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

$133,210,000
UNIVERSITY OF CONNECTICUT
GENERAL OBLIGATION BONDS

consisting of

$97,115,000 General Obligation Bonds, 2010 Series A **$36,095,000 General Obligation Bonds, 2010 Refunding Series A**

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

The University of Connecticut General Obligation Bonds, 2010 Series A (the “2010 Series A Bonds”) and the University of Connecticut General Obligation Bonds, 2010 Refunding Series A (the “2010 Refunding Series A Bonds” and, collectively with the 2010 Series A Bonds, the “2010 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 and the Fifteenth Supplemental Indenture (collectively, the “Indentures”) for the purpose of providing funds for the UConn 2000 Infrastructure Improvement Program. The 2010 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 2010 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 2010 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 2010 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 2010 Bonds. Purchases of the 2010 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 2010 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 2010 Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. Principal of and interest on the 2010 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 2010 Bonds will be payable semiannually on February 15 and August 15 in each year, commencing on August 15, 2010. 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 2010 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 certain requirements of the Internal Revenue Code of 1986, as amended, under existing law, interest on the 2010 Bonds is excludable from gross income for federal income tax purposes, and is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations as described under “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 2010 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 2010 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 Counsel, Updike, Kelly and Spellacy, P.C., Hartford, Connecticut and Bryant Miller Olive P.C., Washington, D.C. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, Hartford, Connecticut. It is expected that the 2010 Bonds in definitive form will be available for delivery at The Depository Trust Company in New York, New York on or about May 25, 2010.

Wells Fargo Bank, National Association

J.P. Morgan **Jackson Securities, LLC** **Loop Capital Markets, LLC**

BofA Merrill Lynch **Citi** **Corby Capital Markets, Inc.** **Melvin and Company LLC**
M.R. Beal & Company **Prager, Sealy & Co., LLC** **Ramirez & Co., Inc.** **RBC Capital Markets**
Rice Financial Products Company **Roosevelt & Cross, Inc.** **Siebert Brandford Shank & Co., LLC**
Sterne, Agee & Leach, Inc. **William Blair & Co., LLC**

May 12, 2010

UNIVERSITY OF CONNECTICUT

$97,115,000 General Obligation Bonds, 2010 Series A
Maturity Schedule

Maturity	Principal Amount ($)	Interest Rate (%)	Yield (%)	CUSIP
February 15, 2011	4,855,000	2.000	0.350	914233SP7
February 15, 2012	4,860,000	3.000	0.760	914233SQ5
February 15, 2013	4,860,000	5.000	1.140	914233SR3
February 15, 2014	3,155,000	3.000	1.510	914233SS1
February 15, 2014	1,705,000	5.000	1.510	914233TS0
February 15, 2015	4,860,000	5.000	1.870	914233ST9
February 15, 2016	4,855,000	5.000	2.290	914233SU6
February 15, 2017	4,855,000	4.000	2.610	914233SV4
February 15, 2018	4,855,000	4.000	2.810	914233SW2
February 15, 2019	4,855,000	5.000	2.990	914233SX0
February 15, 2020	4,850,000	3.000	3.140	914233SY8
February 15, 2021	2,125,000	3.125	3.270	914233SZ5
February 15, 2021†	2,730,000	5.000	3.270	914233TK7
February 15, 2022†	370,000	4.000	3.360	914233TA9
February 15, 2022†	4,485,000	5.000	3.360	914233TL5
February 15, 2023†	445,000	4.000	3.450	914233TB7
February 15, 2023†	4,410,000	5.000	3.450	914233TM3
February 15, 2024†	4,855,000	5.000	3.520	914233TC5
February 15, 2025	740,000	3.500	3.600	914233TD3
February 15, 2025†	4,115,000	5.000	3.600	914233TN1
February 15, 2026†	670,000	4.000	3.680	914233TE1
February 15, 2026†	4,185,000	5.000	3.680	914233TP6
February 15, 2027†	4,855,000	5.000	3.740	914233TF8
February 15, 2028†	4,855,000	5.000	3.800	914233TG6
February 15, 2029	1,050,000	3.750	3.880	914233TH4
February 15, 2029†	3,805,000	5.000	3.880	914233TQ4
February 15, 2030	630,000	3.800	3.930	914233TJ0
February 15, 2030†	4,225,000	5.000	3.930	914233TR2

$36,095,000 General Obligation Bonds, 2010 Refunding Series A
Maturity Schedule

Maturity	Principal Amount ($)	Interest Rate (%)	Yield (%)	CUSIP
February 15, 2011	5,575,000	2.000	0.350	914233TT8
February 15, 2012	4,085,000	3.000	0.760	914233TU5
February 15, 2013	25,000	2.000	1.140	914233TV3
February 15, 2014	2,480,000	5.000	1.510	914233UG4
February 15, 2015	4,460,000	4.000	1.870	914233TW1
February 15, 2016	495,000	2.250	2.290	914233TX9
February 15, 2017	1,345,000	3.000	2.610	914233TY7
February 15, 2017	340,000	5.000	2.610	914233UD1
February 15, 2018	2,870,000	4.000	2.810	914233TZ4
February 15, 2018	2,970,000	5.000	2.810	914233UE9
February 15, 2019	3,340,000	4.000	2.990	914233UA7
February 15, 2019	2,015,000	5.000	2.990	914233UH2
February 15, 2020	1,255,000	3.000	3.140	914233UB5
February 15, 2021	430,000	3.125	3.270	914233UC3
February 15, 2021†	4,410,000	5.000	3.270	914233UF6

† Priced to the call date of February 15, 2020 assuming redemption at par.

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 2010 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 OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010 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 2010 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 and inside cover, Part I, Part II and Part III, the Appendices and Schedules thereto, is provided for the purpose of presenting certain information relating to the University in connection with the sale of $133,210,000 aggregate principal amount of its 2010 Bonds.

Part I of this Official Statement, including the cover and inside cover page and the Appendices thereto, contains information relating to the 2010 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, Parts I, II, and III and the Appendices and Schedules thereto should be read collectively and in their entirety.

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OFFICIAL STATEMENT
relating to

$133,210,000
UNIVERSITY OF CONNECTICUT

$97,115,000 General Obligation Bonds, 2010 Series A
$36,095,000 General Obligation Bonds, 2010 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 $97,115,000 General Obligation Bonds, 2010 Series A (the "2010 Series A Bonds") and $36,095,000 General Obligation Bonds, 2010 Refunding Series A (the "2010 Refunding Series A Bonds" and, collectively with the 2010 Series A Bonds, the "2010 Bonds") of the University of Connecticut (the "University"). The 2010 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 Fifteenth Supplemental Indenture dated as of April 16, 2009 (the "Fifteenth Supplemental Indenture"). The Master Indenture and supplements thereto, including the Eighth Supplemental Indenture and the Fifteenth 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 Act was originally enacted in 1995 as a ten year program with an estimated cost of $1,250 million. In 2002, the General Assembly enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (the "21st Century UConn Act"). The 21st Century UConn Act, as amended, extended the UCONN 2000 financing program that was scheduled to end in 2005, to run for an additional eleven years to June 30, 2016. It also authorized additional projects for phase III UCONN 2000 for an estimated cost of $1,348 million. The UCONN 2000 program, including phases I, II and III, is estimated to cost $2,598 million.

The Act provides for a plan of financing UCONN 2000 projects that includes $2,262 million of general obligation bonds of the University secured by the State Debt Service Commitment (the "State Debt Service Commitment"). See "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT" below. An additional $18 million of UCONN 2000 projects have been funded through the issuance 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 bonds may be met by the issuance of special obligation bonds ("Special Obligation Bonds") of the University, or from 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 2010 Bonds, the University will have outstanding $877,492,441 of its General Obligation Bonds secured by the State Debt Service Commitment, $168,135,000 of its Special Obligation Bonds and $69,781,858 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 2010 Series A Bonds represent the seventeenth series of General Obligation Bonds being issued pursuant to the Act and the Master Indenture (including three series of refunding bonds) and it is the second series of bonds issued pursuant to the Fifteenth Supplemental Indenture. To date, pursuant to the Indentures, $1,435,000,000 of General Obligation Bonds has been authorized to be issued for UCONN 2000 projects, of which $1,330,000,000 has been issued and made available for UCONN 2000 projects, resulting in an unissued balance of $105,000,000 prior to the issuance of the 2010 Series A Bonds. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM."

The 2010 Refunding Series A Bonds represent the eighteenth series of General Obligation Bonds being issued pursuant to the Act and the Master Indenture (and the fourth 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 2010 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 2010 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 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 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 2010 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 Fifteenth Supplemental Indenture provides for the pledge of and a lien upon the State Debt Service Commitment. The 2010 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 2010 Bonds and, accordingly, is not planning to budget any of the other Assured Revenues for the payment of the Bonds, including the 2010 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 $2,262 million, 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 the UCONN 2000 program 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 phase III UCONN 2000 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 Fifteenth Supplemental Indenture was submitted to the Governor on June 25, 2008 and was approved by the Governor on June 30, 2008. 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 Fifteenth Supplemental Indenture was amended by the Board of Trustees on March 10, 2009, June 23, 2009 and on February 18, 2010 in accordance with the Act and the Indenture to reallocate certain bond authorizations among approved UCONN 2000 projects and to carry forward $115,000,000 of bond authorization from the Fourteenth Supplemental Indenture which remained unissued, thus increasing the amount of bonds authorized by the Fifteenth Supplemental Indenture to $255,000,000. The University issued its General Obligation Bonds, 2009 Series A under the provisions of the Fifteenth Supplemental Indenture, which together with the premium thereon, provided $150,000,000 for UCONN 2000 projects. Following the issuance of the 2010 Series A Bonds, no general obligation bonds remain authorized and unissued under the Fifteenth Supplemental Indenture for UCONN 2000 projects.

Pursuant to the Act, the Bonds, including the 2010 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 2010 Bonds. The issuance of the 2010 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 2010 Bonds. The University has no taxing power.

However, pursuant to the Act, the 2010 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 2016 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 2010 SERIES A BONDS

In General

The 2010 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 2010 Series A Bonds

The 2010 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 2010 Series A Bonds will be paid semiannually on February 15 and August 15 in each year, commencing on August 15, 2010. 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 day of January and July in each year or the preceding business day if such last day is not a business day.

Principal of and interest on the 2010 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 2010 Series A Bonds maturing on or after February 15, 2021 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, 2020, 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 2010 Series A Bonds, all notices of redemption will be sent only to DTC.

DESCRIPTION OF THE 2010 REFUNDING SERIES A BONDS

In General

The 2010 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 2010 Refunding Series A Bonds

The 2010 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 2010 Refunding Series A Bonds will be paid semiannually on February 15 and August 15 in each year, commencing on August 15, 2010. 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 day of January and July in each year or the preceding business day if such last day is not a business day.

Principal of and interest on the 2010 Refunding 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 2010 Refunding Series A Bonds maturing on February 15, 2021 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, 2020, 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 2010 Refunding Series A Bonds, all notices of redemption will be sent only to DTC.

PLAN OF REFUNDING

The 2010 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, 1999 Series A, 2001 Series A, 2003 Series A and 2004 Series A (the "Refunded Bonds") as set forth below. The University and the Treasurer reserve the right to refund all, only a portion or none of the Bonds of each series to be refunded.

Refunded Bonds

Bond	Maturity Date	Principal Amount	Coupon	Call Date	Call Price	CUSIP
1999 Series A	04/01/2011	$5,000,000	4.400%	06/24/2010	100.000	914233DG3
	04/01/2012	4,000,000	4.500%	06/24/2010	100.000	914233DH1
Total		$9,000,000				
2001 Series A	04/01/2016	$ 525,000	4.600%	04/01/2011	101.000	914233FM8
	04/01/2017	1,730,000	4.650%	04/01/2011	101.000	914233FN6
	04/01/2018	1,020,000	4.700%	04/01/2011	101.000	914233FP1
	04/01/2019	1,310,000	4.750%	04/01/2011	101.000	914233FQ9
	04/01/2020	1,385,000	4.750%	04/01/2011	101.000	914233FR7
	04/01/2021	5,000,000	4.750%	04/01/2011	101.000	914233FS5
Total		$10,970,000				
2003 Series A	02/15/2014	$2,450,000	5.250%	02/15/2013	100.000	914233JP7
	02/15/2015	4,435,000	5.250%	02/15/2013	100.000	914233JQ5
Total		$6,885,000				
2004 Series A	01/15/2018	$4,890,000	5.000%	01/15/2014	100.000	914233KT7
	01/15/2019	4,140,000	5.000%	01/15/2014	100.000	914233KV2
Total		$9,030,000				
Total Refunded Bonds		$35,885,000				

Upon delivery of the 2010 Refunding Series A Bonds, proceeds will be deposited in the Redemption Fund pursuant to the Indenture and 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 May 25, 2010, between the Escrow Agent and the University. The Escrow Agent will deposit in an irrevocable trust fund called the Escrow Deposit Fund $38,704,428.69 of the net proceeds of the 2010 Refunding Series A Bonds, which will be used to purchase $38,704,418.00 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, will provide amounts sufficient to meet principal, interest payments and redemption prices on the Refunded 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 Refunded Bonds will be irrevocably deposited by the University in the Escrow Fund for payment of the Refunded Bonds.

SOURCES AND USES OF PROCEEDS OF THE 2010 BONDS

The University expects to apply the proceeds from the sale of the 2010 Bonds as follows:

Sources

Par Amount of the 2010 Series A Bonds	$ 97,115,000.00
Par Amount of the 2010 Refunding Series A Bonds	36,095,000.00
Net Original Issuance Premium of the 2010 Series A Bonds	8,733,757.55
Net Original Issuance Premium of the 2010 Refunding Series A Bonds	2,903,754.60
Total Sources	$144,847,512.15

Uses

Construction Account	$105,000,000.00
Deposit to Redemption Fund	38,704,428.69
Costs of Issuance Account for 2010 Series A Bonds	292,322.05
Costs of Issuance Account for 2010 Refunding Series A Bonds	109,924.64
Underwriters' Discount for 2010 Series A Bonds	556,435.50
Underwriters' Discount for 2010 Refunding Series A Bonds	184,401.27
Total Uses	$144,847,512.15

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 Account 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 fund an irrevocable escrow to refund the Refunded 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 2010 Bonds, payment of interest and other payments on the 2010 Bonds to DTC Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the 2010 Bonds, confirmation and transfer of beneficial ownership interests in the 2010 Bonds and other bond-related transactions by and between DTC (as hereinafter defined), the DTC Participants and Beneficial Owners of the 2010 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 RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2010 Bonds. The 2010 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 2010 Series A Bond certificate and one 2010 Refunding Series A Bond certificate will be issued for each maturity of the 2010 Series A Bonds and the 2010 Refunding Series A Bonds, 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, 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2010 Series A Bond and 2010 Refunding Series A 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 2010 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 2010 Bonds, except in the event that use of the book-entry system for a series of the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all 2010 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 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 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 2010 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 such other DTC nominee) will consent or vote with respect to the 2010 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 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and payments on the 2010 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 the Trustee, the Paying Agent, the University or the State 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 redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the University or the State, 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 2010 Bonds at any time by giving reasonable notice to the University or the State. Under such circumstances, in the event that a successor depository is not obtained, 2010 Series A Bond and 2010 Refunding Series A 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, 2010 Series A Bond and 2010 Refunding Series A 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 as to the absence of material adverse changes in such information subsequent to the date hereof.

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 is required to act according to rules and procedures established by DTC and its Participants which are on file with the Securities and Exchange Commission.

The University, the State and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2010 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2010 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the 2010 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The University, the State and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2010 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the University, the State (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 2010 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 2010 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 2010 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2010 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 2010 Bonds.

Effect of Discontinuance of Book-Entry System. The following procedures shall apply if the book-entry system is discontinued with respect to the 2010 Bonds.

Principal and Interest Payments. Principal of the 2010 Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2010 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 2010 Series A Bonds or 2010 Refunding Series A 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 2010 Bonds, and, upon presentation of 2010 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 2010 Bonds. Any 2010 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 2010 Bond for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any 2010 Bond shall be surrendered for transfer, the University shall execute and the Trustee shall authenticate and deliver a new 2010 Bond and maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any 2010 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-one year capital budget program in three phases. In 1995, the General Assembly authorized the phase I and phase II projects which were estimated to cost $1,250 million and were to be financed over a ten year period. In 2002, the General Assembly enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn, which, as amended, revised the original Act to extend the UCONN 2000 program for an additional eleven year period and authorized additional phase III UCONN 2000 projects estimated to cost an additional $1,348 million. The UCONN 2000 program, including phases I, II and III, is estimated to cost $2,598 million.

The UCONN 2000 program is to be funded in part by the issuance of $2,262 million of general obligation bonds of the University secured by the State Debt Service Commitment. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT." An additional $18 million of UCONN 2000 projects have been funded through the issuance 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 bonds may be funded by the issuance of Special Obligation Bonds of the University or by gifts or other revenue or borrowing resources of the University.

As of the date of delivery of the 2010 Bonds, the University has issued the following General Obligation and Special Obligation Bonds and Governmental Lease Purchase Agreements pursuant to the UCONN 2000 Act.

