
Department of Rehabilitation Services

Transportation
Department of Transportation

Human Services
Department of Social Services
State Department on Aging
Soldiers, Sailors, and Marines' Fund

Education, Libraries and Museums
Department of Education
State Library
Office of Early Childhood
University of Connecticut
University of Connecticut Health Center
Board of Regents for Higher Education
Office of Higher Education
Teachers' Retirement Board

Corrections
Department of Correction
Department of Children and Families

Judicial
Judicial Department
Public Defender Services Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.

(b) Listing of agencies, boards, commissions and similar bodies is as of July 1, 2013.

SOURCE: Office of Policy and Management

In addition to services provided directly by the State, various State-wide and regional quasi-public agencies, authorities and similar bodies also provide services. Such entities principally assist in the financing of various types of facilities and projects. In addition to their own budgetary resources and the proceeds of their borrowings, a number of such entities have received substantial funding from the State, which the entities generally use to provide financial assistance to the general public and the private and nonprofit sectors.

Because Connecticut does not have an intermediate county level of government between State and local government, local entities provide all governmental services not provided by the State and quasi-public agencies. Such services are financed principally from property tax revenues, State funding of various types and federal funding.

Department of Emergency Services and Public Protection. The Department of Emergency Services and Public Protection is responsible for directing and coordinating all available resources to protect the life and property of the citizens of Connecticut in the event of a disaster or crisis, including an emergency relating to homeland security. Through the Division of Emergency Management and Homeland Security (DEMHS), the Department directs the preparation of state emergency plans, which are submitted to the Governor for approval. For planning purposes, DEMHS has given priority for preparedness to the following potential scenarios: (i) a Category 3 hurricane hitting the State coast and all of New England, (ii) a large scale terrorist attack in New York City, and (iii) a release of contamination from the Millstone Power Plant. DEMHS also operates the State fusion center – the Connecticut Intelligence Center, a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other related groups. Pursuant to the Connecticut General Statutes, the Commissioner of the Department is required to file an annual report each January to the joint standing committee of the General Assembly having cognizance of matters relating to public safety, which report specifies and evaluates statewide emergency management and homeland security activities during the preceding calendar year.

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STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. Over one quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of the State.

Economic Resources

Population Characteristics. Connecticut had a population count of 3,574,097 in April 2010, an increase of 168,532, or 4.9%, from the 3,405,565 figure of 2000. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past four decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 3.8% from 2002 to 2012 versus 3.1% in New England and 9.1% for the nation. The mid-2012 population in Connecticut was estimated at 3,590,347 up 0.1% from a year ago, compared to increases of 0.3% and 0.7% for New England and the United States, respectively. From 2002 to 2012, within New England, only New Hampshire (4.1%) experienced growth higher than Connecticut (3.8%); while Massachusetts (3.6%), Maine (2.6%), Vermont (1.7%) and Rhode Island (-1.5%) all experienced lower growth.

TABLE B-1

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
2010 Census	3,574	4.9	14,445	3.7	308,746	9.7
2003….	3,484	0.7	14,182	0.4	290,108	0.9
2004….	3,496	0.3	14,207	0.2	292,805	0.9
2005….	3,507	0.3	14,217	0.1	295,517	0.9
2006….	3,517	0.3	14,246	0.2	298,380	1.0
2007….	3,527	0.3	14,279	0.2	301,231	1.0
2008….	3,546	0.5	14,340	0.4	304,094	1.0
2009….	3,562	0.5	14,404	0.4	306,772	0.9
2010….	3,579	0.5	14,465	0.4	309,326	0.8
2011….	3,589	0.3	14,518	0.4	311,583	0.7
2012….	3,592	0.1	14,563	0.3	313,874	0.7
2013….	3,596	0.1	14,619	0.4	316,129	0.7

Note: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2003-2013 Mid-year estimates. Estimates for New England include the sum of six states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The State is highly urbanized with a 2012 population density of 741 persons per square mile, as compared with 88 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2010 Census count, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

Education. In 2012 Connecticut ranked 3rd in the nation with 16.6% of the state population over the age of 25 holding an advanced degree and 37.1% of the same population holding a college degree or higher.

Connecticut is home to over 45 colleges and universities, including among others: Yale University, Wesleyan University, Trinity College, Connecticut College, University of Connecticut, Southern Connecticut State University, Central Connecticut State University, Eastern Connecticut State University, Western Connecticut State University, Fairfield University, Quinnipiac University, Hartford Seminary, Coast Guard Academy, University of New Haven, University of Hartford, and Sacred Heart University.

Industry Landscape. Connecticut is home to some of the country's leading companies, including the following members of the 2013 Fortune 500: General Electric, United Technologies, Aetna, Xerox, Cigna, Hartford Financial Services, Praxair, Stanley Black & Decker, Terex, Emcor Group, Starwood Hotels & Resorts, Priceline.com, Pitney Bowes, Frontier Communications, and W.R. Berkley. The historical presence of the insurance industry in the State, and especially in its capital city of Hartford, has caused it to be referred to as the "insurance capital of the world".

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Bradley International Airport, in Windsor Locks, currently offers 105 weekday departures to 28 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. It is accessible from all areas of the State and western Massachusetts.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads as well as direct access to Canadian markets. In addition, Connecticut's proximity to the ports of New York and Boston provides it with access to European and South American export markets. The State's harbors at Bridgeport, New Haven, and New London can accommodate deep draft vessels.

The Connecticut Department of Transportation subsidizes and oversees the operations of both rail commuter services and bus services. The New Haven Line (including the Waterbury, Danbury and New Canaan branch lines) and Shore Line East Line provide commuter rail services for stations between New London and New York City for approximately 40 million passengers per year. The State supports urban transit, commuter express bus, rural transit and Americans with Disabilities Act paratransit services carrying approximately 42 million passengers per year. This service is provided by state-owned CT Transit services in 8 urbanized areas, and by 13 independent urban and rural transit districts. In addition, the Department supports carpooling, vanpooling, telecommuting and other transportation demand management programs statewide.

Utility Services. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, Massachusetts and Rhode Island. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system, the Regional Transmission Organization for New England. An independent system operator, ISO New England, Inc., operates this regional system.

Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. Since July 2000 most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. Consumers that do not choose an independent electric supplier will automatically be placed on Connecticut's standard service. The electricity is delivered to the consumer over the wires of the regulated distribution companies (Connecticut Light & Power Company and The United Illuminating Company). Electric suppliers are not subject to rate regulation by the State Public Utilities Regulatory Authority (PURA), formerly known as the Department of Public Utility Control (DPUC), but must receive a license issued by the PURA before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory are not subject to the 1998 restructuring legislation. These consumers continue to purchase and receive their electrical needs from the municipal electric company.

Legislation enacted in 2011 merged PURA under a new Department of Energy and Environmental Protection (DEEP) structure, where it continues its mandates related to rates, reliability and safety, but now must also be guided in accordance with the goals of DEEP as outlined in its Integrated Resource Plan and Comprehensive Energy Strategy. These include a focus on clean energy, creating jobs and building a state energy economy. The legislation declares DEEP as a successor to the PURA, and divides DEEP into 3 bureaus, Energy, Environmental Protection and PURA. This legislation also established the position of a procurement manager which now resides within PURA.

The procurement manager is responsible for developing a plan for the procurement of electric generation services and related wholesale electricity market products that will enable each electric distribution company to manage a portfolio of contracts to reduce the average cost of "standard service" while maintaining "standard service" cost volatility within reasonable levels.

Lastly, the legislation created a quasi-public authority, the Clean Energy Finance and Investment Authority (CEFIA) to administer the Clean Energy Fund which is funded by a charge on consumer's electric bills. Pursuant to legislation, CEFIA's scope was expanded to include more types of projects the fund can support with respect to the financing of clean energy sources and energy efficiency.

Natural gas is delivered to Connecticut through pipelines that traverse the State. Natural gas pipeline supplies are generally shipped to Connecticut from Canada and the Gulf of Mexico area. Connecticut also receives natural gas through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by tanker ships. Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Yankee Gas Services Company, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, UIL Holdings Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. UIL Holdings Corp., the parent company of The United Illuminating Company, is a New Haven, Connecticut-based utility holding company. Yankee Gas was acquired by Northeast Utilities.

Since 1996 the PURA has allowed some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also open to competition. Local exchange telephone service is provided in the State by local exchange carriers (LECs) and competitive local exchange carriers (CLECs). Two LECs currently offer local telephone services in Connecticut. They are AT&T and Verizon New York, Inc. Connecticut also has approximately 105 CLECs certified to provide local exchange services including Comcast Phone of Connecticut, Inc., Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can affect Connecticut's local oil markets.

Although Connecticut is heavily dependent upon petroleum, the State is ranked one of the most efficient states for energy consumption. According to the most recent available data from the Energy Information Administration, an independent agency within the U.S. Department of Energy that collects and analyzes energy data, Connecticut consumed 3.7 thousand British Thermal Units (BTU) per 2005 chained dollar of Gross State Product in 2011, the latest available data, ranking it the most efficient state among the 50 states and 49.3% less than the national average of 7.3 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 206.8 million BTU of energy per person in 2011, ranking it 49th among the 50 states and 33.8% less than the national average of 312.6 million BTU.

Connecticut energy prices, including gasoline, natural gas and heating oil, remained high in most of 2013, with the exception of natural gas prices that have fallen to historic lows due to increased supply. The abundance of natural gas resulted from the development of horizontal drilling and hydraulic fracturing in U.S. shale formations. Higher energy prices impact consumer and investment spending as well as economic growth.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. In calendar year 2012, per capita personal income in Connecticut equaled $59,687, the highest of any state in the nation. This high level of personal income is not concentrated in a single county, but is widely distributed throughout the State. County-level data from the United States Department of Commerce, Bureau of Economic Analysis for calendar year 2012 indicates that if they were states, five of the State's eight counties would each rank within the top ten of all states in the nation for state per capita personal income. Seven of the State's eight counties would rank within the top twenty. The eighth county, Windham, would rank 34th in the nation. The following table shows total and per capita personal income for Connecticut residents during the period from 2003 to 2012 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-2
Connecticut Personal Income by Place of Residence

	Connecticut		Connecticut Per Capita as Percent of	
Calendar Year	**Total (Millions of Dollars)**	**Per Capita (Dollars)**	**New England**	**United States**
2003	$152,691	$43,822	111.9%	134.1%
2004	163,235	46,691	113.0	136.1
2005	171,490	48,900	113.7	136.3
2006	184,956	52,582	114.1	137.9
2007	196,405	55,682	115.1	139.9
2008	198,982	56,121	113.6	137.3
2009	191,313	53,712	111.5	136.5
2010	197,839	55,315	111.9	137.7
2011	207,162	57,758	111.3	136.6
2012	214,297	59,687	111.4	136.5

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the annual growth rate of personal income, on a current and constant dollar basis, of Connecticut, New England and the United States.

TABLE B-3

Annual Growth Rates in Personal Income By Place of Residence

Calendar Year	Conn. (Current)	New England (Current)	U.S. (Current)	Conn. (Constant)	New England (Constant)	U.S. (Constant)
2003	2.0%	2.8%	3.6%	0.0%	0.8%	1.6%
2004	6.9	5.7	5.9	4.1	2.9	3.1
2005	5.1	4.1	5.6	1.8	0.9	2.3
2006	7.9	7.4	7.3	4.6	4.2	4.1
2007	6.2	5.3	5.4	3.4	2.5	2.7
2008	1.3	2.6	3.7	(0.6)	0.6	1.7
2009	(3.9)	(2.1)	(2.9)	(4.6)	(2.8)	(3.6)
2010	3.4	3.0	2.9	2.2	1.8	1.7
2011	4.7	5.4	6.1	2.7	3.4	4.0
2012	3.4	3.6	4.2	1.7	1.8	2.4

Note—Constant dollars are adjusted for inflation using the GDP deflator.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the sources of personal income by place of residence for Connecticut and the United States in 2012.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2012
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$ 94,518	44.1%	$ 6,184,507	45.0%
Property Income (Div., Rents & Int.)	45,332	21.2	2,495,206	18.2
Wages in Manufacturing	13,509	6.3	735,748	5.4
Transfer Payments less Social Insurance Paid	15,959	7.4	1,408,639	10.3
Other Labor Income	24,856	11.6	1,678,773	12.2
Proprietor's Income	20,123	9.4	1,226,190	8.9
Personal Income — Total	$214,297	100.0%	$13,729,063	100.0%

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State's and the region's economic vitality are evidenced in the rate of growth of their respective Gross State Products. The State's Gross State Product is the current market value of all final goods and services produced by labor and property located within the State.

In 2012, the State produced $229.3 billion worth of goods and services and $197.2 billion worth of goods and services in 2005 chained dollars.

The following table shows the Gross State Product in current dollars for Connecticut, New England, and the United States.

TABLE B-5

Gross State Product
(In Millions)

Calendar Year	Connecticut $	Connecticut Percent Growth	New England[a] $	New England[a] Percent Growth	United States[b] $	United States[b] Percent Growth
2003	174,295	3.2	623,087	3.6	11,512,275	4.8
2004	187,545	7.8	658,372	5.7	12,277,025	6.6
2005	196,304	4.7	685,766	4.2	13,095,425	6.7
2006	209,485	6.7	720,729	5.1	13,857,900	5.8
2007	221,134	5.6	751,779	4.3	14,480,350	4.5
2008	219,450	(0.8)	760,815	1.2	14,720,250	1.7
2009	217,102	(1.1)	758,615	(0.3)	14,417,950	(2.1)
2010	221,767	2.1	785,547	3.6	14,958,300	3.7
2011	225,412	1.6	805,773	2.6	15,533,825	3.8
2012	229,316	1.7	829,745	3.0	16,244,575	4.6

(a) Sum of the New England States' Gross State Products.
(b) Denotes the Gross Domestic Product, which is the total market value of all final goods and services produced in the U.S.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 2005 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2005 Chained Dollars*)

Calendar Year	Connecticut $	Connecticut Percent Growth	New England $	New England Percent Growth	United States $	United States Percent Growth
2003	184,469	0.6	658,822	1.6	13,270,025	2.8
2004	193,548	4.9	678,693	3.0	13,774,000	3.8
2005	196,307	1.4	685,766	1.0	14,235,575	3.4
2006	203,431	3.6	699,902	2.1	14,615,200	2.7
2007	208,854	2.7	710,413	1.5	14,876,800	1.8
2008	202,473	(3.1)	704,478	(0.8)	14,833,575	(0.3)
2009	195,237	(3.6)	686,034	(2.6)	14,417,925	(2.8)
2010	197,613	1.2	704,983	2.8	14,779,350	2.5
2011	197,452	(0.1)	712,290	1.0	15,052,375	1.8
2012	197,202	(0.1)	721,137	1.2	15,470,725	2.8

* 2005 chained dollar series are calculated as the product of the chain-type quantity index and the 2005 current-dollar value of the corresponding series, divided by 100. Figures for the United States represent Gross Domestic Product.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's economy. The table shows that in 2012 Connecticut's production was concentrated in three areas: finance, insurance and real estate (FIRE), services and manufacturing.

Production in these three industries accounted for 69.5% of total production in Connecticut compared to 68.5% in 2005 and 60.0% for the nation in 2012. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

The output contribution of manufacturing, however, has been declining over time as the contributions of FIRE and services have been increasing. The share of production from the manufacturing sector decreased from 12.1% in 2005 to 10.5% in 2012 caused by increased competition with foreign countries and other states. The broadly defined services in the private sector, which excludes industries in agriculture and construction, wholesale and retail trades, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have increased slightly to 63.2% of the total GSP in 2012 from 60.4% in 2005. The broadly defined services in the private sector increased by 22.2% from 2005 to 2012 compared to 17.0% for the public sector during the comparable period. A stable service sector may help smooth the business cycle, reducing the span and depth of recessions and prolonging the length of expansions. Normally, activities in service sectors relative to manufacturing are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and somewhat less vulnerable to foreign competition. Therefore, this shift to the service sectors may serve to smooth output fluctuations.

TABLE B-7

Gross State Product by Industry in Connecticut
(In Millions)

Calendar Year	2005	2006	2007	2008	2009	2010	2011	2012
Sector								
Manufacturing	$ 23,729	$ 27,178	$ 27,397	$ 26,529	$ 23,269	$ 23,752	$ 22,948	$ 24,079
Construction[a]	7,058	7,540	7,668	6,718	6,056	6,015	6,059	6,236
Agriculture[b]	363	320	394	361	328	332	322	314
Utilities[c]	6,499	6,885	7,684	7,738	7,686	7,828	8,095	7,798
Wholesale Trade	10,484	11,308	12,013	12,403	11,633	11,931	12,370	12,771
Retail Trade	11,639	11,725	11,891	11,209	11,235	11,467	11,812	12,141
Information	7,740	7,697	8,484	9,144	8,457	8,532	8,927	9,614
Finance[d]	59,892	64,194	66,924	64,066	69,004	71,091	71,052	70,378
Services[e]	50,930	53,729	57,767	59,244	58,525	60,101	62,629	64,962
Government	17,970	18,909	20,912	22,038	20,909	20,718	21,198	21,023
Total GSP	$196,307	$209,485	$221,134	$219,450	$217,102	$221,767	$225,412	$229,316

Note—Columns may not add due to rounding.

(a) Includes mining.

(b) Includes forestry and fisheries.

(c) Includes transportation, communications, electric, gas, and sanitary services.

(d) Includes finance, insurance and real estate.

(e) Covers a variety of activities, including professional, business, education, health care and personal services.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Employment

Non-agricultural employment includes all persons employed except federal military personnel, the self-employed, proprietors, unpaid workers, and farm and household domestic workers. The following table compares non-agricultural establishment employment for Connecticut, New England, and the United States between 2003 and 2012. Connecticut's nonagricultural employment reached a high in March 2008 of 1,713,000 persons employed, but began declining with the onset of the recession falling to 1,591,800 jobs by February 2010, and has since risen to 1,650,700 by October 2013.

TABLE B-8

Non-agricultural Employment[(a)(b)]
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Employment	Percent Growth	Employment	Percent Growth	Employment	Percent Growth
2003	1,644.4	(1.2)%	6,850.3	(1.1)%	130,097.3	(0.3)%
2004	1,649.6	0.3	6,874.6	0.4	131,493.2	1.1
2005	1,662.3	0.8	6,918.6	0.6	133,738.4	1.7
2006	1,680.9	1.1	6,985.9	1.0	136,129.5	1.8
2007	1,698.4	1.0	7,046.1	0.9	137,642.1	1.1
2008	1,699.0	0.0	7,044.7	(0.0)	136,849.0	(0.6)
2009	1,626.3	(4.3)	6,788.3	(3.6)	130,859.3	(4.4)
2010	1,607.8	(1.1)	6,771.5	(0.2)	129,911.1	(0.7)
2011	1,625.1	1.1	6,836.2	1.0	131,499.8	1.2
2012[(c)]	1,639.2	0.9	6,914.0	1.1	133,737.0	1.7

(a) Non-agricultural employment excludes agricultural workers, proprietors, self-employed individuals, domestic workers, family workers and members of the armed forces.

(b) In March 2009, the Connecticut Department of Labor revised and updated employment statistics back to 2004.

(c) According to statistics from the Connecticut Department of Labor, the average non-agricultural employment in Connecticut for the first six months of 2013 was 1,646,600.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Composition of Employment. The following table shows the distribution of non-agricultural employment in Connecticut and the United States in 2012. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE B-9

Connecticut Non-agricultural Employment, Calendar Year 2012
(In Thousands)

	Connecticut		United States	
	Total	Percent	Total	Percent
Services[(a)]	724.8	44.2%	57,433.4	42.9%
Trade[(b)]	295.6	18.0	25,511.2	19.1
Manufacturing	164.9	10.1	11,920.6	8.9
Government	238.8	14.6	21,914.9	16.4
Finance[(c)]	132.3	8.1	7,785.8	5.8
Information[(d)]	31.2	1.9	2,677.8	2.0
Construction[(e)]	51.7	3.2	6,493.2	4.9
Total[(f)]	1,639.2	100.0%	133,736.9	100.0%

(a) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(b) Includes wholesale and retail trade, transportation, and utilities.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical data adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Recent trends in the State's non-agricultural employment are reflected in the following table. Throughout the last five decades, while manufacturing employment in Connecticut has been steadily declining, employment in non-manufacturing industries has surged. In calendar year 2012, approximately 89.9% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE B-10

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Calendar Year	Manufacturing	Trade[(a)]	Services[(b)]	Government	Finance[(c)]	Information[(d)]	Construction[(e)]	Total Non-agricultural Employment[(f)]
2003	200.0	305.5	650.0	246.0	140.7	39.6	62.7	1,644.4
2004	197.2	308.0	657.1	242.7	139.3	39.0	66.4	1,649.6
2005	195.2	310.6	666.8	243.8	141.1	38.1	66.7	1,662.3
2006	193.5	311.0	681.6	245.9	143.1	37.9	68.0	1,680.9
2007	190.7	311.8	695.6	249.3	143.3	38.4	69.4	1,698.4
2008	187.2	310.0	703.5	252.5	142.1	37.8	66.1	1,699.0
2009	171.2	293.2	687.7	248.3	136.3	34.3	55.3	1,626.3
2010	165.7	289.7	691.7	244.1	134.4	31.7	50.5	1,607.8
2011	166.4	292.9	708.0	240.2	134.1	31.4	52.1	1,625.1
2012	164.9	295.6	724.8	238.8	132.3	31.2	51.7	1,639.2

(a) Includes wholesale and retail trade, transportation, and utilities.
(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut Labor Department

Manufacturing

The manufacturing industry, despite its continuing downward employment trend over the past five decades, has traditionally served as an economic base industry and has been of prime economic importance to Connecticut. Based on the level of personal income derived from this sector, Connecticut ranked 19th in the nation for its dependency on manufacturing wages in Fiscal Year 2012. The following table provides a ten-year historical picture of manufacturing employment in Connecticut, the New England region and the United States. This downward movement in manufacturing employment levels is also reflected in the New England region and the nation. The transformation in the State's manufacturing base confirms that the State's employment share in the manufacturing sector is converging to the national average. Connecticut has been successful in diversifying itself away from dependence on just one type of industry. In calendar year 2012 approximately 10.1% of the State's workforce, versus 8.9% for the nation, was employed in the manufacturing sector, down from roughly 50% in the early 1950s.

TABLE B-11

Manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
2003	200.0	(5.3)%	765.0	(6.2)%	14,508.8	(4.9)%
2004	197.2	(1.4)	746.9	(2.4)	14,314.8	(1.3)
2005	195.2	(1.0)	733.9	(1.7)	14,225.8	(0.6)
2006	193.5	(0.9)	720.7	(1.8)	14,156.3	(0.5)
2007	190.7	(1.5)	709.3	(1.6)	13,877.7	(2.0)
2008	187.2	(1.9)	691.2	(2.6)	13,403.8	(3.4)
2009	171.2	(8.5)	623.5	(9.8)	11,846.4	(11.6)
2010	165.7	(3.2)	606.2	(2.8)	11,527.9	(2.7)
2011	166.4	0.5	607.5	0.2	11,726.6	1.7
2012	164.9	(0.9)	605.1	(0.4)	11,920.6	1.7

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut State Labor Department

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, computer and electronics, and machinery for the total number employed in 2012.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[(a)]	Total Manufacturing Employment [(b)]
2003	43.4	40.9	26.5	18.9	70.4	200.0
2004	43.2	41.1	25.8	18.5	68.6	197.2
2005	43.5	41.1	25.4	18.1	67.1	195.2
2006	43.6	41.1	24.9	18.1	65.9	193.5
2007	43.6	40.4	25.2	18.2	63.3	190.7
2008	44.3	40.1	25.3	17.7	59.8	187.2
2009	43.1	35.2	23.4	16.0	53.6	171.2
2010	42.2	33.6	23.0	15.0	51.6	165.7
2011	42.2	34.4	23.3	14.8	51.9	166.4
2012	42.1	35.1	22.8	14.6	50.3	164.9

(a) Includes other industries such as wood products, furniture, glass/stone, primary metals, and instruments in the durable sector, as well as all industries such as chemicals, paper, and plastics in the nondurable sector.

