

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023



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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Honorable Edward M. Lamont, Jr.,
Governor of the State of Connecticut
State of Connecticut Special Transportation Fund
Hartford, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major fund of the Special Transportation Fund (the Fund) of the State of Connecticut (the State), as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Fund, as of June 30, 2023, and the respective changes in financial position, and the budgetary comparison for the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Special Transportation Fund of the State of Connecticut, and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2023, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, effective July 1, 2022, the Special Transportation Fund of the State of Connecticut adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Honorable Edward M. Lamont, Jr.,
Governor of the State of Connecticut
State of Connecticut Special Transportation Fund

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
February 26, 2024

**STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023
(IN THOUSANDS)**

ASSETS	Special Revenue Fund	Debt Service Fund	Restricted Grants Fund	Total
Cash and Cash Equivalents	\$ 497,592	\$ 12,308	\$ 41,173	\$ 551,073
Restricted Investments Held By Trustee	-	1,252,541	-	1,252,541
Receivables:				
Taxes, Net of Allowance for Doubtful Accounts of \$23 for the Special Revenue Fund	293,594	-	-	293,594
Accounts, Net of Allowance for Doubtful Accounts of \$29,885 and \$245 for the Special Revenue Fund and Restricted Grants Fund, Respectively	41,169	-	9,617	50,786
PPP Installment Receivable	45,911	-	-	45,911
Interest	8,678	8,323	-	17,001
Restricted Federal Grants	-	-	83,228	83,228
Due From Other Funds of the State	3,391	-	-	3,391
Material and Supplies	34,720	-	-	34,720
Total Assets	\$ 925,055	\$ 1,273,172	\$ 134,018	\$ 2,332,245
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 17,645	\$ -	\$ 61,619	\$ 79,264
Wages and Benefits Payable	10,500	-	2,167	12,667
Due to Other Funds of the State	-	9,667	186	9,853
Total Liabilities	28,145	9,667	63,972	101,784
DEFERRED INFLOWS OF RESOURCES				
Receivables to be Collected in Future Periods	38,299	-	6,956	45,255
Deferred Amounts Related to PPPs	44,114	-	-	44,114
Total Deferred Inflows of Resources	82,413	-	6,956	89,369
FUND BALANCES				
Nonspendable:				
Material and Supplies	34,720	-	-	34,720
Restricted For:				
Transportation Programs	779,777	-	-	779,777
Debt Service	-	1,263,505	-	1,263,505
Federal Programs	-	-	63,090	63,090
Total Fund Balances	814,497	1,263,505	63,090	2,141,092
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 925,055	\$ 1,273,172	\$ 134,018	\$ 2,332,245

See accompanying Notes to Financial Statements.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(IN THOUSANDS)

	Special Revenue Fund	Debt Service Fund	Restricted Grants Fund	Total
REVENUES				
Motor Fuel Taxes	\$ 666,626	\$ -	\$ -	\$ 666,626
Sales Taxes	954,740	-	-	954,740
License, Permit, and Fee Revenues	323,089	-	-	323,089
Sales and Other Services	20,503	-	-	20,503
Fines and Rents	20,713	-	-	20,713
Investment Income	46,869	27,489	-	74,358
Intergovernmental Grants	10,259	-	993,101	1,003,360
Miscellaneous	10,602	6	39,915	50,523
Total Revenues	<u>2,053,401</u>	<u>27,495</u>	<u>1,033,016</u>	<u>3,113,912</u>
EXPENDITURES				
Current:				
General Government	31,121	-	-	31,121
Regulation and Protection	92,725	-	-	92,725
Conservation and Development	4,035	-	-	4,035
Transportation	939,957	-	1,119,560	2,059,517
Debt Service:				
Principal Retirement	-	412,415	-	412,415
Interest and Fiscal Charges	409	333,560	746	334,715
Total Expenditures	<u>1,068,247</u>	<u>745,975</u>	<u>1,120,306</u>	<u>2,934,528</u>
Excess (Deficiency) of Revenues Over Expenditures	985,154	(718,480)	(87,290)	179,384
Other Financing Sources (Uses):				
Refunding Bonds Issued	-	313,490	-	313,490
Premium on Bonds Issued	-	23,167	-	23,167
Payment to Escrow Agent	-	(341,035)	-	(341,035)
Transfers from Other State Funds	29,326	870,404	-	899,730
Transfers to Other State Funds	(815,818)	(29,326)	-	(845,144)
Total Other Financing Sources (Uses)	<u>(786,492)</u>	<u>836,700</u>	<u>-</u>	<u>50,208</u>
NET CHANGES IN FUND BALANCES	198,662	118,220	(87,290)	229,592
Fund Balances - Beginning of Year	612,026	1,145,285	150,380	1,907,691
Change in Reserve for Inventories	3,809	-	-	3,809
FUND BALANCES - END OF YEAR	<u>\$ 814,497</u>	<u>\$ 1,263,505</u>	<u>\$ 63,090</u>	<u>\$ 2,141,092</u>