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
Total[2]		**$1,419,062,147**	**$29,255,369**	**$1,435,000,000**

	Issue Date	Par Amount	(OID)/OIP[1]	Deposit to Trustee Held Escrow
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
Total[2]		**$360,095,000**	**$39,049,330**	**$401,477,085**

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

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
		$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 four 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, $25,140,000 of which remains outstanding as of the date of this Official Statement. See Appendix I-A under the subsection, "University Finances - University Indebtedness." A Special Capital Reserve Fund is not available to secure the 2010 Series A Bonds or the 2010 Refunding Series A Bonds or any other general obligation 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 is 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 Infrastructure Improvement Program currently comprises numerous projects ranging in cost from under $1,000,000 to over $200,000,000. Phase I and phase II projects are for several of the University's campuses, with the preponderance of expenditures currently earmarked for the main campus at Storrs. 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 University 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 and January 15, 2006, 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 the UCONN 2000 Program. 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.

RECENT EVENTS

University of Connecticut Health Center. On March 9, 2010, Governor M. Jodi Rell announced plans to establish the UConn Health Network – a unique partnership with area hospitals aimed at creating jobs and improving access to quality health care in the State. The centerpiece of the partnership is a new patient care tower and renovations to John Dempsey Hospital at the Health Center.

The establishment of the UConn Health Network is estimated to cost $362 million. Funding is anticipated to be provided by a variety of sources including a $25 million reallocation from existing UCONN 2000 Health Center allocations, $100 million from federal or other non-State funds, an increase in UCONN 2000 authorizations of $207 million and $30 million of State general obligation bonds.

The UConn Health Network received approval from the Health Center Board of Directors, the University's Board of Trustees and the Connecticut General Assembly. The Governor is expected to sign the legislation to establish and fund the State portion of the UConn Health Network. This legislation changes the authorized amounts of the remaining fiscal year allocations for the UCONN 2000 program and extends the UCONN 2000 program for two additional fiscal years to Fiscal Year 2018 as follows:

Fiscal Year	Prior Allocation	New Allocation
2010	$140,500,000	-0-
2011	$146,500,000	$138,800,000
2012	$123,100,000	$157,200,000
2013	$114,500,000	$143,000,000
2014	$111,500,000	$140,000,000
2015	$100,000,000	$128,500,000
2016	$90,900,000	$119,500,000
2017	-0-	$116,000,000
2018	-0-	$91,000,000

Should the $100 million from federal or other non-State funding sources not be raised prior to June 30, 2015, the UConn Health Network initiatives shall cease and the annual fiscal year allocations for the UCONN 2000 program shall revert to the allocations in place prior to the legislation.

University Administration. On May 11, 2010, Michael J. Hogan, President of the University, announced he will be accepting an appointment as president of the University of Illinois. His resignation from the University will become effective on June 30, 2010. Governor M. Jodi Rell has announced that a national search will be conducted for President Hogan's successor.

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 2010 Series A Bonds or the 2010 Refunding Series A Bonds, or in any way contesting or affecting the validity of the 2010 Series A Bonds or the 2010 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 2010 Series A Bonds or the 2010 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 2010 Series A Bonds or the 2010 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 2010 Series A Bonds or the 2010 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 2010 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2010 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 2010 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 2010 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 2010 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 2010 Bonds substantially in the form set forth in Appendix I-C hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Updike, Kelly & Spellacy, P.C., Hartford, Connecticut and Bryant Miller Olive P.C., Washington, D.C. Updike, Kelly & Spellacy, P.C. currently serves as bond counsel to the State in connection with other State bond issues (not including general obligation 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

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to delivery of the 2010 Bonds in order that interest on the 2010 Bonds not be included in gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. The Tax Regulatory Agreement of the University and the Treasurer which will be delivered concurrently with the delivery of the 2010 Bonds will contain representations, covenants and procedures relating to compliance with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the University and the Treasurer agree and covenant that each shall at all times perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that such amounts are excludable from the gross income of the owners thereof for federal income tax purposes under the Code.

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 Treasurer with their representations and covenants relating to certain requirements of the Code, under existing law, interest on the 2010 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For other federal tax information, see "Original Issue Discount", "Original Issue Premium" and "Other Federal Tax Matters" herein.

Original Issue Discount

The initial public offering prices of certain maturities of the 2010 Bonds (the "OID Bonds") may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount ("OID"). The offering prices relating to the yields set forth on the inside front cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law, OID on the 2010 Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the 2010 Bonds is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner's basis. OID 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 an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the OID that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

The initial public offering prices of certain maturities of the 2010 Bonds (the "OIP Bonds") may be more than their stated principal amounts. An owner who purchases a 2010 Series A Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the 2010 Series A Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

Other Federal Tax Matters

In addition to the matters addressed above, prospective purchasers of the 2010 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, certain insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2010 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Legislation affecting the exclusion from gross income of interest on bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2010 Bonds will not have an adverse effect upon the tax-exempt status or the market price of the 2010 Bonds.

State Taxes

In the opinions of Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A., under existing statutes, interest on the 2010 Bonds is excludable 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 2010 Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on a 2010 Series A Bond or a 2010 Refunding Series A Bond is also excludable 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.

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

Owners of the 2010 Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2010 Bonds and the disposition thereof.

General

The opinions of Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A. are rendered as of their dates, and Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A. assume no obligation to update or supplement their opinions to reflect any facts or circumstances that may come to their attention or any changes in law or the interpretation thereof that may occur after the date of their opinions.

The discussion above does not purport to deal with all aspects of federal, state or local taxation that may be relevant to a particular owner of a 2010 Series A Bond or a 2010 Refunding Series A Bond. Prospective owners of the 2010 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 2010 Bonds.

RATINGS

The 2010 Bonds have been rated "Aa2" by Moody's Investors Service ("Moody's"), 7 World Trade Center, New York, New York; "AA" by Standard & Poor's ("Standard & Poor's"), 55 Water Street, New York, New York and "AA" by FitchRatings ("Fitch"), One State Street Plaza, New York, New York. The ratings assigned by Moody's and Fitch reflect their recalibration of U.S. Public Finance credit ratings to a single global scale rating system. 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 2010 Series A Bonds or the 2010 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 2010 Series A Bonds or the 2010 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 2010 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. 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 2010 Bonds), for the benefit of the beneficial holders of such Bonds, substantially in the form of the Continuing Disclosure Agreement also attached as Appendix I-D to this Part I. Under this Article with respect to the University, and under this Continuing Disclosure Agreement with respect to the State (such Article 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 2010 Bonds shall be conditioned upon their receiving, at or prior to the delivery of the 2010 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.

The State has never defaulted in its obligation to provide annual financial information pursuant to a continuing disclosure agreement executed by the State in connection with the sale of any other general obligation bonds, except for (i) a failure to make a timely provision to the nationally recognized municipal securities information repositories (the "NRMSIRs") by February 28, 2005 and February 28, 2006 of audits of its financial statements and certain operating data comparing operating results and unreserved fund balances on a budgetary and GAAP basis for the Fiscal Years ending June 30, 2004 and June 30, 2005, respectively and (ii) failure to make a timely provision to the NRMSIRs by February 28, 2007 of audits of its financial statements on a GAAP basis for the Fiscal Year ending June 30, 2006, as required under the State's various continuing disclosure agreements in connection with certain of its prior bond issues. The State experienced delays in completing its financial statements due to implementation of a new financial management software system, which resulted in delays in completing its audits, as explained in Part III to this Official Statement. On or prior to February 28, 2005, the State filed with the NRMSIRs its financial statements and certain other operating data for the Fiscal Year ending June 30, 2004, which had not been audited but which the State believed to be accurate in all material respects. Thereafter, the State filed with the NRMSIRs its audited financial statements and certain other operating data for the Fiscal Year ending June 30, 2004 promptly after they became available. On or prior to February 28, 2006, the State filed with the NRMSIRs preliminary estimated financial statements which had not been audited but which the State believed to be accurate in all material respects, and certain operating data contained in Part III, in each case for the Fiscal Year ending June 30, 2005. Thereafter the State filed with the NRMSIRs its audited financial statements and certain other operating data for the Fiscal Year ending June 30, 2005 promptly after they became available. On February 28, 2007, the State filed certain operating data, audited budgetary basis financial statements and unaudited GAAP basis financial statements, each for the Fiscal Year ending June 30, 2006. On May 4, 2007, the State filed its audited financial statements on a GAAP basis for the Fiscal Year ending June 30, 2006. The State complied with its annual information filing requirements for the Fiscal Years ended June 30, 2007, June 30, 2008 and June 30, 2009.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all, but not less than all, of the 2010 Series A Bonds from the University at an aggregate purchase price of $105,292,322.05 (representing the aggregate principal amount of the 2010 Series A Bonds plus net original issue premium of $8,733,757.55 and less Underwriters' discount of $556,435.50). The 2010 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 2010 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 2010 Refunding Series A Bonds from the University at an aggregate purchase price of $38,814,353.33 (representing the aggregate principal amount of the 2010 Refunding Series A Bonds plus net original issue premium of $2,903,754.60 and less Underwriters' discount of $184,401.27). The 2010 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 2010 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

P.G. Corbin & Company, Inc. and First Southwest Company are serving as financial advisors in connection with the issuance of the 2010 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

AMTEC will deliver to the University, on or before the settlement date of the 2010 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 2010 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 Appendix III-D have been included herein in reliance upon the Certificate of Audit 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 statements 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 Vice President and Chief Financial Officer.

Additional information concerning the University may be obtained upon request of the President, Michael J. Hogan, Attention: Richard D. Gray, Vice President 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 2010 Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2010 Bonds by the University and may not be reproduced or used in whole or in part for any other purpose.

Dated: May 12, 2010

Pursuant to the UCONN 2000 Act, the 2010 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

By: /s/ Denise L. Nappier
Denise L. Nappier
State Treasurer

UNIVERSITY OF CONNECTICUT

By: /s/ Richard D. Gray
Richard D. Gray
Vice President and Chief Financial Officer

APPENDIX I-A

UNIVERSITY OF CONNECTICUT
INFORMATION CONCERNING THE UNIVERSITY

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APPENDIX I-A
UNIVERSITY OF CONNECTICUT

May 12, 2010

This Appendix I-A, furnished by the University of Connecticut (the "University") contains information as of the date of delivery of the 2010 Series A Bonds and the 2010 Refunding Series A Bonds, except as expressly provided herein and in Part I of this Official Statement in the section entitled, "RECENT EVENTS". 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 was established and exists as an institution for the education of residents of the State of Connecticut. The University of Connecticut, 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 of Connecticut which in Article VIII, Section 2 provides that the state shall maintain a system of higher education including the University of Connecticut, dedicated to excellence in higher education.

As of October 2009, the University had approximately 204,500 alumni and 29,517 students (including the Health Center) studying in 14 colleges and schools offering seven undergraduate and 22 graduate and professional degree programs. In addition to the main campus in 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 clinics and the John Dempsey Hospital. The Storrs, regional campuses and Health Center comprise 4,313 acres of land and are strategically located throughout the state. The University competes with public and private institutions for students.

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 of Connecticut 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 to be elected by the University alumni, and two are to be elected by the students enrolled at the institutions under jurisdiction of the Board of Trustees.

Although 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 has created a board of directors for the governance of the Health Center, and has determined such duties and authority, as it deems 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 M. Jodi Rell		President ex-officio	Governor of the State of Connecticut
The Honorable Mark K. McQuillan		Member ex-officio	Commissioner of Education
The Honorable Philip Prelli		Member ex-officio	Commissioner of Agriculture
The Honorable Joan McDonald		Member ex-officio	Commissioner of Economic and Community Development
Gerard N. Burrow, M.D.	2011	Member ex-officio, Chair UCHC BOD	Chairman, International Council for the Control of Iodine Deficiency Disorders (ICCIDD)
Lawrence D. McHugh	2015	Chair	President, Middlesex County Chamber of Commerce
Louise M. Bailey	2015	Secretary and Vice-Chair	Government Affairs Consultant
Francis X. Archambault Jr.	2013	Member	Retired Emeritus Professor, University of Connecticut
Michael A. Bozzuto	2011	Member	Chairman, President and CEO, Bozzuto's, Inc.
Richard Colon Jr.	2010	Member	Student, University of Connecticut
Andrea Dennis-LaVigne, D.V.M.	2011	Member	Veterinarian, Bloomfield Animal Hospital
Peter S. Drotch	2013	Vice-Chair	Retired Partner, PricewaterhouseCoopers LLP
Lenworth M. Jacobs, Jr., M.D.	2013	Vice-Chair	Surgeon, Hartford Hospital
Rebecca Lobo	2015	Member	Sports Broadcaster
Michael J. Martinez	2011	Member	Developer, Alliance Five, Inc.
Denis J. Nayden	2013	Vice-Chair	Managing Partner, Oak Hill Capital
Thomas D. Ritter, Esq.	2015	Vice-Chair	Attorney, Brown Rudnick Berlack Israels LLP
Corey M. Schmitt	2011	Member	Student, University of Connecticut
Wayne J. Shepperd	2013	Member	Chief of Staff, Office of the Mayor, City of Danbury
Richard Treibick	2011	Vice-Chair	Chairman of the Board, Alexcom, Inc.
The Honorable Robert M. Ward	2015	Member	Commissioner, Department of Motor Vehicles

Duties of the University of Connecticut Board of Trustees. Subject to statewide policy and guidelines established by the Board of Governors 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. Within the limitation of appropriations from the General Assembly, 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.

On July 16, 2009, Governor M. Jodi Rell announced the appointment of Lawrence D. McHugh of Middletown, Connecticut as the new 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 of its Board, any officer, official or trustee of such committee or other authorized officer or employee of the University such matters relating to the issuance and sale of securities in the name of the University on behalf of the State of Connecticut 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.

During 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 the Auditors of Public Accounts. In addition, the University's internal audit function has been reorganized and expanded with the infusion of additional resources.

In 2006, the University, in compliance with state statutory requirements, established a Construction Management Oversight Committee and the Buildings, Grounds and Environment Committee.

University Administration

Administration. 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. In furtherance of its February 10, 1995 strategic plan and subsequent statements, the Board of Trustees adopted a central management structure. Under this structure, 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; a Vice President for Health Affairs, who oversees programs at the University of Connecticut Health Center; a Vice President and Chief Operating Officer, with responsibility for operations across the University; a Vice President and Chief Financial Officer, with responsibility for financial affairs of the University; a Vice President for Research, with responsibility for the University's research enterprise; a Vice President for Human Resources and Payroll Services; a Associate Vice President for Diversity and Equity; and a Vice President for Enrollment Management and Planning.

The Board of Trustees appointed Michael J. Hogan, former Provost, Executive Vice President for Academic Affairs, and F. Wendell Miller Professor of History at the University of Iowa from 2004-2007, as the 14th President of the University of Connecticut on September 14, 2007. President Hogan earned his Doctorate in History from the University of Iowa. At Ohio State University, he served as Chair of the Department of History from 1993-1999, as Dean of the College of Humanities from 1999-2003, and as Executive Dean of the Colleges of the Arts and Sciences from 2001-2004. Prior to joining the faculty at Ohio State University in 1986, President Hogan was a faculty member at Miami University from 1977-1986, and also at the University of Texas at Austin

(1976-1977) and the State University of New York at Stony Brook (1974-1975). A specialist in the history of American diplomacy, President Hogan is the author or editor of nine books and numerous scholarly articles. He served on the U.S. Department of State's Advisory Committee on Diplomatic Documentation from 1995-2003, which he chaired for three years, 1999-2001.

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

Name	Position	Background
Peter J. Nicholls	Provost and Executive Vice President for Academic Affairs	Ph.D. Mathematics, Cambridge University (England), 1970; 40 years in higher education including Kansas State and Northern Illinois University; 3 years in an administrative capacity at Colorado State University; and 5 years in an administrative capacity at the University of Connecticut.
Cato T. Laurencin, M.D.	Vice President for Health Affairs and Dean, School of Medicine, Health Center	M.D., Harvard Medical School; Ph.D., Massachusetts Institute of Technology; over 21 years of experience in higher education including University Professor and Lillian T. Pratt Distinguished Professor (University of Virginia) and Helen I. Moorehead Distinguished Professor (Drexel University).
Richard D. Gray	Vice President 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 of Connecticut as well as various positions in public finance, commercial lending, health care financial management and banking.
Barry M. Feldman	Vice President and Chief Operating Officer	Ph.D., University of Connecticut; over 30 years in public management; prior senior management experience included city manager positions in West Hartford, Connecticut, Sterling Heights, Michigan, and Portsmouth, Ohio.

Legal Services. The University receives services 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.

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 a new 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 recent 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.

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 28%, freshman enrollment at the main campus has increased 59% and freshman minority enrollment is up 119% at the main campus. The average SAT score of the freshman class for fall 2009 was 99 points higher than the entering class of fall 1996. Since 1995, 1,169 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, the Advising Center for Exploratory Students, the First Year Experience Program, the Academic Achievement Center, Study Abroad, Individualized Major, Undergraduate Research, Honors, the Office of National Scholarships, Student Support Services, the Institute for Teaching and Learning and Career Services. 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: EUROTECH; Fine Arts; Honors; Music; Nursing; Pre-Pharmacy; and Women in Math, Science and Engineering. Interest-based communities: Community Service; Connecting with the Arts; EcoHouse; Global House; Leadership, Learning and Life at UConn; Public Health/Public Service; and Social Justice in a Global Community). 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 grows in strength and prestige through a quality program that attracts high-achieving students through individual attention, opportunities for research, projects, theses, small honors seminars and a sense of community. On average, first-year Honors students have a combined score of 1395 on the SAT and a class rank in the top 5%. All Honors students have access to specially developed Honors Core Curriculum courses in addition to the very popular Honors First Year Seminar taken during their first semester at UConn and the residential Honors Learning Community.

- 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

The University is nationally recognized for the quality of its programs. The following institutional rankings are recent examples of this recognition:

- For the eleventh consecutive year, the University was named the top public university in New England in the annual U.S. News & World Report rankings. It was ranked 26th among 164 public universities in the nation.