(b) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

During the past ten years, Connecticut's manufacturing employment was at its highest in 2003 at 199,992 workers. Since that year, employment in manufacturing continued on a downward trend. A number of factors, such as heightened foreign competition, outsourcing to offshore locations, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut continued to decline to a recent low of 164,908 in 2012. The total number of manufacturing jobs dropped 35,084, or 17.5%, from its decade high in 2003.

Exports. In Connecticut, the export sector of manufacturing has assumed an important role in overall economic growth. According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the University of Massachusetts (MISER), exports of manufacturing products registered at $16.0 billion in 2012, accounting for 7.0% of Gross State Product. From 2008 to 2012, the State's export of goods grew at an average compound annual rate of 0.9% versus 1.1% for the Gross State Product. The following table shows the growth in exports of manufacturing products.

TABLE B-13

Exports Originating in Connecticut (In Millions)

	Calendar Year 2008	2009	2010	2011	2012	Percent of 2012 Total	Compound Annual Growth Rate 2008-2012
A. Manufacturing Products							
Transportation Equipment	$ 6,500.2	$ 6,428.2	$ 6,989.3	$ 6,866.4	$ 7,220.4	45.2%	2.7%
Computer & Electronics	1,294.2	1,037.6	1,307.6	1,438.8	1,409.1	8.8	2.1
Machinery, Except Electronics	1,555.8	1,439.0	1,545.0	1,851.8	1,845.1	11.6	4.4
Fabricated Metal Production	622.3	547.3	615.5	672.9	680.6	4.3	2.3
Chemicals	1,575.7	833.4	922.1	913.0	1,026.2	6.4	(10.2)
Misc. Manufacturing	272.4	291.3	252.7	240.0	271.2	1.7	(0.1)
Electrical Equipment	603.4	489.8	604.2	739.5	752.6	4.7	5.7
Plastics & Rubber	251.1	228.7	254.7	310.3	265.6	1.7	1.4
Paper	147.2	169.3	181.7	176.5	148.5	0.9	0.2
Primary Metal Mfg.	509.0	316.6	534.6	568.3	703.9	4.4	8.4
Others	2,052.8	2,197.6	2,821.2	2,431.2	1,638.2	10.3	(5.5)
Total	$15,384.1	$13,978.9	$16,028.8	$16,209.0	$15,961.5	100.0%	0.9%
% Growth	11.5%	(9.1)%	14.7%	1.1%	(1.5)%		
B. Gross State Product[(a)]	$219,450	$217,102	$221,767	$225,412	$229,316		1.1%
Mfg Exports as a % of GSP	7.0%	6.4%	7.2%	7.2%	7.0%		7.0%[(b)]

(a) In millions

(b) Arithmetic mean of 2008 -2012 values.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis
Massachusetts Institute for Social and Economic Research, University of Massachusetts (MISER)

Defense Industry. One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one quarter of the State's manufacturing employees are employed in defense related business. Nonetheless, this sector's significance in the State's economy has declined considerably since the early 1980s. Connecticut had witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State; however, these amounts have been climbing most years since federal fiscal year 2001. In federal Fiscal Year 2012 Connecticut received $12.7 billion of prime contract awards. These total awards accounted for 4.0% of national total awards and ranked 7th in total defense dollars awarded and 2nd in per capita dollars awarded among the 50 states. In Fiscal Year 2012, Connecticut had $3,531.8 in per capita defense awards, compared to the national average of $998.6. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut-based firms were 5.3% of Gross State Product in Fiscal Year 2012.

Connecticut is a leading producer of aircraft engines and parts, submarines, and helicopters. The largest employers in these industries are United Technologies Corporation, including its Pratt and Whitney Aircraft Division with headquarters in East Hartford, and Sikorsky Aircraft Corporation in Stratford, as well as General Dynamics Corporation's Electric Boat Division in Groton.

The following table provides a historical perspective of defense contract awards for the past ten fiscal years. Defense contracts are awarded in their entirety and multi-year awards are credited in the year they are awarded, thus giving rise to some of the fluctuation.

TABLE B-14

Defense Contract Awards

Federal Fiscal Year	Connecticut Total Contract Award (Thousands)	Connecticut Rank Among States Total Awards	Percent Change from Prior Year	
			Connecticut	U.S.
2003	$ 8,065,771	5th	43.7%	21.4%
2004	8,834,618	5th	9.5	5.1
2005	8,963,788	7th	1.5	16.2
2006	7,664,577	10th	(14.5)	9.5
2007	8,598,585	12th	12.2	14.1
2008	12,226,104	9th	42.2	18.7
2009	11,833,669	9th	(3.2)	(6.8)
2010	11,118,093	8th	(6.0)	(2.4)
2011	12,316,713	7th	10.8	2.0
2012	12,679,098	7th	2.9	(3.5)

SOURCE: United States Department of Defense

Non-manufacturing. The non-manufacturing sector is comprised of industries that primarily provide services. Services differ significantly from manufactured goods in that the output is generally intangible, it is produced and consumed concurrently, and it cannot be inventoried. Consumer demand for services is not as postponable as the purchase of goods, making the flow of demand for services more stable. An economy will therefore generally become more stable as it becomes more service oriented. Over the past several decades the non-manufacturing sector of the State's economy has risen in economic importance, from just over 50% of total State employment in 1950 to approximately 89.9% by 2012. This trend has diluted the State's dependence on manufacturing. From 2003 to 2012, Connecticut had a total loss of 5,208 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 29,875, while manufacturing jobs declined by 35,084.

The table below provides a ten year profile of non-manufacturing employment in Connecticut, New England and the United States.

TABLE B-15

Non-manufacturing Employment
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	**Number**	**Percent Growth**	**Number**	**Percent Growth**	**Number**	**Percent Growth**
2003	1,444.4	(0.7)%	6,085.3	(0.4)%	115,588.6	0.3%
2004	1,452.4	0.6	6,127.6	0.7	117,178.4	1.4
2005	1,467.1	1.0	6,184.7	0.9	119,512.7	2.0
2006	1,487.4	1.4	6,265.3	1.3	121,973.3	2.1
2007	1,507.7	1.4	6,336.8	1.1	123,764.4	1.5
2008	1,511.9	0.3	6,353.5	0.3	123,445.2	(0.3)
2009	1,455.0	(3.8)	6,164.9	(3.0)	119,012.8	(3.6)
2010	1,442.1	(0.9)	6,165.3	0.0	118,383.2	(0.5)
2011	1,458.6	1.1	6,228.7	1.0	119,773.2	1.2
2012	1,474.3	1.1	6,308.9	1.3	121,816.4	1.7

SOURCE: United States Department of Labor, Bureau of Labor Statistics
Connecticut State Labor Department

Services, retail and wholesale trade, state and local government, as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 89.9% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2003, 2010, 2011 and 2012 is shown in the table below. Total non-manufacturing employment has been broken down by industry. Percent changes over the year and over the decade are also provided. Between 2003 and 2012, employment in the service industry expanded by 74,800 workers driving an increase of 29,900 non-manufacturing jobs, amid a time when all other non-manufacturing jobs registered a decrease in jobs. Without the service sector, total non-manufacturing employment would have declined by 44,900 jobs.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry (In Thousands)

Industry	Calendar Year 2003	Calendar Year 2010	Calendar Year 2011	Calendar Year 2012	Percent Change 2011-12	Percent Change 2003-12
Construction[a]	62.7	50.5	52.1	51.7	(0.8)%	(17.6)%
Information[b]	39.6	31.7	31.4	31.2	(0.7)	(21.2)
Trade[c]	305.5	289.7	292.9	295.6	0.9	(3.2)
Finance, Insurance & Real Estate	140.7	134.4	134.1	132.3	(1.4)	(6.0)
Services[d]	650.0	691.7	708.0	724.8	2.4	11.5
Federal Government	20.8	19.6	18.0	17.7	(1.8)	(15.2)
State and Local Government	225.1	224.5	222.2	221.2	(0.5)	(1.8)
Total Non-manufacturing Employment[d]	1,444.4	1,442.1	1,458.6	1,474.3	1.1%	2.1%

(a) Includes natural resources and mining.

(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(c) Includes wholesale & retail trade, transportation, and utilities.

(d) Totals may not agree with detail due to rounding and seasonal statistical data adjustments.

SOURCE: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for over two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured by Gross State Product. During the last decade, variations in retail trade closely matched variations in Gross State Product growth, making retail trade an important barometer of economic health.

The following table shows the major group in each North American Industry Classification System (NAICS) code as well as the State's retail trade history for the past five fiscal years. Connecticut retail trade in Fiscal Year 2013 totaled $53.4 billion, an increase of 0.3% from Fiscal Year 2012. Sales in the durable goods category, which were severely impacted during the recession, registered three consecutive yearly declines before beginning to recover in Fiscal Year 2011 and accelerating further in Fiscal Year 2012 and 2013. Durable goods are mostly big ticket items such as appliances, furnishings, and automobiles.

TABLE B-17

Retail Trade In Connecticut[a]
(In Millions)

NAICS		Fiscal Year 2009	Percent of Fiscal Year 2009 Total	Fiscal Year 2010	Percent of Fiscal Year 2010 Total	Fiscal Year 2011	Percent of Fiscal Year 2011 Total	Fiscal Year 2012	Percent of Fiscal Year 2012 Total	Fiscal Year 2013	Percent of Fiscal Year 2013 Total	Compound Annual Growth Rate 2009-2013
441	Motor Vehicle and Parts Dealers	$ 6,475	14.2%	$ 6,933	15.8%	$ 7,610	15.4%	$ 7,996	15.0%	$8,393	15.7%	6.7%
442	Furniture and Home Furnishings Stores	1,456	3.2	1,275	2.9	1,221	2.5	1,182	2.2	1,205	2.3	(4.6)
443	Electronics and Appliance Stores	1,595	3.5	1,450	3.3	1,582	3.2	1,748	3.3	1,620	3.0	0.4
444	Building Material and Garden Supply Stores	2,767	6.1	2,727	6.2	2,845	5.8	3,023	5.7	3,028	5.7	2.3
445	Food and Beverage Stores[b]	8,927	19.6	7,199	16.5	10,222	20.7	10,799	20.3	11,102	20.8	5.6
446	Health and Personal Care Stores	4,961	10.9	4,920	11.2	5,066	10.2	4,667	8.8	4,413	8.3	(2.9)
447	Gasoline Stations	2,868	6.3	2,974	6.8	3,426	6.9	3,788	7.1	3,790	7.1	7.2
448	Clothing and Clothing Accessories Stores	2,667	5.9	2,700	6.2	2,739	5.5	2,827	5.3	2,920	5.5	2.3
451	Sporting Goods, Hobby, Book and Music Stores	1,052	2.3	995	2.3	1,013	2.0	979	1.8	1,071	2.0	0.4
452	General Merchandise Stores	5,215	11.5	5,210	11.9	5,275	10. 7	5,377	10.1	5,439	10.2	1.1
453	Miscellaneous Store Retailers	3,964	8.7	4,036	9.2	4,757	9.6	5,017	9.4	5,163	9.7	6.8
454	Nonstore Retailers	3,508	7.7	3,338	7.6	3,677	7.4	5,809	10.9	5,213	9.8	10.4
	Total[a]	$45,455	100.00%	$43,757	100.00%	$49,433	100.00%	$53,209	100.00%	$53,355	100.00%	4.1
Durables (NAICS 441, 442, 443, 444)		$12,293	27.0%	$12,385	28.3%	$13,258	26.8%	$13,948	26.2%	$14,244	26.7%	
Non Durables (all other NAICS)		$33,162	73.0%	$31,373	71.7%	$36,175	73.2%	$39,261	73.8%	$39,111	73.3%	

(a) Totals may not agree with detail due to rounding.
(b) Please note that due to a discrepancy in reporting methodology, figures for Food and Beverage Stores from 2009-2010 filed by several large supermarkets appear inconsistent with past reporting practices and thus the above figures may not be reflective of actual trends.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

After enjoying an extraordinary boom during the late 1990s, Connecticut, as well as the rest of the Northeast and the Nation, experienced an economic slowdown during the recession of the early 2000s. The unemployment rate in the State reached its low of 2.3% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to 5.5% in 2003, Connecticut's unemployment rate declined to 4.4% by 2006, but climbed during the most recent recession to 9.1% in 2010. During the subsequent weak economic recovery, Connecticut's average unemployment rate fell to 8.0% for the first 10 months of 2013 compared to the New England average of 7.1% and the national average of 7.5% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2004 through 2013.

TABLE B-18

Unemployment Rate

Calendar Year	Unemployment Rate		
	Connecticut	**New England**	**United States**
2004	4.9%	4.9%	5.5%
2005	4.9	4.7	5.1
2006	4.4	4.5	4.6
2007	4.6	4.5	4.6
2008	5.6	5.4	5.8
2009	8.2	8.1	9.3
2010	9.3	8.5	9.6
2011	8.9	7.8	8.9
2012	8.3	7.2	8.1
2013[(a)]	8.0	7.1	7.5

(a) Reflects average for the first ten months. On a preliminary basis, Connecticut's average unemployment rate for December 2013 was 7.4% compared to the national average of 6.7% for the same period. No assurances can be provided that such rates will not change.

SOURCE: Connecticut State Labor Department
Federal Reserve Bank of Boston
United States Department of Labor, Bureau of Labor Statistics

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APPENDIX III-C

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

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

February 28, 2014

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Ms. Nappier

I have reviewed the accompanying preliminary general purpose financial statements of the State of Connecticut for the Fiscal Year ended June 30, 2013. The statements and the subsequent Independent Auditors' Report are incorporated within the Comprehensive Annual Report of the State of Connecticut, which is prepared by my office using the guidance of generally accepted accounting principles.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
Members of the General Assembly

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the Transportation Special Tax Obligations account within the Debt Service Fund, which in the aggregate, represent six percent of the assets and eight percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, Connecticut Community Colleges, Bradley International Airport, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 63 percent of the assets and 28 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 96 percent of the assets and 96 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 John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, the Connecticut Community Colleges, Bradley

International Airport, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 63 percent of the assets and 28 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In addition, the financial statements of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Bradley International Airport, Connecticut Development Authority, Capital Region Development Authority, Connecticut Lottery Corporation, Connecticut Resources Recovery Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, Connecticut Innovations Incorporated and the Clean Energy Finance and Investment Authority were audited by other auditors in accordance with standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The audits of the financial statements of the Bradley International Airport Parking Facility, John Dempsey Hospital, Connecticut State University System, Connecticut Community Colleges and the University of Connecticut Foundation and University of Connecticut Law School Foundation were not conducted in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective budgetary comparison for the General Fund and the Transportation Fund, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress for pension and other post-employment benefit plans and the schedules of employer contributions for pension and other post-employment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the course of our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
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 combining and individual nonmajor fund financial statements 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 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, 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, not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Auditors' Report on Internal Control – Comprehensive Annual Financial Report, Fiscal Year Ending June 30, 2013, and* is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Robert M. Ward

John C. Geragosian Auditor of Public Accounts	Robert M. Ward Auditor of Public Accounts

February 28, 2014
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

The following discussion and analysis is intended to provide readers of the State's financial statements with a narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2013. The information provided here should be read in conjunction with additional information provided in the letter of transmittal and in the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:
As of June 30, 2013, the State had a combined net position deficit of $10.5 billion, a decrease of $106 million when compared to the prior year ending deficit balance. This annual improvement resulted from an increase of $167 million in the net position of business-type activities, which was offset by a $61 million increase in the net position deficit of governmental activities.

Fund Level:
The governmental funds had a total fund balance of $2.0 billion at year-end. Of this amount, $3.2 billion represents fund balance that is considered mainly restricted or committed for specific purposes by external constraints or by the Legislature and $1.2 billion represents unassigned fund balance deficit. This deficit, which belongs to the General Fund, did not change significantly during the fiscal year.

The Enterprise funds had a total net position of $4.6 billion at year-end, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt:
Total long-term debt was $29.5 billion for governmental activities at year-end, of which $19.1 billion was bonded debt.

Total long-term debt was $2.4 billion for business-type activities at year-end, of which $1.5 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements are intended to distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include legislative, general government, regulation and protection, conservation and development, health and hospitals, transportation, human services, education, libraries, and museums, corrections, and judicial. The business-type activities of the State include the University of Connecticut and Health Center, State Universities, Connecticut Community Colleges, Bradley International Airport, Employment Security, and Clean Water, which are considered major funds, while the remaining business-type activities are combined into a single aggregate presentation.

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

Fund Financial Statements

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

Governmental Funds

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the Transportation Fund, the Restricted Grants and Accounts Fund, and the Grants and Loan Programs Fund, all of which are considered major funds. Data from other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Fund balance (difference between assets and liabilities) of governmental funds is classified as nonspendable, restricted, and unrestricted (committed, assigned or unassigned).

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Information

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

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET POSITION

As noted earlier, net position may serve over time as a useful indicator of the State's financial position. During the current fiscal year, the combined net position deficit of the State decreased 1.0 percent to $10.5 billion. In comparison, last year the combined net position deficit increased 6.1 percent.

State Of Connecticut's Net Position
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012*	2013	2012*
ASSETS:						
Current and Other Assets	$ 4,163	$ 3,944	$ 3,773	$ 3,854	$ 7,936	$ 7,798
Capital Assets	11,987	10,966	3,809	3,597	15,796	14,563
Total Assets	16,150	14,910	7,582	7,451	23,732	22,361
Deferred Outflows of Resources	18	-	20	-	38	-
LIABILITIES:						
Current Liabilities	3,531	3,498	716	693	4,247	4,191
Long-term Liabilities	27,729	26,443	2,252	2,291	29,981	28,734
Total Liabilities	31,260	29,941	2,968	2,984	34,228	32,925
NET POSITION:						
Net Investment in Capital Assets	5,825	5,305	3,179	2,951	9,004	8,256
Restricted	2,283	1,648	999	1,101	3,282	2,749
Unrestricted	(23,200)	(21,984)	456	415	(22,744)	(21,569)
Total Net Position (Deficit)	$(15,092)	$ (15,031)	$ 4,634	$ 4,467	$(10,458)	$(10,564)

* Restated for comparative purposes. See Note 23.

The net position deficit of the State's governmental activities increased $61 million (0.4 percent) to $15.1 billion during the current fiscal year. Of this amount, $5.8 billion was invested in capital assets (buildings, roads, bridges, etc.) and $2.3 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $23.2 billion. This deficit is the result of having long-term obligations that are greater than currently available resources. Specifically, the State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds issued in the amount of $6.3 billion to finance various municipal grant programs (e.g., school construction) and $2.3 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of $10.4 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB obligations and compensated absences).

Net position of the State's business-type activities increased $167 million (3.7 percent) to $4.6 billion during the current fiscal year. Of this amount, $3.2 billion was invested in capital assets and $1.0 billion was restricted for specific purposes, resulting in unrestricted net positions of $0.4 billion. These resources cannot be used to make up for the net position deficit of the State's governmental activities. The State can only use these net positions to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center, Bradley International Airport, and others).

CHANGE IN NET POSITION

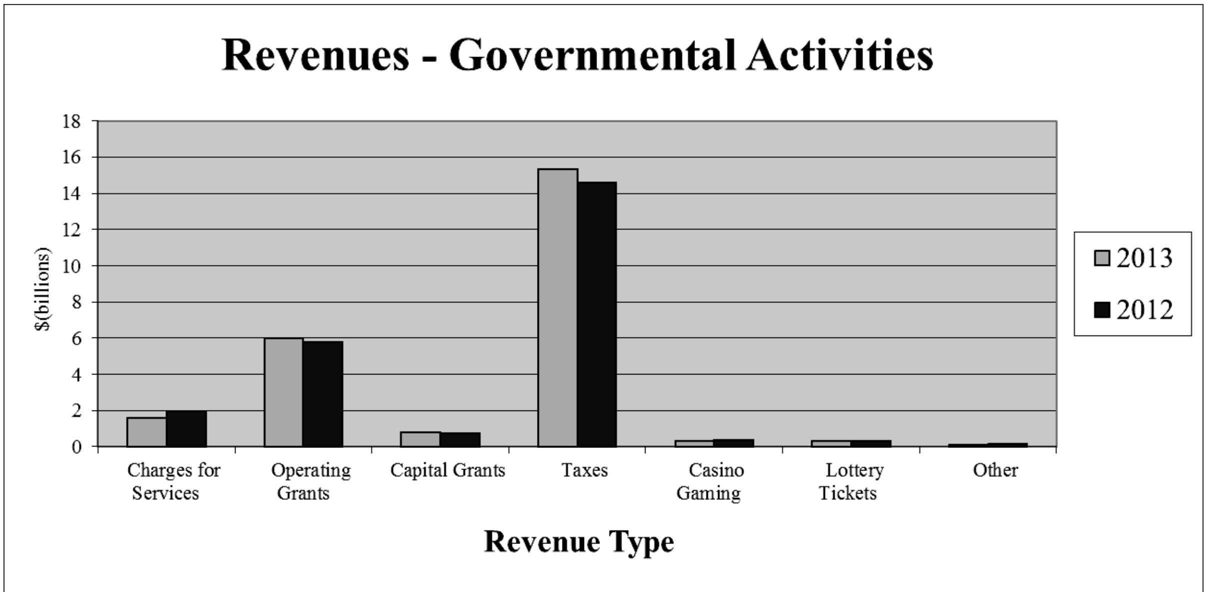
Changes in net position for the years ended June 30, 2013 and 2012 were as follows:

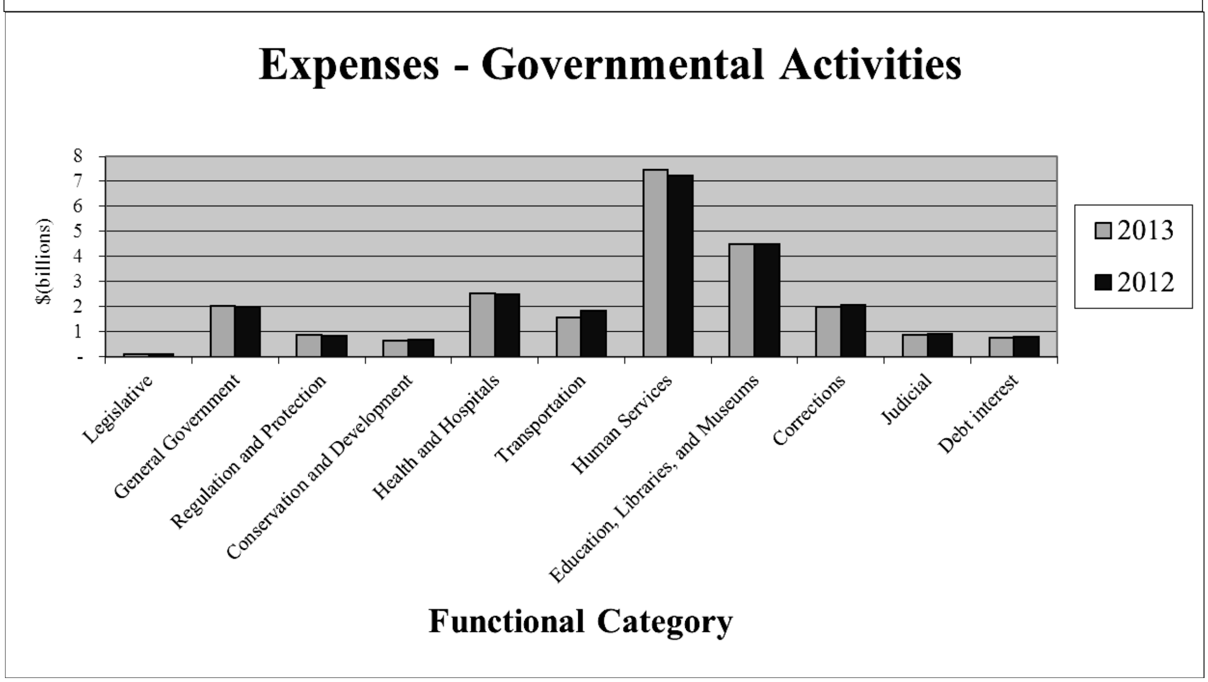
State of Connecticut's Changes in Net Position
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		%change
	2013	2012*	2013	2012*	2013	2012*	13-12
REVENUES							
Program Revenues							
Charges for Services	$ 1,576	$ 1,952	$ 2,548	$ 2,535	$ 4,124	$ 4,487	-8.1%
Operating Grants and Contributions	5,992	5,771	1,173	1,412	7,165	7,183	-0.3%
Capital Grants and Contributions	768	716	59	18	827	734	12.7%
General Revenues							
Taxes	15,356	14,585	-	-	15,356	14,585	5.3%
Casino Gaming Payments	296	345	-	-	296	345	-14.2%
Lottery Tickets	312	310	-	-	312	310	0.6%
Other	128	140	17	18	145	158	-8.2%
Total Revenues	24,428	23,819	3,797	3,983	28,225	27,802	1.5%
EXPENSES							
Legislative	106	114	-	-	106	114	-7.0%
General Government	2,036	1,988	-	-	2,036	1,988	2.4%
Regulation and Protection	868	853	-	-	868	853	1.8%
Conservation and Development	665	693	-	-	665	693	-4.0%
Health and Hospitals	2,540	2,476	-	-	2,540	2,476	2.6%
Transportation	1,573	1,846	-	-	1,573	1,846	-14.8%
Human Services	7,472	7,223	-	-	7,472	7,223	3.4%
Education, Libraries and Museums	4,490	4,496	-	-	4,490	4,496	-0.1%
Corrections	1,977	2,061	-	-	1,977	2,061	-4.1%
Judicial	894	910	-	-	894	910	-1.8%
Interest and Fiscal Charges	780	816	-	-	780	816	-4.4%
University of Connecticut & Health Center	-	-	1,872	1,802	1,872	1,802	3.9%
State Universities	-	-	666	652	666	652	2.1%
Connecticut Community Colleges	-	-	489	477	489	477	2.5%
Bradley International Airport	-	-	67	64	67	64	4.7%
Employment Security	-	-	1,515	1,823	1,515	1,823	-16.9%
Clean Water	-	-	50	53	50	53	-5.7%
Other	-	-	59	59	59	59	0.0%
Total Expenses	23,401	23,476	4,718	4,930	28,119	28,406	-1.0%
Excess (Deficiency) Before Transfers	1,027	343	(921)	(947)	106	(604)	-117.5%
Transfers	(1,088)	(1,228)	1,088	1,228	-	-	0.0%
Increase (Decrease) in Net Position	(61)	(885)	167	281	106	(604)	-117.5%
Net Position (Deficit) - Beginning (as restated)	(15,031)	(14,146)	4,467	4,186	(10,564)	(9,960)	6.1%
Net Position (Deficit) - Ending	$ (15,092)	$ (15,031)	$ 4,634	$ 4,467	$ (10,458)	$ (10,564)	-1.0%

**Restated for comparative purposes. See note 23.*

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

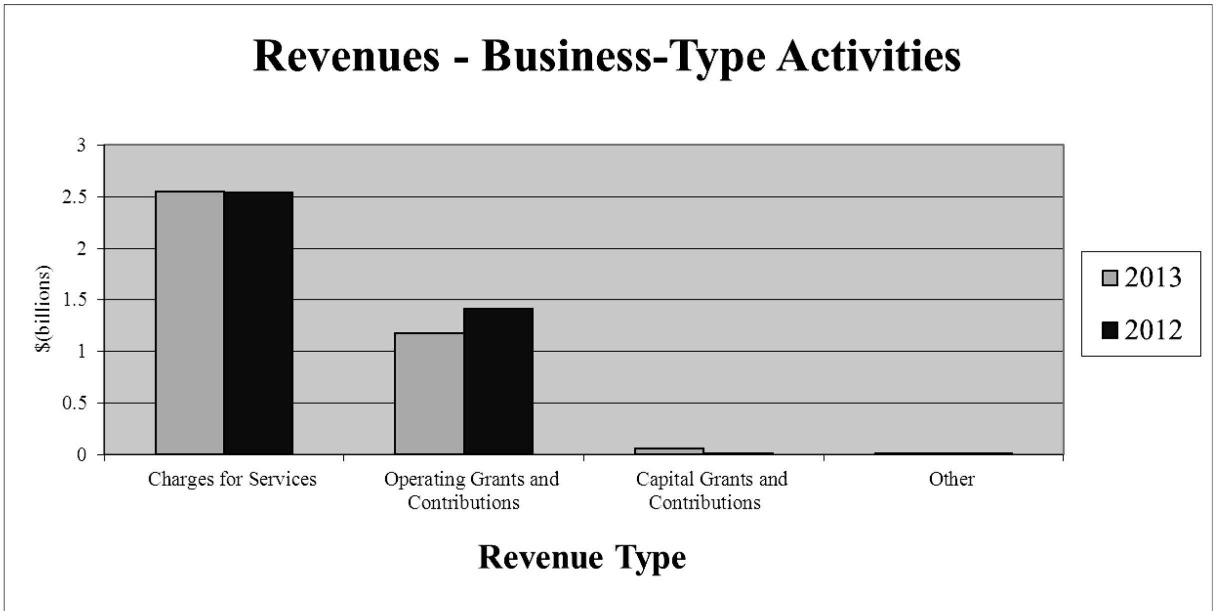


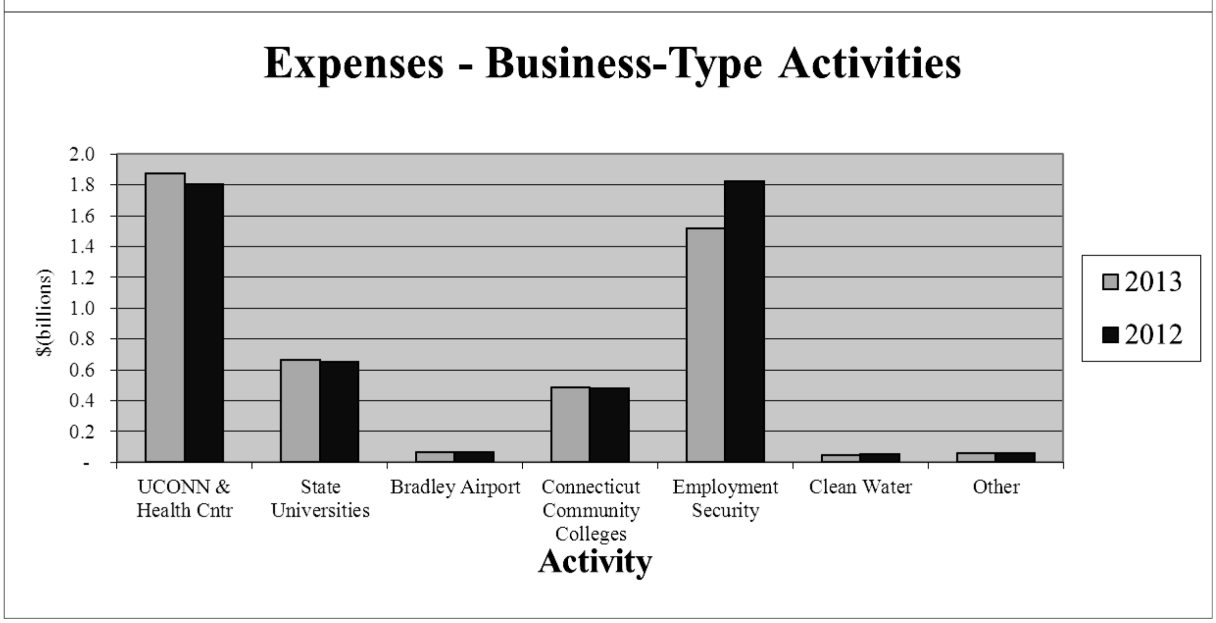


During the year, total revenues of governmental activities increased 2.6 percent to $24.4 billion, while total expenses decreased 0.3 percent to $23.4 billion. In comparison, last year total revenues increased 6.0 percent, while total expenses increased 7.2 percent. The increase in total revenues of $609 million was due mainly to an increase in taxes of $771 million or 5.3 percent, particularly in income and inheritance taxes. Although, total revenues exceeded total expenses by $1,027 million, this excess was reduced by transfers of $1,088 million, resulting in a decrease in net position of $61 million.

BUSINESS-TYPE ACTIVITIES

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





During the year, total revenues of business-type activities decreased 4.7 percent to $3.8 billion, while total expenses decreased 4.3 percent to $4.7 billion. In comparison, last year total revenues decreased 3.8 percent, while total expenses decreased 7.3 percent. The decrease in total expenses of $212 million was due mainly to a decrease in Employment Security expenses of $308 million or 16.9 percent. Although, total expenses exceeded total revenues by $921 million, this deficiency was reduced by transfers of $1,088 million, resulting in an increase in net position of $167 million.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

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

As of June 30, 2013, the State's governmental funds had fund balances of $1,998 million, an increase of $307 million over the prior year ending fund balances. Of the total governmental fund balances, $2,352 million represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $180 million represents fund balance that is non-spendable; $690 million represents fund balance that is committed or assigned for specific purposes by the Legislature and $1,224 million represents unassigned fund balance deficit.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2013, the General Fund had a fund balance deficit of $589 million. Of this amount, $628 million represents fund balance that is non-spendable or committed for specific purposes by the Legislature, leaving a deficit of $1,217 million in unassigned fund balance. Total fund balance deficit decreased by $324 million during the current fiscal year.

Debt Service Fund

As of June 30, 2013, the Debt Service Fund had a fund balance of $660 million, all of which was restricted. Fund balance decreased by $43 million during the current fiscal year.

Transportation Fund

As of June 30, 2013, the Transportation Fund had a fund balance of $229 million. Of this amount, $31 million was in nonspendable form and $198 million was restricted or committed for specific purposes. Fund balance increased by $20 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2013, the Restricted Grants and Accounts Fund had a fund balance of $359 million, all of which was restricted for specific purposes. Fund balance decreased by $35 million during the fiscal year.

Grant and Loan Programs

As of June 30, 2013, the Grant and Loan Programs Fund had a fund balance of $673 million, all of which was restricted for specific purposes. Fund balance increased by $33 million during the fiscal year.

Proprietary Funds

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

Fiduciary Funds

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, an Investment Trust fund, and a Private-Purpose Trust fund. As of June 30, 2013, the net positions of the State's Fiduciary funds totaled $26.9 billion, an increase of $2.0 billion when compared to the prior year ending net position.

Budgetary Highlights-General Fund

For fiscal year 2013, the General Fund had an estimated budget surplus of $3 million at the start of the fiscal year. However, due to higher than initially estimated revenues of $223 million, mainly tax revenues, and budgetary spending adjustments resulting in expenditure savings of $138 million, the fund had an estimated budget surplus of $364 million by the end of the fiscal year.

Although actual fund revenues exceeded expenditures by $379 million, this excess was increased by other financing sources of $19 million ($18 million being the net amount of appropriations continued from the previous fiscal year to the next fiscal year), resulting in an actual budget surplus of $398 million.

Actual revenues were higher than originally budgeted by $262 million for the fiscal year. This increase resulted mainly from higher than originally budgeted tax revenue of $144 million, consisting mainly of income and inheritance taxes. Final budgeted appropriations were higher than originally budgeted by $144 million. This increase resulted mainly from higher than originally budgeted appropriations for human services of $87 million, particularly Medicaid appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2013 totaled $15.8 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was $1.2 billion, due mainly to an increase in governmental activities' capital assets of $1.0 billion or 9.3 percent.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and infrastructure of $1.2 billion and depreciation expense of $956 million.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	$ 1,666	$ 1,639	$ 70	$ 65	$ 1,736	$ 1,704
Buildings	1,889	1,449	2,734	2,512	4,623	3,961
Improvements Other than Buildings	156	167	244	245	399	412
Equipment	77	66	337	352	414	418
Infrastructure	5,200	5,060	-	-	5,200	5,060
Construction in Progress	3,000	2,585	424	423	3,424	3,008
Total	$ 11,987	$ 10,966	$ 3,809	$ 3,597	$ 15,796	$ 14,563

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

Long-Term Debt -Bonded Debt

At the end of the current fiscal year, the State had total bonded debt of $20.5 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

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

State of Connecticut's Bonded Debt (in millions)
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	$ 14,228	$ 13,965	$ -	$ -	$ 14,228	$ 13,965
Transportation Related Bonds	3,462	3,287	-	-	3,462	3,287
Revenue Bonds	-	-	1,377	1,439	1,377	1,439
Long-Term Notes	573	748	-	-	573	748
Premiums and deferred amounts	816	709	89	46	905	755
Total	$ 19,079	$ 18,709	$ 1,466	$ 1,485	$ 20,545	$ 20,194

The State's total bonded debt increased by $351 million (1.7 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $263 million.

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 July 2013, the State had a debt incurring margin of $4.0 billion.

Other Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012*	2013	2012*
Net Pension Obligation	$ 2,533	$ 2,496	$ -	$ -	$ 2,533	$ 2,496
Net OPEB Obligation	6,682	5,756	-	-	6,682	5,756
Compensated Absences	516	542	160	156	676	698
Workers Compensation	588	560	-	-	588	560
Federal Loan Payable	-	-	574	632	574	632
Other	100	113	221	191	321	304
Total	$ 10,419	$ 9,467	$ 955	$ 979	$ 11,374	$ 10,446

* Restated for comparative purposes. See note 23.

The State's other long-term obligations increased by $928 million (8.9 percent) during the fiscal year. This increase was due mainly to an increase in the net OPEB obligation (Governmental activities) of $926 million or 16.1 percent. Additional information on the State's long-term debt can be found in Notes 17 and 18 of this report.

Economic Factors and Next Year's Budget

A national recession that officially commenced in December 2007 produced a pattern of job losses in Connecticut that began in the first half of 2008. These job losses persisted until the start of 2010 and claimed 121,200 payroll positions, which is just over 6 percent of Connecticut's labor force. By the close of Fiscal Year 2013, Connecticut had regained half of the jobs lost to recession. This is a slower pace of recovery than the State had experienced in past post-recession periods. The overall growth rate of the national economy has been slowing over the past several decades, and Connecticut's economy has been following that same slower growth trend. From 1950 through the mid-1980s, there were numerous double-digit periods of volatile growth in U.S Gross Domestic Product (GDP). Since that time, there has been a gradual downward slope in the GDP rate of growth with lower variances between the highs and lows. Likewise, Connecticut's personal income and employment growth rates have been moderating over time. In Connecticut, as in many other states, these economic trends have resulted in higher tax rates and the imposition of tighter budget spending controls. Connecticut has kept its tax rates competitive with other states in the region.

The national economy as measured by real GDP grew at a moderate rate of just under 2 percent on an averaged quarterly basis during Fiscal Year 2013. Growth was especially slow during the middle half of Fiscal Year 2013, but improved significantly in the final quarter with growth of 2.5 percent. The national economy has posted growth in excess of 3 percent in the first half of the new fiscal year and the outlook is for continued moderate growth.

At the end of Fiscal Year 2013, Connecticut's personal income was growing at a quarterly annualized rate of better than 5 percent. However, the fiscal year also posted quarters of negative state income growth. Personal income in Connecticut grew at a rate of 0.8 percent (annualized rate of 3.2 percent) between the second and third quarters of 2013. This ranked Connecticut 37th nationally in income growth.

Connecticut added 10,500 jobs in Fiscal Year 2013. Job growth in calendar year 2013 exceeded the pace set in 2012. At this writing, the State has been averaging just below 1,000 job additions per month. The strongest employment sector in the State has been education and health services followed by construction. The weakest job sector has continued to be manufacturing. Job losses have also been recorded in financial activities and government.

Fiscal Year 2014 was initially budgeted with a General Fund surplus of just over $4 million. At this writing, the State is anticipating a General Fund surplus in excess of $500 million. The primary reason for surplus growth is better than expected estimated income tax payments. A strong stock market in 2013 has produced the higher tax receipts.

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 Position

June 30, 2013
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 708,012	$ 606,893	$ 1,314,905	$ 221,398
Deposits with U.S. Treasury	-	217,511	217,511	-
Investments	110,126	56,714	166,840	399,493
Receivables, (Net of Allowances)	2,278,669	727,023	3,005,692	95,015
Due from Primary Government	-	-	-	7,220
Inventories	49,884	14,715	64,599	6,644
Restricted Assets	-	48,451	48,451	1,815,989
Internal Balances	(209,038)	209,038	-	-
Other Current Assets	15,496	36,763	52,259	4,744
Total Current Assets	2,953,149	1,917,108	4,870,257	2,550,503
Noncurrent Assets:				
Cash and Cash Equivalents	-	326,204	326,204	-
Due From Component Units	27,068	-	27,068	-
Investments	-	55,137	55,137	197,625
Receivables, (Net of Allowances)	439,936	846,677	1,286,613	179,664
Restricted Assets	660,113	597,399	1,257,512	4,231,321
Capital Assets, (Net of Accumulated Depreciation)	11,986,810	3,808,981	15,795,791	399,938
Other Noncurrent Assets	82,783	30,100	112,883	21,264
Total Noncurrent Assets	13,196,710	5,664,498	18,861,208	5,029,812
Total Assets	16,149,859	7,581,606	23,731,465	7,580,315
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	17,576	20,454	38,030	202,181
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	734,467	272,668	1,007,135	81,125
Due to Component Units	7,219	-	7,219	-
Due to Other Governments	141,981	8,730	150,711	-
Current Portion of Long-Term Obligations	1,769,576	168,279	1,937,855	357,271
Amount Held for Institutions	-	-	-	507,778
Unearned Revenue	21,933	230,411	252,344	1,385
Medicaid Liability	518,853	-	518,853	-
Liability for Escheated Property	266,524	-	266,524	-
Other Current Liabilities	70,500	35,729	106,229	66,380
Total Current Liabilities	3,531,053	715,817	4,246,870	1,013,939
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	27,728,358	2,252,208	29,980,566	4,785,342
Total Noncurrent Liabilities	27,728,358	2,252,208	29,980,566	4,785,342
Total Liabilities	31,259,411	2,968,025	34,227,436	5,799,281
Net Position				
Net Investment in Capital Assets	5,824,691	3,178,740	9,003,431	242,646
Restricted For:				
Transportation	136,659	-	136,659	-
Debt Service	628,388	18,781	647,169	59,545
Federal Grants and Other Accounts	349,380	-	349,380	-
Capital Projects	286,293	156,489	442,782	-
Grant and Loan Programs	686,250	-	686,250	-
Clean Water and Drinking Water Projects	-	638,501	638,501	-
Bond Indenture Requirements	-	2,112	2,112	985,150
Loans	-	3,263	3,263	-
Permanent Investments or Endowments:				
Expendable	-	-	-	102,723
Nonexpendable	102,586	12,234	114,820	306,230
Other Purposes	93,344	168,150	261,494	43,546
Unrestricted (Deficit)	(23,199,567)	455,765	(22,743,802)	243,375
Total Net Position (Deficit)	$ (15,091,976)	$ 4,634,035	$ (10,457,941)	$ 1,983,215

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

Statement of Activities

For The Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services, Fees, Fines , and Other**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activities:				
Legislative	$ 106,349	$ 2,618	$ -	$ -
General Government	2,036,173	526,137	89,571	-
Regulation and Protection	868,187	606,854	296,699	-
Conservation and Development	665,365	64,468	14,231	-
Health and Hospitals	2,540,349	74,398	185,071	-
Transportation	1,572,755	70,872	-	767,793
Human Services	7,471,625	47,195	4,783,357	-
Education, Libraries, and Museums	4,490,144	42,101	500,960	-
Corrections	1,976,657	9,471	112,878	-
Judicial	893,860	131,442	9,636	-
Interest and Fiscal Charges	779,515	-	-	-
Total Governmental Activities	23,400,979	1,575,556	5,992,403	767,793
Business-Type Activities:				
University of Connecticut & Health Center	1,872,131	1,070,641	221,663	11,675
State Universities	666,417	368,480	58,443	39,939
Connecticut Community Colleges	488,496	105,023	109,438	-
Bradley International Airport	67,353	63,828	-	7,109
Employment Security	1,514,674	852,214	734,518	-
Clean Water	50,194	25,350	39,081	-
Other	58,989	62,852	9,677	-
Total Business-Type Activities	4,718,254	2,548,388	1,172,820	58,723
Total Primary Government	$ 28,119,233	$ 4,123,944	$ 7,165,223	$ 826,516
Component Units				
Connecticut Housing Finance Authority (12-31-12)	$ 209,712	$ 194,644	$ -	$ -
Connecticut Lottery Corporation	1,134,983	1,122,777	-	-
Other	314,487	230,274	16,843	30,905
Total Component Units	$ 1,659,182	$ 1,547,695	$ 16,843	$ 30,905

General Revenues:
Taxes:
Personal Income
Corporate Income
Sales and Use
Other
Restricted for Transportation Purposes:
Motor Fuel
Other
Casino Gaming Payments
Tobacco Settlement
Lottery Tickets
Unrestricted Investment Earnings
Contributions to Endowments
Transfers-Internal Activities
Total General Revenues, Contributions, and Transfers
Change in Net Position
Net Position (Deficit)- Beginning (as restated)
Net Position (Deficit)- Ending

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

Net (Expense) Revenue and Changes in Net Position

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
	$ (103,731)	$ -	$ (103,731)	$ -
	(1,420,465)	-	(1,420,465)	-
	35,366	-	35,366	-
	(586,666)	-	(586,666)	-
	(2,280,880)	-	(2,280,880)	-
	(734,090)	-	(734,090)	-
	(2,641,073)	-	(2,641,073)	-
	(3,947,083)	-	(3,947,083)	-
	(1,854,308)	-	(1,854,308)	-
	(752,782)	-	(752,782)	-
	(779,515)	-	(779,515)	-
	(15,065,227)	-	(15,065,227)	-
	-	(568,152)	(568,152)	-
	-	(199,555)	(199,555)	-
	-	(274,035)	(274,035)	-
	-	3,584	3,584	-
	-	72,058	72,058	-
	-	14,237	14,237	-
	-	13,540	13,540	-
	-	(938,323)	(938,323)	-
	(15,065,227)	(938,323)	(16,003,550)	-
	-	-	-	(15,068)
	-	-	-	(12,206)
	-	-	-	(36,465)
	-	-	-	(63,739)
	7,743,804	-	7,743,804	-
	558,287	-	558,287	-
	3,953,768	-	3,953,768	-
	2,327,754	-	2,327,754	-
	693,444	-	693,444	-
	79,000	-	79,000	-
	296,396	-	296,396	-
	123,745	-	123,745	-
	312,100	-	312,100	-
	3,942	16,742	20,684	46,877
	-	-	-	48,414
	(1,088,125)	1,088,125	-	-
	15,004,115	1,104,867	16,108,982	95,291
	(61,112)	166,544	105,432	31,552
	(15,030,864)	4,467,491	(10,563,373)	1,951,663
	$ (15,091,976)	$ 4,634,035	$ (10,457,941)	$ 1,983,215

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

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

Grant and Loan Programs Fund:
This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

Nonmajor Funds:
Nonmajor governmental funds are presented, by fund type beginning on page 94.