See accompanying Notes to Financial Statements.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – NON-GAAP BUDGETARY BASIS – SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023
(IN THOUSANDS)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Budgeted:				
Taxes, Net of Refunds	\$ 1,676,000	\$ 1,631,100	\$ 1,620,569	\$ (10,531)
License, Permit, and Fee Revenues	411,100	381,600	380,933	(667)
Federal Grants	10,100	10,300	10,259	(41)
Other	3,300	71,900	71,870	(30)
Refunds of Payments	(3,100)	(8,700)	(8,727)	(27)
Operating Transfers Out	(5,500)	(5,500)	(5,500)	-
Total Revenues	<u>2,091,900</u>	<u>2,080,700</u>	<u>2,069,404</u>	<u>(11,296)</u>
EXPENDITURES				
Budgeted:				
General Government	15,934	20,190	17,762	(2,428)
Regulation and Protection	85,090	85,090	77,501	(7,589)
Conservation and Development	14,402	14,402	3,251	(11,151)
Transportation	883,354	883,354	718,841	(164,513)
Nonfunctional	<u>1,120,884</u>	<u>1,101,756</u>	<u>1,047,452</u>	<u>(54,304)</u>
Total Expenditures	<u>2,119,664</u>	<u>2,104,792</u>	<u>1,864,807</u>	<u>(239,985)</u>
Appropriations Lapsed	<u>112,000</u>	<u>135,656</u>	<u>-</u>	<u>(135,656)</u>
Excess of Revenues Over Expenditures	84,236	111,564	204,597	93,033
OTHER FINANCING SOURCES (USES)				
Prior Year Appropriations Carried Forward	-	-	156,317	156,317
Appropriations Continued to Fiscal Year 2023-2024	<u>-</u>	<u>-</u>	<u>(76,942)</u>	<u>(76,942)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>79,375</u>	<u>79,375</u>
Net Change in Fund Balance	<u>\$ 84,236</u>	<u>\$ 111,564</u>	283,972	<u>\$ 172,408</u>
Budgetary Fund Balance - Beginning of Year			554,078	
Change in Reserve for Continuing Appropriations			<u>(79,375)</u>	
BUDGETARY FUND BALANCE - END OF YEAR			<u>\$ 758,675</u>	

See accompanying Notes to Financial Statements.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Special Transportation Fund (the Fund) of the State of Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America as promulgated in pronouncements of the Governmental Accounting Standards Board (GASB). Following is a summary of significant accounting policies of the Fund.

Reporting Entity

The Special Transportation Fund of the State of Connecticut was established pursuant to Public Act 83-30 (the Act) of the June 1983 Special Session of the General Assembly of the State of Connecticut (the State), as amended to date, to account for the transportation related revenues of the State pledged therefor as provided in the Act (the Pledged Revenues) for payment of Special Tax Obligation bonds (the Bonds) issued by the State for transportation infrastructure purposes. Pledged Revenues consist of taxes, fees, charges and other receipts, funds or moneys of the State credited to the Special Transportation Fund and include: motor fuel taxes; oil companies taxes; a portion of the general retail sales and use taxes; the sales and use taxes on motor vehicle sales at dealers; motor vehicle receipts; motor vehicle related licenses, permits and fees; sales taxes imposed on casual sales of motor vehicles; motor vehicle related fines, penalties and other charges and other transportation related revenue sources more particularly defined in the Act, including enacted adjustments in all of the foregoing sources; certain federal subsidy payments relating to certain Taxable Build America Bonds and certain transportation related federal revenues of the State credited to the Special Transportation Fund.

After providing for debt service requirements of the Bonds, the balance of the revenues and other financing sources of the Fund may be used for the payment of debt service on general obligation bonds of the State issued for transportation infrastructure purposes, for the payment of certain expenditures of the State Department of Motor Vehicles, and for the payment of expenditures of the State Department of Transportation, including both the annually budgeted operating expenditures and the State's share of infrastructure improvement program costs not financed separately by other sources.

The Special Revenue Fund is included in the basic financial statements of the State of Connecticut as a major governmental fund, while the Debt Service Fund and Restricted Grants Fund are combined with similar funds of the State. The financial statements of the Special Transportation Fund of the State of Connecticut are intended to present the financial position, and the changes in financial position, of only that portion of each major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Special Transportation Fund. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2023 and the changes in the State's financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Fund has not presented a management's discussion and analysis (MD&A) in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* because Management believes the focus of an MD&A is on a primary government. The State of Connecticut, the primary government, will provide an MD&A in its annual report that will include analysis of the Fund.

Recent Legislative Changes

The financial position and changes in financial position of the Fund are subject to legislative actions enacted by the General Assembly of the State of Connecticut.

During the 2017 Legislative special session, the General Assembly passed Public Act 17-2 (the 2017 Budget Act). Pursuant to section 705 of the 2017 Budget Act, the General Assembly is prohibited from authorizing Special Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed a specified percentage (99.5% in fiscal year 2020, 99.25% in fiscal year 2021 and declining by 0.25% in each subsequent fiscal year, to 98% in fiscal year 2026 and each fiscal year thereafter) of the estimated revenues included in such fiscal year's budget act, subject to certain exemptions. The General Assembly may not alter the State's obligation to comply with such cap on Special Transportation Fund aggregate appropriations prior to June 20, 2023.