- The University's graduate and professional programs were highly rated in the latest (Spring 2009) U.S. News & World Report: America's Best Graduate Schools. The Neag School of Education was ranked 24th among all graduate schools of education in the country, named the top public graduate school of education in the northeast and rated 14th among all public doctoral education programs in the country. Among public medical schools nationwide, the University ranked 29th in Medical Schools-Primary Care, 27th in Medical Schools-Research, and, in the medical specialties, 4th in Drugs and Alcohol Abuse. In the Liberal Arts and Sciences, the University national public graduate program rankings included 21st in Speech-Language Pathology, 30th in Psychology, and 34th in Public Affairs. Public graduate and professional program rankings nationwide in other disciplines included: 25th in Law, 42nd in Nursing, and 42nd in Engineering (and in the engineering specialties, 27th in Materials Engineering, 30th in Mechanical Engineering, 34th in Chemical Engineering, and 35th in Environmental Engineering). The rankings in U.S. News & World Report 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's School of Business was recognized by Business Week for having the best full-time MBA program among public institutions in New England and for ranking among the top 20 among public institutions nationwide. Business Week also rated the UConn MBA program 16th globally and 7th nationally in its "return on investment" category. The biennial ranking of full-time MBA programs is based on three elements: a survey of new MBA recipients, a poll of corporate recruiters, and an evaluation of faculty research output.

- The University, including both the Health Center and the Storrs-based programs, ranked 80/679 among all institutions and 55/393 among public universities nationwide in research and development expenditures, as measured by the National Science Foundation.

- Six University faculty members received a Fulbright Scholar award for the 2009-10 academic year, placing the University in the top 10 among U.S. research institutions in terms of the number of faculty selected.

- The Center for Science and Technology Commercialization manages the commercial application of the discoveries, inventions and technologies developed at all the campuses of the University. Each year, the Center receives approximately 75 new invention disclosures and files about 20 U.S. patent applications. Ten to fifteen commercial development agreements (options, licenses, etc.) are completed annually.

The University's student services in general and intercollegiate athletics in particular receive nation-wide attention and acclamation. For example:

- The University's Storrs Campus has the highest percentage of undergraduate students living on campus of any of its public research university peers nationally, according to the U.S. News & World Report: America's Best Colleges. More than 11,800 students live on the main campus at the University, including 73% of the Storrs undergraduate population.

- The latest (2010) HuskyTHON Dance Marathon raised more than $150,000 for the Connecticut Children's Medical Center in Hartford and for the national Children's Miracle Network. The 24-hour marathon, held each spring at the Storrs campus, is the University's largest student-run philanthropic event. In the past 11 years, HuskyTHON has raised over $440,000 for these two organizations.

- The University has 650 student-athletes participating in 24 intercollegiate sports at the Division I level, the highest level of athletics in the collegiate ranks. This past year, student-athletes achieved a sixth national title for University's women's basketball team and the third appearance in the Final Four for the men's basketball team. The football team made its second consecutive bowl appearance and third in five years, winning the 2009 International Bowl in Toronto. Husky teams captured a total of five Big East Championships.

The University provides national and international leadership in a variety of public service arenas, including technologies and training for homeland security and emergency response programs, human rights and ecological conservation, and health care:

- The University's commitment to human rights and social justice is evidenced in interdisciplinary instruction in theoretical, comparative, and historical perspectives on human rights through classroom courses, supervised internships, the undergraduate human rights minor, and the graduate certificate in human rights. The University's support for human rights is also evident in the research and public events sponsored by the Human Rights Institute, internationally renowned speakers on human rights issues brought to the campus through the The Raymond and Beverly Sackler Distinguished Lecture Series, activities and archival collections at the Thomas J. Dodd Research Center, the University's UNESCO (United Nations Educational, Scientific and Cultural Organization) Chair in Human Rights, one of 52 Chairs worldwide, and student organizations, such as the Student Ambassadors and Idealists United, who promote human rights and social justice awareness on campus. The Journal of Human Rights, a major international scholarly publication, is based at UConn with a University faculty member as the editor.

- Eleven University scientists received state-funded grant awards totaling $5.4 million from the Connecticut Stem Cell Research Advisory (SCRAC) to advance embryonic and human adult stem cell research in Connecticut. The grants, awarded to faculty members at the Health Center and Storrs Campus, were among a total of nearly $9.8 million awarded this year to fund 24 research proposals in the third round of funding issued by the SCRAC. The new grants bring the University's total of state stem cell funding to nearly $20 million. The funding program, approved by the legislature and Governor M. Jodi Rell in 2005, set aside $100 million for Connecticut based embryonic and adult stem cell research through 2015. Research on stem cells promises to advance human health care by developing innovative cell transplantation, therapies for diabetes, cancers, heart and blood diseases, Parkinson's, Multiple Sclerosis, and Alzheimer's diseases.

- The University was named a Campus Sustainability Leader and is one of only 20 public universities nationwide to receive a "B" or better by the Sustainable Endowments Institute (SEI) on its Green Campus Report Card, which rates the universities with the 300 largest endowments and assesses 43 factors, from green building initiatives to recycling programs to endowment investment policies. The University also received an "A" in a new category introduced this year, Student Involvement. The University was praised by SEI for its green building policies, student involvement, administrative efforts (signing the American College and Universities Presidents Climate Commitment, and having an Office of Environmental Policy with senior level management and leadership), and a notable environmental ethic in its Dining Services, which buys locally grown produce and dairy products, raises bees for honey production, and has removed trays from the dining halls in order to reduce food waste.

- The Center for Entrepreneurship and Innovation (CCEI), funded by the legislature and developed through a partnership between UConn's School of Business and School of Law, annually serves more than 130 Connecticut companies from the software, biotech, energy and engineering industries and involves nearly 150 UConn student participants from degree programs in business, law, engineering, and the liberal arts and sciences.

- In addition to the comprehensive health care services of the UConn Health Center, the University has many centers and services offering health care and educational information to the University community and to the public. Examples include: Center for Health Communication and Marketing; Center for Health, Intervention and Prevention (CHIP); Center for Healthcare and Insurance Studies; Centers for Biochemical Toxicology and Pharmaceutical Processing Research; Child Development Laboratories; Connecticut Center for Eliminating Health Disparities among Latinos; Expanded Food and Nutrition Education Program; Functional Foods Initiative; Humphrey Clinic for Individual, Couple and Family Therapy; Nayden Physical Therapy Rehabilitation Clinic; and Speech and Hearing Clinics.

- The School of Nursing's full-time accelerated Master's Entry into Nursing Program expanded from the Storrs Campus to the Waterbury and Stamford campuses to help ease the state's nursing shortage. The 45 credit program takes 11 months to complete and is geared for those who hold bachelor's degrees or higher in fields other than nursing. It culminates in a certificate that allows students to take the licensing exam in Connecticut and enroll in the master's program in nursing at UConn. A Post-Master's Doctor of Nursing Practice (DNP) program also has been developed to serve nurse practitioners, clinical nurse specialists, midwives, nurse anesthetists, and administrators who prefer an alternative to doctoral programs focused on research. It is the only program in Connecticut and the second in New England to be offered in direct response to the national need for doctorally prepared nursing leaders in practice. The School of Nursing also offers a traditional Ph.D. doctoral program in nursing.

- Each year, School of Fine Arts events in art, music and dramatic arts serve over 300,000 on campus and over 560,000 in locations throughout the state. Some 600,000 annually register for the wide variety of non-credit programs offered by the schools and colleges, offices, and all the campuses of the University.

Status of UCONN 2000 Projects

The following table lists the UCONN 2000 Projects, the funding source and the construction status of the project:

Projects Authorized	**Project Construction Status**[1]
General Obligation Bonds	
Total – Storrs and Regional Campus Project List	
Agricultural Biotechnology Facility	Completed August 2002
Agricultural Biotechnology Facility Completion	Completed August 2002
Alumni Quadrant Renovations[4]	Completed August 2002
Arjona and Monteith (new classroom buildings)	Design and Construction
Avery Point Campus Undergraduate and Library Building	Design
Avery Point Marine Science Research Center - Phase I	Completed December 2001
Avery Point Marine Science Research Center - Phase II	Completed December 2001
Avery Point Renovation	Design and Construction
Beach Hall Renovations	Planning
Benton State Art Museum Addition (Phases I & II)	Completed December 2003
Benton State Art Museum Addition (Phase III)	Design and Construction
Biobehavioral Complex Replacement	Design
Bishop Renovation	Planning
Business School Renovation – Phase II	Completed December 2003
Central Warehouse - New	Completed December 2000
Chemistry Building	Completed November 1998
Deferred Maintenance & Renovation Lump Sum - Phase I	Completed
Deferred Maintenance & Renovation Lump Sum - Phase II	Continuing
Deferred Maintenance/Code/ADA Renovation Lump Sum - Phase III	Continuing
East Campus North Renovations[4]	Completed August 2003
Engineering Building (with Environmental Research Institute)	Design
Equipment, Library Collections & Telecommunications - Phase I	Completed
Equipment, Library Collections & Telecommunications - Phase II	Continuing
Equipment, Library Collections & Telecommunications - Phase III	Continuing
Family Studies (DRM) Renovation	Design and Construction
Farm Buildings Repairs/Replacement	Design and Construction
Fine Arts Phase II	Planning
Floriculture Greenhouse	Design and Construction
Gant Building Renovations	Design and Construction
Gant Plaza Deck	Completed September 2001
Gentry Completion	Completed December 2009
Gentry Renovations	Completed July 2004
Grad Dorm Renovations	Completed August 2003
Heating Plant Upgrade[2]	Completed May 1999
Hilltop Dormitory Renovations	Completed October 2001
Ice Rink Enclosure	Completed November 1998
International House Conversion (a.k.a Museum of Natural History)	Completed May 2001
Intramural, Recreational and Intercollegiate Facilities	Completed September 2006
Jorgensen Renovation	Design and Construction
Koons Hall Renovation/Addition	Design
Lakeside Renovation	Completed July 2007
Law School Renovations/Improvements	Design and Construction
Litchfield Agricultural Center – Phase I	Completed August 2001
Mansfield Apartments Renovation	Completed September 2002
Mansfield Training School Improvements – Phase II	Completed
Mansfield Training School Improvements – Phase III	Planning and Design
Monteith Renovation	Completed September 2001

Music Drama Addition	Completed September 1999
Natural History Museum Completion	Completed July 2007
North Campus Renovation[4]	Completed August 2003
North Hillside Road Completion	Design
North Superblock Site & Utilities	Completed November 1997
Northwest Quadrant Renovation - Phase I	Completed September 2000
Northwest Quadrant Renovation - Phase II	Completed September 2000
Old Central Warehouse	Planning
Parking Garage-North	Completed January 1998
Pedestrian Spinepath & Walkways/(a.k.a. Fairfield Road Pedestrian Mall)	Completed December 1998
Psychology Building Renovation/Addition	Design and Construction
Residential Life Facilities	Design and Construction
School of Business	Completed September 2001
School of Pharmacy	Completed June 2005
School of Pharmacy / Biology Completion	Completed June 2005
Shippee/Buckley Renovations[4]	Completed August 2002
South Campus Complex[6]	Completed January 1999
Stamford Campus Improvements	Design and Construction
Stamford Downtown Relocation – Phase I	Completed December 1998
Storrs Hall Addition	Design and Construction
Student Union Addition – Phase II & III	Completed June 2006
Support Facility (Architectural and Engineering Services)	Planning
Technology Quadrant-Phase IA[3]	Completed December 2002
Technology Quadrant-Phase II	Completed May 2003
Torrey Life Science Renovation	Completed 2006
Torrey Renovation Completion and Biology Expansion	Planning
Torrington Campus Improvements	Planning
Towers Renovation[4]	Completed August 2003
Underground Steam & Water Upgrade - Phase I	Completed January 2001
Underground Steam & Water Upgrade Completion - Phase II	Completed January 2001
Waring Building Conversion	Completed September 2001
Waterbury Downtown Campus	Design and Construction
Waterbury Property Purchase	Completed January 1999
West Campus Renovations	Completed August 2004
West Hartford Campus Renovations/Improvements	Design and Construction
White Building Renovation	Completed May 1999
Wilbur Cross Building Renovation	Completed August 2002
Young Building Renovation/Addition	Planning and Design

HEALTH CENTER

CLAC Renovation Biosafety Level 3 Lab	Design
Deferred Maintenance/Code/ADA Renovation Lump Sum - Health Center	Continuing
Dental School Renovation	Design and Construction
Equipment, Library Collections and Telecommunications - Health Center	Continuing
Library/Student Computer Center Renovation	Phase I Completed 2008/Phase II Planning
Main Building Renovation	Phase I Completed 2009/Phase II Design
Medical School Academic Building Renovation	Completed 2008
Research Tower	Construction
Support Building Addition/Renovation	Planning

Special Obligation Student Fee Revenue Bonds

Alumni Quadrant Renovations[4]	Completed August 2002
East Campus North Renovations[4]	Completed August 2003
Hilltop Dormitory New[5]	Completed August 2001
Hilltop Student Rental Apartments[5]	Completed August 2001
North Campus Renovation (including Suites & Apartments)[4]	Completed August 2003

Parking Garage-South[5]	Completed November 2002
Shippee/Buckley Renovations[4]	Completed August 2002
South Campus Complex[6]	Completed January 1999
Towers Renovation (including Greek Housing)[4]	Completed August 2003

[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] 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.
[3] On February 9, 2000 construction was halted on the Biological Sciences building and the University terminated its relationship with the general contractor for the project, HRH/Atlas Construction, due to concerns with the contractor's performance. Since then, the University and the holder of the payment and performance bonds, Liberty Mutual, signed a Fronting Agreement whereby Liberty Mutual paid the University $25.35 million to complete the project.
[4] 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.
[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.
[6] 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.

The Board of Governors for Higher Education

The University, including the Health Center, is a constituent unit of the state system of higher education. The Board of Governors for Higher Education is the statewide policy-making body for the state system of higher education. For a discussion of the Board of Governor's role in presenting the University's budget, see "UNIVERSITY FINANCES - Budget and Budgeting Procedure of the University" below in this Appendix I-A.

Campuses and Physical Plant

General Information. Of the eight campuses, Storrs is the largest campus with 3,423 acres and 159 major buildings. Additionally, as of fall 2009, there are 119 residential facilities, including the Hilltop Housing Complex, all on the Storrs campus, serviced by eight large dining halls designed to provide room and board for over 12,300 graduate and undergraduate students. There are five undergraduate regional campuses strategically located throughout the state at Avery Point in Groton, Stamford, Torrington, Waterbury and West Hartford. 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 29,517 in the 2009-10 academic year. The University is involved in a construction program for UCONN 2000 costing in excess of $2.3 billion for which the proceeds of the 2010 Series A Bonds will be used. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" in this Official Statement.

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 seven kinds of undergraduate degrees in 101 majors, 17 graduate degrees in 86 research and professional practice fields of study and five graduate professional programs. The University also offers individualized majors and interdisciplinary fields of study. The University has several special facilities and programs, including its Biotechnology/Bioservices Center; Booth Engineering Center for Advanced Technology; Center for Conservation and Biodiversity; Center for Environmental Health; Center for Integrative Geosciences; Center for Nursing Research; Center for Optics, Sensing and Tracking in Homeland Security; Center for Oral History; Center for Public Health and Health Policy; Center for Real Estate and Urban Economic Studies; Center for Regenerative Biology; Center for Science and Technology Commercialization; Center for Survey Research and Analysis; Connecticut Center for Economic Analysis; Connecticut Global Fuel Cell Center; Connecticut Information Technology Institute; Connecticut Transportation Institute; Institute of Materials Science; Marine Sciences and Technology Center; Neag Center for Gifted Education and Talent Development; and Thomas J. Dodd Research Center.

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 55 out of 393 public universities in the country in research and development spending. The Carnegie Foundation currently classifies the institution with only 96 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. About 5,700 graduate students matriculated at both the master's and doctoral levels in academic year 2009-10; 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 86 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. Fall 2009, compared to fall 2008, freshman enrollment decreased by 10.2%; and undergraduate degree enrollment increased by 0.7%. Planned freshman enrollment growth for the near future will be modest for Storrs and the regional campuses.

Total Enrollment Data (Head Count)[1]
Fall 2005 – 2009

Undergraduates	**2005**	**2006**	**2007**	**2008**	**2009**
Storrs	16,091	16,339	16,340	16,754	16,996
Regional Campuses[2]	4,434	4,445	4,506	4,618	4,500
Total	20,525	20,784	20,846	21,372	21,496
Graduates/Professionals[3]	7,073	7,210	7,344	7,508	7,505
Health Center					
Medicine	319	328	323	331	346
Dental Medicine	166	159	164	172	170
Total	485	487	487	503	516
GRAND TOTAL	**28,083**	**28,481**	**28,677**	**29,383**	**29,517**

[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 2005 - 2009

	Undergraduate				Graduate/Professional	
	Storrs Campus		Total University		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
2005	75.9%	24.1%	80.5%	19.5%	72.3%	27.7%
2006	75.8%	24.2%	80.3%	19.7%	71.0%	29.0%
2007	76.4%	23.6%	80.6%	19.4%	70.4%	29.6%
2008	75.7%	24.3%	80.3%	19.7%	70.0%	30.0%
2009	75.8%	24.2%	80.3%	19.7%	71.5%	28.5%

Schedule of Freshmen Enrollment - All Campuses
Fall 2005 – 2009

Fall	Freshmen Applications	% Change in Applications	Accepted	Enrolled	% Change in Enrolled	Enrolled as a % of Accepted
2005	19,763	1.0%	12,227	4,246	(0.7%)	34.7%
2006	20,996	6.2%	13,359	4,381	3.2%	32.8%
2007	22,355	6.5%	14,006	4,326	(1.3%)	30.9%
2008	22,346	0.0%	15,649	4,858	12.3%	31.0%
2009	23,289	4.2%	15,768	4,362	(10.2%)	27.7%

Admissions. The University of Connecticut is rated as "highly competitive" by Barron's Profiles of American Colleges, Edition 28 for 2009. For the past nine years, the Scholastic Aptitude Test (SAT) scores for students entering the University consistently exceeded the statewide and national SAT score averages.