Balance Sheet
Governmental Funds
June 30, 2013
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 171,897	$ 5,570	$ 335,064	$ 184,465	$ 696,996
Investments	2,944	-	-	-	-	107,182	110,126
Securities Lending Collateral	-	-	-	-	-	15,334	15,334
Receivables:							
Taxes, Net of Allowances	1,330,477	-	42,612	-	-	-	1,373,089
Accounts, Net of Allowances	276,577	-	7,735	17,721	13,131	15,465	330,629
Loans, Net of Allowances	3,419	-	-	12,565	310,735	113,217	439,936
From Other Governments	325,392	-	-	236,491	-	7,868	569,751
Interest	-	1,134	47	-	-	-	1,181
Other	-	-	-	-	-	39	39
Due from Other Funds	26,181	-	1,134	306,549	44,765	502,128	880,757
Due from Component Units	27,068	-	-	-	-	-	27,068
Inventories	15,502	-	30,683	-	-	-	46,185
Restricted Assets	-	660,113	-	-	-	-	660,113
Total Assets	$ 2,007,560	$ 661,247	$ 254,108	$ 578,896	$ 703,695	$ 945,698	$ 5,151,204
Liabilities and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 284,406	$ -	$ 22,922	$ 186,452	$ 10,107	$ 61,086	$ 564,973
Due to Other Funds	903,450	1,134	-	2,092	24	180,516	1,087,216
Due to Component Units	-	-	-	190	7,029	-	7,219
Due to Other Governments	124,609	-	-	17,372	-	-	141,981
Unearned Revenue	443,567	-	2,643	13,331	13,065	23,559	496,165
Medicaid Liability	518,853	-	-	-	-	-	518,853
Liability For Escheated Property	266,524	-	-	-	-	-	266,524
Securities Lending Obligation	-	-	-	-	-	15,334	15,334
Other Liabilities	54,773	-	-	392	-	-	55,165
Total Liabilities	2,596,182	1,134	25,565	219,829	30,225	280,495	3,153,430
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	45,990	-	30,683	-	-	-	76,673
Permanent Fund Principal	-	-	-	-	-	102,712	102,712
Restricted For:							
Debt Service	-	660,113	-	-	-	-	660,113
Transportation Programs	-	-	121,360	-	-	-	121,360
Federal Grant and State Programs	-	-	-	359,067	-	-	359,067
Grants and Loans	-	-	-	-	662,870	-	662,870
Other	-	-	-	-	-	548,705	548,705
Committed For:							
Continuing Appropriations	90,950	-	-	-	-	-	90,950
Budget Reserve Fund	270,689	-	-	-	-	-	270,689
Future Budget Years	220,800	-	-	-	-	-	220,800
Budgetary Transfer to General Fund on FY 2014	-	-	76,500	-	-	-	76,500
Assigned To:							
Grants and Loans	-	-	-	-	10,600	-	10,600
Other	-	-	-	-	-	20,316	20,316
Unassigned	(1,217,051)	-	-	-	-	(6,530)	(1,223,581)
Total Fund Balances	(588,622)	660,113	228,543	359,067	673,470	665,203	1,997,774
Total Liabilities and Fund Balances	$ 2,007,560	$ 661,247	$ 254,108	$ 578,896	$ 703,695	$ 945,698	$ 5,151,204

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

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2013

(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$	1,997,774
Net assets reported for governmental activities in the Statement of Net Position 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	3,615,871		
Equipment	2,184,276		
Infrastructure	13,653,034		
Other Capital Assets	5,155,894		
Accumulated Depreciation	(12,662,250)		11,946,825
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 Position.			82,783
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.			474,527
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 Position.			47,269
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 17).			
Net Pension Obligation	(2,533,254)		
Net OPEB Obligation	(6,682,308)		
Worker's Compensation	(587,652)		
Capital Leases	(38,218)		
Compensated Absences	(513,709)		
Claims and Judgments	(43,522)		(10,398,663)
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 Position. This is the net effect of these balances on the statement (Note 17).			
Bonds and Notes Payable	(18,263,468)		
Unamortized Premiums	(996,394)		
Less: Deferred Loss on Refundings	180,876		
Accrued Interest Payable	(163,505)		(19,242,491)
Net Position of Governmental Activities		$	(15,091,976)

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, 2013
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 14,621,403	$ -	$ 773,600	$ -	$ -	$ -	$ 15,395,003
Licenses, Permits, and Fees	246,479	-	316,887	14,777	-	38,989	617,132
Tobacco Settlement	-	-	-	-	-	123,745	123,745
Federal Grants and Aid	4,404,671	-	12,415	2,246,040	-	97,070	6,760,196
Lottery Tickets	312,100	-	-	-	-	-	312,100
Charges for Services	36,294	-	67,305	-	9	14	103,622
Fines, Forfeits, and Rents	54,275	-	19,340	-	-	937	74,552
Casino Gaming Payments	296,396	-	-	-	-	-	296,396
Investment Earnings (Loss)	(2,100)	(5,372)	540	1,163	3,187	5,624	3,042
Interest on Loans	-	-	-	-	-	58	58
Miscellaneous	165,220	-	6,960	513,011	7,282	112,027	804,500
Total Revenues	20,134,738	(5,372)	1,197,047	2,774,991	10,478	378,464	24,490,346
Expenditures							
Current:							
Legislative	106,783	-	-	2,852	-	-	109,635
General Government	883,553	-	6,354	439,431	598,409	68,289	1,996,036
Regulation and Protection	401,286	-	87,053	201,184	12,158	181,382	883,063
Conservation and Development	191,440	-	-	153,079	217,835	105,949	668,303
Health and Hospitals	2,249,178	-	-	211,403	7,511	4,050	2,472,142
Transportation	-	-	723,137	776,239	8,886	-	1,508,262
Human Services	6,656,541	-	390	538,496	7,384	11,185	7,213,996
Education, Libraries, and Museums	3,691,779	-	-	512,477	16,936	5,127	4,226,319
Corrections	1,930,364	-	-	20,634	4,803	2,488	1,958,289
Judicial	829,453	-	-	18,319	-	45,504	893,276
Capital Projects	-	-	-	-	-	757,001	757,001
Debt Service:							
Principal Retirement	1,201,548	313,735	-	-	-	-	1,515,283
Interest and Fiscal Charges	596,328	153,872	7,157	123,713	2,973	4,200	888,243
Total Expenditures	18,738,253	467,607	824,091	2,997,827	876,895	1,185,175	25,089,848
Excess (Deficiency) of Revenues Over Expenditures	1,396,485	(472,979)	372,956	(222,836)	(866,417)	(806,711)	(599,502)
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	894,852	907,438	1,802,290
Premiums on Bonds Issued	-	32,827	-	-	42,884	141,084	216,795
Transfers In	133,889	430,772	98,916	210,599	4,000	75,022	953,198
Transfers Out	(1,212,011)	(3,863)	(452,272)	(22,567)	(41,911)	(308,699)	(2,041,323)
Refunding Bonds Issued	-	194,890	-	-	-	-	194,890
Payment to Refunded Bond Escrow Agent	-	(224,910)	-	-	-	-	(224,910)
Capital Lease Obligations	3,556	-	-	-	-	-	3,556
Total Other Financing Sources (Uses)	(1,074,566)	429,716	(353,356)	188,032	899,825	814,845	904,496
Net Change in Fund Balances	321,919	(43,263)	19,600	(34,804)	33,408	8,134	304,994
Fund Balances (Deficit) - Beginning	(912,421)	703,376	208,931	393,871	640,062	657,069	1,690,888
Change in Reserve for Inventories	1,880	-	12	-	-	-	1,892
Fund Balances (Deficit) - Ending	$ (588,622)	$ 660,113	$ 228,543	$ 359,067	$ 673,470	$ 665,203	$ 1,997,774

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, 2013

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 304,994
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 Position. Bond proceeds were received this year from:		
Bonds Issued	(1,802,290)	
Refunding Bonds Issued	(194,890)	
Premium on Bonds Issued	(216,795)	(2,213,975)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Long-term debt repayments this year consisted of:		
Principal Retirement	1,515,283	
Payments to Refunded Bond Escrow Agent ($5,367 reported in debt service)	230,277	
Capital Lease Payments	8,097	1,753,657
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 Activities		(3,556)
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	1,982,664	
Depreciation Expense	(949,828)	
Retirements	(21,259)	1,011,577
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 purchases exceeded consumption of inventories.		1,892
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in Accrued Interest	6,600	
Decrease in Interest Accreted on Capital Appreciation Debt	7,780	
Amortization of Bond Premium	119,323	
Amortization of Loss on Debt Refundings	(29,633)	
Decrease in Compensated Absences Liability	26,360	
Increase in Workers Compensation Liability	(28,106)	
Decrease in Claims and Judgments Liability	1,420	
Increase in Net Pension Obligation	(37,065)	
Increase in Net OPEB Obligation	(926,578)	(859,899)
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. Unearned revenues decreased by this amount this year.		(62,351)
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.		7,259
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	8,546	
Amortization of Debt Issue Costs	(9,256)	(710)
Change in Net Position of Governmental Activities		$ (61,112)

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, 2013
(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 14,408,165	$ 14,510,400	$ 14,552,684	$ 42,284
Casino Gaming Payments	336,200	296,400	296,396	(4)
Licenses, Permits, and Fees	258,821	262,100	262,068	(32)
Other	308,198	346,700	343,465	(3,235)
Federal Grants	3,629,044	3,733,900	3,733,910	10
Refunds of Payments	(50,000)	(74,000)	(74,016)	(16)
Operating Transfers In	398,200	408,600	418,552	9,952
Operating Transfers Out	(61,800)	(61,800)	(61,800)	-
Transfer from the Resources of the General Fund	(83,659)	(56,300)	(66,228)	(9,928)
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	19,143,169	19,366,000	19,405,031	39,031
Expenditures				
Budgeted:				
Legislative	76,677	77,357	66,533	10,824
General Government	620,136	624,132	593,367	30,765
Regulation and Protection	256,341	275,847	261,787	14,060
Conservation and Development	140,825	141,732	133,083	8,649
Health and Hospitals	1,837,970	1,855,201	1,801,952	53,249
Transportation	-	-	-	-
Human Services	5,907,886	5,995,496	5,931,567	63,929
Education, Libraries, and Museums	4,399,409	4,404,570	4,328,894	75,676
Corrections	1,450,944	1,479,295	1,408,761	70,534
Judicial	544,995	546,752	534,512	12,240
Non Functional	4,151,574	4,129,697	3,965,211	164,486
Total Expenditures	19,386,757	19,530,079	19,025,667	504,412
Appropriations Lapsed	116,349	396,839	-	(396,839)
Excess (Deficiency) of Revenues Over Expenditures	(127,239)	232,760	379,364	146,604
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	130,351	130,351	130,351	-
Appropriations Continued to Fiscal Year 2014	-	-	(112,402)	(112,402)
Miscellaneous Adjustments	-	724	722	(2)
Total Other Financing Sources (Uses)	130,351	131,075	18,671	(112,404)
Net Change in Fund Balance	$ 3,112	$ 363,835	398,035	$ 34,200
Budgetary Fund Balances - July 1			134,575	
Changes in Reserves			(17,950)	
Budgetary Fund Balances - June 30			$ 514,660	

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

Transportation Fund

Budget			Variance with Final Budget
Original	**Final**	**Actual**	**positive (negative)**
$ 765,500	$ 768,100	$ 773,575	$ 5,475
-	-		-
371,300	372,500	371,767	(733)
6,000	3,100	4,138	1,038
13,100	12,400	12,416	16
(3,400)	(3,200)	(3,154)	46
102,659	95,245	95,245	-
(6,500)	(6,500)	(6,500)	-
-	-	-	-
(15,000)	(15,000)	(15,000)	-
1,233,659	1,226,645	1,232,487	5,842
-	-	-	-
7,335	7,335	6,272	1,063
67,181	67,181	52,893	14,288
-	-	-	-
-	-	-	-
579,943	582,412	553,792	28,620
210	210	210	-
-	-	-	-
-	-	-	-
-	-	-	-
630,616	628,147	600,877	27,270
1,285,285	1,285,285	1,214,044	71,241
11,000	29,933	-	(29,933)
	-		
(40,626)	(28,707)	18,443	47,150
41,615	41,615	41,615	-
-	-	(41,308)	(41,308)
-	47	47	-
41,615	41,662	354	(41,308)
$ 989	$ 12,955	18,797	$ 5,842
		187,431	
		(307)	
		$ 205,921	

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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.

Connecticut Community Colleges:
This fund is used to account for the operations of the State community colleges system, which consists of twelve regional community colleges.

Bradley International Airport:
The airport is owned by the State of Connecticut and is operated by the Bureau of Aviation and Ports of the State of Connecticut, Department of Transportation and the Board of Directors of the Airport. In 1982, the State issued the Airport, 1982 series Revenue Bonds in the aggregate principal amount of $100,000,000 and established the Airport as an enterprise fund. The State also donated in the same year capital assets having a net book value of $33.3 million to the enterprise fund.

Employment Security:
This fund is used to account for the collection of 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 projects.

Nonmajor Funds:
Nonmajor proprietary funds are presented, by fund type beginning on page 116.

Statement of Net Position
Proprietary Funds

June 30, 2013
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Bradley International Airport
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 289,584	$ 178,566	$ 79,111	$ 18,270
Deposits with U.S. Treasury	-	-		-
Investments	649	56,065	-	-
Receivables:			-	
Accounts, Net of Allowances	129,650	181,467	10,059	5,820
Loans, Net of Allowances	1,838	3,647	-	-
Interest	-	-	-	-
From Other Governments	-	3,178	-	2,811
Due from Other Funds	81,584	27,510	118,897	-
Inventories	14,715	-	-	-
Restricted Assets	41,030	-	-	7,421
Other Current Assets	32,086	3,578	203	892
Total Current Assets	591,136	454,011	208,270	35,214
Noncurrent Assets:				
Cash and Cash Equivalents	1,438	130,706	-	-
Investments	10,614	28,155	-	-
Receivables:				
Loans, Net of Allowances	10,374	8,873	359	-
Restricted Assets	400	-	-	133,588
Capital Assets, Net of Accumulated Depreciation	1,872,472	958,677	657,917	290,755
Other Noncurrent Assets	2,502	155	-	9,897
Total Noncurrent Assets	1,897,800	1,126,566	658,276	434,240
Total Assets	2,488,936	1,580,577	866,546	469,454
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	-	20,454
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	154,178	46,456	39,757	8,286
Due to Other Funds	10,889	3,610	-	4,674
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	58,732	20,684	3,871	5,955
Unearned Revenue	30,230	194,600	3,563	2,018
Other Current Liabilities	23,269	12,167	293	-
Total Current Liabilities	277,298	277,517	47,484	20,933
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	323,489	317,519	36,861	153,809
Total Noncurrent Liabilities	323,489	317,519	36,861	153,809
Total Liabilities	600,787	595,036	84,345	174,742
Net Position (Deficit)				
Net Investment in Capital Assets	1,557,181	822,230	657,917	149,648
Restricted For:				
Debt Service	7,279	-	-	6,994
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	64,245	-	-	92,244
Nonexpendable Purposes	11,902	312	20	-
Bond Indentures	-	-	-	2,112
Loans	3,263	-	-	-
Other Purposes	22,645	36,416	109,089	-
Unrestricted (Deficit)	221,634	126,583	15,175	64,168
Total Net Position (Deficit)	$ 1,888,149	$ 985,541	$ 782,201	$ 315,166

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

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	**Clean Water**	**Other Funds**	**Total**	**Internal Service Funds**
$ 2,509	$ 1,822	$ 37,031	$ 606,893	$ 11,016
217,511	-	-	217,511	-
-	-	-	56,714	-
187,885	-	7,821	522,702	173
-	169,071	10,286	184,842	-
-	5,461	277	5,738	-
6,681	312	759	13,741	-
570	-	-	228,561	4,324
-	-	-	14,715	3,699
-	-	-	48,451	-
-	-	4	36,763	162
415,156	176,666	56,178	1,936,631	19,374
-	152,217	41,843	326,204	-
-	16,368	-	55,137	-
-	768,667	58,404	846,677	-
-	388,756	74,655	597,399	-
-	-	29,160	3,808,981	39,985
-	16,124	1,422	30,100	-
-	1,342,132	205,484	5,664,498	39,985
415,156	1,518,798	261,662	7,601,129	59,359
-	-	-	20,454	-
9	11,583	12,399	272,668	1,716
350	-	-	19,523	7,370
8,730	-	-	8,730	-
-	70,603	8,434	168,279	96
-	-	-	230,411	295
-	-	-	35,729	-
9,089	82,186	20,833	735,340	9,477
574,312	739,823	106,395	2,252,208	2,613
574,312	739,823	106,395	2,252,208	2,613
583,401	822,009	127,228	2,987,548	12,090
-	-	(8,236)	3,178,740	39,984
-	-	4,508	18,781	-
-	527,824	110,677	638,501	-
-	-	-	156,489	-
-	-	-	12,234	-
-	-	-	2,112	-
-	-	-	3,263	-
-	-	-	168,150	-
(168,245)	168,965	27,485	455,765	7,285
$ (168,245)	$ 696,789	$ 134,434	$ 4,634,035	$ 47,269

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

For The Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Bradley International Airport
Operating Revenues				
Charges for Sales and Services	$ 908,540	$ 348,042	$ 97,187	$ 47,629
Assessments	-	-	-	-
Federal Grants, Contracts, and Other Aid	179,366	43,540	91,086	-
State Grants, Contracts, and Other Aid	25,898	11,836	15,535	-
Private Gifts and Grants	42,805	3,067	2,817	-
Interest on Loans	-	-	-	-
Other	110,687	17,664	4,853	-
Total Operating Revenues	1,267,296	424,149	211,478	47,629
Operating Expenses				
Salaries, Wages, and Administrative	1,586,193	582,715	420,951	43,604
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	124,078	54,976	27,436	17,671
Other	152,403	20,945	40,109	-
Total Operating Expenses	1,862,674	658,636	488,496	61,275
Operating Income (Loss)	(595,378)	(234,487)	(277,018)	(13,646)
Nonoperating Revenue (Expenses)				
Interest and Investment Income	968	1,138	145	270
Interest and Fiscal Charges	(9,457)	(7,781)	-	(6,078)
Other - Net	25,008	2,774	2,983	16,199
Total Nonoperating Revenues (Expenses)	16,519	(3,869)	3,128	10,391
Income (Loss) Before Capital Contributions, Grants, and Transfers	(578,859)	(238,356)	(273,890)	(3,255)
Capital Contributions	11,675	39,939	-	7,109
Federal Capitalization Grants	-	-	-	-
Transfers In	521,827	294,832	274,389	10,483
Transfers Out	-	-	-	-
Change in Net Position	(45,357)	96,415	499	14,337
Total Net Position (Deficit) - Beginning (as restated)	1,933,506	889,126	781,702	300,829
Total Net Position (Deficit) - Ending	$ 1,888,149	$ 985,541	$ 782,201	$ 315,166

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

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
$ -	$ -	$ 23,010	$ 1,424,408	$ 53,106
848,220	-	37,482	885,702	-
719,898	-	-	1,033,890	-
14,620	-	-	67,889	-
-	-	-	48,689	-
-	17,660	1,535	19,195	-
3,994	-	825	138,023	88
1,586,732	17,660	62,852	3,617,796	53,194
-	858	18,832	2,653,153	39,188
1,514,674	-	-	1,514,674	-
-	-	30,908	30,908	-
-	-	1,215	225,376	6,297
-	10,113	1,770	225,340	-
1,514,674	10,971	52,725	4,649,451	45,485
72,058	6,689	10,127	(1,031,655)	7,709
-	13,096	1,125	16,742	3
-	(39,223)	(5,676)	(68,215)	-
-	7,690	(588)	54,066	(453)
-	(18,437)	(5,139)	2,593	(450)
72,058	(11,748)	4,988	(1,029,062)	7,259
-	-	-	58,723	-
-	39,081	9,677	48,758	-
-	989	-	1,102,520	-
(3,665)	-	(10,730)	(14,395)	-
68,393	28,322	3,935	166,544	7,259
(236,638)	668,467	130,499	4,467,491	40,010
$ (168,245)	$ 696,789	$ 134,434	$ 4,634,035	$ 47,269

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Bradley International Airport
Cash Flows from Operating Activities				
Receipts from Customers	$ 890,645	$ 337,010	$ 95,679	$ 47,207
Payments to Suppliers	(521,251)	(169,812)	(80,784)	(24,378)
Payments to Employees	(1,118,928)	(427,166)	(349,147)	(17,871)
Other Receipts (Payments)	320,644	84,519	74,553	-
Net Cash Provided by (Used in) Operating Activities	(428,890)	(175,449)	(259,699)	4,958
Cash Flows from Noncapital Financing Activities				
Proceeds from Bonds Payable	-	-	-	-
Retirement of Bonds and Annuities Payable	-	-	-	-
Interest on Bonds and Annuities Payable	-	-	-	-
Transfers In	405,340	217,440	226,192	10,483
Transfers Out	-	-	-	-
Other Receipts (Payments)	29,024	5,050	13,095	-
Net Cash Flows from Noncapital Financing Activities	434,364	222,490	239,287	10,483
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	(238,476)	(93,894)	(13,174)	(11,875)
Proceeds from Capital Debt	-	34,060	-	-
Principal Paid on Capital Debt	(61,905)	(16,211)	-	(14,245)
Interest Paid on Capital Debt	(52,254)	(10,300)	-	(6,106)
Transfer In	161,241	75,673	47,473	-
Federal Grant	-	-	-	-
Capital Contributions	-	-	-	5,182
Other Receipts (Payments)	5,875	(293)	(28,187)	31,316
Net Cash Flows from Capital and Related Financing Activities	(185,519)	(10,965)	6,112	4,272
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	40,703	-	-
Purchase of Investment Securities	(21)	(69,993)	-	(7,360)
Interest on Investments	990	340	153	263
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	2,061	-	-	-
Net Cash Flows from Investing Activities	3,030	(28,950)	153	(7,097)
Net Increase (Decrease) in Cash and Cash Equivalents	(177,015)	7,126	(14,147)	12,616
Cash and Cash Equivalents - Beginning of Year	509,467	302,146	93,258	136,855
Cash and Cash Equivalents - End of Year	$ 332,452	$ 309,272	$ 79,111	$ 149,471
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (595,378)	$ (234,487)	$ (277,018)	$ (13,646)
Adjustments not Affecting Cash:				
Depreciation and Amortization	124,078	54,976	27,436	17,671
Other	94,060	35	(10,830)	-
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(16,534)	(7,661)	(3,226)	(422)
(Increase) Decrease in Due from Other Funds	-	-	-	-
(Increase) Decrease in Inventories and Other Assets	(10,056)	(272)	2,488	-
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(25,060)	11,732	1,451	1,355
Increase (Decrease) in Due to Other Funds	-	228	-	-
Total Adjustments	166,488	59,038	17,319	18,604
Net Cash Provided by (Used In) Operating Activities	$ (428,890)	$ (175,449)	$ (259,699)	$ 4,958
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 289,584	$ 178,566		$ 18,270
Cash and Cash Equivalents - Noncurrent	1,438	130,706		-
Cash and Cash Equivalents - Restricted	41,430	-		131,201
	$ 332,452	$ 309,272		$ 149,471