During the 2019 Legislative session, the General Assembly passed Public Act 19-117 (the Appropriations Act), which made several adjustments to the revenues credited to the Special Transportation Fund. Sections 317 and 218 of the Appropriation Act partially modified the phase-in schedule for the transfer of motor vehicle sales and use tax as follows: 8% in fiscal year 2019, 17% (previously 33%) in fiscal year 2020, 25% (previously 56%) in fiscal year 2021, 75% in fiscal year 2022, and 100% in fiscal year 2023. In addition, the Appropriations Act included various expansions to the sales and use tax.

During the 2021 Legislative session, the General Assembly passed Public Act 21-111 (the 2021 Bond Act), which provides for special tax obligation bond authorizations for transportation projects of \$836.9 million in fiscal year 2022 and \$929.6 million in fiscal year 2023. The 2021 Bond Act also provides for general obligation bond authorizations for transportation projects of \$30 million in fiscal year 2022 and \$30 million in fiscal year 2023.

During the 2023 Legislative session, the General Assembly passed Public Act 23-205 (the 2023 Bond Act), which provides for special tax obligation bond authorizations for transportation projects of \$1,557.7 million in fiscal year 2024 and \$1,530.8 million in fiscal year 2025. The 2023 Bond Act also provides for general obligation bond authorizations for transportation projects of up to \$2.0 million for urban mass transit, up to \$10.0 million for an intermodal transportation facility in northeastern Connecticut, and up to \$27.5 million for commercial rail freight lines programs, which projects will not be funded by special tax obligation bonds.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Legislative Changes (Continued)

During the 2023 regular legislative session, the General Assembly passed Public Act 23-204 (the Appropriations Act). Section 2 of the Appropriations Act provides for the Town Aid Road Grant Program in the amount of \$60 million for fiscal year 2024 to be financed by an appropriation from the Special Transportation Fund. This program was previously funded by both special tax obligation bonds and general obligation bonds.

Pursuant to Public Act 21-177 (the Highway Use Fee Act), beginning on January 1, 2023, the Highway Use Fee Act imposed a highway use fee (the Highway Use Fee) on certain heavy, multi-unit motor vehicles operated on any public road in the State. The Highway Use Fee is calculated based on a vehicle's weight and the number of miles driven in the State.

Pursuant to Sections 438 through 443 of the Appropriations Act, effective July 1, 2022, the State was to impose a convenience fee (Convenience Fee) for the use of a credit card or debit card for the payment of fees that constitute pledged revenues under Chapters 246 and 247 of the Statutes. In June 2022, the Governor directed state agencies to waive the service fee through the end of the fiscal year 2023. The waiver was subsequently extended to December 31, 2023.

During the 2022 Legislative session, the General Assembly passed Special Act No. 22-2 that suspended the collection of the gas tax from April 1, 2022 to June 30, 2022. Public Act 22-118 extended the suspension to November 30, 2022. Public Act 22-1 of the November Special Session extended the suspension December 31, 2022, and beginning January 1, 2023, the gas tax was phased-in until reaching the original rate on May 1, 2023.

Section 367 of the Appropriations Act provides that the applicable tax rate per gallon of diesel fuel on the sale or use of such fuel during fiscal year 2024 will be 49.2¢ per gallon, which represents no change from fiscal year 2023. This tax rate only applies to fiscal year 2024 and, beginning in fiscal year 2025, the tax rate will be determined as previously enacted.

Section 368 of the Appropriations Act provides that under Section 12-587 of the Connecticut General Statutes, beginning fiscal year 2024 the gross earnings from the first sale of aviation fuel is exempt from the Oil Companies Tax.

Section 369 of the Appropriations Act provides, for each of fiscal years 2024 and 2025, that the Comptroller will transfer \$8.0 million from the Special Transportation Fund to the Connecticut airport and aviation account established under Section 13b-50c of the Connecticut General Statutes, provided the executive director of the Connecticut Airport Authority enters into a management agreement with the city of Bridgeport for the day-to-day operation and maintenance of the Sikorsky Airport, and also provides written notice to the Comptroller and the chief elected official of the Town of Stratford that such management agreement was executed.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Legislative Changes (Continued)

Section 380 of the Appropriations Act provides that under Section 12-412(120) of the Connecticut General Statutes opioid antagonists (as defined in Section 17a-673a of the Connecticut General Statutes), such as Narcan, are exempt from the Sales and Use Tax. The estimated revenue loss of this exemption is expected to have a negligible effect on the Special Transportation Fund.

Basis of Presentation

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The financial activities of the Special Transportation Fund are accounted for in individual funds, each of which is a fiscal and accounting entity with a self-balancing set of accounts. Funds are utilized for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The financial activities of the Special Transportation Fund are reported in the following major governmental funds in the accompanying fund financial statements:

Special Revenue Fund - This fund is used to account for all transportation related taxes, fees and revenues and other receipts collected that are restricted for the payment of debt service requirements of special tax obligation bonds and transportation related general obligation bonds issued by the State for transportation infrastructure purposes, for the payment of certain expenditures of the State Department of Motor Vehicles, and for the payment of budgeted appropriations made by the State Department of Transportation. The State Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the State of Connecticut.

Debt Service Fund - This fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on special tax obligation bonds issued by the State for transportation infrastructure purposes.