Average Total SAT Scores
Fall 2005 - 2009

Fall	Storrs Campus	Regional Campuses	State of Connecticut Average	National Average
2005	1189	1033	1034	1028
2006	1195	1011	1028	1021
2007	1192	1019	1022	1017
2008	1200	1012	1022	1017
2009	1212	1038	1022	1016

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 2010, students classified as full-time undergraduate residents of Connecticut pay tuition of $7,632. Full-time out-of-state undergraduates pay $23,232 per year. In the 2009 academic year, total tuition revenues were $210.3 million of which $88.2 million were out-of-state tuition revenues. Undergraduate degree seeking students accounted for 87.1% of tuition revenues in the 2008-09 academic year. In February 2010, the Board of Trustees approved a tuition rate increase of 5.6% over the 2010 rate for academic year 2011 for in-state students.

Mandatory Fees. For academic year 2010, undergraduate students must pay a General University Fee of $1,584 per year. Students also pay $670 per year in other fees, of which $174 is for various student-controlled organizations, $400 is for infrastructure maintenance, $70 is a transit fee, and $26 is for a Student Union Building Fee. For academic year 2009, the General University fee generated $27.3 million of revenue. In February 2010, the Board of Trustees approved increases in mandatory fees for academic year 2011 to the following amounts: General University Fee - $1,656 and other fees - $696. Commencing in 1998, certain fees have been pledged for the payment of debt service on the University's Special Obligation Bonds, 1998 Series A, 2002 Series A and 2002 Series A Refunding. 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 2010 are the room ($5,396) and board ($4,506) fee. In February 2010, the Board of Trustees approved a 7% increase in the Room Fee for 2011 to $5,774 and a 6% increase in the Board Fee to $4,778.

Annual Cost of an Undergraduate
In-State Student Enrolled at the University
Academic Years 2006-2011

	2006	2007	2008	2009	2010	2011
Tuition	$ 6,096	$ 6,456	$ 6,816	$ 7,200	$ 7,632	$ 8,064
Room & Board[1]	7,704	8,086	8,658	9,300	9,902	10,552
General University Fee	1,272	1,344	1,416	1,488	1,584	1,656
Other Fees[2]	544	562	620	650	670	696
TOTAL	**$15,616**	**$16,448**	**$17,510**	**$18,638**	**$19,788**	**$20,968**

[1] Beginning in 2007, the Board Fee reflects the cost of the Value Meal Plan. Lower and higher cost meal plan options are available. Before 2007, the Board Fee reflected the most expensive meal plan 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 2004.

Undergraduate Tuition, Fees, Room and Board for the University's Top Competitors for Fiscal Year 2009-10

	In-State Student Cost*	Out-of-State Student Cost*
Boston College	51,400	51,400
Boston University	50,540	50,540
Fairfield University	49,160	49,160
Northeastern University	48,062	48,062
Syracuse University	47,678	47,678
Quinnipiac College	44,780	44,780
Providence College	44,360	44,360
University of Hartford	41,346	41,346
Pennsylvania State	23,222	34,752
University of Vermont	22,880	40,736
Rutgers	22,562	33,472
University of New Hampshire	22,417	36,387
University of Massachusetts	20,486	28,709
University of Rhode Island	20,260	36,758
University of Connecticut	***20,006***	***34,606***
University of Delaware	18,844	32,544
University of Maine	17,974	32,224
University of Maryland	17,628	33,565

*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 counseling. The University has a policy of admitting students without regard to financial ability and a policy of providing assistance to those admitted who demonstrate need. During fiscal year 2009, approximately 77% of the students received some form of University administered student aid.

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 $400 to $5,550 (for FY11) 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 and graduate assistants. 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 2009 academic year was $45.3 million, of which 91% was provided to graduate assistants.

Financial Aid to University Students
for Fiscal Years 2005 - 2009

	2005	2006	2007	2008	2009
Scholarships/Grants					
Institutional	$ 35,793,104	$38,328,581	$44,925,126	$42,561,348	$49,116,123
State - CT	7,951,209	8,804,055	9,603,126	14,253,371	14,137,471
State - Non CT	107,990	136,850	128,725	126,125	108,871
Federal Funds	9,355,547	9,521,469	10,917,715	12,051,039	13,767,499
Private	15,555,129	15,584,300	16,110,926	16,788,268	18,336,787
Total Scholarships/Grants	68,762,979	72,375,255	81,658,618	85,780,151	95,466,751
Loans					
Private	6,385,001	10,099,864	21,811,278	22,465,616	23,139,585
Federal	94,736,231	101,376,633	96,371,587	105,921,351	117,680,583
Total Loans	101,121,232	111,476,497	118,182,865	128,386,967	140,820,168
Student Employment					
University Student Payroll	11,412,160	11,427,678	11,690,685	13,073,900	15,080,915
Federal Work Study	1,215,426	1,233,281	1,249,050	1,247,636	1,299,529
Total Student Employment	12,627,586	12,660,959	12,939,735	14,321,536	16,380,444
GRAND TOTAL	**$182,511,797**	**$196,512,711**	**$212,808,218**	**$228,488,65**	**$252,667,363**

UNIVERSITY FINANCES

Financial Management

As noted earlier, the University's Board of Trustees has the authority for fiscal oversight of the University. Under the Board of Trustees central management structure, among the officers the President may appoint are a Provost and Executive Vice President for Academic Affairs, a Vice President for Health Affairs and Dean, School of Medicine, Health Center, a Vice President and Chief Operating Officer, and a Vice President and Chief Financial Officer. 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 Connecticut 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 consistent with spending plans, 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 state 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.

As required by Public Act 06-134, the University engaged UHY, LLC to perform a comprehensive audit of the UCONN 2000 program. The audit assignment is complete and a report was provided to the Board of Trustees, Joint Audit and Compliance Committee in September 2009. The audit gives the University's construction accounting a clean bill of health for 2008.

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, 2009 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 Assets for the years ended June 30, 2005, 2006, 2007, 2008 and 2009. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix I-A for the same information for the Health Center.

Statements of Revenues, Expenses, and Changes in Net Assets

	2005	2006	2007	2008	2009
OPERATING REVENUES					
Student tuition and fees[1]	$ 162,442,352	$ 177,210,259	$ 183,468,732	$ 199,720,598	$ 215,641,536
Federal grants and contracts	86,277,144	79,604,501	81,282,959	85,328,534	92,375,974
State and local grants and contracts	16,879,914	17,305,776	18,994,517	25,429,642	27,853,272
Nongovernmental grants and contracts	9,293,290	10,298,876	11,823,648	10,506,027	12,347,917
Sales and services of educational departments	13,755,026	15,504,841	14,937,691	15,280,038	17,216,404
Sales and services of auxiliary enterprises[2]	113,537,985	119,203,886	127,527,596	133,471,934	149,500,934
Other sources	10,007,008	10,231,304	11,059,294	10,907,810	10,681,689
Total Operating Revenues	412,192,719	429,359,443	449,094,437	480,644,583	525,617,726
OPERATING EXPENSES					
Educational and general					
Instruction	227,084,420	245,567,278	256,079,892	279,086,991	284,054,407
Research	64,364,998	55,933,021	59,641,605	60,345,206	64,028,438
Public Service	31,076,037	31,184,522	32,190,108	33,854,891	37,128,819
Academic support	72,2136,723	74,664,985	82,234,793	81,516,934	87,046,815
Student services	29,365,354	30,570,516	35,022,525	36,006,579	36,711,365
Institutional support	53,927,431	60,767,532	67,336,935	72,314,553	83,169,130
Operations and maintenance of plant	54,321,765	65,676,823	60,611,434	64,110,720	71,478,092
Depreciation	84,508,242	86,528,795	88,030,170	100,186,738	89,556,846
Student aid	3,806,841	3,822,397	3,971,727	4,009,588	3,917,207
Auxiliary enterprises	116,021,275	121,955,025	126,828,040	135,061,206	144,375,731
Other operating expenses	-	-	-	16,491,610	30,579,207
Total Operating Expenses	736,690,086	776,670,894	811,947,229	882,982,016	932,046,057
Operating Loss	(324,497,367)	(347,311,451)	(362,852,792)	(402,337,433)	(406,428,331)
NONOPERATING REVENUES (EXPENSES)					
State appropriation	273,085,313	285,675,894	305,943,066	328,176,623	327,751,422
State debt service commitment for interest	32,332,930	33,093,947	35,863,883	39,525,537	37,846,218
State match to endowment	994,759	35,093	93,864	-	-
Gifts	15,290,616	20,476,003	24,423,566	24,770,574	21,805,530
Investment income	4,551,132	9,647,570	12,299,820	10,384,021	4,267,674
Interest expense	(41,864,618)	(43,262,087)	(47,462,929)	(51,246,898)	(48,915,717)
Other nonoperating revenues (expenses), net	(3,254,416)	(4,204,731)	(686,574)	(2,869,076)	(4,247,111)
Net Nonoperating Revenues	281,135,716	301,461,689	330,474,696	348,740,781	338,505,016
Loss Before Capital Additions (Deductions)	(43,361,651)	(45,849,762)	(32,378,096)	(53,596,652)	(67,923,315)
OTHER CHANGES IN NET ASSETS					
State debt service commitment for principal	81,720,000	61,569,575	65,179,575	-	104,910,000
Capital appropriation	-	-	-	8,000,000	-
Capital grants and gifts	9,163,961	9,965,822	3,029,866	6,802,586	3,813,671
Disposal of property and equipment, net	(511,441)	(897,448)	(3,457,020)	(874,837)	(438,433)
Additions to permanent endowments	-	-	-	56,711	19,703
State match to endowment	-	-	-	59,484	-
Capital other	(33,072,921)	(10,593,490)	1,623,610	-	-
Net Other Changes in Net Assets	57,299,599	60,044,459	66,376,031	14,043,944	108,304,941
Increase (Decrease) in Net Assets	13,937,948	14,194,697	33,997,935	(39,552,708)	40,381,626
NET ASSETS					
Net Assets-beginning of year	1,355,518,978	1,369,456,926	1,383,651,623	1,417,649,558	1,378,096,850
Net Assets-end of year	$ 1,369,456,926	$ 1,383,651,623	$ 1,417,649,558	$ 1,378,096,850	$ 1,418,478,476

[1] Net of scholarship allowances of $56,964,921, $59,503,422, $68,954,741, $72,915,047 and $81,473,702 respectively.
[2] Net of scholarship allowances of $1,240,886, $2,194,046, $2,501,839, $2,524,596 and $2,947,782 respectively.

Note: Reclassifications were made for the year ended June 30, 2008 to better reflect changes in the classification of operating expenses. This had no effect on net assets shown on the Statements of Revenues, Expenses, and Changes in Net Assets. Reclassifications were made between the categories of Student tuition and fees and Student aid for the year ended June 30, 2005. This had no effect on the operating loss shown on the Statements of Revenues, Expenses, and Changes in Net Assets.

Budget and Budgeting Procedure of the University

The University submits separate biennial operating and capital budgets to the Governor and General Assembly through the Board of Governors for Higher Education. 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 and tuition and fees as well as other revenue sources. The Health Center submits separate operating and capital budgets and receives a separate appropriation and allotment. For discussion of the Health Center, see "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix I-A.

The University's Board of Trustees annually approves separate Unrestricted Operating Budgets for the University and the Health Center. The Governor may reduce state agency allotments by not more than 5% unless approved by the Appropriations Committee of the General Assembly. Allotment reductions shall be applied by the Board of Governors for Higher Education among the appropriations to the boards of trustees of the constituent units. The Board of Governors for Higher Education shall apply such reductions after consultation with the Secretary of the Office of Policy and Management and the State Higher Education constituent unit boards of trustees. Any reductions of more than five percent of the appropriations of any constituent units shall be submitted to the Appropriations Committee of the General Assembly, which shall, within ten days, approve or reject such reduction.

During each fiscal year, the Board of Trustees of the University must submit to the General Assembly, through the Department of Higher Education and the Office of Policy and Management, a report of the actual expenditures of the University of Connecticut Operating and Research Funds containing such relevant information as the Board of Governors for Higher Education may require. Currently, the University submits a quarterly report of annual budgeted and actual year-to-date revenues and expenditures for the Operating (including the state appropriation) and Research Funds. Effective July 1, 1996, the General Fund, which consisted of the state appropriations, was merged into and became part of the Operating Fund at the University.

The University is required to submit its biennial budget request on forms prescribed by the Office of Policy and Management (Governor's fiscal office) and the Department of Higher Education. The budget request reflects the use of Department of Higher Education formulas for calculation of instruction, library and physical plant current services.

The General Assembly appropriates and allocates funds directly to the University and Health Center separately. The University's Capital Budget request process has been replaced by the Act. The Act provides for a twenty-one year Capital Budget program of the University and authorizes projects estimated to cost $2,598 million of which $2,262 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. 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 2005-16 totals $1,300 million. 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.

University Budget (Storrs and Regional Campuses)

Fiscal Year 2010 Spending Plan. The fiscal year 2010 spending plan was presented to and approved by the Board of Trustees on November 5, 2009. The Spending Plan included $991.3 million in expenditures plus a $3 million transfer to the State's General Fund. This budget included $992.3 million of revenue to cover $994.3 million in expenses and transfers, yielding a $2.0 million loss. The loss is a net result of the $1.0 million reserve repayment for the November 2001 drawdown from reserves of $11.5 million for the Towers Dining Center and Student Union, and a $3.0 million transfer from University operating reserves to the State's General Fund.

Fiscal Year 2010 Revenue. For fiscal year 2010, state support is budgeted at a level of $325.3 million (appropriation/allotments $233.0 million; fringe benefits $92.3 million), a decrease of $2.5 million or 0.8% under the fiscal year 2009 amount. State support is the largest source of revenue for the University. Tuition is the second largest source of revenue (excluding waivers) and is budgeted at $225.5 million, an increase of $15.2 million or 7.2% over the fiscal year 2009 amount. Tuition revenue collections reflect a 6.0% rate increase coupled with a 0.7% increase in the number of undergraduate degree-seeking students who account for approximately 87.1% of budgeted tuition revenues. 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 2010 are budgeted to be $87.5 million, an increase of $4.6 million or 5.5% over the fiscal year 2009 amount. Auxiliary Enterprise Revenue is budgeted to be $161.5 million, which is an increase of $9.1 million or 6.0% over the fiscal year 2009 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 2010 are budgeted to be $85.8 million, which is a $5.2 million or 6.5% increase over fiscal year 2009.

Fiscal Year 2010 Expenditures/Transfers. Total fiscal year 2010 expenditures and transfers of $994.3 million are budgeted to increase by $39.5 million or 4.1% over the fiscal year 2009 amount. The University's Operating Fund is budgeted to increase by 3.6%. Personal services expenditures are expected to reach $397.0 million or $6.3 million less than fiscal year 2009. Fringe benefit expenditures are expected to be $138.6 million or $1.9 million more than fiscal year 2009. Financial Aid expenditures are budgeted to be $102.6 million, which is an increase of $12.2 million or 13.5% over the fiscal year 2009 amount.

On April 14, 2010, AN ACT CONCERNING DEFICIT MITIGATION FOR THE FISCAL YEAR ENDING JUNE 30, 2010 was passed by the Governor and the General Assembly. This plan requires the University to transfer an additional $5 million of operating reserves to the State's General Fund. This additional cut will be taken into consideration as the University prepares the budget forecast for the end of the year.

In addition to actual results of operations for fiscal years 2007-2009, the following schedule reflects the fiscal year 2010 spending plan as approved by the Board of Trustees on November 5, 2009 and the forecast as presented to the Board of Trustees on February 18, 2010.

Statement of Current Funds Operations (in millions)

Current Funds Revenues:	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Budget	FY10 Forecast (as of 12/31/09)
Operating Fund					
State Support	$305.9	$328.2	$327.8	$325.3	$325.3
Tuition (Net of Discounts)	177.8	190.0	210.3	225.5	225.5
Fees	74.6	78.9	82.9	87.5	86.7
Auxiliary Enterprise Revenue	130.0	136.0	152.4	161.5	161.5
All Other Revenues	102.2	109.3	105.7	106.7	105.4
Total Operating Fund	790.5	842.4	879.1	906.5	904.4
Research Fund	71.8	72.9	80.6	85.8	85.8
Total Current Funds Revenues	$862.3	$915.3	$959.7	$992.3	$990.2
Current Funds Expenditures / Transfers:					
Operating Fund					
Personal Services	$358.8	$385.7	$403.3	$397.0	$392.5
Fringe Benefits	122.2	134.2	136.7	138.6	138.6
Other Expenses	173.7	172.7	185.1	192.9	189.1
Equipment	10.9	11.0	14.8	21.3	20.8
Student Financial Aid	76.7	81.2	90.4	102.6	104.2
Transfers	41.5	43.5	46.3	56.1	57.9
Total Operating Fund	783.8	828.3	876.6	905.5	903.1
Research Fund Expenditures	69.2	74.5	78.2	85.8	85.8
Total Current Funds Expenditures / Transfers	$853.0	$902.8	$954.8	$994.3	$988.9
Net Gain (Loss)	**$9.3**	**$12.5**	**$4.9**	**($2.0)**	**$1.3**

Fiscal Year 2011 Budget. The preliminary fiscal year 2011 budget was submitted to the state in August 2008. On September 8, 2009, AN ACT CONCERNING EXPENDITURES AND REVENUE FOR THE BIENNIUM ENDING JUNE 30, 2011 was passed which requires the University to transfer $5 million of operating reserves to the State's General Fund. On April 14, 2010, AN ACT CONCERNING DEFICIT MITIGATION FOR THE FISCAL YEAR ENDING JUNE 30, 2010 was passed which requires the University to transfer an additional $10 million of operating reserves to the State's General Fund in fiscal year 2011. This budget will be updated and presented to the Board of Trustees for approval in June 2010.