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
$ 855,456	$ 89,165	$ 65,869	$ 2,381,031	$ 51,876
-	(10,113)	(8,136)	(814,474)	(21,848)
-	(714)	(11,247)	(1,925,073)	(12,390)
(849,282)	(124,531)	(35,379)	(529,476)	245
6,174	(46,193)	11,107	(887,992)	17,883
-	192,685	1,445	194,130	-
-	(70,578)	(6,942)	(77,520)	-
-	(33,057)	(5,381)	(38,438)	-
-	-	-	859,455	-
(3,665)	(4,533)	(10,730)	(18,928)	-
-	(128,961)	(12,566)	(94,358)	(453)
(3,665)	(44,444)	(34,174)	824,341	(453)
-	-	(63)	(357,482)	(15,644)
-	-	-	34,060	-
-	-	-	(92,361)	-
-	-	-	(68,660)	-
-	-	-	284,387	-
-	57,472	9,228	66,700	-
-	-	-	5,182	-
-	-	-	8,711	-
-	57,472	9,165	(119,463)	(15,644)
-	-	-	40,703	-
-	-	-	(77,374)	-
-	13,242	1,143	16,131	3
-	21,330	-	21,330	-
-	(3,121)	11,968	10,908	-
-	31,451	13,111	11,698	3
2,509	(1,714)	(791)	(171,416)	1,789
-	3,536	37,822	1,083,084	9,227
$ 2,509	$ 1,822	$ 37,031	$ 911,668	$ 11,016
$ 72,058	$ 6,689	$ 10,127	$ (1,031,655)	$ 7,709
-	-	1,215	225,376	6,297
-	-	-	83,265	-
(12,790)	(52,882)	(937)	(94,452)	(124)
1,478	-	-	1,478	(1,105)
-	-	(758)	(8,598)	292
(57,706)	-	1,460	(66,768)	4,814
3,134	-	-	3,362	-
(65,884)	(52,882)	980	143,663	10,174
$ 6,174	$ (46,193)	$ 11,107	$ (887,992)	$ 17,883

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Fiduciary Fund Financial Statements

Investment Trust Fund
External Investment Pool:
This fund is used 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:
This fund is used 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 Position
Fiduciary Funds

June 30, 2013
(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Agency Funds	Total
Assets					
Cash and Cash Equivalents	$ 170,815	$ -	$ -	$ 108,279	$ 279,094
Receivables:					
Accounts, Net of Allowances	26,298	-	-	9,590	35,888
From Other Governments	347	-	-	-	347
From Other Funds	8,689	-	-	4,233	12,922
Interest	467	932	-	8	1,407
Investments (See Note 4)	25,837,449	866,233	-	-	26,703,682
Inventories	-	-	-	13	13
Securities Lending Collateral	2,500,243	-	-	-	2,500,243
Other Assets	-	76	998	370,253	371,327
Total Assets	28,544,308	867,241	998	$ 492,376	29,904,923
Liabilities					
Accounts Payable and Accrued Liabilities	15,448	136	-	$ 60,235	75,819
Securities Lending Obligation	2,500,243	-	-	-	2,500,243
Due to Other Funds	5,803	-	-	6,653	12,456
Funds Held for Others	-	-	-	425,488	425,488
Total Liabilities	2,521,494	136	-	$ 492,376	3,014,006
Net Position					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	25,757,326	-	-		25,757,326
Other Employee Benefits (Note 15)	265,488	-	-		265,488
Individuals, Organizations, and Other Governments	-	867,105	998		868,103
Total Net Position	$ 26,022,814	$ 867,105	$ 998		$ 26,890,917

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

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Total
Additions				
Contributions:				
Plan Members	$ 567,226	$ -	$ -	$ 567,226
State	2,431,310	-	-	2,431,310
Municipalities	116,397	-	-	116,397
Total Contributions	3,114,933	-	-	3,114,933
Investment Income	2,807,525	1,926	-	2,809,451
Less: Investment Expense	(86,710)	(255)	-	(86,965)
Net Investment Income	2,720,815	1,671	-	2,722,486
Escheat Securities Received	-	-	16,346	16,346
Pool's Share Transactions	-	13,073	-	13,073
Other	2,675	-	-	2,675
Total Additions	5,838,423	14,744	16,346	5,869,513
Deductions				
Administrative Expense	3,669	-	-	3,669
Benefit Payments and Refunds	3,855,819	-	-	3,855,819
Escheat Securities Returned or Sold	-	-	16,714	16,714
Distributions to Pool Participants	-	1,671	-	1,671
Other	529	-	(141)	388
Total Deductions	3,860,017	1,671	16,573	3,878,261
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	1,978,406	-	-	1,978,406
Individuals, Organizations, and Other Governments	-	13,073	(227)	12,846
Net Position - Beginning	24,044,408	854,032	1,225	24,899,665
Net Position - Ending	$ 26,022,814	$ 867,105	$ 998	$ 26,890,917

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.

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.

Nonmajor:
The nonmajor component units are presented beginning on page 134.

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Statement of Net Position
Component Units

June 30, 2013

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-12)	Connecticut Lottery Corporation	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 11,164	$ 210,234	$ 221,398
Investments	-	18,449	381,044	399,493
Receivables:				
Accounts, Net of Allowances	-	34,498	29,599	64,097
Loans, Net of Allowances	-	-	26,372	26,372
Other	-	2,809	1,737	4,546
Due From Primary Government	-	-	7,220	7,220
Restricted Assets	1,262,966	-	553,023	1,815,989
Inventories	-	-	6,644	6,644
Other Current Assets	-	2,283	2,461	4,744
Total Current Assets	1,262,966	69,203	1,218,334	2,550,503
Noncurrent Assets:				
Investments	-	128,584	69,041	197,625
Accounts, Net of Allowances	-	-	31,615	31,615
Loans, Net of Allowances	-	-	148,049	148,049
Restricted Assets	4,135,034	-	96,287	4,231,321
Capital Assets, Net of Accumulated Depreciation	3,276	1,685	394,977	399,938
Other Noncurrent Assets	-	5,264	16,000	21,264
Total Noncurrent Assets	4,138,310	135,533	755,969	5,029,812
Total Assets	5,401,276	204,736	1,974,303	7,580,315
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	200,205	-	1,976	202,181
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	26,171	17,036	37,918	81,125
Current Portion of Long-Term Obligations	306,370	19,141	31,760	357,271
Unearned Revenue	-	722	663	1,385
Amount Held for Institutions	-	-	507,778	507,778
Other Liabilities	26,429	34,791	5,160	66,380
Total Current Liabilities	358,970	71,690	583,279	1,013,939
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	4,284,160	129,290	371,892	4,785,342
Total Noncurrent Liabilities	4,284,160	129,290	371,892	4,785,342
Total Liabilities	4,643,130	200,980	955,171	5,799,281
Net Position				
Net Investment in Capital Assets	3,276	1,685	237,685	242,646
Restricted:				
Debt Service	-	-	59,545	59,545
Bond Indentures	985,150	-	-	985,150
Expendable Endowments	-	-	102,723	102,723
Nonexpendable Endowments	-	-	306,230	306,230
Other Purposes	-	5,830	37,716	43,546
Unrestricted (Deficit)	(30,075)	(3,759)	277,209	243,375
Total Net Position	$ 958,351	$ 3,756	$ 1,021,108	$ 1,983,215

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/12)	$ 209,712	$ 194,644	$ -	$ -
Connecticut Lottery Corporation	1,134,983	1,122,777	-	-
Other Component Units	314,487	230,274	16,843	30,905
Total Component Units	$ 1,659,182	$ 1,547,695	$ 16,843	$ 30,905

General Revenues:
Investment Income
Contributions to Endowments
Total General Revenues
and Contributions
Change in Net Position
Net Position - Beginning (as restated)
Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Connecticut Housing Finance Authority (12-31-12)	**Connecticut Lottery Corporation**	**Other Component Units**	**Totals**
$ (15,068)	$ -	$ -	$ (15,068)
-	(12,206)	-	(12,206)
-	-	(36,465)	(36,465)
(15,068)	(12,206)	(36,465)	(63,739)
15,698	8,401	22,778	46,877
-	-	48,414	48,414
15,698	8,401	71,192	95,291
630	(3,805)	34,727	31,552
957,721	7,561	986,381	1,951,663
$ 958,351	$ 3,756	$ 1,021,108	$ 1,983,215

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Notes to the Financial Statements
June 30, 2013

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) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. The State reported as component units the following organizations that are public instrumentalities and political subdivisions of the State (public authorities).

Connecticut Housing Finance Authority (CHFA)
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 and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2012.

Connecticut Resources Recovery Authority (CRRA)
CRRA 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 (CHESLA)
CHESLA was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its bond funds. In fiscal year 2013, CHESLA became a subsidiary of CHEFA.

Connecticut Health and Educational Facilities Authority (CHEFA)
CHEFA 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.

Capital Region Development Authority (CRDA)
CRDA was established July 1, 2012 to market the major sports, convention, and exhibition venues in the region. CRDA became the successor to the Capital City Economic Development Authority, which was established in 1998.

Connecticut Innovations, Incorporated (CI)
CI 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. In fiscal year 2013, the Connecticut Development Authority, a component unit reported in prior years, was merged into this corporation.

Clean Energy Finance and Investment Authority (CEFIA)
CEFIA was created to develop programs to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean energy and the deployment of clean energy sources within the state.

Connecticut Lottery Corporation
The corporation was created in 1996 for the purpose of generating revenues for the State through the operation of a lottery.

CHFA, CRRA, CHESLA, CHEFA, and CRDA are reported as component units because the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's bonded debt that is secured by a special capital reserve fund, or other contractual agreement.

CI and CEFIA are reported as component units because the State appoints a voting majority of the organization's governing board and has the ability to access the resources of the organization.

The Connecticut Lottery Corporation is reported as a component unit because the State appoints a voting majority of the corporation's governing board and receives a significant amount of revenues from the operations of the lottery.

In addition, the State also includes the following non-governmental nonprofit corporation as a component unit.

University of Connecticut Foundation, Incorporated
The Foundation was 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 and Health Center, a major Enterprise fund. The Foundation is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the Foundation from the Sate's reporting entity.

Component units are reported in separate columns and rows in the government-wide financial statements (discrete presentation) to emphasize that they are legally separate from the primary government. 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.

c. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The Statement of Net Position 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 Position presents the reporting entity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds issued to buy, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the purchase, construction, or improvement of those assets or related debt should be included in this component of net position.
2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
3. Unrestricted – This component of net position is the remaining balance of net position, after the determination of the other two components of net position.

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.

In the governmental fund financial statements, fund balance (difference between assets and liabilities) is classified as nonspendable, restricted and unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints on the resources are externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints by formal action of the Legislature, such as appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific uses, but is neither restricted nor committed.

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 that are restricted for payment of 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 revenues that are restricted for the payment of budgeted appropriations of the Transportation and Motor Vehicles Departments.

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

***Grant and Loan Programs* –** This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located 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.

***Connecticut Community Colleges* –** This fund is used to account for the operations of the State community colleges system, which consists of twelve regional community colleges.

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.

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, 12, and 14.

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.

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 taxes and other revenues to be available if the revenues are collected within 45 days after year-end. Exceptions to this policy are federal grant revenues, which are considered to be available if collection is expected within 12 months after year-end, and licenses and fees which 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.

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 carryforwards 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. Carryforward 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 2013 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 consist of investments in the Short-Term Investment Fund which are reported at the fund's share price.

In the Statement of Cash Flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

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 a comparison of other State bonds.

- The fair value of securities not publicly traded held by the Connecticut Innovations, Incorporated, a Component Unit. The fair value of these investments is determined by an independent 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 position.

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 designation (nonexpendable) 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, except for the University of Connecticut which uses an initial individual cost of more than $5,000. 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.

Escheat Property
Escheat property is private property that has reverted to the State because it has been abandoned or has not been claimed by the rightful owners for a period of time. State law requires that all escheat property receipts be recorded as revenue in the General fund. Escheat revenue is reduced and a fund liability is reported to the extent that it is probable that escheat property will be refunded to claimants in the future. This liability is estimated based on the State's historical relationship between escheat property receipts and amounts paid as refunds, taking into account current conditions and trends.

Deferred Outflows of Resources
Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position in a separate section, after total assets.

Unearned 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 position. 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 other noncurrent assets and amortized over the term of the related debt. Other significant long-term obligations include the net pension and OPEB obligations, compensated absences, workers' compensation claims, and federal loans. 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 position 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 Special Act No. 09-06, the General Assembly enacted an Early Retirement Incentive Program in order to mitigate the deficit of the General Fund of the State. 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, except for one modification. The modification provides that the balance of any compensated absences shall be paid in three equal annual installments beginning during fiscal year ending June 30, 2013.

g. Derivative Instruments
The State's derivative instruments consist of interest rate swap agreements, all of which have been determined by the State to be effective cash flow hedges. Starting in fiscal year 2013, accumulated decreases in the fair value of some of the swaps are reported as deferred outflows of resources in the Statement of Net Position. These agreements are discussed in more detail in Note No. 19.

h. Deferred Inflows of Resources
Deferred inflows of resources are defined as the acquisition of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position in a separate section, after total liabilities.

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)	$ 398,035	$ 18,797
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	(113,228)	(4,653)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	87,877	9,897
Salaries and Fringe Benefits Payable	(32,816)	(2,720)
Increase (Decrease) in Continuing Appropriations	(17,949)	(307)
Fund Reclassification-Bus Operations	-	(1,414)
Net change in fund balances (GAAP basis)	$ 321,919	$ 19,600

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 committed fund balance.

Note 3 Nonmajor Fund Deficits
The following funds have deficit fund/net position balances at June 30, 2013, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects	
Transportation	$ 718
Enterprise	
Bradley Parking Garage	$ 28,155

Note 4 Cash Deposits and Investments

According to GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", 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.
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, one Medium-Term Investment Fund, and twelve Combined Investment Funds.

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, and asset-backed securities. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net position.

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 accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

For disclosure purposes, certificates of deposit held by STIF are reported in this note as bank deposits, not as investments.

As of June 30, 2013, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Investment Maturities (in years) Less Than 1	1-5
Federal Agency Securities	$ 2,011,330	$ 1,988,865	$ 22,465
Bank Commercial Paper	325,000	325,000	-
US Gov. Guaranteed or Insured	50,156	50,156	-
Government Money Market Funds	205,737	205,737	-
Repurchase Agreements	100,000	100,000	-
Total Investments	$ 2,692,223	$ 2,669,758	$ 22,465

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, 2013, the weighted average maturity of the STIF was 44 days. Additionally, STIF is allowed by policy to invest in floating-rate securities. However, investment in these securities having maturities greater than two years is limited to no more than 20 percent of the overall portfolio. For purposes of the fund's 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, 2013, the amount of STIF's investments in variable-rate securities was $995 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, 2013, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Quality Ratings AAA	AA	A	Unrated
Federal Agency Securities	$ 2,011,329	$ -	$ 2,011,329	$ -	$ -
Bank Commercial Paper	325,000	-	-	325,000	-
U.S. Government Guaranteed & Insured Securities	50,157	-	20,157	-	30,000
Government Money Market Funds	205,737	205,737	-	-	-
Repurchase Agreements	100,000	-	-	100,000	-
Total Investments	$ 2,692,223	$ 205,737	$ 2,031,486	$ 425,000	$ 30,000

Concentration of Credit Risk

STIF reduces its exposure to this risk by requiring that not more than 10 percent of its portfolio be invested in securities of any one issuer, except for overnight or two-business day repurchase agreements and U.S. government and agency securities. As of June 30, 2013, STIF's investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Amortized Cost
Federal Farm Credit Bank	$ 652,415
Federal Home Loan Bank	$ 568,923
Fannie Mae	$ 398,696
Freddie Mac	$ 391,295
U.S. Bank	$ 325,000
Morgan Stanley	$ 205,737

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 whose long-term debt is rated at least A and its issuer rating is at least "C", or backed by a letter of credit issued by a Federal Home Loan bank. As of June 30, 2013, $1,509,000 of the bank balance of STIF's deposits of $1,780,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,089,110
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	419,890
Total	$ 1,509,000

Short-Term Plus Investment Fund (STIF Plus)

STIF Plus is a money market and short-term bond 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 Plus in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptance, repurchase agreements, asset-backed securities, and investment fund comprised of authorized securities. STIF Plus's investments are reported at fair value on the fund's statement of net position.

For financial reporting purposes, STIF Plus is considered to be an internal investment pool and is not reported in the accompanying financial statements. Instead, investments in STIF Plus by participant funds are reported as other investments in the government-wide and fund financial statements.

As of June 30, 2013, STIF Plus had the following investments and maturities (amount in thousands):

Short-Term Plus Investment Fund

		Investment Maturities (in years)
Investment Type	Fair Value	Less Than 1
Asset Backed Securities	$ 2,841	$ 2,841
Money Market Government Fund	1	1
Total Investments	$ 2,842	$ 2,842

Interest Rate Risk

STIF Plus's policy for managing this risk is to perform, on a quarterly basis, an interest rate sensitivity analysis on the duration and the market value of the portfolio to determine the potential effect of a 200 basis point movement in interest rates. As of June 30, 2013, the weighted average maturity of STIF Plus was 43 days. In addition, STIF Plus is allowed to invest in floating-rate debt securities. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprise frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2013, STIF Plus's investment in variable-rate securities was $2.8 million.

Credit Risk

The STIF Plus manages its credit risk by investing only in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations. As of June 30, 2013, STIF Plus's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Plus Investment Fund

		Quality Rating			
Investment Type	Fair Value	AAA	A	CCC	D
Asset Backed Securities	$ 2,841	$ 1,132	$ 867	$ 723	$ 119
Money Market Government Fund	1	-	1	-	-
Total	$ 2,842	$ 1,132	$ 868	$ 723	$ 119

Concentration of Credit Risk

STIF Plus's policy for managing this risk is to limit the amount it may invest in any single corporate entity or federal agency to 5 percent and 15 percent, respectively, at the time of purchase. As of June 30, 2013, STIF Plus' investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Fair Value
Argent Securities, Inc.	$ 1,132
Granite Master Issuer Plc.	$ 867
Indymac INBD Mortgage Loan Trust	$ 407
Citigroup Mortgage Loan Trust	$ 316

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 position.

For financial reporting purposes, the CIFS are considered to be internal investment pools and are not reported in the accompanying financial statements. Instead, investments in the CIFS by participant funds are reported as equity in the CIFS in the government-wide and fund financial statements.

As of June 30, 2013, the amount of equity in the CIFS reported in the financial statements was as follows (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Fiduciary Funds
Equity in the CIFS	$ 102,712	$ 649	$ 25,837,449
Other Investments	7,414	56,065	866,233
Total Investments-Current	$ 110,126	$ 56,714	$ 26,703,682

As of June 30, 2013, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 1,497,963	$ 1,152,548	$ 24,359	$ 45,982	$ 275,074
Asset Backed Securities	142,566	6,689	111,630	20,580	3,667
Government Securities	2,686,838	182,297	1,165,019	715,711	623,811
Government Agency Securities	577,237	2,829	45,462	17,370	511,576
Mortgage Backed Securities	205,486	-	33,848	10,270	161,368
Corporate Debt	1,942,072	87,411	594,454	1,006,861	253,346
Convertible Debt	41,827	957	12,449	5,812	22,609
Mutual Fund	519,845	-	-	-	519,845
Total Debt Investments	7,613,834	$ 1,432,731	$ 1,987,221	$ 1,822,586	$ 2,371,296
Common Stock	12,871,698				
Preferred Stock	92,692				
Real Estate Investment Trust	287,650				
Mutual Fund	405,729				
Limited Liability Corporation	1,033				
Trusts	946				
Limited Partnerships	4,638,923				
Total Investments	$ 25,912,505				

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 Barclays Aggregate-an intermediate duration index.

Credit Risk

The CIFS minimizes exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2013, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds

	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt	Mutual Fund
Aaa	$ 1,131,891	$ -	$ 75,882	$ 233,974	$ 552,435	$ 114,878	$ 154,722	$ -	$ -
Aa	204,506	-	5,749	81,755	-	14,187	102,815	-	-
A	339,688	-	6,464	143,820	-	9,750	179,654	-	-
Baa	834,480	-	424	460,031	-	870	371,330	1,825	-
Ba	305,406	-	-	45,974	-	-	252,640	6,792	-
B	611,467	-	-	64,025	-	-	542,331	5,111	-
Caa	188,526	-	-	2,004	-	-	186,522	-	-
Ca	7,350	-	-	-	-	-	7,350	-	-
MIG	8,771	-	-	8,771	-	-	-	-	-
Prime 1	209,502	205,000	4,502	-	-	-	-	-	-
Government fixed not rated	1,671,286	-	-	1,646,485	24,801	-	-	-	-
Not Rated	2,100,961	1,292,963	49,546	-	-	65,800	144,709	28,098	519,845
	$ 7,613,834	$ 1,497,963	$ 142,567	$ 2,686,839	$ 577,236	$ 205,485	$ 1,942,073	$ 41,826	$ 519,845

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50 percent 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, 2013, CIFS' foreign deposits and investments were as follows (amounts in thousands):

				Combined Investment Funds							
				Fixed Income Securities					Equities		
Foreign Currency	Total	Cash	Cash Equivalent Collateral	Government Securities	Mutual Funds	Corporate Debt	Convertible Securities	Asset Backed	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	$ 286	$ 286	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	381,317	2,963	-	20,495	-	61,674	-	-	275,040	-	21,145
Brazilian Real	241,752	520	-	73,731	-	7,067	-	-	124,351	36,083	-
Canadian Dollar	64,463	420	-	-	-	-	-	-	64,043	-	-
Chilean Peso	1,992	1,478	-	514	-	-	-	-	-	-	-
China Yuan Renminbi	835	47	-	788	-	-	-	-	-	-	-
Colombian Peso	17,595	-	-	10,500	-	7,095	-	-	-	-	-
Czech Koruna	10,364	-	-	-	-	-	-	-	10,364	-	-
Danish Krone	58,297	131	-	-	-	2,435	-	-	55,731	-	-
Egyptian Pound	6,200	107	-	-	-	-	-	-	6,093	-	-
Euro Currecny	1,671,003	5,115	4	99,502	-	39,754	528	1,121	1,480,090	35,471	9,418
Ghana Cedi	338	-	-	-	-	338	-	-	-	-	-
Hong Hong Dollar	566,451	873	-	-	-	-	-	-	562,963	-	2,615
Hungarian Fornit	29,994	3	-	15,515	-	-	-	-	14,476	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-	-
Indian Rupee	(856)	-	-	-	-	1,807	-	(2,663)	-	-	-
Indonesian Rupiah	116,864	-	-	25,155	-	6,443	-	-	85,266	-	-
Israleli Shekel	11,578	392	-	-	-	-	-	-	11,186	-	-
Japanese Yen	1,170,201	4,349	-	29,020	-	-	-	-	1,127,916	-	8,916
Kenyan Shilling	64	-	-	-	-	-	-	-	64	-	-
Malaysian Ringgit	105,543	237	-	42,435	-	-	-	-	62,871	-	-
Mexican Peso	119,941	112	-	65,637	-	1,641	-	-	47,275	-	5,276
Moroccan Dirham	125	-	-	-	-	-	-	-	125	-	-
New Romanian Leu	2,817	23	-	2,794	-	-	-	-	-	-	-
New Russian Rubel	54,776	805	-	40,343	-	13,628	-	-	-	-	-
New Taiwan Dollar	(15)	6	-	-	-	-	-	(21)	-	-	-
New Zealand Dollar	66,384	361	-	51,330	-	3,293	-	-	11,400	-	-
Nigerian Naira	7,509	256	-	1,683	-	5,458	-	-	112	-	-
Norwegian Krone	52,225	477	-	-	-	-	-	-	51,748	-	-
Peruvian Nouveau Sol	3,727	-	-	3,727	-	-	-	-	-	-	-
Philippine Peso	53,025	77	-	-	-	-	-	-	52,948	-	-
Polish Zloty	101,370	805	-	65,640	-	-	-	-	34,925	-	-
Pound Sterling	1,093,838	4,299	-	280	444	2,583	-	-	1,078,887	-	7,345
Singapore Dollar	102,898	643	-	-	-	-	-	-	97,051	-	5,204
South African Rand	110,181	1,046	-	38,483	-	649	-	(103)	70,106	-	-
South Korean Won	278,939	274	-	-	-	-	-	(49)	275,024	3,690	-
Sri Lanka Rupee	2,910	-	-	-	-	2,910	-	-	-	-	-
Swedish Krona	158,194	39	-	-	-	-	-	-	158,155	-	-
Swiss Franc	386,277	846	-	-	-	-	-	-	385,431	-	-
Thailand Baht	156,361	259	-	25,976	86	-	-	-	130,040	-	-
Turkish Lira	121,534	2	-	40,846	-	141	-	-	80,545	-	-
Ukraine Hryvna	1,063	-	-	-	-	1,063	-	-	-	-	-
Uruguayan Peso	7,742	-	-	7,742	-	-	-	-	-	-	-
Vietnam Dong	2,635	-	-	-	-	2,635	-	-	-	-	-
	$ 7,338,739	$ 27,253	$ 4	$ 662,136	$ 530	$ 160,614	$ 528	$ (1,715)	$ 6,354,226	$ 75,244	$ 59,919

Derivatives

As of June 30, 2013, the CIFS held the following derivative Investments (amounts in thousands):

Derivative Investments	Fair Value
Asset Backed Securities	$ 142,566
Mortgage Backed Securities	65,664
Collateralized Mortgage Obligations	139,780
TBA's	115,909
Interest Only Securities	1,050
Options	14
Adjustable Rate Securities	658,512
Total	$ 1,123,495

The CIFS invest in derivative investments for trading purposes and to enhance investment returns. The credit exposure resulting from these investments is limited to their fair value at year end.