Restricted Grants Fund - This fund is used to account for transportation related restricted federal and non- federal grant revenues and expenditures.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fund considers revenues to be available if they are collected within 60 days of the end of the current period except for federal revenues that are considered collectible within one year. Significant revenue sources that are considered to be susceptible to accrual include motor fuel taxes and sales taxes. Revenue recognition policies are as follows:

Motor Fuel Taxes and Sales Taxes - Motor fuel taxes and sales taxes are recognized as revenue in the period when the underlying exchange has occurred and when the resources are available.

Intergovernmental Grants and Similar Non-Exchange Transactions - Intergovernmental grants and similar nonexchange transactions are recognized as revenue in the period when all applicable eligibility requirements imposed by funding sources have been met and when the resources are available. Resources received in advance are reported as unearned revenue.

Investment Income - Investment income from restricted investments held by the trustee in the bond service account and the debt service reserve account, and from other investments is recognized when earned.

License, Permit, and Fee and Other Revenues - License, permit and fee and all other revenues are recognized as revenue when received because they are considered to be measurable and available only when the cash is actually received.

Expenditures are recorded when the related fund liability is incurred, except for debt service expenditures and expenditures related to compensated absences and claims and judgments, which are recorded as expenditures when payment is due.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In March 2020 the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, (PPP's). This standard provides accounting and financial reporting requirements for public-private and public-public partnership arrangements (PPPs) that either meet the definition of an SCA or are not within the scope of Statement 87, as amended. This standard also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The Fund adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption.

Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less when purchased, exclusive of restricted investments held by the trustee.

Investments

Investments are measured at fair value, except for investments in certain external investment pools.

Investments in external investments pools consists of amounts invested in the State of Connecticut Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund is an investment pool managed by the State Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs (which approximates fair value), are measured at the net asset value per share as determined by the pool.

Materials and Supplies

Material and supplies are reported at cost using either the first-in first-out or average costing methods. Materials and supplies consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported materials and supplies are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fund reports unavailable revenue from certain receivables that are expected to be collected in future periods as deferred inflows of resources. The Fund will recognize such amounts as revenues in the period that the amounts become available. In addition, the Fund reports deferred inflows of resources related to PPP installment receivable. The inflow of resources is recognized in a systematic and rational manner over the term of the PPP arrangement.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees hired on or before June 30, 1978, 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 or her accrued sick leave up to a maximum payment equivalent to sixty days.

Fund Balances

The Fund may report the following fund balance categories:

Nonspendable - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

Committed - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the State of Connecticut General Assembly.

Assigned - Amounts are constrained by the Legislature's intent to be used for specific purposes, but are neither restricted or committed.

Unassigned - Residual classification for amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

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

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 and disclosures in the financial statements. Actual results could differ from those estimates.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(AMOUNTS EXPRESSED IN THOUSANDS)

NOTE 2 BUDGETARY INFORMATION AND LEGAL COMPLIANCE

By statute, the Governor of the State of Connecticut 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 several funds of the State, including the Special Transportation Fund.

Pursuant to section 705 of the 2017 Budget Act, the General Assembly is prohibited from authorizing Special Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed a specified percentage (99.25% in fiscal year 2021, and declining by 0.25% in each subsequent fiscal year, to 98% in fiscal year 2026 and each fiscal year thereafter) of the estimated revenues included in such fiscal year's budget act, subject to certain exemptions. The General Assembly may not alter the State's obligation to comply with such cap on Special Transportation Fund aggregate appropriations prior to June 20, 2023.

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 Statutory Basis (GAAP Based Budgeting)*. A separate document demonstrating compliance with the legally adopted budget is necessary because the legal level of control is more detailed than reflected in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual. Before an agency can utilize amounts appropriated for a particular purpose, such amounts must be allotted for the specific purpose by the Governor and encumbered by the State Comptroller upon request by the agency. Such amounts can then be expended by the State Treasurer only upon a warrant, draft or order of the State Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over amounts 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% of the fund or 5% of the appropriation amount. Modifications beyond those limits, but not in excess of 5% of the total funds, require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5% of the total appropriated fund can be made only with the approval of the General Assembly.

All funds of the State use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carry forwards of spending authority from one fiscal budget into a subsequent fiscal 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

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NOTE 2 BUDGETARY INFORMATION AND LEGAL COMPLIANCE (CONTINUED)

continued for 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.

The Special Revenue Fund is the only fund of the Special Transportation Fund for which a budget is legally adopted. The budget is prepared on a “modified cash” basis of accounting under which revenues are recognized when received, except for certain taxes and federal and other restricted grant revenues. Certain tax payments received by the Commissioner of Revenue Services not later than five business days after the last day of July immediately following the end of the fiscal year are subject to statutory accrual. Federal and other restricted grant revenues are recognized when earned. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the final adopted budget is presented in the accompanying statement of revenues, expenditures and changes in fund balances - budget and actual - non-GAAP budgetary basis.

A reconciliation between budgetary amounts and GAAP amounts for the Special Revenue Fund is as follows:

	Special Revenue Fund
Net Change in Fund Balance - Budgetary Basis	\$ 283,972
Increase in Receivables	3,475
Increase in Accounts Payable	(12,621)
PPP revenue recognized	1,798
Miscellaneous Adjustments	1,413
Decrease in Continuing Appropriations	(79,375)
Net Change in Fund Balance - GAAP Basis	\$ 198,662

NOTE 3 RESTRICTION OF FUND REVENUES

Under the terms and provisions of special acts of the General Assembly of the State of Connecticut, the State Bond Commission is empowered to authorize the issuance of special tax obligation bonds in one or more series to fund a portion of the costs of the State’s infrastructure improvement projects. The bonds issued to date are described more fully in Note 7. The bonds are payable solely from, and secured by, a first pledge on the revenues of the Fund pursuant to the Act and the Indenture of Trust dated September 15, 1984, as supplemented, and the Indenture of Trust dated December 1, 1990, as supplemented (the Indentures).