State Support of the University - Appropriations

The State of Connecticut develops a biennial budget which contains the University budget. However, 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. The University's state appropriation is $233.0 million for each of the fiscal years ending June 30, 2010 and June 30, 2011 which amounts reflect all action taken by the legislature and Governor during the 2010 Session of the Connecticut General Assembly.

Schedule of State Operating Support and Fringe Benefits to the University for Fiscal Years 2007 – 2010 (in millions)

Fiscal Year	Operating Appropriations[1] and Allotments	Fringe Benefits	Operating Total
2007	$222.1	$83.8	$305.9
2008	$234.5	$93.7	$328.2
2009	$234.1	$93.7	$327.8
2010 est.	$233.0	$92.3	$325.3

[1] Excludes state general obligation bonds issued to fund University capital projects.

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. For further discussion of the University's liability to the state with respect to these self-liquidating state general obligation bonds, see Schedule 1, "UNIVERSITY OF CONNECTICUT JUNE 30, 2009 AUDITED FINANCIAL STATEMENTS."

State Legislative Bond Authorizations for the University (excluding the Health Center other than 21st Century UConn) for Fiscal Years 1996 - 2016

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		$115,000,000	$115,000,000
2009		$140,000,000	$140,000,000
2010		$140,500,000	$140,500,000
2011		$146,500,000	$146,500,000
2012		$123,100,000	$123,100,000
2013		$114,500,000	$114,500,000
2014		$111,500,000	$111,500,000
2015		$100,000,000	$100,000,000
2016		$90,900,000	$90,900,000

[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 2005-16 represent authorizations under UCONN 2000 Phase III including approximately $305,400,000 for Health Center projects.

Grants and Contracts

Revenue from federal, state, local and non-governmental grants and contracts totaled $132.6 million in fiscal year 2009, representing 25.2% of total operating revenues reported by the University in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2009, 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 $120.2 million for this time period, which represented 22.9% of total operating revenues.

Governmental Grants and Contracts for Fiscal Years 2005 - 2009 (in Millions of Dollars)

Fiscal Year	Amount
2005	$103.2
2006	$96.9
2007	$100.3
2008	$110.8
2009	$120.2

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 gifts, including capital gifts, received by the University from both Foundations totaled approximately $25.4 million in fiscal year 2009 compared to $27.7 million in fiscal year 2008. Both Foundations also paid approximately $3.9 million in fiscal year 2009 ($5.0 million in fiscal year 2008) 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 $9.4 million and $12.2 million in fiscal years 2009 and 2008, respectively.

In September 2009, the Foundation publicly launched the $600 million fundraising effort: *Our University. Our Moment. The Campaign for UConn*. The campaign will dramatically increase private support for scholarships and fellowships for UConn's students; endowed chairs and research support for faculty; new programmatic improvements on every campus; and countless enhancements across the entire University community. In addition to growing the University's endowment to a target of $500 million, other campaign priorities include increasing the number of student scholarship and fellowship funds from 750 to 1,200; establishing 50 new endowed faculty positions; and enhancing academic, research, outreach, and diversity programs. The financial objectives are: $200 million for undergraduate education, $155 million for the UConn Health Center, $135 million for graduate and professional education and $110 million for Athletics.

As of March 1, 2010, *Our University. Our Moment. The Campaign for UConn.* has recorded approximately $207 million in contributions toward the overall campaign goal, including $58 million raised for endowment. The amount received reflects 41 gifts of $1 million or more since counting began during the quiet phase of the

Campaign on July 1, 2006. *Our University. Our Moment. The Campaign for UConn*. is expected to run through the end of fiscal year 2014.

University of Connecticut Foundation, Inc.
Summary of Total Assets, Revenue and Expenditures
for Fiscal Years 2005 - 2009

	2005 $000's	2006 $000's	2007 $000's	2008 $000's	2009 $000's
Assets					
Endowment assets	$271,984	$298,953	335,488	$316,737	$244,031
All other assets	71,012	67,470	72,412	80,065	78,111
Total Assets	$342,996	$366,423	407,900	$396,802	$322,142
Support and Revenue					
Contributions and educational support	$29,526	$29,526	$29,384	$35,978	$22,466
Payment from the University	8,348	8,348	8,513	8,586	9,028
Investment income, net	34,154	34,154	48,334	(12,503)	(63,441)
Other revenues	1,209	1,209	614	697	610
Total Support and Revenue	66,170	73,237	86,845	32,758	(31,337)
Expenditures					
Disbursements to and on behalf of the University	33,649	33,649	33,332	31,339	28,823
Foundation expenses (development, asset mgt, admin.)	11,668	11,668	13,655	14,357	14,444
Total Expenditures	38,660	45,317	46,987	45,696	(31,337)
Support and Revenues Over/Under Expenditures	$ 27,510	$ 27,920	39,858	($12,938)	($74,604)

Note: Due to the negative market volatility over the past few years, the endowment assets have seen a significant loss in value. This decrease was caused primarily by negative investment returns. It is important to note that the value of college endowments declined a national average of 23% from 2008 to 2009, the result of record investment losses and a precipitous drop in giving, according to a study by the National Association of College and University Business Officers.

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 2010 Series A Bonds and the 2010 Refunding Series A Bonds, the University's General Obligation Bonds principal outstanding will be $877,492,441.

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 Appendix I-A “STATUS OF UCONN 2000 PROJECTS”). As of the date of delivery of the 2010 Series A Bonds and the 2010 Refunding Series A Bonds, the Special Obligation Bonds principal outstanding will be $168,135,000 not including refunded bonds.

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. 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. 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 University has drawn down the maximum $81,900,000 of advances under the Lease. Monthly lease payments of $517,135 are due over 240 months, and the first payment was made on January 29, 2006. 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 2010 Series A Bonds and the 2010 Refunding Series A Bonds, the amount of the Lease outstanding will be $69,781,858.

In addition to UCONN 2000 indebtedness, the University has certain other limited indebtedness; see Schedule 1, “UNIVERSITY OF CONNECTICUT JUNE 30, 2009 AUDITED FINANCIAL STATEMENTS”.

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 2010 Series A Bonds and the 2010 Refunding Series A Bonds.

Debt Service on General Obligation Bonds[1]
as of May 25, 2010

Fiscal Year Ending June 30th	Outstanding General Obligation Bonds			This Issue General Obligation Bonds			Total Debt Service
	Principal[2]	Interest[3]	Subtotal	Principal	Interest	Subtotal	
2010	0	0	0	0	0	0	0
2011	62,752,441	36,271,688	99,024,129	$10,430,000	$4,076,147	$14,506,147	$113,530,276
2012	60,350,000	31,578,996	91,928,996	8,945,000	5,435,296	14,380,296	106,309,293
2013	60,880,000	28,958,274	89,838,274	4,885,000	5,166,946	10,051,946	99,890,220
2014	61,605,000	26,082,773	87,687,773	7,340,000	4,923,446	12,263,446	99,951,219
2015	59,465,000	23,355,460	82,820,460	9,320,000	4,619,546	13,939,546	96,760,006
2016	58,810,000	20,569,675	79,379,675	5,350,000	4,198,146	9,548,146	88,927,821
2017	56,005,000	17,721,233	73,726,233	6,540,000	3,944,259	10,484,259	84,210,491
2018	48,800,000	15,070,053	63,870,053	10,695,000	3,692,709	14,387,709	78,257,761
2019	45,515,000	12,678,253	58,193,253	10,210,000	3,235,209	13,445,209	71,638,461
2020	44,275,000	10,486,310	54,761,310	6,105,000	2,758,109	8,863,109	63,624,419
2021	34,615,000	8,421,885	43,036,885	9,695,000	2,574,959	12,269,959	55,306,844
2022	34,845,000	6,850,423	41,695,423	4,855,000	2,138,115	6,993,115	48,688,538
2023	29,950,000	5,277,258	35,227,258	4,855,000	1,899,065	6,754,065	41,981,323
2024	25,190,000	3,920,939	29,110,939	4,855,000	1,660,765	6,515,765	35,626,704
2025	20,060,000	2,800,380	22,860,380	4,855,000	1,418,015	6,273,015	29,133,395
2026	15,400,000	1,893,609	17,293,609	4,855,000	1,186,365	6,041,365	23,334,974
2027	11,310,000	1,217,174	12,527,174	4,855,000	950,315	5,805,315	18,332,489
2028	7,110,000	696,243	7,806,243	4,855,000	707,565	5,562,565	13,368,808
2029	7,345,000	348,888	7,693,888	4,855,000	464,815	5,319,815	13,013,703
2030	0	0	0	4,855,000	235,190	5,090,190	5,090,190
Totals[4]	**$744,282,441**	**$254,199,514**	**$998,481,955**	**$133,210,000**	**$55,284,982**	**$188,494,982**	**$1,186,976,932**

[1] Secured by State Debt Service Commitment, net of bonds previously refunded.
[2] Principal payments on General Obligation Bonds include aggregate initial values of capital appreciation bonds.
[3] Interest payments on General Obligation Bonds include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds.
[4] 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 2010 Series A Bonds and the 2010 Refunding Series A Bonds.

Total Bonds And Leases Outstanding
as of May 25, 2010

	Original Par Amount	Amount Outstanding Currently[1]	Dated Date[2]
General Obligation Debt Service Commitment Bonds			
GO DSC 1996 Series A	$ 83,929,715	$2,122,441	January 1, 1996
GO DSC 1997 Series A	124,392,432	0	April 1, 1997
GO DSC 1998 Series A	99,520,000	0	June 1, 1998
GO DSC 1999 Series A	79,735,000	0	March 1, 1999
GO DSC 2000 Series A	130,850,000	0	March 1, 2000
GO DSC 2001 Series A	100,000,000	4,960,000	March 15, 2001
GO DSC 2002 Series A	100,000,000	10,000,000	April 1, 2002
GO DSC 2003 Series A	96,210,000	25,595,000	March 1, 2003
GO DSC 2004 Series A	97,845,000	59,445,000	January 15, 2004
GO DSC 2004 Series A Refunding[3]	216,950,000	191,840,000	January 15, 2004
GO DSC 2005 Series A	98,110,000	71,970,000	February 15, 2005
GO DSC 2006 Series A	77,145,000	61,710,000	March 15, 2006
GO DSC 2006 Series A Refunding[4]	61,020,000	59,555,000	March 15, 2006
GO DSC 2007 Series A	89,355,000	73,545,000	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	137,510,000	April 16, 2009
GO DSC 2010 Series A	97,115,000	97,115,000	May 25, 2010
GO DSC 2010 Series A Refunding[6]	36,095,000	36,095,000	May 25, 2010
Total[7]	**$1,779,157,147**	**$877,492,441**	
Special Obligation Student Fee Revenue Bonds			
UCONN 2000 SPEC OB 1998-A	$ 33,560,000	$25,140,000	January 1, 1998
UCONN 2000 SPEC OB 2002-A	75,430,000	62,490,000	January 15, 2002
UCONN 2000 SPEC OB 2002-A Refunding[8]	96,130,000	80,505,000	February 1, 2002
Total[9]	**$205,120,000**	**$168,135,000**	
Capital Leases			
Governmental Lease Purchase Agreement	$75,000,000	$63,846,148	December 18, 2003
Governmental Lease Purchase Agreement	6,900,000	5,935,710	August 15, 2005
Total[10]	**$81,900,000**	**$69,781,858**	

[1] 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] Debt Service on the General Obligation Bonds is payable from the Debt Service Commitment of the state.

[8] The SPEC OB 2002-A Refunding Bonds refunded all of the outstanding $89,570,000 SPEC OB Series 2000-A Bonds.

[9] 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.

[10] As of the date of delivery of the 2010 Series A Bonds and the 2010 Refunding Series A Bonds. Does not include capital lease obligations subject to annual appropriation.

Employee Data

Faculty and Staff. As of October 2009, the University had 4,309 full-time equivalent ("FTE") employees. Full and part-time faculty accounted for 1,308 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 2009, 62% 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 469 FTE graduate student assistants who receive stipends.

Seven bargaining units represented approximately 3,931 FTE union members as of October 2009. Approximately 9% of University faculty and staff were non-union employees. The University bargains with two units covering 3,051 FTE employees; the American Association of University Professors and the University of Connecticut Professional Employees Association, both of which have settled contracts that expire on June 30, 2012. Law school faculty, University exempt (management) and certain temporary and part-time employees are not represented by bargaining units. The remaining five unions covering 880 FTE employees bargain directly with the state. They currently have settled contracts that expire on June 30, 2012.

Pension Plans. Most state employees receive pension benefits under a state pension plan. The state pays directly to plan providers the cost of providing such pension benefits to University employees. The University reimburses the state for the cost of providing pension benefits under state pension plans to University employees, to the extent that their salary is not paid out of the State General Fund Appropriation. Various retirement plans are available for University employees none of which are administered by the University. Approximately 38% of University employees are covered under the state pension plan and the balance are covered under private pension plans.

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 in all construction projects provide and maintain general liability, automobile and statutory workers' compensation coverage. In regard to builders risk polices 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.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

General

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 2009, the Health Center had 516 professional students in the Schools of Medicine and Dental Medicine, 355 graduate students in Master's and Doctoral programs, and 588 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" 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 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).

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
Michael J. Hogan		Member ex-officio	President, University of Connecticut
Richard Barry	2013	Member at Large	Chairman, President and Chief Executive Officer of New England Region of Citizens Bank of Connecticut
Mark Bertolini	2010	Member at Large	President, Aetna, Inc.
Andy F. Bessette	2013	Member at Large	EVP & CAO, The Travelers Companies, Inc.
Frank Borges	2013	Member at Large	Chairman of Landmark Partners, Inc.
Gerard N. Burrow	2011	Appointed by Chairperson, Board of Trustees	Chairman, International Council for the Control of Iodine Deficiency Disorders (ICCIDD)
Cheryl Chase	2010	Member at Large	EVP and General Counsel, Chase Enterprises
Karen Christiana	2013	Appointed by the Governor	Regional Chapter Manager of the Connecticut Offices of the American Automobile Association
Michael J. Cicchetti		Member ex-officio	Deputy Secretary, Office of Policy and Management
Sanford Cloud, Jr.	2011	Member at Large	Chairman and CEO, Cloud Company, LLC
John F. Droney	2010	Member at Large	Levy & Droney, P.C.
The Honorable Robert Galvin		Member ex-officio	Commissioner, Public Health
Tim Holt	2013	Member at Large	Retired Senior Vice President, Chief Investment Officer, and Chief Enterprise Risk Officer at Aetna
Lenworth M. Jacobs, Jr., M.D.	2011	Appointed by Chairperson, Board of Trustees	Director, Emergency Medical Services/ Trauma and Rehabilitation Medicine, Hartford Hospital, and Chairman, Department of Traumatology and Emergency Medicine, University of Connecticut School of Medicine
Teresa Ressel	2012	Appointed by the Governor	CEO, UBS Securities
Robert T. Samuels	2009*	Appointed by Chairperson, Board of Trustees	Founder, ABS Development Company

Wayne J. Shepperd	2010	Member at Large	Chief of Staff, Office of the Mayor, City of Danbury
Kathleen Woods	2012	Appointed by the Governor	Former Vice President, Bank of America

*Members appointed by the Governor or Chairperson of the Board of Trustees continue to serve until replaced.

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 and each of its subcommittees: Academic Affairs, Clinical Affairs and Finance. 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.

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 590 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 $88.3 million was generated in fiscal year 2009 by the research activities of the various faculties which supplements appropriations from the State of Connecticut.

Student Enrollment and Admission

Enrollment. The Health Center's enrollment in fall 2009 was 346 in the School of Medicine, 170 in the School of Dental Medicine, and 339 Graduate students, taught by over 450 full time faculty members.

Average Total MCAT and DAT Scores
Fall 2005- 2009

Fall	MCAT	DAT
2005	30.2	20.6
2006	30.8	20.1
2007	31.0	20.7
2008	31.4	19.7
2009	31.4	19.7

Each year, approximately 340 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
2005- 2009

Year	School of Medicine	School of Dental Medicine
2005	99%	100%
2006	99%	99%
2007	90%	100%
2008	96%	100%
2009	95%	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 2010, students classified as full-time residents of Connecticut paid tuition of $20,824 for the School of Medicine and $19,030 for the School of Dental Medicine. Regional students paid $36,442 for the School of Medicine and $34,285 for the School of Dental Medicine per year. Out-of-state students paid $43,869 for the School of Medicine and $45,120 for the School of Dental Medicine per year. The Board of Directors approved a School of Medicine in-state combined tuition and fee rate increase of 5% over the 2010 rate for academic year 2011. The increase is 5% for the School of Dental Medicine.

Mandatory Fees. For academic year 2010, students must pay a Fee of $8,752 for the School of Medicine and $8,549 for the School of Dental Medicine per year. This fee includes payments for student health, commencement, student affairs and a student activity fee.