The CIFS also invest in foreign currency contracts. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIFS' investments against currency fluctuations. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms. As of June 30, 2013, the fair value of contracts to buy and contracts to sell was $6,144.6 million and $6,125.9 million, respectively.

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 Liquidity Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2013, the CIFS had deposits with a bank balance of $42.3 million which was uninsured and uncollateralized.

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

Other Investments

As of June 30, 2013, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
State Bonds	$ 27,986	$ -	$ 1,596	$ 26,390	$ -
U.S. Government and Agency Securities	315,495	83,144	32,837	197,431	2,083
Guaranteed Investment Contracts	225,526	-	52,823	90,837	81,866
Money Market Funds	8,270	8,270	-	-	-
Total Debt Investments	577,277	$ 91,414	$ 87,256	$ 314,658	$ 83,949
Endowment Pool	10,464				
Limited Partnership	150				
Total Investments	$ 587,891				

Credit Risk

As of June 30, 2013, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Quality Ratings AA	A	Unrated
State Bonds	$ 27,986	$ 27,986	$ -	$ -
U.S. Government and Agency Securities	246,190	246,190	-	-
Guaranteed Investment Contracts	225,526	38,315	187,211	-
Money Market Funds	8,270	-	-	8,270
Total	$ 507,972	$ 312,491	$ 187,211	$ 8,270

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, 2013, $555,039 of the bank balance of the Primary Government of $559,449 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 31,555
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	523,484
Total	$ 555,039

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-12 and 6-30-13, respectively (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	$ 1,011	$ -	$ -	$ -	$ 1,011
Fidelity Funds	7,589	7,589	-	-	-
GNMA Program Assets	668,013	-	-	-	668,013
Mortgage Backed Securities	1,342	14	46	126	1,156
Municipal Bonds	14,739	-	-	-	14,739
U.S. Government Agency Securities	958	-	-	-	958
Structured Securities	566	-	-	-	566
Fidelity Tax Exempt Fund	5,484	5,484	-	-	-
Total Debt Investments	699,702	$ 13,087	$ 46	$ 126	$ 686,443
Annuity Contracts	147,032				
Total Investments	$ 846,734				

The CHFA and the CLC own 82.6 percent and 17.4 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

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. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

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 state's STIF, and other obligations which are legal investments for savings banks in the state. The Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

CHFA's investments were rated as of 12-31-12 as follows (amounts in thousands):

Component Units				
	Fair	Quality Ratings		
Investment Type	Value	CCC	D	Unrated
Collateralized Mortgage Obligations	$ 1,011	$ 1,011	$ -	$ -
Fidelity Tax Exempt Fund	5,484	-	-	5,484
Municipal Bonds	14,739	-	-	14,739
Structured Securities	566	-	566	-
Total	$ 21,800	$ 1,011	$ 566	$ 20,223

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. As of December 31, 2012, the Authority had no investments in any one issuer that represents 5 percent or more of total investments, other than investments guaranteed by the U.S. Government (GNMA Program Assets), and investments in the State's STIF.

Security Lending Transactions

Certain of the Combined Investment Funds are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The funds' master custodian is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

During the year, the master custodian lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The master custodian did not have the ability to pledge or sell collateral securities received absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100 percent of the market value of the loaned securities.

According to the Agreement, the master custodian has an obligation to indemnify the funds in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures during the fiscal year that resulted in a declaration and notice of Default of the Borrower. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit exposure to borrowers because the value of the collateral held and the market value of securities on loan were $2,716.3 million and $2,634.3 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed (a) 120 days or (b) the average duration of the loans by more than 45 days. If any of these limits is exceeded for any 3-day period, the Trustee shall take certain actions. At year end, the average duration of the collateral investments was 15.07 days; the average duration of the loans was unknown, although it is assumed to remain at 1 day.

Note 5 Receivables-Current

As of June 30, 2013, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,513,207	$ -	$ -
Accounts	1,100,315	616,383	64,815
Loans-Current Portion	-	184,842	28,693
Other Governments	570,069	13,741	-
Interest	1,181	5,738	4,546
Other (1)	3,846	-	-
Total Receivables	3,188,618	820,704	98,054
Allowance for Uncollectibles	(909,949)	(93,681)	(3,039)
Receivables, Net	$ 2,278,669	$ 727,023	$ 95,015

(1) Includes a reconciling amount of $3,807 million from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2013 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 703,767	$ -	$ 703,767
Income Taxes	355,249	-	355,249
Corporations	33,930	-	33,930
Gasoline and Special Fuel	-	42,855	42,855
Various Other	377,407	-	377,407
Total Taxes Receivable	1,470,353	42,855	1,513,208
Allowance for Uncollectibles	(139,876)	(243)	(140,119)
Taxes Receivable, Net	$ 1,330,477	$ 42,612	$ 1,373,089

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2013, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 31,615
Loans	452,346	849,756	157,888
Total Receivables	452,346	849,756	189,503
Allowance for Uncollectibles	(12,410)	(3,079)	(9,839)
Receivables, Net	$ 439,936	$ 846,677	$ 179,664

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 $768.7 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.2 percent. At year end, the noncurrent portion of loans receivable was $102.7 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2013, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Restricted Assets
Governmental Activities:					
Debt Service	$ 660,113	$ -	$ -	$ -	$ 660,113
Total - Governmental Activities	$ 660,113	$ -	$ -	$ -	$ 660,113
Business-Type Activities:					
Bradley International Airport	$ 131,201	$ 7,421	$ -	$ 2,387	$ 141,009
UConn/Health Center	41,430	-	-	-	41,430
Clean Water	139,770	248,986	-	-	388,756
Other Proprietary	52,277	22,378	-	-	74,655
Total - Business-Type Activities	$ 364,678	$ 278,785	$ -	$ 2,387	$ 645,850
Component Units:					
CHFA	$ 521	$ 1,778,099	$ 3,491,877	$ 127,503	$ 5,398,000
Other Component Units	98,568	542,282	-	8,460	649,310
Total - Component Units	$ 99,089	$ 2,320,381	$ 3,491,877	$ 135,963	$ 6,047,310

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2013, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

	Vendors	Salaries and Benefits	Interest	Other	Total Payables & Accrued Liabilities
Governmental Activities:					
General	$ 136,989	$ 147,417	$ -	$ -	$ 284,406
Transportation	15,270	7,652	-	-	22,922
Restricted Accounts	178,328	8,124	-	-	186,452
Grants and Loans	3,959	89	-	6,059	10,107
Other Governmental	55,650	5,436	-	-	61,086
Internal Service	936	721	-	59	1,716
Reconciling amount from fund financial statements to government-wide financial statements	-	-	163,505	4,273	167,778
Total - Governmental Activities	$ 391,132	$ 169,439	$ 163,505	$ 10,391	$ 734,467
Business-Type Activities:					
UConn/Health Center	$ 67,738	$ 59,067	$ -	$ 27,373	$ 154,178
State Universities	11,182	33,307	1,967	-	46,456
Other Proprietary	16,167	22,299	13,587	19,981	72,034
Total - Business-Type Activities	$ 95,087	$ 114,673	$ 15,554	$ 47,354	$ 272,668
Component Units:					
CHFA	$ -	$ -	$ 18,542	$ 7,629	$ 26,171
Connecticut Lottery Corporation	1,330	2,655	2,809	10,242	17,036
Other Component Units	4,344	-	1,068	32,506	37,918
Total - Component Units	$ 5,674	$ 2,655	$ 22,419	$ 50,377	$ 81,125

Note 10 Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated:				
Land	$ 1,639,097	$ 48,570	$ 21,258	$ 1,666,409
Construction in Progress	2,585,281	1,407,630	993,407	2,999,504
Total Capital Assets not being Depreciated	4,224,378	1,456,200	1,014,665	4,665,913
Other Capital Assets:				
Buildings	3,303,574	530,828	218,375	3,616,027
Improvements Other than Buildings	480,180	13,063	2,735	490,508
Equipment	2,109,441	362,386	159,769	2,312,058
Infrastructure	13,023,800	629,234	-	13,653,034
Total Other Capital Assets at Historical Cost	18,916,995	1,535,511	380,879	20,071,627
Less: Accumulated Depreciation For:				
Buildings	1,854,939	90,398	218,375	1,726,962
Improvements Other than Buildings	313,330	24,324	2,735	334,919
Equipment	2,043,520	351,615	159,769	2,235,366
Infrastructure	7,963,700	489,783	-	8,453,483
Total Accumulated Depreciation	12,175,489	956,120	380,879	12,750,730
Other Capital Assets, Net	6,741,506	579,391	-	7,320,897
Governmental Activities, Capital Assets, Net	$ 10,965,884	$ 2,035,591	$ 1,014,665	$ 11,986,810

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 6,158
General Government	45,162
Regulation and Protection	39,790
Conservation and Development	16,246
Health and Hospitals	15,832
Transportation	709,802
Human Services	2,628
Education, Libraries and Museums	47,360
Corrections	44,091
Judicial	22,763
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	6,288
Total Depreciation Expense	$ 956,120

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 64,709	$ 5,109	$ 150	$ 69,668
Construction in Progress	423,430	205,576	204,838	424,168
Total Capital Assets not being Depreciated	488,139	210,685	204,988	493,836
Capital Assets being Depreciated:				
Buildings	4,163,937	358,169	8,683	4,513,423
Improvements Other Than Buildings	551,434	21,185	1,793	570,826
Equipment	980,593	58,968	34,363	1,005,198
Total Other Capital Assets at Historical Cost	5,695,964	438,322	44,839	6,089,447
Less: Accumulated Depreciation For:				
Buildings	1,651,805	133,820	6,454	1,779,171
Improvements Other Than Buildings	306,938	20,799	495	327,242
Equipment	630,665	69,211	31,987	667,889
Total Accumulated Depreciation	2,589,408	223,830	38,936	2,774,302
Other Capital Assets, Net	3,106,556	214,492	5,903	3,315,145
Business-Type Activities, Capital Assets, Net	$ 3,594,695	$ 425,177	$ 210,891	$ 3,808,981

Component Units

Capital assets of the component units consisted of the following as of June 30, 2013 (amounts in thousands):

Land	$ 29,032
Buildings	346,521
Improvements other than Buildings	3,477
Machinery and Equipment	446,052
Construction in Progress	2,254
Total Capital Assets	827,336
Accumulated Depreciation	427,398
Capital Assets, Net	$ 399,938

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) Tier IIA (contributory) and Tier III (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 and Funding Policy

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

	SERS 6/30/2012	TRS 6/30/2012	JRS 6/30/2012
Retirees and beneficiaries receiving benefits	43,887	32,294	239
Terminated plan members entitled to but not yet receiving benefits	1,561	1,609	2
Active plan members	47,868	49,808	204
Total	93,316	83,711	445

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 regular and Hazardous Duty members are required to contribute 2 percent and 4 percent of their annual salary, respectively, 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 II Plan Hazardous Duty members are required to contribute 4 percent of their annual salary; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 2 percent and 5 percent of their annual salary, respectively. 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. 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 and Net Pension Obligation

The State's annual pension cost and net pension obligation for each plan for the current year were as follows (amounts in thousands)

	SERS	TRS	JRS
Annual required contribution	$ 1,059,652	$ 787,536	$ 16,006
Interest on net pension obligation	244,717	(42,725)	2,689
Adjustment to annual required contribution	(219,938)	54,236	(3,454)
Annual pension cost	1,084,431	799,047	15,241
Contributions made	1,058,113	787,536	16,006
Increase (decrease) in net pension obligation	26,318	11,511	(765)
Net pension obligation (asset) beginning of year	2,966,249	(502,643)	32,584
Net pension obligation (asset) end of year	$ 2,992,567	$ (491,132)	$ 31,819

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

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(asset)
SERS	2011	$ 999,261	82.6%	$ 2,913,694
	2012	$ 978,898	94.6%	$ 2,966,249
	2013	$ 1,084,431	97.6%	$ 2,992,567
TRS	2011	$ 576,460	100.7%	$ (498,593)
	2012	$ 753,196	100.5%	$ (502,643)
	2013	$ 799,047	98.6%	$ (491,132)
JRS	2011	$ 16,534	0%	$ 31,983
	2012	$ 15,696	96.2%	$ 32,584
	2013	$ 15,241	105.0%	$ 31,819

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2012 the most recent actuarial valuation date (amounts in millions):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SERF	$ 9,745	$ 23,019	$ 13,274	42.3%	$ 3,355	395.7%
TRF	$ 13,735	$ 24,862	$ 11,127	55.2%	$ 3,653	304.7%
JRF	$ 175	$ 320	$ 145	54.7%	$ 30	477.9%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The following is information as of the most recent actuarial valuation:

	SERF	TRF	JRS
Valuation Date	6/30/2012	6/30/2012	6/30/12
Actuarial Cost Method	Projected unit credit	Entry Age	Projected unit credit
Amortization Method	Level percent of payroll, closed	Level percent closed	Level percent of payroll, closed
Remaining Amortization Period	19 Years	22.4 years	19 Years
Asset Valuation Method	5-year smoothed actuarial value	4- year smoothed market	5-year smoothed actuarial value
Actuarial Assumptions:			
Investment Rate of Return	8.00%	8.5%	8.00%
Projected Salary Increases	4.00% -20.00%	3.75%-7.0%	4.75%
Includes inflation at	3.75%	3.0%	0.00%
Cost-of-Living Adjustments	2.3%-3.6%	2.0%-3.0%	2.30-4.75%

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 $35.4 million and $16.9 million, respectively.

Note 12 Other Retirement Systems Administered by the State of Connecticut

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (CMERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for CMERS and CPJERS are presented in Note No. 13.

Plan Descriptions and Contribution Information

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

	CMERS 7/1/2012	CPJERS 12/31/2011
Retirees and beneficiaries receiving benefits	6,095	342
Terminated plan members entitled to but not receiving benefits	703	32
Active plan members	8,711	330
Total	15,509	704
Number of participating employers	191	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 General statues. 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.

Statement of Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 18	$ 22,996	$ -	$ 279	$ 23,293
Receivables:							
Accounts, Net of Allowances	5,840	11,588	8	8,858	4	-	26,298
From Other Governments	-	347	-	-	-	-	347
From Other Funds	10	2	-	1	-	-	13
Interest	196	255	2	13	1	-	467
Investments	9,179,573	14,453,544	168,327	1,828,132	81,893	1,272	25,712,741
Securities Lending Collateral	887,939	1,390,000	17,116	186,402	8,692	167	2,490,316
Total Assets	10,073,558	15,855,736	185,471	2,046,402	90,590	1,718	28,253,475
Liabilities							
Accounts Payable and Accrued Liabilities	30	-	-	-	-	-	30
Securities Lending Obligation	887,939	1,390,000	17,116	186,402	8,692	167	2,490,316
Due to Other Funds	2,970	2,833	-	-	-	-	5,803
Total Liabilities	890,939	1,392,833	17,116	186,402	8,692	167	2,496,149
Net Position							
Held in Trust For Employee Pension Benefits	9,182,619	14,462,903	168,355	1,860,000	81,898	1,551	25,757,326
Total Net Position	$ 9,182,619	$ 14,462,903	$ 168,355	$ 1,860,000	$ 81,898	$ 1,551	$ 25,757,326

Statement of Changes in Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 164,000	$ 274,880	$ 1,520	$ 13,163	$ 200	$ 38	$ 453,801
State	1,058,113	787,536	16,006	-	-	-	1,861,655
Municipalities	-	14	-	116,329	-	-	116,343
Total Contributions	1,222,113	1,062,430	17,526	129,492	200	38	2,431,799
Investment Income	1,012,054	1,607,248	15,316	163,267	7,510	55	2,805,450
Less: Investment Expenses	(31,259)	(49,642)	(473)	(5,043)	(232)	(1)	(86,650)
Net Investment Income	980,795	1,557,606	14,843	158,224	7,278	54	2,718,800
Other	-	1,118	-	715	842	-	2,675
Total Additions	2,202,908	2,621,154	32,369	288,431	8,320	92	5,153,274
Deductions							
Administrative Expense	717	-	31	-	-	-	748
Benefit Payments and Refunds	1,487,694	1,640,387	20,902	115,008	4,501	1	3,268,493
Other	519	-	-	-	-	-	519
Total Deductions	1,488,930	1,640,387	20,933	115,008	4,501	1	3,269,760
Changes in Net Position	713,978	980,767	11,436	173,423	3,819	91	1,883,514
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year	8,468,641	13,482,136	156,919	1,686,577	78,079	1,460	23,873,812
End of Year	$ 9,182,619	$ 14,462,903	$ 168,355	$ 1,860,000	$ 81,898	$ 1,551	$ 25,757,326

Note 14 Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). SEOPEBP is administered by the State Comptroller (Healthcare Policy and Benefit Division), and RTHP is administered by the Teachers' Retirement Board. None of these plans issues stand-alone financial statements. However, financial statements for these plans are presented in Note No. 15.

State Employee OPEB Plan

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of the State who are receiving benefits from any State-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees' Retirement System. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes. As of June 30, 2013 (date of the latest actuarial valuation), the plan had 67,593 retirees and beneficiaries receiving benefits.

Plan Funding

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund. Administrative costs of the plan are financed by the State.

Retired Teacher Healthcare Plan

Plan Description

RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183 of the General Statutes. As of June 30, 2012 (date of the latest actuarial valuation), the plan had 35,215 retirees and beneficiaries receiving benefits.

Plan Funding

The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost and the net OPEB obligation for each plan for the current fiscal year were as follows (amounts in thousands):

	SEOPEBP	RTHP
Annual Required Contribution	$ 1,271,279	$ 180,460
Interest on Net OPEB Obligation	295,680	25,576
Adjustment to Annual Required Contribution	(250,347)	(26,416)
Annual OPEB Cost	1,316,612	179,620
Contributions Made	542,615	27,040
Increase in net OPEB Obligation	773,997	152,580
Net OPEB Obligation - Beginning of Year	5,187,369	568,362
Net OPEB Obligation - End of Year	$ 5,961,366	$ 720,942

In addition, other related information for each plan for the past three fiscal years was as follows (amounts in thousands):

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP				
	2013	$ 1,316,612	41.2%	$ 5,961,366
	2012	$ 1,220,577	44.3%	$ 5,187,369
	2011	$ 1,165,510	46.7%	$ 4,508,054
RTHP				
	2013	$ 179,620	15.1%	$ 720,942
	2012	$ 165,955	29.8%	$ 568,362
	2011	$ 167,368	3.2%	$ 451,893

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2013 and 2012, respectively, date of the latest actuarial valuations (amounts in million):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SEOPEBP	$143.8	$ 19,676.3	$ 19,532.5	0.7%	$ 3,539.7	551.8%
RTHP	$0	$ 3,048.3	$ 3,048.3	0.0%	$ 3,652.5	83.5%

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

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

	SEOPEBP	RTHP
Actuarial Valuation Date	6-30-13	6-30-12
Actuarial Cost Method	Projected Unit Credit	Entry Age
Amortization Method	Level Percent of Pay, Closed, 30 Years	Level Percent of Pay, Open
Remaining Amortization Period	24 Years	26 Years
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	5.70%	4.5% (includes 3% inflation rate)
Projected Salary Increases	3.75%	3.75%-7.00% (includes 3% inflation rate)
Healthcare Inflation Rate	7.00% graded to 5.00% over 5 years	7% Initial, 5% Ultimate

Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 15.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of June 30, 2012 there were 9 municipalities participating in the plan with a total membership of 598 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 15 OPEB Trust Funds Financial Statements

The financial statements of the OPEB trust funds are prepared using the accrual basis of accounting. Plan member and municipality contributions are recognized in the period in which they are due. State contributions are recognized in the period they are appropriated. Benefits are recognized when due and payable in accordance with the terms of each plan. Investment income and related investment expense of the Combined Investment Funds are allocated ratably to the PFSBF trust fund based on the fund's equity in the Combined Investment Funds.