Included in intergovernmental revenues are certain restricted grants. These grants represent amounts received from federal and local governments and other sources specifically to fund their share of certain program costs incurred. These revenues totaled approximately \$1.003 billion for the year ended June 30, 2023 and are not available for debt service.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
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NOTE 4 CASH DEPOSITS - CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Fund will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State maintains its deposits in qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from their other assets, eligible collateral in an amount equal to 10%, 25%, 100%, or 120% 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.

The carrying value of the Fund's cash deposits totaled \$10,288 as of June 30, 2023. Because the Fund's cash deposits are commingled with those of other funds of the State, the amount of the Fund's cash deposits subject to custodial credit risk is not readily determinable as of June 30, 2023.

Investments in the State Treasurer's Short-Term Investment Fund (STIF) totaling \$540,785 are included in cash and cash equivalents in the accompanying balance sheet. For purposes of disclosure, such amounts are considered investments and are included in the disclosure in Note 5.

NOTE 5 INVESTMENTS

As of June 30, 2023, the Fund's investments consist of the following:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 to 5	6 to 10
Short-Term Investment Fund	\$ 1,104,007	\$ 1,104,007	\$ -	\$ -
Municipal Fixed Rate Securities	34,249	388	14,043	19,818
Federal Fixed Rate Securities	655,070	30,930	291,499	332,641
Total	<u>\$ 1,793,326</u>	<u>\$ 1,135,325</u>	<u>\$ 305,542</u>	<u>\$ 352,459</u>

Because the State Treasurer's Short-Term Investment Fund had a weighted-average maturity of less than 90 days, it has been presented as an investment with a maturity of less than one year.

A reconciliation of the Fund's restricted investments as presented in the accompanying balance sheet as of June 30, 2023 is as follows:

Bond Service Account	\$ 473,404
Debt Service Reserve Account	779,137
Restricted Investments Held by Trustee	<u>\$ 1,252,541</u>

Investments held by the Trustee in the bond service account and the debt service reserve account are restricted by and invested pursuant to the terms of the Indentures.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
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NOTE 5 INVESTMENTS (CONTINUED)

Interest Rate Risk

The Fund's investment policy to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates is delineated in the Indentures.

Credit Risk

The Fund's investment restrictions are delineated in the Indentures. No investments of the Fund may have a maturity date longer than 10 years. In addition, in accordance with Connecticut General Statutes, allowable investments include 1) obligations, securities and investments set forth in subsection (f) of Section 3-20 of the Connecticut General Statutes and 2) participation certificates in the State Treasurer's Short-Term Investment Fund created under Section 3-27a of the General Statutes.

The Fund's investments in debt securities were rated as follows at June 30, 2023:

Debt Securities	Fair Value	Standard & Poors	Moody's	Fitch
Short-Term Investment Fund	\$ 1,104,007	AAAm	Unrated	Unrated
Municipal Fixed Rate Securities	34,249	AA+ AA	Unrated	Unrated
Federal Fixed Rate Securities	655,070	AA+	Aaa	Unrated
Total	<u>\$ 1,793,326</u>			

Concentrations of Credit Risk

The Fund places no limit on the amount of investment in any one issuer. As of June 30, 2023, 45% of the Fund's investments were invested in the State Treasurer's Short-Term Investment Fund, 22% in Federal Farm Credit Bank Securities, 30% in Federal Home Loan Bank and Mortgage Securities and 3% in Municipal Fixed Rate Securities.

Fair Value

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Fund has the following recurring fair value measurements as of June 30, 2023:

Investments	June 30, 2023	Level 1	Level 2	Level 3
Municipal Fixed Rate Securities	\$ 34,249	\$ -	\$ 34,249	\$ -
Federal Fixed Rate Securities	655,070	-	655,070	-
Total Investments by Fair Value Level	689,319	<u>\$ -</u>	<u>\$ 689,319</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
Short-Term Investment Fund	1,104,007			
Total Investments	<u>\$ 1,793,326</u>			

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
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NOTE 6 PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS

The State, acting by and through the Connecticut Department of Transportation, entered into a public-private partnership arrangement (PPP) with Project Service LLC to operate the 23 Service Areas along roadways of Connecticut. The contract commenced in 2009 and runs through December 2044. The assets underlying the agreement remain assets of the State. The contract requires Minimum Annual Guaranteed Payments and Participation Payments on Gross Receipts and Gallons of Fuel Sold.