Annual Cost of In-State Student's Enrolled at the Health Center by School
Academic Years 2006- 2011

School of Medicine

	2006	2007	2008	2009	2010	2011
Tuition	$15,870	$18,250	$18,889	$19,833	$20,824	$21,865
Fees	6,670	7,670	7,938	8,335	8,752	9,190
TOTAL	**$22,540**	**$25,920**	**$26,927**	**$28,168**	**$29,576**	**$31,055**

School of Dental Medicine

	2006	2007	2008	2009	2010	2011
Tuition	$12,752	$14,665	$16,674	$ 17,508	$19,592	$ 20,572
Fees	6,130	7,000	7,245	7,607	7,987	8,386
TOTAL	**$18,882**	**$21,665**	**$23,919**	**$25,115**	**$27,579**	**$28,958**

Percentage of Enrollment by Residence Status
Fall 2005- 2009

	School of Medicine		School of Dental Medicine	
Fall	In-State	Out-of-State	In-State	Out-of-State
2005	90.2%	9.8%	75.5%	24.5%
2006	90.5%	9.5%	77.4%	22.6%
2007	93.2%	6.8%	82.3%	17.7%
2008	91.6%	8.4%	83.8%	16.2%
2009	91.3%	8.7%	89.4%	10.6%

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.

The John Dempsey Hospital. The John Dempsey Hospital has 224 licensed beds (204 general acute care beds and 20 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, newborn intensive care, dental diseases in the handicapped, and taste and smell deficiencies. The Hospital also provides dental care through the Dental Clinics. The Dental 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 excluded from the definition of Assured Revenues.

Strategic Plan Initiative

In June 2000, the University Board of Trustees adopted a new Strategic Plan for the Health Center. The Plan articulated the following mission for the Health Center:

> *The University of Connecticut Health Center will provide outstanding medical, dental and graduate education, research and clinical care. The Health Center will deliver a highly innovative educational curriculum that will be coordinated with focused areas of research excellence and clinical programs that are an essential part of community health services which benefit Connecticut's population and enhances the vitality of the region.*

The Integrated Strategic Plan incorporated the Education and Research Plans with a new Clinical Plan. The primary focus of the Integrated Strategic Plan is in four areas: Brain and Human Behavior, Cancer, Musculoskeletal Disease, Connecticut Health (initiatives promoting the health of Connecticut citizens). This Plan has been revised since, delaying investments in Brain and Human Behavior, adding Cardiology and Expanding Connecticut Health into a broader Public Health focus.

In June 2004, the University of Connecticut Health Center Board of Directors approved the following vision statement for the year 2020:

> *The University of Connecticut Health Center will be nationally recognized for improving the health of the citizens of Connecticut through innovative integration of research, education and clinical care.*

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 of Connecticut. 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.

On March 9, 2010, Governor M. Jodi Rell announced plans to establish the UConn Health Network – a unique partnership with area hospitals aimed at creating jobs and improving access to quality health care in the state. The centerpiece of the partnership is a new patient care tower and renovations to John Dempsey Hospital at the Health Center.

The UConn Health Network would involve the cooperation of all the area hospitals including Hartford Hospital, St. Francis Hospital and Medical Center, Connecticut Children's Medical Center, and other health care facilities and providers.

The plan is estimated to cost $362 million and funding would come from various sources. Features of the Network include:

- Neonatal Intensive Care Unit: The operations will be managed by Connecticut Children's Medical Center. Patients will continue to be treated at the Health Center; NICU physicians and staff will remain Health Center employees.
- Nationally recognized cancer center: The goal will be to achieve National Institutes of Health designation as a Comprehensive Cancer Center, making it the second in the state outside of Yale.
- Regional Simulation Center: It will train up to 2,000 medical practitioners each year on newest equipment and technology in simulated care settings and will be located at Hartford Hospital.

- Primary Care Institute: It will be located at St. Francis Hospital and will develop new models of chronic disease management and primary care delivery and education. It will also address the impending shortage of primary care providers in Connecticut.
- Health Disparities Institute: It will promote enhanced healthcare research, training and delivery to minority communities.
- Institute for Clinical and Translational Sciences: It will be a super-site by network partners and will speed lab-to-bedside clinical trials and breakthrough medicine.
- Bioscience Enterprise Zone: It will offer state tax breaks to private companies that create jobs and work with UConn Health Network partners.

The UConn Health Network plan received approval from the Health Center Board of Directors, the University of Connecticut's Board of Trustees and the Connecticut General Assembly. It is expected that the Governor will sign the legislation.

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. On September 8, 2009, AN ACT CONCERNING EXPENDITURES AND REVENUE FOR THE BIENNIUM ENDING JUNE 30, 2011, (Public Act No. 09-3), became Connecticut law. Sec. 74. of this public act states "(Effective from passage) (a) Notwithstanding the provisions of section 10a-256 of the general statutes, the sum of $10,000,000 shall be transferred from the University of Connecticut Health Center Medical Malpractice Trust Fund and credited 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.

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 employs approximately 5,300 employees as of January 2010. 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 approximately 3,900 employees as of January 2010 are governed by collective bargaining agreements with seven bargaining units. The state bargains with all bargaining units representing Health Center employees except the University Health

Professions (the "UHP") which negotiates directly with the Health Center. The UHP, covering 2,403 employees, has a settled contract that expires on June 30, 2012. The remaining seven unions covering 1,492 employees bargain directly with the state and have settled contracts that expire on June 30, 2012. Health Center faculty recently voted to unionize but have not negotiated a contract. University exempt (management) and certain temporary and part-time employees are not represented by bargaining units. This includes approximately 888 additional exempt personnel.

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 Assets for the years ended June 30, 2005, 2006, 2007, 2008, and 2009.

	2005	2006	2007	2008	2009
OPERATING REVENUES					
Student tuition and fees[1]	$ 8,321,010	$ 9,209,712	$ 10,038,089	$ 10,857,096	$ 11,578,853
Patient services[2]	348,799,319	368,563,662	375,948,065	399,252,009	413,226,263
Federal grants and contracts	70,187,854	66,921,657	67,728,461	61,214,230	60,479,262
Nongovernmental grants and contracts	21,200,597	24,343,306	23,204,664	25,787,409	27,784,536
Contract and other operating revenues	48,196,931	48,450,061	49,572,571	50,418,339	52,017,838
Total operating revenues	496,705,711	517,488,398	526,491,850	547,529,083	565,086,752
OPERATING EXPENSES					
Educational and General					
Instruction	100,192,686	100,072,838	104,108,143	109,503,140	115,260,386
Research	60,469,782	58,519,762	60,855,860	60,274,554	59,329,330
Patient services	363,872,294	385,029,829	398,266,901	445,745,818	471,209,020
Academic support	15,169,210	15,316,392	15,117,594	15,686,832	16,110,423
Student services	-	-	-	-	
Institutional support	42,519,275	54,862,516	63,643,242	62,514,306	59,122,168
Operations and maintenance of plant	18,939,314	20,241,322	22,881,307	23,549,107	27,073,219
Depreciation	20,914,597	25,172,041	27,359,818	28,225,548	29,168,032
Loss on disposal	128,029	189,089	240,695	228,173	280,860
Student aid	616,426	543,726	414,697	417,306	659,089
Total operating expenses	622,281,613	659,947,515	692,888,257	746,144,784	778,212,527
Operating (loss) income	(126,115,902)	(142,459,117)	(166,396,407	(198,615,701)	(213,125,775)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	124,580,676	130,527,835	157,279,599	190,742,826	208,531,369
Gifts	1,507,042	974,337	1,181,589	2,698,560	981,803
Interest income[3]	2,339,388	5,385,122	5,831,577	6,624,727	5,884,533
Interest on capital asset – related debt	(1,626,794)	(2,863,424)	(2,972,544)	(2,767,549)	(2,574,423)
Net nonoperating revenues	126,800,312	134,023,870	161,320,221	197,298,574	212,823,282
Income before other revenues, expenses, gains or losses	684,410	(8,435,247)	(5,076,186)	(1,317,127)	(302,493)
Capital appropriations	16,890,000	14,920,425	22,961,941	(165,790)	40,275,800
Total other revenues	16,890,000	14,920,425	22,961,941	(165,790)	40,275,800
Increase in net assets	17,574,410	6,485,178	17,885,755	(1,482,917)	39,973,307
NET ASSETS					
Net assets-beginning of year	230,569,010	248,143,420	254,628,598	272,514,353	271,031,436
Net assets-end of year	$248,143,420	$254,628,598	$272,514,353	$271,031,436	$311,004,743

[1] Net of scholarship allowances of $2,750,102, $3,322,672, $4,004,087, $3,779,696, and $4,134,654 respectively.
[2] Net of charity care of $1,278,242, $393,055, $64,496, $967,138, and $840,699 respectively.
[3] Net of investment expense of $63,996, $65,196, $625,855, $79,941 and $83,615 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. Pursuant to Section 35 of Public Act No. 01-173, the Board of Trustees has created a board of directors for the governance of the Health Center, and has determined such duties and authority as it deems necessary and appropriate to delegate to said board of directors. Please see Budget and Budgeting Procedure of the Health Center – Fiscal Year 2009 in this Appendix I-A.

Budget and Budgeting Procedure of the Health Center

The Health Center submits separate biennial operating and capital budgets to the Governor and General Assembly through the Board of Governors for Higher Education. 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 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. The Governor may reduce state agency allotments by not more than five percent unless approved by the Appropriations Committee of the General Assembly. Allotment reductions shall be applied by the Board of Governors for Higher Education among the appropriations to the boards of trustees of the constituent units. The Board of Governors for Higher Education shall apply such reductions after consultation with the Secretary of the Office of Policy and Management and the State Higher Education constituent unit boards of trustees. Any reductions of more than five percent of the appropriations of any constituent units shall be submitted to the Appropriations Committee of the General Assembly, which shall, within ten days, approve or reject such reduction.

During each fiscal year, the Board of Trustees must submit to the General Assembly, through the Department of Higher Education and the Office of Policy and Management, a report of the actual expenditures of the Health Center containing such relevant information as the Board of Governors for Higher Education may require. Currently, the Health Center submits a quarterly report detailing the year-to-date annual budgeted and actual revenues and expenditures (including the state appropriation). Unlike the University, the Health Center has not combined its General and Operating Funds and maintains the two funds individually.

The Health Center is required to submit its biennial budget request on forms prescribed by the Office of Policy and Management (Governor's fiscal office) and the Department of Higher Education. The budget request reflects the use of Department of Higher Education formulas for calculation of instruction, library and physical plant current services.

The General Assembly appropriates and allocates funds directly to 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 2005-2016. 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 2009. The Health Center ended fiscal year 2009 with a loss of $302,493 before capital appropriations. This deficit was the result of operating losses of the clinical operations, John Dempsey Hospital and UConn Medical Group. The deficit was partially funded by a $22.2 million deficit appropriation from the state.

Fiscal Year 2010 Spending Plan. The fiscal year 2010 spending plan was presented to and approved by the Board of Trustees on November 5, 2009. The proposed spending plan includes total revenue of $604.0 million, state appropriations and in-kind fringe benefits of $176.7 million and total expenditures of $780.6 million resulting in a net loss of about $15,000.

Fiscal Year 2010 Revenue. For fiscal year 2010, Net Patient Revenues are budgeted at a level of $331.2 million, an increase of $17.4 million or 5.5% over the fiscal year 2009 amount. Net Patient Revenues are the largest source of revenue for the Health Center. State support is the second largest source of revenue for the Health Center. State support of $176.7 million (appropriation/allotments $117.7 million; fringe benefits $59.0 million) increased $29.4 million or 20.0% over the fiscal year 2009 amount before the deficit appropriation of $22.2 million was approved for fiscal year 2009. Research, both federal and non-federal research grants and contracts, represents the next largest revenue stream with $88.8 million. This represents an increase of approximately $1.4 million from the prior year. The Health Center was also budgeted to receive $100.1 million in exchange for its services rendered to the Department of Corrections. This amount is $0.7 million or 0.7% greater than in fiscal year 2009. Tuition and fee revenue collections in the amount of $17.6 million represent 2.9% of total revenue streams.

Fiscal Year 2010 Expenditures/Transfers. Estimated fiscal year 2010 expenditures and transfers of $780.6 million are budgeted to increase by $38.8 million or 5.2% over the fiscal year 2009 amount, not including fringe benefit expense associated with Correctional Managed Health Care program that is covered by the state. Personal services expenditures are expected to reach $373.5 million or $21.8 million more than fiscal year 2009. Fringe benefit expenditures are expected to be $116.6 million or $9.5 million more than fiscal year 2009.

As of February 28, 2010, the Health Center is forecasting a $1.9 million surplus at year end.

In addition to actual results of operations for fiscal years 2007-2009, the following schedule reflects the fiscal year 2010 spending plan as approved by the Board of Trustees on November 5, 2009 and the forecast.

University of Connecticut Health Center
Statement of Operations (in millions)

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Budget	FY 2010 Forecast (As of 2/28/10)
Revenues:					
Tuitions	$4.9	$5.7	$6.0	$11.4	$10.6
Fees	5.1	5.2	5.6	6.2	6.1
Federal Research Grants and Contracts	66.8	70.4	67.6	68.7	65.6
Non-Federal Research Grants and Contracts	22.8	16.0	19.8	20.1	20.1
Auxiliary Enterprises	15.4	12.0	13.2	14.6	13.1
Interns and Residents	31.0	34.3	35.1	43.7	43.6
Net Patient Care	284.6	298.8	313.8	331.2	329.3
Correctional Managed Health Care	94.1	102.2	99.4	100.1	95.1
Endowment/Foundation Income	3.4	3.8	4.1	4.3	3.2
Investment Income	2.3	2.9	1.1	1.0	0.3
Other Income	3.1	5.5	4.7	2.7	5.0
Total Revenues	**$533.5**	**$556.8**	**$572.0**	**$604.0**	**$592.0**
Expenses:					
Personal Services	$323.2	$348.5	$351.7	$373.5	$359.4
State Supported Fringe Benefits	27.3	37.5	40.4	45.5	44.0
Fringe Benefits	66.1	64.8	66.7	71.1	68.8
Medical Contractual Support	8.5	15.7	15.6	16.3	15.2
Medical/Dental House Staff	32.6	34.3	36.5	39.5	55.2
Outside Agency Per Diems	2.3	1.9	1.6	1.1	2.0
Drugs	32.0	35.6	34.9	35.3	31.0
Medical Supplies	38.7	40.6	46.5	48.3	49.5
Utilities	16.2	16.3	15.9	16.7	13.6
Outside & Other Purchased Services	49.6	53.6	55.8	57.8	56.8
Insurance	3.9	5.5	11.4	7.2	6.5
Repairs & Maintenance	11.7	9.2	10.7	11.9	10.0
Other Expenses	27.0	24.1	24.6	23.6	22.8
Depreciation	27.8	28.4	29.5	32.8	30.6
Total Expenses	**$666.9**	**$716.0**	**$741.8**	**$780.6**	**$765.4**
Excess/(Deficiency) of Revenues over Expenses Prior to State Appropriations	**($133.4)**	**($159.2)**	**($169.8)**	**($176.6)**	**($173.4)**
State Appropriation-Block Grant	100.7	96.8	106.0	117.7	117.7
Deficiency Appropriation		21.9	22.2		
State Supported Fringe Benefits & Other Adjustments	27.6	39.2	41.3	59.0	57.6
Excess/(Deficiency)	**($5.1)**	**($1.3)**	**($0.3)**	**$0.1**	**$1.9**

Fiscal Year 2011 Budget. Preliminary fiscal year 2011 budget was presented in the biennial budget report sent to the state on September 10, 2008. The budget will be updated and presented to the Board of Trustees for approval in June 2010.

State Support of the Health Center – Appropriations

The State of Connecticut develops a biennial budget which contains the Health Center's budget. However, 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 appropriations for the fiscal years ending June 30, 2010 and June 30, 2011 are $117.7 million and $119.3 million respectively.

Grants and Contracts

Revenue from federal, state, local and non-governmental grants and contracts totaled $88.3 million in fiscal year 2009, representing 15.6% of total operating revenues reported by the Health Center in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2009, included in this Appendix I-A.

Governmental Grants and Contracts
for Fiscal Years 2005 - 2009
(in Millions of Dollars)

Fiscal Year	Amount
2005	$91.4
2006	$91.2
2007	$90.9
2008	$87.0
2009	$88.3

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. Proceeds of State General Obligation Bonds allocated to the Health Center were used to fund capital additions such as buildings, a parking garage and a Magnetic Resonance Imaging (MRI) machine.

The Health Center is self-insured with respect to medical malpractice risks. The estimated malpractice reserve was $25,225,000 at June 30, 2009, of which it was estimated that $6,910,000 could be used in fiscal 2010 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, 2009.