Statement of Fiduciary Net Position (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Assets				
Cash and Cash Equivalents	$ 43,756	$ 103,766	$ -	$ 147,522
Receivables:				
From Other Funds	6,658	2,018	-	8,676
Investments	100,732	-	23,976	124,708
Securities Lending Collateral	6,274	-	3,653	9,927
Total Assets	157,420	105,784	27,629	290,833
Liabilities				
Accounts Payable and Accrued Liabilit	7,338	8,080	-	15,418
Securities Lending Obligation	6,274	-	3,653	9,927
Total Liabilities	13,612	8,080	3,653	25,345
Net Position				
Held in Trust For Other				
Postemployment Benefits	143,808	97,704	23,976	265,488
Total Net Position	$ 143,808	$ 97,704	$ 23,976	$ 265,488

Statement of Changes in Fiduciary Net Position (000's)

	State Employees'	Retired Teachers'	Policemen, Firemen , and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 27,504	$ 85,450	$ 471	$ 113,425
State	542,615	27,040	-	569,655
Municipalities	-	-	54	54
Total Contributions	570,119	112,490	525	683,134
Investment Income (Loss)	(56)	125	2,006	2,075
Less: Investment Expenses	2	-	(62)	(60)
Net Investment Income	(54)	125	1,944	2,015
Total Additions	570,065	112,615	2,469	685,149
Deductions				
Administrative Expense	-	2,921	-	2,921
Benefit Payments and Refunds	485,969	100,311	1,046	587,326
Other	5	5	-	10
Total Deductions	485,974	103,237	1,046	590,257
Changes in Net Position	84,091	9,378	1,423	94,892
Net Position Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year	59,717	88,326	22,553	170,596
End of Year	$ 143,808	$ 97,704	$ 23,976	$ 265,488

Note 16 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):

2014	$ 26,993
2015	28,088
2016	28,371
2017	27,439
2018	20,723
Thereafter	97,300
Total	$ 228,914

Contingent revenues for the year ended June 30, 2013, were $112 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2013, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2014	$ 58,431	$ 11,031
2015	44,926	6,563
2016	79,625	4,975
2017	11,465	3,770
2018	3,230	3,375
2019-2023	8,517	9,500
2024-2028	-	6,118
2029-2033	-	3,650
Total minimum lease payments	$ 206,194	48,982
Less: Amount representing interest costs		10,764
Present value of minimum lease payments		$ 38,218

Minimum capital lease payments were discounted using interest rates changing from 3.66 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2013, were $58.4 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 $58 million at June 30, 2013.

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 17 Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2013, (amounts in thousands):

Governmental Activities	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
Bonds:					
General Obligation	$ 13,964,576	$ 1,369,790	$ 1,106,138	$ 14,228,228	$ 1,032,033
Transportation	3,287,340	627,390	452,855	3,461,875	290,615
	17,251,916	1,997,180	1,558,993	17,690,103	1,322,648
Plus/(Less) premiums and deferred amounts	708,874	202,915	96,271	815,518	91,780
Total Bonds	17,960,790	2,200,095	1,655,264	18,505,621	1,414,428
Long-Term Notes	747,935	-	174,570	573,365	182,705
Other L/T Liabilities: [1]					
Net Pension Obligation	2,496,190	2,067,874	2,030,810	2,533,254	-
Net OPEB Obligation	5,755,731	1,496,233	569,656	6,682,308	-
Compensated Absences	542,102	10,037	36,426	515,713	47,476
Workers' Compensation	559,546	129,268	101,162	587,652	100,303
Capital Leases	42,759	3,556	8,097	38,218	9,225
Claims and Judgments	44,942	13,943	15,363	43,522	15,439
Liability on Interest Rate Swaps	24,956	-	7,380	17,576	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	9,466,931	3,720,911	2,768,894	10,418,948	172,443
Governmental Activities Long-Term Liabilities	$ 28,175,656	$ 5,921,006	$ 4,598,728	$ 29,497,934	$ 1,769,576

[1.] **In prior years, the General and Transportation funds have been used to liquidate other liabilities.**

Business-Type Activities	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
Revenue Bonds	$ 1,439,345	$ 284,210	$ 346,857	$ 1,376,698	$ 108,757
Plus/(Less) premiums, discounts and deferred amounts	46,362	40,911	(1,531)	88,804	988
Total Revenue Bonds	1,485,707	325,121	345,326	1,465,502	109,745
Compensated Absences	156,082	33,668	29,704	160,046	50,997
Federal Loans Payable	632,026	154,057	211,771	574,312	-
Other	329,086	53,595	162,054	220,627	7,537
Total Other Liabilities	1,117,194	241,320	403,529	954,985	58,534
Business-Type Long-Term Liabilities	$ 2,602,901	$ 566,441	$ 748,855	$ 2,420,487	$ 168,279

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $37.2 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique and could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort. In addition, there are other polluted sites in the state that require remedial action by the State that will result in additional cleanup costs. The State did not recognize a liability for these costs at year end because it could not be reasonably estimated.

As of June 30, 2013, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2013	Amounts due within year
Bonds Payable	$ 4,475,108	$ 283,880
Escrow Deposits	205,807	39,540
Closure of Landfills	49,276	14,214
Due to State	27,069	-
Other	385,353	19,637
Total	$ 5,142,613	$ 357,271

Note 18 Long-Term Notes and Bonded Debt

a. Economic Recovery Notes

Public Act 09-2 authorized the issuance of $915.8 million of General Obligation Economic Recovery Notes in December, 2009. The notes funded a major part of the deficit in the State's general fund as reported by the Comptroller to the Governor for the fiscal year ended June 30, 2009.

Economic recovery notes outstanding at June 30, 2013 were $573.4 million. The notes mature on various dates through 2016 and bear interest rates from 2.5% to 5.0%. Future amounts needed to pay principal and interest on economic recovery notes outstanding at June 30, 2013, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 182,705	$ 25,723	$ 208,428
2015	191,280	17,147	208,427
2016	199,380	9,043	208,423
Total	$ 573,365	$ 51,913	$ 625,278

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, 2013, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2014-2032	1.50-5.632%	$ 1,970,766	$ 700,140
School Construction	2014-2033	2.00-5.750%	4,812,690	84,346
Municipal & Other Grants & Loans	2014-2032	0.45-6.398%	1,083,784	742,734
Housing Assistance	2014-2031	1.13-5.460%	207,095	150,550
Elimination of Water Pollution	2014-2027	3.10-5.09%	206,431	240,208
General Obligation Refunding	2014-2025	1.00-5.50%	3,485,486	-
Pension Obligation	2014-2032	4.20-6.27%	2,276,578	-
Miscellaneous	2014-2038	3.00-6.00%	111,520	561,246
			14,154,350	$ 2,479,224
Accretion-Various Capital Appreciation Bonds			73,878	
		Total	$ 14,228,228	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2013, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 1,032,033	$ 664,007	$ 1,696,040
2015	1,006,493	610,791	1,617,284
2016	974,244	567,993	1,542,237
2017	929,638	526,311	1,455,949
2018	922,387	487,359	1,409,746
2019-2023	3,978,578	1,957,956	5,936,534
2024-2028	3,138,612	1,194,584	4,333,196
2029-2033	2,161,760	278,337	2,440,097
2034-2038	9,440	1,587	11,027
2039-2043	1,165	35	1,200
Total	$ 14,154,350	$ 6,288,960	$ 20,443,310

Transportation Related Bonds

Transportation related bonds include special tax 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, 2013, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2014-2033	2.00-5.740%	$ 3,461,875	$ 2,744,521
			3,461,875	$ 2,744,521
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 3,461,875	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2013, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 290,615	$ 162,703	$ 453,318
2015	251,275	150,268	401,543
2016	227,705	139,468	367,173
2017	210,070	129,253	339,323
2018	212,925	119,248	332,173
2019-2023	994,585	448,739	1,443,324
2024-2028	833,590	222,341	1,055,931
2029-2033	441,110	42,233	483,343
	$ 3,461,875	$ 1,414,253	$ 4,876,128

Variable-Rate Demand Bonds

As of June 30, 2013, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
General Obligation	$ 10,000	1997	2014
Total	$ 10,000		

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 .11 percent to .15 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 were to be downgraded, suspended, or withdrawn. The 1997 GO series standby bond purchase agreement expires in the year 2014.

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

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, 2013, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2013-2030	1.5-5.5%	$ 131,465
State Universities	2013-2017	2.0-6.0%	281,893
Clean Water	2013-2031	1.0-5.0%	743,360
Drinking Water	2013-2028	2.0-5.0.%	41,030
Bradley International Airport	2013-2033	[1]	141,555
Bradley Parking Garage	2013-2024	6.5-6.6%	37,395
Total Revenue Bonds			1,376,698
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			15,994
State Universities			5,771
Clean Water			67,066
Bradley International Airport			(2,244)
Other			2,217
Revenue Bonds, net			$ 1,465,502

[1] variable percent of one month LIBOR

The University of Connecticut has issued student fee revenue bonds to finance the costs of buildings, improvements and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

Bradley International Airport periodically issues revenue bonds to finance the cost of improvements to the airport. These bonds are secured by and are payable solely from revenues generated by the airport and other receipts, funds or monies pledged in the bond indenture. As of June 30, 2013, 2011 Bradley International Airport Refunding Bonds in the amount of $141.6 million were outstanding.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport. As of June 30, 2013, $37.4 million of these bonds are outstanding.

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. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2013, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 108,757	$ 55,487	$ 164,244
2015	108,703	51,237	159,940
2016	112,595	46,490	159,085
2017	96,313	42,279	138,592
2018	90,205	38,431	128,636
2019-2023	407,915	137,733	545,648
2024-2028	296,170	58,494	354,664
2029-2033	145,280	12,476	157,756
2034-2038	10,760	303	11,063
Total	$ 1,376,698	$ 442,930	$ 1,819,628

d. Component Units

Component units' revenue bonds outstanding at June 30, 2013, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2013-2055	0.10-9.36%	$ 4,186,602
CT Higher Education Supplemental Loan Authority	2013-2035	1.70-7.00%	167,660
CT Regional Development Authority	2013-2035	2.50-7.00%	94,805
UConn Foundation	2013-2029	1.90-5.00%	26,030
CT Inovations Inc.	2013-2020	4.75-5.25%	8,705
Total Revenue Bonds			4,483,802
Plus/(Less) premiums, discounts, and deferred amounts:			
CHFA			(9,209)
CHESLA			840
CRDA			(325)
Revenue Bonds, net			$ 4,475,108

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.

Following the merger of the operations of the Connecticut Development Authority, Connecticut Innovations, Incorporated (CII) assumed responsibility for the former authority's Special Obligation Industrial revenue bonds. The bonds were issued to finance such projects as the acquisition of land, the construction of buildings, the purchase and installation of machinery, equipment, and pollution control facilities. These activities are financed under its Self-Sustaining Bond Program which is described in the no-commitment debt section of this note. In addition, CII has $8.7 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, a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2012, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $3,715.8 million, $64.2 million, and $397.4 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 resolution and indenture capital reserve funds are 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 on all outstanding bonds. The required reserves are $282.0 million per the resolution and $4.6 million per the indenture at 12/31/12. As of December 31, 2012, the Authority has entered into interest rate swap agreements for $834.4 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

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

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

Capital Reserves

Each Authority has established special capital reserve funds that secure all the outstanding bonds of the Authority at year-end. 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.

The Capital Region 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 $9.0 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, 2013, were as follows amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2014	$ 165,327	$ 123,787	$ 289,114
2015	145,602	120,209	265,811
2016	129,000	116,577	245,577
2017	180,330	124,577	304,907
2018	140,306	112,442	252,748
2019-2023	802,094	497,229	1,299,323
2024-2028	861,000	365,751	1,226,751
2029-2033	913,990	228,604	1,142,594
2034-2038	721,525	103,040	824,565
2039-2043	360,610	26,783	387,393
2044-2048	40,031	62,236	102,267
2049-2053	23,987	7,918	31,905
Total	$ 4,483,802	$ 1,889,153	$ 6,372,955

No-commitment debt

Under the Self-Sustaining Bond program, acquired from its combination with the Connecticut Development Authority, Connecticut Innovations, Inc., 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, 2013 were $731.6 million.

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, 2013, were $8,030.2 million, of which $292.1 million was secured by special capital reserve funds.

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. The amount of these bonds outstanding at June 30, 2013 was $60.6 million.

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 fiscal year the State Issued General Obligation and Special Tax Obligation bonds of $194.9 million at an average coupon interest rate of 3.6 percent to advance refund $210.5 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 5.1 percent. The proceeds of the refunding bonds were used to purchase U.S. Government securities which were deposited into irrevocable trust accounts with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

Although the advance refunding resulted in a $15.5 million accounting loss, the State in effect reduced its aggregate fund level debt service payments by $21.1 million over the next 11 years. The present value of these savings represents an economic gain (difference between the present values of the debt service payments of the old and the new bonds) of $19.9 million. The above loss is being netted against the new debt and amortized over the life of the new or old debt, whichever is shorter.

In prior years, the State placed the proceeds of refunding bonds in irrevocable trust accounts to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2013, the outstanding balance of bonds defeased in prior years was approximately $938.0 million.

Note 19 - Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit(credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges: Pay-fixed interest rate swap	Deferred outflow of Resources	$ (7,380)	Non-current portion of LT Obligation	$ (17,576)	$ 335,620
Business-type activities					
Cash flow hedges:					
Bradley Airport: Pay-fixed interest rate swap	Deferred outflow of Resources	$ (9,563)	Non-current portion of LT Obligation	$ (20,454)	$ 152,380

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' governmental activities hedging derivative instruments outstanding at June 30, 2013, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amounts (000's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	$ 140,000	3/24/2005	3/1/2023	Pay 3.392% receive 60% of LIBOR+30bp	Aa1/AAA
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	140,000	3/24/2005	3/1/2023	Pay 3.401% receive 60% of LIBOR+30bp	A3/A
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	15,620	4/27/2005	6/1/2016	Pay 3.99% receive CPI plus .65%	Baa1/A-
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2017	Pay 5.07% receive CPI plus 1.73%	Baa1/A-
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2020	Pay 5.2% receive CPI plus 1.79%	Aa3/A
	Total Notional Amount	$ 335,620				

The fair values of interest rate swaps 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.

Credit Risk
As of June 30, 2013, the State had no credit risk exposure on any of the swaps because the swaps had negative fair value. 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.

Interest Rate Risk
The State is exposed to interest rate risk on its interest rate swaps. As the LIBOR or CPI swap index rate decreases, the State's net payment on the swap increases.

Basis Risk
The State's variable-rate bond interest payments are based on the Securities Industry and Financial Markets Association Municipal Swap (SIFMA) index rate, or the CPI floating rate. The State is exposed to basis risk on those swaps for which the State receives variable-rate payments that are based on the LIBOR swap index rate. As of June 30, 2013, the SIFMA rate was 0.06 percent, whereas 60 percent of LIBOR plus 30bp was 0.417 percent. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2013, 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 2005 swap agreements, the State has up to 270 days to fund any required termination payment.

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.

Hedging Derivative Instrument Payments and Hedged Debt
As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2013, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands):

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Interest	Interest Rate SWAP, Net	Total
2014	$ -	$ 2,081	$ 9,106	$ 11,187
2015	-	2,081	9,106	11,187
2016	50,620	2,081	8,840	61,541
2017	55,000	1,643	7,592	64,235
2018	45,000	875	6,205	52,080
2019-2023	185,000	1,730	11,253	197,983
	$ 335,620	$ 10,491	$ 52,102	$ 398,213

As of June 30, 2013, Bradley airport has entered into interest rate swap agreements for $141.6 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Note 20 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 lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

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

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per Statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

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

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-11	$ 511,413	$ 20,439
Incurred claims	149,921	52
Paid claims	(101,788)	(534)
Balance 6-30-12	559,546	19,957
Incurred claims	129,268	4,133
Paid claims	(101,162)	(4,201)
Balance 6-30-13	$ 587,652	$ 19,889

Note 21 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2013, were as follows (amounts in thousands):

	Balance due to fund(s)												
	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	State Universities	Connecticut Community Colleges	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)													
General	$ -	$ -	$ 302,308	$ 20,953	$ 495,230	$ 45,826	$ 14,593	$ 15,373	$ 570	$ 4,324	$ 4,273	$ -	$ 903,450
Debt Service	-	1,134	-	-	-	-	-	-	-	-	-	-	1,134
Restricted Grants & Accounts	-	-	-	-	2,091	-	-	-	-	-	-	191	2,282
Grant & Loan Programs	-	-	-	-	24	-	-	-	-	-	-	7,029	7,053
Other Governmental	3,879	-	-	20,005	4,433	35,758	12,917	103,524	-	-	-	-	180,516
UConn	10,889	-	-	-	-	-	-	-	-	-	-	-	10,889
State Universities	3,610	-	-	-	-	-	-	-	-	-	-	-	3,610
Employment Security	-	-	-	-	350	-	-	-	-	-	-	-	350
Other Proprietary	433	-	4,241	-	-	-	-	-	-	-	-	-	4,674
Internal Services	7,370	-	-	-	-	-	-	-	-	-	-	-	7,370
Fiduciary	-	-	-	3,807	-	-	-	-	-	-	8,649	-	12,456
Component Units	27,068	-	-	-	-	-	-	-	-	-	-	-	27,068
Total	$ 53,249	$ 1,134	$ 306,549	$ 44,765	$ 502,128	$ 81,584	$ 27,510	$ 118,897	$ 570	$ 4,324	$ 12,922	$ 7,220	$ 1,160,852

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

Note 22 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2013, consisted of the following (amounts in thousands):

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grants & Loan Programs	Other Governmental	UConn	State Universities	Connecticut Community Colleges	Bradley International Airport	Clean Water	Total
Amount transferred from fund(s)												
General	$ -	$ -	$ 95,245	$ 106,774	$ -	$ 62,473	$ 501,827	$ 222,071	$ 223,621	$ -	$ -	$ 1,212,011
Debt Service	-	-	3,625	-	-	238	-	-	-	-	-	3,863
Transportation	-	430,772	-	15,000	-	6,500	-	-	-	-	-	452,272
Restricted Grants & Accounts	22,567	-	-	-	-	-	-	-	-	-	-	22,567
Grants & Loan Programs	2,000	-	-	39,911	-	-	-	-	-	-	-	41,911
Other Governmental	109,322	-	46	48,914	4,000	1,899	20,000	72,761	50,768	-	989	308,699
Employment Security	-	-	-	-	-	3,665	-	-	-	-	-	3,665
Other Proprietary	-	-	-	-	-	247	-	-	-	10,483	-	10,730
Total	$ 133,889	$ 430,772	$ 98,916	$ 210,599	$ 4,000	$ 75,022	$ 521,827	$ 294,832	$ 274,389	$ 10,483	$ 989	$ 2,055,718

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

Note 23 Restatement of Net Position, Fund Balance Classifications, and Restricted Net Position

Restatement of Net Position

As of June 30, 2013, the beginning net position for the following funds and activities were restated as follows (amounts in thousands):

	Balances 6-30-12 Previously Reported	Fund Reclassifications	Balances 6-30-12 as Restated
Proprietary Funds and Business-Type Activities			
Major Funds:			
Connecticut Lottery Corporation	$ 7,561	$ (7,561)	$ -
Connecticut Community Colleges	-	781,702	781,702
Non-Major Funds:			
Connecticut Community Colleges	781,702	(781,702)	-
Total Non-Major Funds	912,201	(781,702)	130,499
Total Proprietary Funds	$ 4,475,052	(7,561)	$ 4,467,491
Business-Type Activities			
Net Position of Business-Type Activates	$ 4,475,052	(7,561)	$ 4,467,491
Component Units			
Major Component Units:			
Connecticut Lottery Corporation	$ -	$ 7,561	$ 7,561
CT Health and Educational Facilities Authority	13,286	(13,286)	-
Non-Major Component Units:			
CT Health and Educational Facilities Authority	-	13,286	13,286
Connecticut Development Authority	84,776	(84,776)	-
Connecticut Innovations, Incorporated	85,705	84,776	170,481
Total Non-Major Component Units	973,095	13,286	986,381
Total Component Units	$ 1,944,102	7,561	$ 1,951,663

In 2013, the Connecticut Lottery Corporation was reclassified from a proprietary fund (blended presentation) to a discreetly presented component unit because, as required by current reporting guidance, the Corporation's operations do not exclusively, or almost exclusively benefit the State. The state's citizenry is benefited as well.

During the year, according to state legislation the assets and operations of the Connecticut Development Authority were merged into the Connecticut Innovations, Incorporated.

Fund Balance – Restricted and Assigned

As of June 30, 2013 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 288,363	$ -
Environmental Programs	61,811	-
Housing Programs	90,764	-
Employment Security Administration	30,746	-
Banking	26,713	-
Other	50,308	20,316
Total	$ 548,705	$ 20,316

Restricted Net Position

As of June 30, 2013, the government-wide statement of net position reported $3,282 million of restricted net position, of which $217 million was restricted by enabling legislation.

Note 24 Related Organizations

The Community Economic Development Fund and the Connecticut Student Loan Foundation are legally separate organizations that are related to the State because the State appoints a voting majority of the organizations' governing board. However, the State's accountability for these organizations does not extend beyond making the appointments.

Note 25 New Accounting Pronouncements

In 2013, The State implemented the following statements issued by the Governmental Accounting Standards Board ("GASB").

Accounting and Financial Reporting for Service Concession Arrangements (Statement No. 60)- This Statement establishes accounting and reporting guidance for service concession arrangements (SCA), which are a type of public-private or public-public partnership. In a SCA, (1) a government conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The adoption of this Statement had no significant impact on the State's financial statements.

*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No.14 and No. 34 (*Statement No. 61)- This Statement amends Statement No. 14, *The Financial Reporting Entity*, and Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet user needs and to address reporting issues that have arisen since the issuance of those Statements. Basically, the Statement modifies certain requirements for inclusion of components in the financial reporting entity. The adoption of the Statement resulted in the modification of note disclosures related to the reporting entity of the State (Note 1b).

Codification of Accounting and Financial Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (Statement No. 62)-This Statement incorporates into GASB'S authoritative literature certain accounting and reporting guidance found in the Financial Accounting Standards Board and AICPA pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. The adoption of this Statement had no significant impact on the State's financial statements.

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (Statement No. 63)- This Statement provides guidance on reporting deferred outflows of resources and deferred inflows of resources, which are to be reported in a statement of net position. Amounts to be reported as deferred outflows or inflows of resources should be reported in the statement of net position in a separate category following assets or liabilities. The statement of net position should report the residual amount as net position, rather than net assets. The adoption of this Statement resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position and the term "net assets" is changed to "net position" throughout the State's financial statements.

Technical Corrections-2012 an amendment of GASB Statements No. 10 and No. 62 (Statement No. 66)-This Statement provides clarification on two recently issued statements: No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62 (discussed above). The Statement resolves conflicting guidance created as a result of the issuance of these two statements. The adoption of this Statement had no significant impact on the State's financial statements.

Note 26 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, 2013, the Departments of Transportation and Public Works had contractual commitments of approximately $3,642 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,949 million.

Clean and drinking water loan programs $583 million.

Various programs and services $3,050 million.

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

Component Units

As of December 31, 2012, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $152 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.

As of June 30, 2013, the State reported an escheat liability of $266.5 million in the General fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of $231.8 million in the future.

Grant amounts received or receivable by the State from federal agencies are subject to audit and adjustment by these agencies. 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.

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 27 Subsequent Events

In July 2013, the State issued $172.7 million of General Obligation bonds and $51.3 million of general Obligation refunding bonds under its University of Connecticut 2000 program. The original issue bonds will mature in 2033 and the refunding bonds will mature in 2024. Both bond series bear interest rates ranging from 2.0 percent to 5.0 percent.

In August 2013, the State issued $200.0 million General Obligation bonds. The bonds will mature in 2033 and bear interest rates ranging from 2.0 percent to 5.0 percent.

In August 2013, the State issued $115.0 million series D General Obligation bonds. The bonds will mature in 2020 and bear variable interest rates ranging from 9 to 102 basis points above the SIFMA rate.

In August 2013, the State issued $285.0 million series E General Obligation bonds. The bonds will mature in 2033 and bear interest rates ranging from 1.0 percent to 5.0 percent.

In August 2013, the State issued $100.0 million series A Taxable General Obligation bonds. The bonds will mature in 2033 and bear interest rates ranging from 0.28 percent to 3.82 percent.