Utilizing an incremental borrowing interest rate of 4.97%, the Fund reported net present value receivables and related deferred inflows of resources and PPP revenue, and interest revenues related to public-private partnerships receivable as of June 30, 2023, as follows:

PPP Installment Receivable	Deferred Inflow of Resources	PPP Revenue	PPP Interest Revenue
<u>\$ 45,911</u>	<u>\$ 44,114</u>	<u>\$ 2,005</u>	<u>\$ 2,292</u>

Total principal and interest payments to be received under the public-private partnership agreement is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	218	2,282
2025	729	2,271
2026	765	2,235
2027	803	2,197
2028	843	2,157
2029-2033	7,042	9,958
2034-2038	11,737	7,764
2039-2043	17,719	4,281
2044-2045	6,055	12,437
Total	<u>45,911</u>	<u>45,582</u>

Participation payments on gross receipts and gallons of fuel sold for the year ended June 30, 2023 were approximately \$1.7million.

STATE OF CONNECTICUT SPECIAL TRANSPORTATION FUND
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NOTE 7 SPECIAL TAX OBLIGATION BONDS

A summary of special tax obligation bonds issued, pursuant to the State Bond Commission's authorization, and the outstanding principal balances as of June 30, 2023 is as follows.

Issue	Interest Rates	Dated Date	Maturing Through Fiscal Year	Amount of Original Issue	Principal Balance at June 30, 2023
2009B Bonds	4.86% - 5.74%	November 10, 2009	2030	\$ 304,030	\$ 228,200
2010B Bonds	4.13% - 5.46%	November 10, 2010	2031	400,430	312,425
2012A Bonds	2.00% - 5.00%	December 21, 2012	2033	502,290	4,070
2013A Bonds	2.00% - 5.00%	December 21, 2013	2034	600,000	400,225
2014A Bonds	2.00% - 5.00%	October 16, 2014	2035	600,000	429,950
2014B Refunding Bonds	3.00% - 5.00%	October 16, 2014	2026	131,545	49,490
2015A Bonds	3.00% - 5.00%	October 15, 2015	2036	700,000	528,870
2015B Refunding Bonds	2.00% - 5.00%	October 15, 2015	2028	139,770	78,350
2016A Bonds	3.00% - 5.00%	September 28, 2016	2037	800,000	636,085
2016B Refunding Bonds	2.00% - 5.00%	September 28, 2016	2029	68,265	40,875
2018A Bonds	4.00% - 5.00%	February 8, 2018	2038	800,000	662,710
2018B Bonds	5.00%	October 25, 2018	2039	750,000	650,175
2018C Refunding Bonds	3.00% - 5.00%	October 25, 2018	2027	100,105	72,770
2020A Bonds	3.00% - 5.00%	May 29, 2020	2040	850,000	788,300
2021A Bonds	3.00% - 5.00%	May 12, 2021	2041	875,000	829,560
2021B Refunding Bonds	3.00% - 4.00%	May 12, 2021	2029	11,695	1,965
2021C Refunding Bonds	5.00%	October 19, 2021	2032	144,190	108,645
2021D Bonds	1.75% - 5.00%	December 1, 2021	2042	500,000	484,710
2022A Bonds	4.25% - 5.25%	November 7, 2022	2044	830,000	830,000
2022B Refunding Bonds	5.00%	November 7, 2022	2034	313,490	313,490
Total					<u>\$ 7,450,865</u>

Proceeds from the sale of special tax obligation bonds were used to: fund the State's Infrastructure Improvement Fund, fund any required deposits to the debt service reserve fund and to pay costs associated with the sale of the bonds. The Infrastructure Improvement Fund was established by the State to account for the net bond proceeds to be used for Transportation Infrastructure Improvement projects and is a separate capital project fund of the State and is not part of the Special Transportation Fund.

Revenues are credited to the Special Transportation Fund and funds are transferred to the Fund's debt service account to the extent required to meet debt service requirements as provided by the Indentures. In addition, the Fund is required to maintain the debt service reserve account at a level equal to the maximum annual principal and interest requirements on the Bonds as defined in the Indentures, for the current or any future fiscal year.

The 2009 Series B Bonds are subject to both make-whole and extraordinary optional redemption, prior to their stated maturity dates at the election of the State, in whole or in part at any time at a redemption price equal to the greater of: 1) the original issue price set forth in the official statement (but not less than 100% of the principal amount); or 2) the sum of the present value of the remaining payments of principal and interest to maturity discounted to the payment date per the provisions set forth in the bond documents at the time of issuance.

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NOTE 7 SPECIAL TAX OBLIGATION BONDS (CONTINUED)

The 2010 Series B Bonds are subject to both make-whole and extraordinary optional redemptions, prior to their stated maturity dates at the election of the State, in whole or in part at any time at a redemption price equal to the greater of: 1) the original issue price set forth in the official statement (but not less than 100% of the principal amount); or 2) the sum of the present value of the remaining payments of principal and interest to maturity discounted to the payment date per the provisions set forth in the bond documents at the time of issuance.

The 2012 Series A Bonds maturing on or after January 1, 2024 will be subject to redemption, at the election of the State, on or after January 1, 2023 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on January 1, 2023 and thereafter.

The 2013 Series A Bonds maturing on or after October 1, 2024 will be subject to redemption, at the election of the State, on or after October 1, 2023 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on October 1, 2023 and thereafter.

The 2014 Series A Bonds maturing on or after September 1, 2025 will be subject to redemption, at the election of the State, on or after September 1, 2024 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on September 1, 2024 and thereafter.

The 2014 Series B Refunding Bonds maturing on or after September 1, 2025 will be subject to redemption, at the election of the State, on or after September 1, 2024 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on September 1, 2024 and thereafter.