Long-term liability composition and activity for the years ended June 30, 2008 and 2009 was as follows:

Long-Term Liability
for Years Ended June 30, 2008 and 2009

	June 30, 2008 Balance	Additions	Reductions	June 30, 2009 Balance	Amounts Due Within 1 Year
Long-Term Debt					
Bonds Payable John Dempsey Hospital	$ 19,183		$ 19,183		
Bonds Payable Primary Institution	46,794		46,794		
Loans payable John Dempsey Hospital	3,736,783		830,396	$ 2,906,387	$ 830,396
Lease Agreements John Dempsey Hospital	6,679,361		2,377,883	4,301,478	1,983,114
Mortgage Agreements Primary Institution	31,725,924		1,013,497	30,712,427	1,082,535
Total Long-Term Debt	42,208,045		4,287,753	37,920,292	3,896,045
Malpractice Reserve	21,290,000	$ 8,789,693	4,854,693	25,225,000	6,910,000
Compensated Absences	35,898,744	24,172,425	22,318,297	37,752,872	17,743,850
Total Long-Term Liabilities	$99,396,789	$32,962,118	$31,460,743	$100,898,164	$28,549,895

The University of Connecticut Health Center
Total Debt Service by Fiscal Year

Fiscal Year Ending June 30th	Principal[1]	Interest	Total Long Term Debt
2009	4,287,754	2,591,337	6,879,091
2010	3,896,046	2,379,300	6,275,346
2011	13,523,336	1,834,979	15,358,316
2012	2,332,923	1,204,168	3,537,091
2013	1,832,828	1,082,433	2,915,261
2014	1,007,480	1,006,708	2,014,187
2015	1,073,243	940,944	2,014,187
2016	1,143,299	870,888	2,014,187
2017	1,217,928	796,259	2,014,187
2018	1,297,429	716,759	2,014,188
2019	1,382,118	632,069	2,014,187
2020	1,472,336	541,851	2,014,187
2021	1,568,443	445,744	2,014,187
2022	1,670,824	343,364	2,014,188
2023	1,779,887	234,301	2,014,188
2024	1,896,069	118,118	2,014,187
2025	826,105	13,140	839,245
Totals	$42,208,048	$15,752,362	$57,960,410

[1]Totals may not sum due to rounding

SCHEDULE 1

UNIVERSITY OF CONNECTICUT JUNE 30, 2009
AUDITED FINANCIAL STATEMENTS

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University of Connecticut

Financial Report

For the Year Ended June 30, 2009

Message from the Vice President and 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, 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, 2009 represents the transactions and balances of the University, here 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 2009 was 28,880 students, taught by 1,324 full-time faculty members and an additional 705 part-time faculty and adjuncts. In total, the University employs 4,631 full and part-time faculty and staff. The University has shifted its focus accordingly from managing growth to growing quality. 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).

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 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 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 University. They are responsible for auditing its financial operations and their 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 academic, research, service and outreach mission. The growth and diversification of the University's funding streams, combined with the physical transformation through UCONN 2000, have led the University to record enrollments, research success and ever-growing contributions to the economic well-being of the State of Connecticut.

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. Since June 30, 2009, the University experienced an approximate reduction of $3.2 million in state support for the fiscal year 2010 and the University will continue to face a very difficult financial climate. The University has been managing funding reductions and limited refill of employee vacancies without impeding student progress or the quality of the education delivered. The University's Costs, Operations & Revenue Efficiencies Task Force will continue to identify new cost-savings, efficiencies, and revenue enhancements by studying a broad range of the University's operations and processes. In all of this, the University is committed to continue its high standard of service to its students and the citizens of the state.

Among its many accomplishments, for the tenth consecutive year, the University was named the top public university in New England in the annual *U.S. News and World Report* rankings. In fiscal year 2009, the University was ranked 26th among 164 public universities in the nation.

- 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-1990's. Compared to fall of 1995, fall 2008 freshman enrollment at the main campus was up 78%, minority freshman enrollment was up 131% and, since 1996, average SAT scores were up 87 points. Thirty-nine percent of these students ranked in the top 10% of their high school class. In fiscal year 2009, the University added 30 full-time faculty members to address the increased instructional demand.
- The University's freshman-to-sophomore retention rate at the main campus is 92% and is substantially higher than the 80% average for 424 colleges and universities in the national Consortium for Student Retention Data Exchange. The 6-year graduation rate is 76% and the average time to graduate is 4.3 years among students completing Bachelor's within six years.
- Approximately 6,860 degrees were conferred in the 2008-09 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 $120 million in fiscal year 2009.
- UConn, including both the Health Center and Storrs-based programs, ranked 80/679 among all institutions and 55/393 among public universities nationwide in research and development expenditures, as measured by the National Science Foundation.
- The Foundation's endowment, including both the Health Center and Storrs-based programs, which stood at $43 million at the start of 1995, is now valued at $247 million. Total Foundation net assets reached $322 million. The University received $28.8 million in disbursements in support of scholarships, faculty, programs and facilities from the Foundation in 2009.
- By 2009, the UCONN 2000 program had led to the completion of 100 major projects and 9.7 million square feet of new and renovated space.
- The Board of Trustees approved an Academic Plan that will set the future direction and priorities for the entire University. The Plan builds on the themes of health and human behavior, the environment, and arts, culture and society from a local to global perspective.

Respectfully Submitted,

Paul R McDowell

Richard D. Gray	Paul R. McDowell
Vice President and Chief Financial Officer	Chief Financial Officer
University of Connecticut	Storrs-based Programs

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
KEVIN P. JOHNSTON 210 CAPITOL AVENUE ROBERT G. JAEKLE
HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
University of Connecticut

We have audited the accompanying statements of net assets of the University of Connecticut (University) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. The University is a component unit of the University of Connecticut system, which includes the University of Connecticut, the University of Connecticut Health Center and the University of Connecticut Foundation, Inc. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Connecticut Law School Foundation, Inc., a discretely presented component unit, which represented .63 and .51 percent of the assets of the University as of June 30, 2009 and 2008, respectively. The University of Connecticut Law School Foundation, Inc. experienced negative revenues that effected a .12 percent reduction in total revenues and other additions for the year ended June 30, 2009; it represented .03 percent of the combined revenues and other additions for the year ended June 30, 2008. 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.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University, as of June 30, 2009 and 2008, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 2 through 14 is not a required part of the basic financial statements of the University, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

Kevin P. Johnston

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 9, 2010
State Capitol
Hartford, Connecticut

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, 2009, based on currently known facts, decisions, or conditions. It also includes selected comparative information for the years ended June 30, 2008 and 2007. 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's 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, 2009 represents the transactions and balances of the University, here 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.

During the year ended June 30, 2004, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends GASB Statement No. 14, *The Financial Reporting Entity*. As a result, 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'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, 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 Page 1.

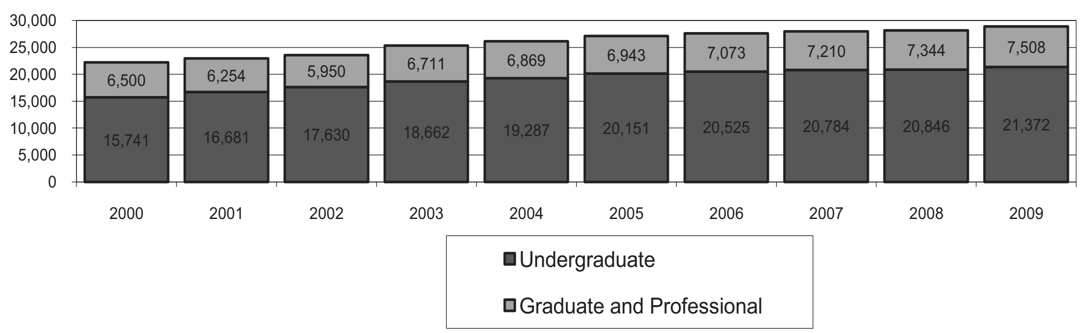
FINANCIAL HIGHLIGHTS AND ECONOMIC OUTLOOK

The University submits separate biennial operating and capital budgets to the Governor and General Assembly through the Board of Governors for Higher Education. The General Assembly appropriates and allocates funds directly to the University. In general, the Governor may reduce state agency allotments by not more than 5%, although in recent years the General Assembly has afforded the Governor certain specified additional reduction authority.

The financial statements contained herein show an operating loss of $406.4 million for the year ending June 30, 2009 (fiscal year 2009) as compared to $402.3 million for the year ending June 30, 2008 (fiscal year 2008), and $362.9 million for the year ending June 30, 2007 (fiscal year 2007). The increase in operating loss in fiscal year 2009 from fiscal year 2008 was due to an increase in total operating expenses of 5.6%, primarily caused by a 4.7% increase in salaries as a result of a 1.7% increase in full-time equivalent staff and negotiated raises. The increase in operating loss in fiscal year 2008 from fiscal year 2007 was due to an increase in total operating expenses of 8.7%, primarily caused by a 9.9% increase in salaries as a result of a 2.0% increase in full-time equivalent staff and negotiated raises. For public institutions, the measure more indicative of normal and recurring activities is income or loss before other changes in net assets, which includes revenue from state appropriations. The University experienced a loss before other changes in net assets of $67.9 million in fiscal year 2009 as compared to $53.6 million and $32.4 million for fiscal years 2008 and 2007, respectively. Total operating revenues grew $45.0 million in fiscal year 2009 and $31.6 million in fiscal year 2008. At the same time, operating expenses increased $49.1 million in fiscal year 2009 as compared to an increase in fiscal year 2008 of $71.0 million over fiscal year 2007. Investment income decreased $6.1 million in fiscal year 2009 and $1.9 million in fiscal year 2008 after three years of increases, including an increase of $2.7 million in fiscal year 2007.

Sources of recurring revenues continued to exhibit strength, with increases in operating revenues the past three fiscal years. The University's total enrollment in fiscal year 2003 topped 25,000 students and grew to 28,880 students in fiscal year 2009. These students are taught by 1,324 full-time faculty members (an increase of 30 faculty over the prior year) and an additional 705 part-time faculty and adjuncts. Undergraduate enrollment at the University reached 21,372 students in fiscal year 2009, 2.5% more than fiscal year 2008 (.3% more students in fiscal year 2008 over 2007). At the same time, an in-state tuition and mandatory fee increase of 5.49% and an out-of-state increase of 5.5% were approved for fiscal year 2009. Graduate and professional enrollment increased by 2.2% with an in-state tuition and mandatory fee increase of 5.39% and an out-of-state increase of 5.44%. The increased enrollment of all students, when combined with the tuition and mandatory fee increases, resulted in an increase in tuition and fee revenue, before scholarship allowances, of $24.5 million (9.0%) as compared to a $20.2 million (8.0%) increase in fiscal year 2008. Sales and services of auxiliary enterprises, before scholarship allowances, increased $16.5 million (12.0%), primarily as a result of an overall increase in room and board fees of 7.39% for undergraduate students and graduate students and an increase in room occupancy of 5.9% over fiscal year 2008. In fiscal year 2008, sales and services of auxiliary enterprises, before scholarship allowances, increased $6.0 million (4.7%), primarily as a result of an overall increase in room and board fees of 7.1% for undergraduate students and graduate students, offset by a decrease in room occupancy of 3.4%. Grant and contract revenues increased $11.3 million (9.3%) in fiscal year 2009 as compared to $9.2 million (8.2%) in fiscal year 2008 over 2007.

HEADCOUNT ENROLLMENT IN FALL OF EACH FISCAL YEAR
TEN YEAR COMPARISON



The 21st Century UConn program, also known as Phase III of UCONN 2000, began in fiscal year 2005. It represents a $1.3 billion, 10-year extension of the original UCONN 2000 program (see Note 5), and provides $1.0 billion for facilities improvements at Storrs, the regional campuses, the School of Law and the School of Social Work, and $305.4 million for improvements at the Health Center. The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year, without any change in the total amount. This commitment from the state provides long-term funds for capital enhancement and preservation and will allow the University to provide quality facilities commensurate with the enrollment growth experienced in recent years.

The financial condition of the University is closely tied to the state's economy. There are significant financial and economic challenges facing the state and the nation. In fiscal year 2009, the University experienced an approximate $15.7 million decrease in state support due to an appropriation rescission and an associated reduction in fringe benefit support. These funds have not been restored to the University's appropriation in fiscal year 2010 and an additional $3 million was taken by the state from unrestricted funds in November, 2009. The University will continue to face a very difficult financial climate as further reductions are possible. A Costs, Operations, and Revenue Efficiencies (CORE) Task Force was convened in November, 2008 to address this severe economic downturn. Approximately $5 to $7 million in savings or new revenues were identified by this task force through fiscal year 2010. Although future reductions in state funding are possible, the University is committed to continue its high standard of service to its students and the citizens of the state.

FINANCIAL STATEMENTS

Effective July 1, 2001, the University 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. The University's financial report includes three basic financial statements: Statements of Net Assets; Statements of Revenues, Expenses, and Changes in Net Assets; 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 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 ASSETS

The Statements of Net Assets present the assets, liabilities, and net assets of the University as of the end of the fiscal year, June 30. The Statements of Net Assets 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 assets that represent the difference between total assets and total liabilities. 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 that are recorded net of accumulated depreciation. Liabilities represent what is owed to others or what has been received from others prior to services being provided by the University.

Readers of the Statements of Net Assets are able to determine the assets available to continue the operations of the University. The net asset value of the University is the residual interest or equity in the University's assets after liabilities are deducted. Over time, an increase in net assets is an indicator of the University's improving financial strength.

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

	2009	**2008**	**2007**
Current assets	$ 532.9	$ 421.2	$ 453.4
Noncurrent assets			
State debt service commitment	780.2	700.1	763.4
Investments	9.5	12.3	14.9
Property and equipment, net	1,411.8	1,459.1	1,487.1
Other	19.5	18.9	20.3
Total assets	$2,753.9	$2,611.6	$2,739.1
Current liabilities	$ 274.6	$ 250.7	$ 259.9
Noncurrent liabilities			
Long-term debt and bonds payable	1,039.0	962.7	1,040.3
Other	21.8	20.2	21.3
Total liabilities	$1,335.4	$1,233.6	$1,321.5
Invested in capital assets, net	$1,142.7	$1,186.9	$1,200.1
Restricted	128.6	55.3	95.7
Unrestricted	147.2	135.8	121.8
Total net assets	$1,418.5	$1,378.0	$1,417.6

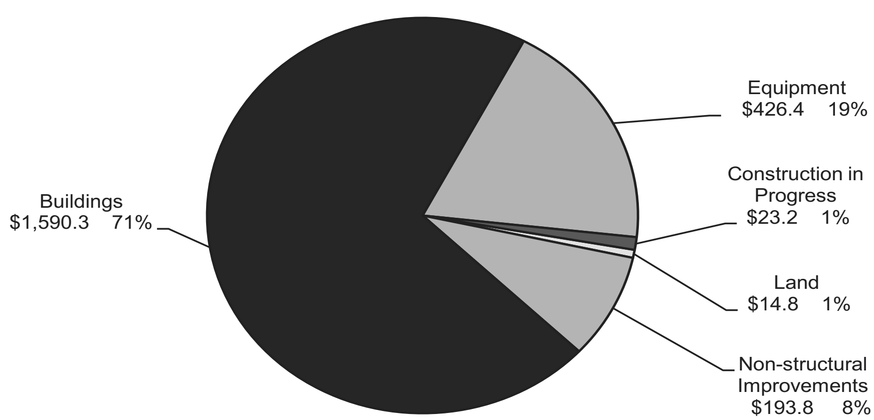
The total assets increased $142.3 million in fiscal year 2009 over 2008 and decreased $127.5 million in fiscal year 2008 over 2007. The increase in fiscal year 2009 was primarily due to a $22.4 million ($22.8 million in fiscal year 2008) increase in cash and cash equivalents and a $2.8 million decrease in due from State of Connecticut ($10.0 million increase in fiscal year 2008), a $94.6 million increase in deposit with bond trustee ($64.2 million decrease in fiscal year 2008), a $82.0 million increase in the state debt service commitment ($59.3 million decrease in fiscal year 2008), a $2.4 million decrease in accounts receivable ($9.3 million decrease in fiscal year 2008) and a net decrease of $47.3 million to property and equipment ($28.0 million decrease in fiscal year 2008).

The total liabilities for fiscal year 2009 increased $101.9 million ($87.9 million decrease in fiscal year 2008) primarily due to newly acquired debt through the sale of general obligation bonds (fiscal year 2009 only) and other new debt, totaling $151.6 million ($1.1 million in fiscal year 2008) offset by the retirement of debt on existing bonds and loans of $73.1 million ($75.6 million in fiscal year 2008) and an increase in due to affiliate of $21.6 million in fiscal year 2009 ($13.8 million decrease in fiscal year 2008). The combination of the increase in total assets of $142.3 million ($127.5 million decrease for fiscal year 2008) and total liabilities of $101.9 million ($87.9 million decrease for fiscal year 2008) yields an increase in total net assets of $40.4 million ($39.6 million decrease in fiscal year 2008).