In October 2013, the State issued $314.3 million of Economic Recovery Refunding - Variable-rate Remarketed

Obligation Notes. The notes will mature in 2018 and bear an initial interest rate of 0.5 percent. After the delivery date, the notes will bear interest at the Variable-rate Remarketed Obligation (VRO) rate, which will be determined by the Remarketing Agent on each business day during the VRO Mode period.

In October 2013, the State issued $560.4 million in General Obligation GAAP conversion bonds. The bonds will mature in 2027 and bear interest rates ranging from 1.0 percent to 5.0 percent.

In October 2013, the Connecticut State University System issued $80.3 million Series N Revenue bonds. The bonds, which are special obligations of the State of Connecticut Health and Educational Facilities Authority, mature in 2033 and bear interest rates ranging from 4.1 percent to 5.0 percent.

In November 2013, the State issued $600.0 million in Special Tax Obligation bonds. The bonds will mature in 2033 and bear interest rates ranging from 2.0 percent to 5.0 percent.

Effective July 1, 2011, the State established the Connecticut Airport Authority (the Authority), which became responsible for governance, control and transitioning of jurisdiction of the Bradley International Airport (an Enterprise fund) as well as other state-owned airports from the Department of Transportation to the Authority. On July 1, 2013, the transfer of ownership of the airport was completed.

Effective January 5, 2011, the Governor issued “Executive Order No 1” which initiated the process of implementing Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB), with respect to the preparation of the biennial budget. On July 1, 2013, the State implemented its GAAP conversion plan to use the modified accrual basis of accounting for the State budget.

Required PERS Supplementary Information

Pension and Other Postemployment Benefit Plans
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
SERS						
6/30/2008	$9,990.2	$19,243.4	$9,253.2	51.9%	$3,497.4	264.6%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$9,349.6	$21,054.2	$11,704.6	44.4%	$3,295.7	355.1%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$9,745.0	$23,018.8	$13,273.8	42.3%	$3,354.7	395.7%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
TRS						
6/30/2008	$15,271.0	$21,801.0	$6,530.0	70.0%	$3,399.3	192.1%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$14,430.2	$23,495.9	$9,065.7	61.4%	$3,646.0	248.6%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$13,734.8	$24,862.2	$11,127.4	55.2%	$3,652.5	304.7%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
JRS						
6/30/2008	$191.7	$267.0	$75.3	71.8%	$34.0	221.5%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$179.7	$276.8	$97.1	64.9%	$31.6	307.3%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$174.7	$319.5	$144.8	54.7%	$30.3	477.9%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
RTHP						
6/30/2008	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$-	$2,997.8	$2,997.8	0.0%	$3,646.0	82.2%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$-	$3,048.3	$3,048.3	0.0%	$3,652.5	83.5%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
*No actuarial valuation was performed.						
Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.						
SEOPEBP						
6/30/2011	$49.6	$17,954.3	$17,904.7	0.3%	$3,902.2	458.8%
6/30/2012 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2013	$143.8	$19,676.3	$19,532.5	0.7%	$3,539.7	551.8%
*No actuarial valuation was performed.						
June 30,2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was preformed.						

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Employer Contributions
(Expressed in Millions)

	SERS		TRS		JRS		RTHP		SEOPEBP	
Fiscal Year	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
2005	$518.8	100.0%	$281.4	65.8%	$12.2	100.0%	$0.0	0.0%	$0.0	0.0%
2006	$623.1	100.0%	$396.2	100.0%	$11.7	100.0%	$0.0	0.0%	$0.0	0.0%
2007	$663.9	100.0%	$416.0	99.0%	$12.4	100.0%	$0.0	0.0%	$0.0	0.0%
2008	$716.9	99.2%	$518.6	485.7%	$13.4	100.0%	$116.1	21.5%	$0.0	0.0%
2009	$753.7	92.8%	$539.3	100.0%	$14.2	100.0%	$116.7	25.3%	$0.0	0.0%
2010	$897.4	80.3%	$559.2	100.0%	$15.4	0.0%	$121.3	10.0%	$0.0	0.0%
2011	$944.1	87.5%	$581.6	100.0%	$16.2	0.0%	$177.1	3.0%	$0.0	0.0%
2012	$926.4	100.0%	$757.2	100.0%	$15.1	100.0%	$184.1	26.9%	$1,354.7	40.0%
2013	$1,059.7	100.0%	$787.5	100.0%	$16.0	100.0%	$180.4	15.0%	$1,271.3	42.7%

Schedules of employer contributions for other postemployment benefit plans (RTPH) were required to be disclosed starting with fiscal year 2008. SEOPBP did not begin disclosing employer contributions until fiscal year 2012.

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APPENDIX III-D

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

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

February 28, 2014

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Ms. Nappier

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2009-2013. This review also covered the accompanying statements of unappropriated surplus, revenues and expenditures for the years ended on those dates. The statements are based on the annual report of the Office of the State Comptroller, which is prepared in compliance with Section 3-115 of the General Statutes, as well as reports of the Auditors of Public Accounts with respect to the balance sheets and related statements for the fiscal years ending June 30, 2009-2013.

The statements have been prepared on a modified cash basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied consistently and in accordance with the governing statutory requirements for all periods shown.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT
CERTIFICATE OF AUDIT

Report on the Financial Statements
We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2009, 2010, 2011, 2012 and 2013 and the related statements of revenues, expenditures, and changes in unappropriated surplus for the years ended on those dates as shown in Appendices III-D-4, III-D-5, III-D-6 and III-D-7.

Managements Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
As discussed in Note (a) to Appendix III-D-4, the State of Connecticut prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements referred to above present only the General Fund and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2009, 2010, 2011, 2012 and 2013, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the General Fund of the State of Connecticut as of June 30, 2009, 2010, 2011, 2012 and 2013, and the results of its operations – modified cash basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix III-D-4.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

December 31, 2013
State Capitol
Hartford, Connecticut

GENERAL FUND[a]

Balance Sheet
As of June 30
(In Thousands)

	2009	2010	2011	2012	2013
Assets					
Cash and Short-Term Investments	$ --	$ --	$ --	$ --	$ --
Accrued Taxes Receivable	976,536	1,091,117	1,077,249	1,336,954	1,412,940
Accrued Accounts Receivable	29,913	28,975	28,821	27,839	24,116
Federal and Other Grants Receivable and Unexpended Balances	--	--	--	--	--
Investments	--	--	--	--	--
Due from Other Funds	--	--	--	--	--
Loans Receivable	--	--	3,419	3,419	3,419
Total Assets	$ 1,006,449	$ 1,120,092	$ 1,109,489	$ 1,368,212	$ 1,440,475
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 1,863,042	$ 547,305	$ 666,879	$ 1,233,336	$ 925,552
Accounts Payable	--	--	--	--	--
Deferred Restricted Accounts and Federal and Other Grant Revenue	--	--	--	--	--
Due to Other Funds	1,374	605	469	301	263
Total Liabilities	$ 1,864,416	$ 547,910	$ 667,348	$ 1,233,637	$ 925,815
Reserves					
Petty Cash Funds	$ 840	$ 838	$ 814	$ 806	$ 804
Statutory Surplus Reserves	--	449,869	236,923	--	398,035
Appropriations Continued to Following Year	88,772	121,475	200,985	130,351	112,402
Reserve for Receivables	--	--	3,419	3,418	3,419
Total Reserves	$ 89,612	$ 572,182	$ 442,141	$ 134,575	$ 514,660
Unappropriated Surplus (Deficit)	$ (947,579)[b]	$ 0	$ 0	$ 0	$ 0
Total Liabilities, Reserves and Surplus	$ 1,006,449	$ 1,120,092	$ 1,109,489	$ 1,368,212	$ 1,440,475

(a) The State of Connecticut's policy, which was formulated in accordance with State fiscal statutes, is to prepare the accompanying financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Connecticut. The modified cash basis of accounting, as used by the State, records expenditures when they are paid and recognizes revenues when received, except for the accrual at June 30 of State collections in July and August of certain taxes levied, Indian gaming payments, and the accounting for restricted grants on an earned basis. Certain accrual dates for various revenues have been extended and may not reflect the same accrual date through the years reflected herein.

(b) Under the provisions of Public Act No. 09-2 of the June 2009 Special Session, the accumulated deficit as of June 30, 2009 was financed through the issuance of economic recovery notes.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	2009	2010	2011	2012	2013
Unappropriated Surplus (Deficit), July 1	$ -0-	$ (947,578)	$ -0-	$ -0-	$ -0-
Resources from Reserve for Debt Avoidance/ERN	--	947,578	--	--	--
Total Revenues (per Appendix III-D-6)	15,700,801	17,688,529	17,707,454	18,561,633	19,405,031
Total Expenditures (per Appendix III-D-7)	17,234,855[(a)]	17,208,021[(b)]	17,845,124[(c)]	18,781,634[(d)]	19,025,667[(e)]
Operating Balance	(1,534,054)	480,508	(137,670)	(220,001)	379,364
Reserved for Prior Year Appropriations Less Appropriations Carried Forward	415,327	(32,704)	(75,276)	70,634	18,671
Transferred (Out) or Reserved for:					
Budget Reserve Fund	-0-	-0-	-0-	-0-	(177,235)
Reserve for Debt Retirement/Avoidance	-0-	-0-	(236,923)	-0-	-0-
Reserve for Future Fiscal Year	-0-	-0-	-0-	-0-	(220,800)
Other Adjustments	(8,271)	2,065	--	5,850	-0-
Reserved from Prior Year	179,420	-0-	449,869	-0-	-0-
Subtotal	$ (947,578)	$ 449,869	$ -0-	$ (143,517)	$ -0-
Transferred from Budget Reserve Fund	--	--	--	143,517	--
Unappropriated Surplus (Deficit), June 30[(f)]	$ (947,578)	$ -0-	$ -0-	-0-	$ -0-

(a) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $415.327 million.

(b) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(32.704) million.

(c) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(75.276) million.

(d) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $70.634 million.

(e) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $18.671 million.

(f) The Fiscal Year 2010 surplus of $449.869 million was reserved for Fiscal Year 2011 leaving no unappropriated surplus.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2009	2010	2011	2012	2013
Taxes:					
Personal Income	$ 6,385,856	$ 6,586,099	$ 7,246,431	$ 8,310,820	$ 8,719,245
Sales and Use	3,318,752	3,203,988	3,353,230	3,830,117	3,896,998
Corporations	615,921	667,132	794,473	716,522	742,515
Insurance Companies	202,217	226,549	220,626	237,609	260,858
Inheritance and Estate	238,337	177,601	237,573	191,699	439,519
Alcoholic Beverages	47,065	48,196	48,923	60,595	60,406
Cigarettes	317,774	387,435	404,111	421,005	399,822
Admissions, Dues, Cabaret	36,040	34,379	34,455	34,399	36,544
Oil Companies	104,413	123,018	169,163	146,067	175,526
Electric Generation	--	--	--	69,533	66,824
Public Service Corporations	268,495	267,946	269,806	250,396	266,647
Real Estate Conveyance	90,802	100,267	94,822	107,531	113,830
Miscellaneous	143,305	141,892	140,505	536,810	523,028
Refunds of Taxes	(1,052,286)	(1,061,433)	(956,054)	(1,105,171)	(1,144,993)
R&D Credit Exchange	(8,428)	(8,937)	(8,598)	(3,563)	(4,086)
Other Revenue:					
Licenses, Permits, Fees	162,474	257,569	250,442	283,414	262,068
Sales of Commodities and Services	32,558	33,678	35,506	35,007	36,298
Transfer – Special Revenue	287,195	289,314	293,108	313,757	315,452
Investment Income	18,806	4,062	30	964	(792)
Transfers — To Other Funds[(a)]	(86,300)	(61,800)	(61,800)	(61,800)	(61,800)
Fines, Escheats and Rents	64,018	252,792	157,771	123,424	144,141
Miscellaneous	163,023	142,910	178,727	191,965	163,818
Refunds of Payments	(662)	(1,189)	(1,875)	(85,377)	(74,016)
Federal Grants	3,619,490	4,066,314	4,235,178	3,607,164	3,733,910
Indian Gaming Payments	377,805	384,248	359,582	344,645	296,396
Statutory Transfer to Resources of the General Fund				(91,999)	(66,228)
Statutory Transfers From Other Funds	354,131	1,426,497	211,319	96,100	103,100
Total Revenues[(b)]	$ 15,700,801	$ 17,688,528	$17,707,454	$ 18,561,633	$ 19,405,031

(a) Transfer to Pequot/Mohegan Fund.

(b) See Operating Balance on Appendix III-D-5 for surplus or deficit for each fiscal year.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2009	2010	2011	2012	2013
Legislative	$ 71,555	$ 66,288	$ 66,109	$ 67,344	$ 66,533
General Government					
Executive	11,841	10,567	9,954	10,741	10,211
Financial Administration	424,610	400,369	381,716	521,013	506,598
Legal	83,664	75,382	84,420	77,485	76,558
Total General Government	520,115	486,318	476,090	609,239	593,367
Regulation and Protection of Persons and Property					
Public Safety	189,394	169,994	175,700	177,121	175,772
Regulative	97,428	92,826	86,066	85,777	86,015
Total Regulation and Protection	286,822	262,820	261,766	262,898	261,787
Conservation and Development					
Agriculture	12,276	20,423	11,356	11,551	11,250
Environment	39,038	69,174	71,353	71,437	66,457
Historical Sites, Commerce and Industry	62,015	39,555	41,210	54,306	55,376
Total Conservation and Development	113,329	129,152	123,919	137,294	133,083
Health and Hospitals					
Public Health	108,878	88,846	88,226	86,144	98,999
Mental Retardation/Developmental Services	970,322	967,786	970,070	1,013,182	1,005,732
Mental Health	583,339	568,195	657,374	693,109	697,220
Total Health and Hospitals	1,662,539	1,624,827	1,715,670	1,792,435	1,801,951
Transportation	(50)	2,295	0	0	0
Human Services	5,041,515	5,012,333	5,387,535	5,817,369	5,931,567
Education, Libraries and Museums					
Department of Education	2,671,600	2,662,756	2,708,442	2,769,385	2,880,342
Education of the Blind and Deaf	13,537	11,598	11,145	0[(b)]	0[(b)]
University of Connecticut	234,058	233,011	232,656	205,586	195,847
Higher Education and the Arts	198,638	189,845	192,626	169,084	158,271
Libraries	13,100	10,911	11,067	10,618	12,294
Teachers Retirement	564,062	561,038	583,978	794,205	805,193
Community—Technical Colleges	161,451	158,523	158,282	144,505	141,288
State University	162,935	162,517	162,271	142,045	135,659
Total Education, Libraries and Museums	4,019,381	3,990,199	4,060,467	4,235,428	4,328,894
Corrections	1,577,167	1,475,769	1,484,364	1,472,685	1,408,761
Judicial	543,078	524,043	559,912	545,650	534,512
Non-Functional					
Debt Service	1,464,072	1,619,470	1,629,672	1,809,201	1,799,937
Miscellaneous	1,935,332	2,014,507	2,079,621	2,032,091	2,165,275
Total Non-Functional	3,399,404	3,633,977	3,709,293	3,841,292	3,965,212
Totals	17,234,855	17,208,021	17,845,125	18,781,634	19,025,667
Total Expenditures[(a)]	$17,234,855	$17,208,021	$17,845,125	$18,781,634	$19,025,667

(a) See Operating Balance on **Appendix III-D-5** for surplus or deficit for each fiscal year.

(b) These functions were transferred to Human Services.

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APPENDIX III-E

GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2013
ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2014
ADOPTED BUDGET FOR FISCAL YEAR 2015

(In Millions)

	Adopted Budget Fiscal Year 2013[c]	Final Financial Results Fiscal Year 2013[d]	Adopted Budget Fiscal Year 2014[f]	Estimated Budget Fiscal Year 2014[l]	Adopted Budget Fiscal Year 2015[g]
Revenues					
Taxes					
Personal Income Tax	$ 8,554.3	$ 8,719.2	$ 8,808.8	$ 9,021.9	$ 9,399.8
Sales & Use	4,045.9	3,897.0	4,044.0	4,132.2	4,164.8
Corporation	793.0	742.5	723.5	815.4	749.3
Public Service	275.2	266.6	279.3	279.6	284.4
Inheritance & Estate	166.2	439.5	172.9	185.1	179.8
Insurance Companies	234.4	260.9	271.2	271.2	277.6
Cigarettes	411.1	399.8	390.4	383.4	379.5
Real Estate Conveyance	100.3	113.8	143.8	159.4	150.8
Oil Companies	182.6	175.5	37.4[g]	36.8[g]	36.1[g]
Electric Generation Tax	71.0	66.8	17.5[h]	15.5[h]	--
Alcoholic Beverages	59.3	60.4	59.8	59.8	60.2
Admissions and Dues	39.6	36.5	37.0	38.0	37.3
Health Provider Tax	530.7	501.9	512.0	507.0	514.5
Miscellaneous	20.1	21.2	19.9	19.9	20.2
Total Taxes	$ 15,483.8	$ 15,701.8	$ 15,517.5	$ 15,925.2	$ 16,254.3
Less Refunds of Taxes	(950.6)	(1,039.1)	(1,073.5)	(1,043.5)	(1,115.6)
Less Earned Income Tax	(116.5)	(105.9)	(104.5)	(104.5)	(121.0)
Less R&D Credit Exchange	(8.5)	(4.1)	(5.5)	(5.5)	(6.2)
Net Taxes	$ 14,408.2	$ 14,552.7	$ 14,334.0	$ 14,771.7	$ 15,011.5
Other Revenues					
Transfers- Special Revenues	$ 305.1	$ 315.4	$ 313.9	$ 310.1	$ 338.4
Indian Gaming Payments	336.2	296.4	285.3	285.3	280.4
Licenses, Permits, Fees	258.8	262.1	301.2	315.2	274.1
Sales of Commodities & Services	34.8	36.3	38.2	41.2	39.4
Rents, Fines & Escheats	107.7	144.1	114.5	114.6	116.6
Investment Income	2.8	(0.8)	1.3	0.1	1.6
Miscellaneous	162.9	163.8	169.1	158.1	170.9
Less Refunds of Payments	(50.0)	(74.0)	(69.8)	(74.8)	(71.3)
Total Other Revenue	$ 1,158.3	$ 1,143.3	$ 1,153.7	$ 1,149.8	$ 1,150.4
Other Sources					
Federal Grants	$ 3,629.0	$ 3,733.9	$ 1,312.7[i]	$ 1,305.5[i]	$ 1,227.9[i]
Transfers to the Resources of the General Fund	--	--	--	--	--
Transfers from Tobacco Settlement Funds	93.1	103.1	107.0	107.0	106.0
Transfers to Other Funds[a]	(145.5)	(128.0)	285.7[g]	280.3[g]	4.9[g]
Total Other Sources	$ 3,576.7	$ 3,709.0	$ 1,705.4	$ 1,692.8	$ 1,338.8
Total Budgeted Revenue[b]	$ 19,143.2	$ 19,405.0	$ 17,193.1	$ 17,614.3	$ 17,500.7

Appropriations /Expenditures	Adopted Budget Fiscal Year 2013[c]	Final Financial Results Fiscal Year 2013[d]	Adopted Budget Fiscal Year 2014[f]	Estimated Budget Fiscal Year 2014[l]	Adopted Budget Fiscal Year 2015[g]
Legislative	$ 76.2	$ 67.7	$ 81.2	$ 81.2	$ 85.2
General Government	614.9	597.1	616.7	624.7	628.1
Regulation & Protection	243.5	258.1	271.1	275.6	270.3
Conservation & Development	137.1	130.4	229.0[j]	229.0[j]	237.2[j]
Health & Hospitals	1,837.7	1,801.9	1,835.4	1,835.4	1,827.6
Human Services	5,834.2	5,907.2	3,381.3[i]	3,381.3[i]	3,054.5[i]
Education, Libraries & Museums	4,380.6	4,325.2	4,709.5	4,728.3	5,004.7
Corrections	1,450.8	1,408.7	1,481.9	1,481.9	1,516.8
Judicial	543.2	532.8	577.1	581.1	601.3
Non- Functional					
Debt Service	1,870.9	1,804.2	1,719.8[k]	1,719.8[k]	1,850.4[k]
Miscellaneous	2,267.3	2,174.4	2,458.4	2,467.4	2,580.0
Subtotal	$ 19,256.4	$ 19,007.7	$ 17,361.4	$ 17,405.7	$ 17,656.1
Other Reductions and Lapses	(116.3)	--	(172.6)	(297.5)	(158.5)
Net Appropriations/ Expenditures	$ 19,140.1	$ 19,007.7	$ 17,188.7	$ 17,108.1	$ 17,497.6
Surplus (or Deficit) from Operations	3.1	397.3	4.4	506.1	3.1
Miscellaneous Adjustments	--	0.7	--	--	--
Reserve for Future Fiscal Years	--	(220.8)[e]	--	--	--
Statutory Transfer from Restricted Purposes	--	--	--	--	--
Balance[b]	$ 3.1	$ 177.2	$ 4.4	$ 506.1	$ 3.1

NOTE: Columns may not add due to rounding.

(a) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amounts for Fiscal Years 2013 through 2015 include transfers of $61.8 million in each year to the Mashantucket Pequot Fund for grants to towns and $95.2 million in Fiscal Year 2013 to the Special Transportation Fund. The transfers for Fiscal Year 2014 include: $190.8 million from the Fiscal Year 2013 surplus, $76.5 million transfer from the Special Transportation Fund and $80.2 from other sources. The transfers for Fiscal Year 2015 include: $30.0 million from the Fiscal Year 2013 surplus, $2.1 million transfer to the Special Transportation Fund and $38.8 from other sources.

(b) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received. Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus shall be transferred by the State Treasurer to the Budget Reserve Fund.

(c) Per Public Act No. 12-104 as amended by Public Act No. 12-1 of the June Special Session.

(d) Per the Comptroller's audited financial results dated December 31, 2013 for Fiscal Year 2013, as adjusted by the Office of Policy and Management to exclude expenditures of appropriations carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year.

(e) Section 58 of Public Act No. 13-184 transfers up to $220.8 million of the Fiscal Year 2013 surplus for use in Fiscal Years 2014 and 2015.

(f) Per Public Act No. 13-184 as amended by various implementer legislation.

(g) Section 87 of Public Act No. 13-184 increases the transfer of Oil Companies Tax to the Special Transportation by $158.0 million in Fiscal Year 2014 and $152.3 million in Fiscal Year 2015.

(h) Section 76 of Public Act No. 13-184 extends the expiration of the Electric Generators Tax by one additional calendar quarter.

(i) Pursuant to Public Act No. 13-184, beginning with Fiscal Year 2014, Medicaid related accounts within the Department of Social Services will be appropriated on a net basis that takes into account any federal reimbursement received for such expenditures. This change reduces both revenues and appropriations by an equal amount totaling $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015.

(j) Public Act No. 13-184 establishes a new Department of Housing and transfers certain existing functions from other agencies within the state.

(k) Sections 90 and 91 of Public Act No. 13-184 extend the maturity of the 2009 Economic Recovery Notes from Fiscal Year 2016 to Fiscal Year 2018.

(l) Estimates reflect the January 20, 2013 Office of Policy and Management's letter to the State Comptroller (for the General Fund for Fiscal Year 2014 as of the period ending December 31, 2013).

NOTE: The information in **Appendix III-E** of this **Part III** contains projections and no assurances can be given that subsequent projections or adjustments will not result in changes in the items of revenue and expenditure and in the final result of the operations of the General Fund. Changes may also occur as the result of legislative action adjusting the budget or taking other actions which impact revenues or expenditures.

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