The 2015 Series A Bonds maturing on or after August 1, 2026 will be subject to redemption, at the election of the State, on or after August 1, 2025 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on August 1, 2025 and thereafter.

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NOTE 7 SPECIAL TAX OBLIGATION BONDS (CONTINUED)

The 2015 Refunding Series B Bonds maturing on or after August 1, 2026 will be subject to redemption, at the election of the State, on or after August 1, 2025 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on August 1, 2025 and thereafter.

The 2016 Series A Bonds maturing on or after September 1, 2027 will be subject to redemption, at the election of the State, on or after September 1, 2026 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on September 1, 2026 and thereafter.

The 2016 Refunding Series B Bonds maturing on or after September 1, 2027 will be subject to redemption, at the election of the State, on or after September 1, 2026 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on September 1, 2026 and thereafter.

The 2018 Series A Bonds maturing on or after January 1, 2029 will be subject to redemption, at the election of the State, on or after January 1, 2028 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on January 1, 2028 and thereafter.

The 2018 Series B Bonds maturing on or after October 1, 2029 will be subject to redemption, at the election of the State, on or after October 1, 2028 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on October 1, 2028 and thereafter.

The 2018 Series C Refunding Bonds are not subject to optional redemption.

The 2020 Series A Bonds maturing on or after May 1, 2031 will be subject to redemption, at the election of the State, on or after May 1, 2030 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on May 1, 2030 and thereafter.

The 2021 Series A Bonds maturing on or after May 1, 2032 will be subject to redemption, at the election of the State, on or after May 1, 2031 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on May 1, 2031 and thereafter.

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NOTE 7 SPECIAL TAX OBLIGATION BONDS (CONTINUED)

The 2021 Series B Refunding Bonds are not subject to optional redemption.

The 2021 Series C Refunding Bonds are not subject to optional redemption.

The 2021 Series D Bonds are subject to optional redemption at the election of the State on or after November 1, 2032.

The 2022 Series A Bonds maturing on or after July 1, 2043 will be subject to redemption, at the election of the State, on or after July 1, 2042 at any time, in whole or in part and by lot within a maturity, in such amounts as the State may determine. The bonds may be redeemed by the payment of principal and accrued interest thereon at a redemption price equal to 100% of the principal amount outstanding on July 1, 2042 and thereafter.

The 2022 Series B Refunding Bonds are not subject to optional redemption.

The aggregate principal and interest maturities on the bonds (scheduled payments to bondholders) are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 442,665	\$ 368,486	\$ 811,151
2025	439,180	336,798	775,978
2026	472,445	313,890	786,335
2027	464,400	290,227	754,627
2028	483,465	266,262	749,727
2029-2033	2,374,970	966,066	3,341,036
2034-2038	1,955,950	421,768	2,377,718
2039-2043	796,615	82,717	879,332
2044-2048	21,175	549	21,724
Total	<u>\$ 7,450,865</u>	<u>\$ 3,046,763</u>	<u>\$ 10,497,628</u>

Bonds Authorized But Not Issued

As of June 30, 2023, the State has \$6.5 billion of special tax obligation bonds that have been authorized by the State Bond Commission but not issued. These bonds would be payable from the revenues of the Fund if issued.

Accrued Interest

As of June 30, 2023, accrued interest on the special tax obligations bonds paid from the Debt Service Fund totaled \$105.1 million and will be recognized as a debt service expenditure when paid.

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NOTE 8 CHANGES IN LONG-TERM OBLIGATIONS

Although the Fund does pay certain long-term obligations, these obligations have not been reported in the accompanying fund financial statements but are reported in the State of Connecticut's Annual Comprehensive Financial Report. A summary of changes in long-term obligations of the Fund for the year ended June 30, 2023 is as follows:

Description	Balance, July 1, 2022	Additions	Reductions	Balance, June 30, 2023
Special Tax Obligation Bonds and Refunding Bonds	\$ 7,054,415	\$ 1,143,490	\$ 747,040	\$ 7,450,865
Compensated Absences	47,579	2,201	-	49,780
Claims and Judgements (See Note 9)	1,873	5,361	-	7,234
Total	<u>\$ 7,103,867</u>	<u>\$ 1,151,052</u>	<u>\$ 747,040</u>	<u>\$ 7,507,879</u>

Debt proceeds of \$830,000 related to new bond issue are deposited and reported with Other Funds of the State (Capital Projects Fund) and not included with the Special Transportation Fund.

2022B Refunding Bonds

In the current fiscal year, the State of Connecticut issued \$313,490 in special tax obligation refunding bonds with interest rate of 5%. The proceeds were used to advance refund \$334,625 of outstanding 2012 Series A special tax obligation bonds and 2012 Series B refunding bonds which had interest rates ranging from 2% to 5%. The net proceeds of \$341,035 (including a \$23,167 premium and after payment of \$1,063 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The State completed the advance refunding to reduce total debt service payments by \$24,002 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$20,026.

NOTE 9 INTERFUND BALANCES

Interfund Receivables and Payables Amounts

A summary of interfund receivables and payables as of June 30, 2023 are as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue Fund	Debt Service Fund	<u>\$ 3,391</u>
Other Funds of the State	Restricted Grants Fund	\$ 186
	Debt Service Fund	<u>6,276</u>
		<u>\$ 6,462</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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NOTE 9 INTERFUND BALANCES (CONTINUED)

Interfund Transfers

A summary of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Special Revenue Fund	Debt Service Fund	<u>\$ 29,326</u>
Debt Service Fund	Special Revenue Fund	\$ 810,318
	Other Funds of the State	<u>60,086</u>
		<u>\$ 870,404</u>
Other Funds of the State	Special Revenue Fund	<u>\$ 5,500</u>

Transfers are used primarily to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) to move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Litigation, Claims, and Assessments

The State is party to various claims and legal actions brought against it, some of which may ultimately result in settlements or judgments against the State for which amounts may ultimately be paid from the Fund. Any amounts payable from the Fund to meet such settlements or judgments are subject to the prior lien in favor of the Bonds. The State of Connecticut, Office of the Attorney General has determined that it is probable that some of these actions will result in a loss to the State. The estimated liabilities for probable cases against the State for which amounts may ultimately be payable from the Fund totaled approximately \$7.2 million as of June 30, 2023. In addition, there are a number of cases where the outcome is either uncertain or it is reasonably possible that a loss may be incurred for which the estimated exposure can't be determined as of June 30, 2023.

Arbitrage Rebate Requirements

Section 148 of the Internal Revenue Code, as enacted by the Tax Reform Act of 1986, requires that 90% of the earnings from the investment of tax-exempt bond proceeds that exceed the yield on tax-exempt bonds be remitted to the U.S. government. In accordance with this regulation, the Fund may be required to rebate a portion of its investment earnings on the proceeds of the Bonds to the federal government. There were no rebate payments made during the year ended June 30, 2023. The potential arbitrage liability as of June 30, 2023 is approximately \$677 thousand.

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NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contractual Commitments

The State entered into a contractual agreement with H.N.S. Management Company, Inc., doing business as CTTransit, to manage and operate the bus transportation system for the State. The State pays all expenditures 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. Upon termination of the agreement, the State shall assume all of the existing obligations of CTTransit, including all pension liabilities described below. Although the Fund has no liability related to these costs, payments may be made by the Fund if so directed by the State.

In addition, the Fund has other contractual commitments for various transportation related construction projects. As of June 30, 2023, the aggregate contractual commitments for such projects totaled approximately \$1.15 billion. Funding of these expenditures is expected to be received from federal and other grants and other revenues to be received by the Fund.

Pension and Other Postemployment Benefits

Certain employees of the Fund participate in the State Employees' Retirement System (SERS), which is administered by the State Employees' Retirement Commission. The Fund has no liability for these pension and other postemployment benefit costs other than the annual contributions, pursuant to Public Act 83-30 of the June 1983 Special Session of the General Assembly of the State of Connecticut as amended to date. In addition, the actuarial study was performed on the SERS as a whole and does not provide separate information for employees of the Fund. Therefore, certain pension and other postemployment benefit disclosures cannot be provided. Information on the total SERS funding status and progress, required contributions and trend information can be found in the State of Connecticut's Annual Comprehensive Financial Report.

The Fund's contribution is determined by applying a State mandated percentage to eligible salaries and wages. The net contributions made by the Fund totaled \$185.1 million for pension benefits and \$5.5 million for other postemployment benefits for the year ended June 30, 2023.

Federal Awards

Grant amounts received or receivable by the Special Revenue and Restricted Grants Funds 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.

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NOTE 11 INTERFUND ALLOCATIONS

The Fund is one of many funds within the State of Connecticut financial reporting entity. As a result, certain transactions of the Fund, including operating transfers and certain allocations of expenses among funds, are under the direction of management of the State.

Allocation of Bank Charges

The Fund invests in the State Treasurer's Short-Term Investment Fund, which is a money market investment pool administered by the State Treasurer. In addition, the Fund's cash balances are managed by the State of Connecticut, Office of the Treasurer. Bank charges allocated to the Fund totaled \$209.7 thousand for the year ended June 30, 2023.

NOTE 12 RISK MANAGEMENT AND UNCERTAINTIES

Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board (the 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 State is self-insured for general liability risks 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 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. Amounts allocated and expended by the Fund for general liability, automobile, and property insurance totaled approximately \$13.7 million for the year ended June 30, 2023.

The State is self-insured for liabilities associated with worker compensation claims. Amounts allocated and expended by the Fund for workers compensation insurance totaled approximately \$5.7 million for the year ended June 30, 2023.

Uncertainties

Reliance on Certain Taxes

A significant portion of the revenues of the Special Transportation Fund are derived from motor fuel taxes, oil companies taxes, and a portion of the general retail sales taxes. Such taxes may be directly affected by economic conditions. Periods of less favorable economic conditions could result in substantially reduced revenues generated from such taxes and could have a material adverse effect on the Special Transportation Fund.

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NOTE 13 SUBSEQUENT EVENTS

On November 1, 2023, the State of Connecticut issued its \$875 million Special Tax Obligation Bonds, 2023 Series A, and \$349 million Special Tax Obligation Refunding Bonds, 2023 Series B bonds with coupon rates of 5.00-5.25%. The 2023 Series B bonds were issued to refund the then outstanding maturities of the 2013 Series A Bonds.