Capital and Debt Activities

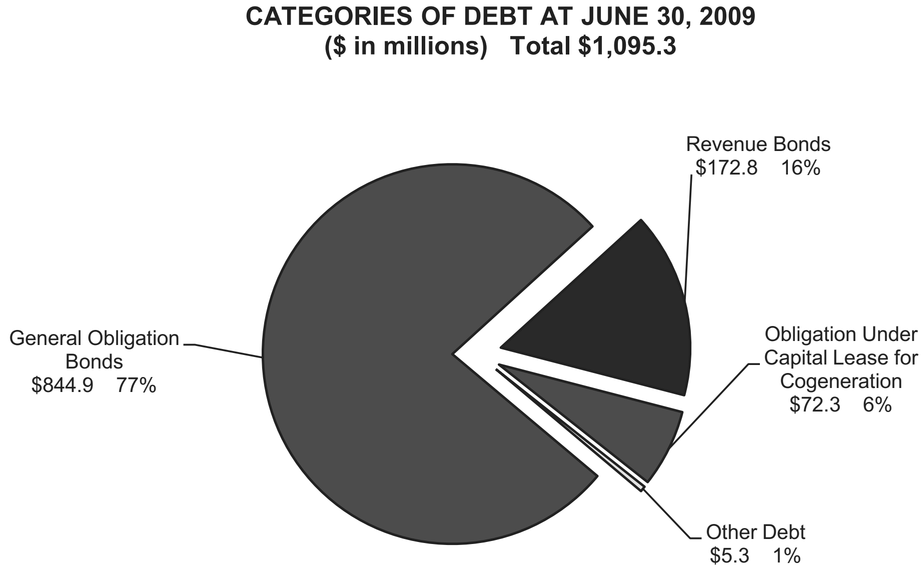
During fiscal year 2009, the University recorded additions to property and equipment totaling $43.1 million ($73.1 million and $53.9 million in fiscal years 2008 and 2007, respectively) of which $18.9 million related to buildings and construction in progress ($28.7 million and $27.2 million in fiscal years 2008 and 2007, respectively). The growth of the University's property and equipment is a direct result of the successful UCONN 2000 program. The third phase of the program, also known as 21st Century UConn, expands and builds on the success of UCONN 2000 with an additional $1.3 billion for improvements to facilities at the University and the Health Center (see Note 5). The following pie chart presents the total property and equipment at cost:

TOTAL PROPERTY AND EQUIPMENT AT COST AT JUNE 30, 2009
($ in Millions) Total $2,248.5



In fiscal year 2009, the University issued UCONN 2000 general obligation bonds with a face value of $144.9 million of which $39.9 million was committed to the Health Center for its UCONN 2000 projects (see Note 5). No general obligation bonds were issued in fiscal year 2008. The state has made a commitment to fund the University for all principal and interest payments due on UCONN 2000 general obligation debt, inclusive of 21st Century UConn. 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 Assets). When bonds are issued, the amount of the commitment for the Health Center is reflected as a liability by the University. During fiscal year 2008, the University paid off the remaining balances on two loans, the Towers Loan financed by the U.S. Department of Education and the Financial Accelerator Loan.

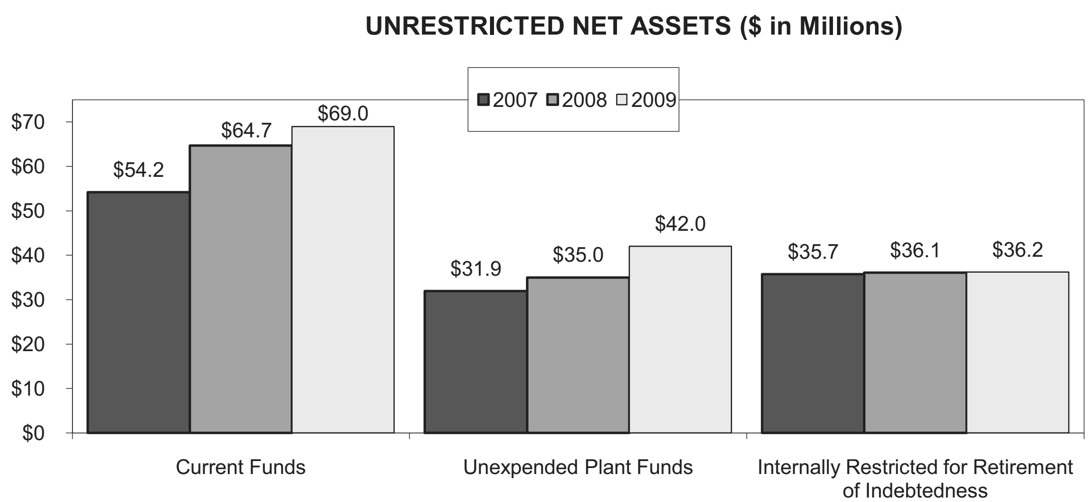
The chart on the next page illustrates the categories of debt as of June 30, 2009, exclusive of premiums, discounts and debt differences due to refunding:



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

Net Assets

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the University's equity in property and equipment. The restricted net assets 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 Assets this amount represents endowment assets. Expendable restricted net assets are 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 assets. Unrestricted net assets are defined by GASB 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 Statement of Net Assets. Unrestricted net assets 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 Assets. Unrestricted net assets 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 assets:



Substantially all unrestricted net assets are internally designated for academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

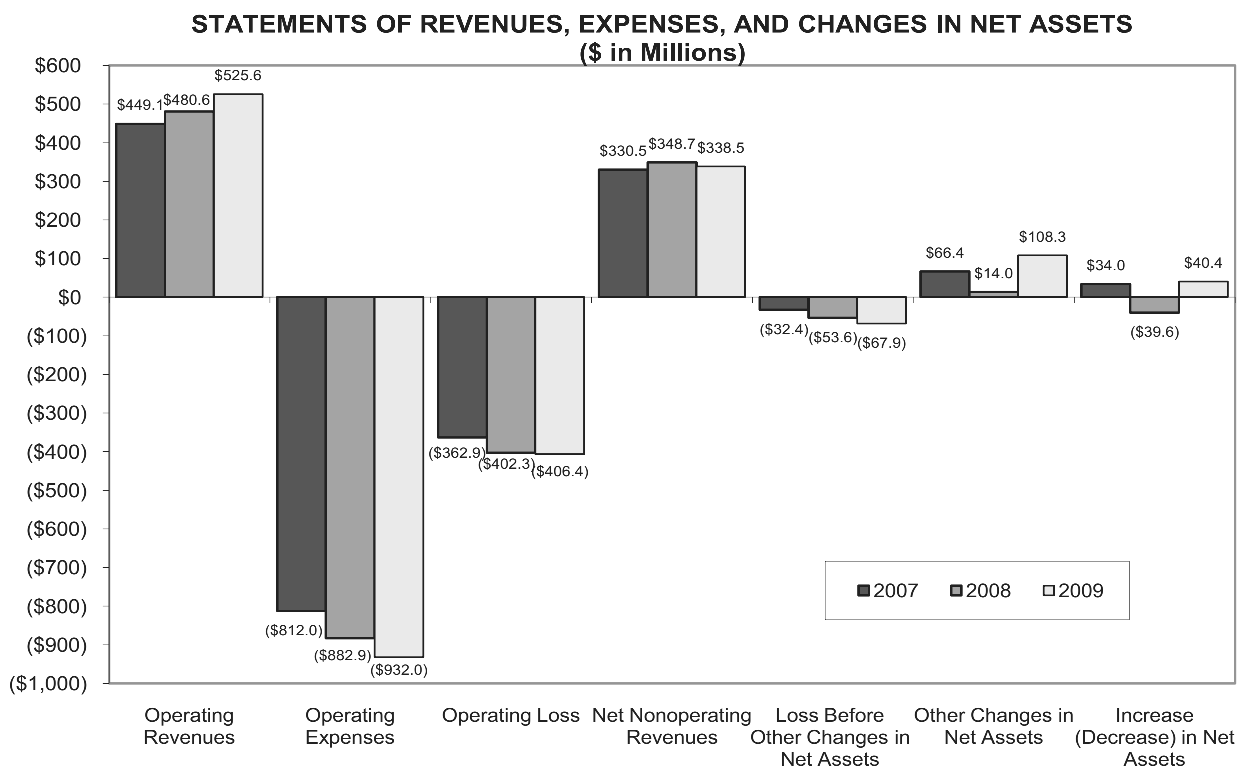
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Revenues and expenses are classified as operating, nonoperating, or other changes in net assets according to definitions prescribed by GASB. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include state appropriations 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 revenue 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 following table shows condensed Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30 (in millions):

	2009	2008	2007
Operating revenues	$ 525.6	$ 480.6	$ 449.1
Operating expenses	932.0	882.9	812.0
Operating loss	(406.4)	(402.3)	(362.9)
Net nonoperating revenues	338.5	348.7	330.5
Loss before other changes in net assets	(67.9)	(53.6)	(32.4)
Net other changes in net assets	108.3	14.0	66.4
Increase (Decrease) in net assets	$ 40.4	$ (39.6)	$ 34.0

While the Statements of Net Assets present the financial condition at a point in time, the Statements of Revenues, Expenses, and Changes in Net Assets represent the activity for a period of time – one year. These statements present either an increase or decrease to net assets 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 of property and equipment. The difference between operating revenues and operating expenses is the operating income or loss. As a state funded agency, the University is expected to experience an operating loss each year.

Nonoperating revenues are revenues received for which goods and services are not provided, including state appropriations 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 in the functional classification of operating expenses.

Other changes in net assets are comprised of the state's debt service commitment for principal payments on general obligation bonds used for capital purposes, capital appropriation, capital grants and gifts, the disposal of property and equipment, additions to permanent endowments, state match on endowments and other changes in net assets. The Statements of Revenues, Expenses, and Changes in Net Assets reflect an increase in the net assets of $40.4 million in fiscal year 2009, a decrease of $39.6 million in fiscal year 2008 and an increase $34.0 million for fiscal year 2007.

Revenues

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

	2009	2008	2007
Operating revenues:			
Student tuition and fees, net	$ 215.6	$ 199.7	$ 183.5
Grants and contracts	132.6	121.2	112.1
Sales and services of educational departments	17.2	15.3	14.9
Sales and services of auxiliary enterprises, net	149.5	133.5	127.5
Other sources	10.7	10.9	11.1
Total operating revenues	525.6	480.6	449.1
Nonoperating revenues:			
State appropriation	327.8	328.2	305.9
State debt service commitment for interest	37.8	39.5	35.9
Gifts	21.8	24.8	24.4
Investment income	4.3	10.4	12.3
Total nonoperating revenues	391.7	402.9	378.5
Other changes in net assets:			
State debt service commitment for principal	105.0	-	65.2
Capital appropriation	-	8.0	-
Capital grants and gifts	3.8	6.8	3.0
Additions to permanent endowments and state match to endowments	-	.1	.1
Other changes in net assets	-	-	1.6
Total other changes in net assets	108.8	14.9	69.9
Total revenues	$ 1,026.1	$ 898.4	$ 897.5

Revenue highlights, for fiscal years 2009 and 2008 and comparison between fiscal years, including operating and nonoperating revenues and other changes in net assets, presented on the Statements of Revenues, Expenses, and Changes in Net Assets are as follows:

- Student tuition and fees, net of scholarship allowances, increased 8.0% in fiscal year 2009 (8.9% in fiscal year 2008) and 9.0% before scholarship allowances (8.0% in fiscal year 2008). The increase in fiscal year 2009 was due in part to a 2.5% (.3% in fiscal year 2008) increase in undergraduate enrollment at the University and an increase of 5.49% (5.8% in fiscal year 2008) for undergraduate in-state tuition and mandatory fees charged, and 5.5% (5.72% in fiscal year 2008) for out-of-state tuition and mandatory fees.

- Total grants and contracts increased $11.3 million (9.3%) in fiscal year 2009 ($9.2 million or 8.2% in fiscal year 2008) as a result of higher than anticipated financial aid and an increase in federal grants, including funding from the Federal American Recovery and Reinvestment Act.

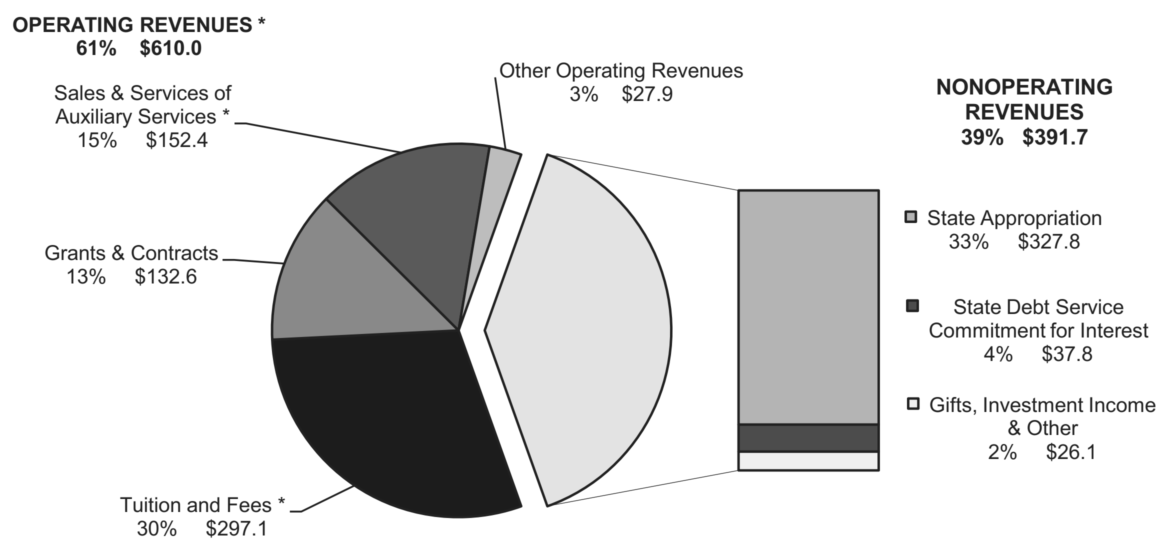
- Sales and services of auxiliary enterprises, net of scholarship allowances, increased approximately 12.0% and 4.7% during fiscal years 2009 and 2008, respectively. The increase in fiscal year 2009 resulted from an increase in fees charged for both room and board of 7.39% for undergraduate students and graduate students and an increase in room occupancy of 5.9% over fiscal year 2008. The increase in fiscal year 2008 resulted primarily from an increase in fees charged for both room and board of 7.1% for undergraduate students and graduate students, offset by a decrease in room occupancy of 3.4% over fiscal year 2007.

- The largest source of revenue, state appropriation including fringe benefits, decreased $.4 million in fiscal year 2009 and increased $22.2 million (7.3%) in fiscal year 2008. 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 Assets to reflect this commitment. This results in revenue that is recorded in other changes in net assets that totaled $105.0 million in fiscal year 2009. There were no general obligation bonds issued in fiscal year 2008. In fiscal year 2008, included in other changes in net assets, the state provided a capital appropriation totaling $8 million related to a project at the University's School of Law.

- Gift revenue, 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 gifts, including capital gifts, received by the University from both Foundations totaled approximately $19.4 million in fiscal year 2009 compared to $21.6 million in fiscal year 2008. On a combined basis, both Foundations also paid approximately $3.7 million in fiscal year 2009 ($4.7 million in fiscal year 2008) 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 from donors. Total nonoperating gifts and capital gifts and grants revenue to the University from all sources amounted to $25.6 million and $31.6 million in fiscal years 2009 and 2008, respectively.

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

REVENUES FOR FISCAL YEAR 2009 ($ in Millions)
Total: $1,001.7



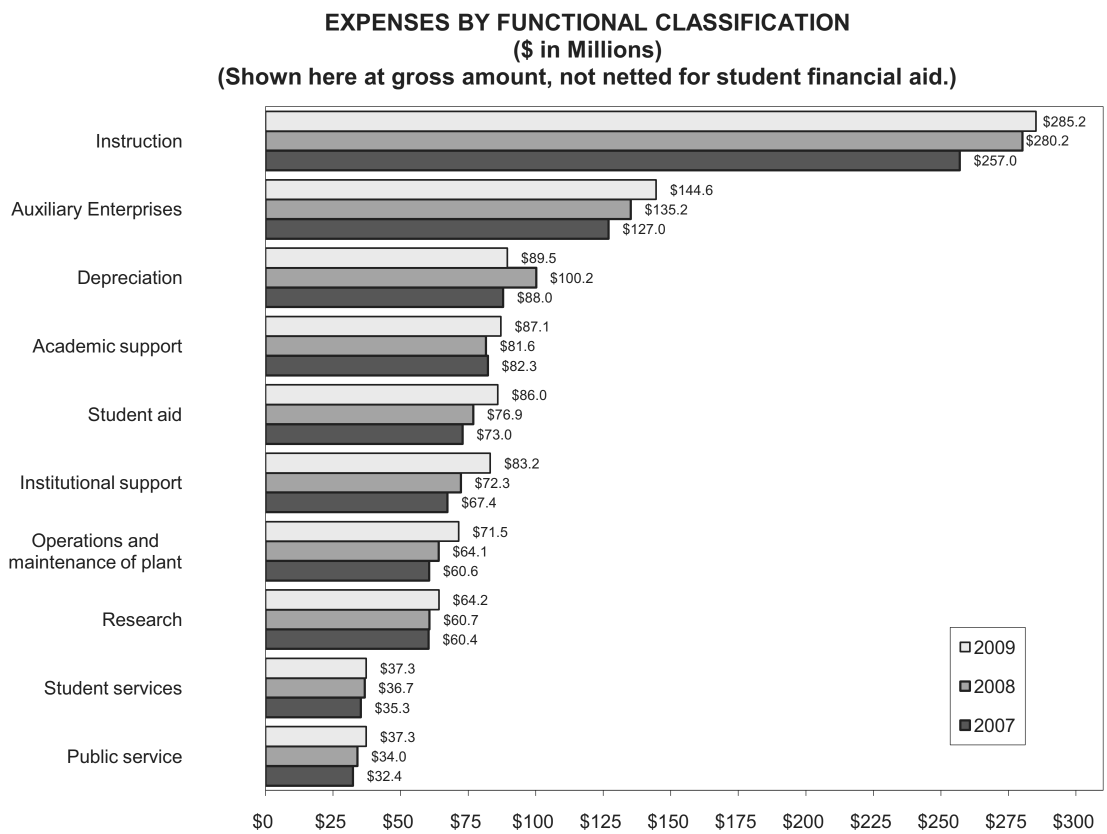
* Shown here at gross amounts, not netted for student financial aid totaling $84.4 million.

Expenses

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

	2009	2008	2007
Operating expenses:			
Instruction	$ 284.1	$ 279.1	$ 256.1
Research	64.0	60.3	59.6
Operations and maintenance of plant	71.5	64.1	60.6
Auxiliary enterprises	144.4	135.1	126.8
Depreciation	89.6	100.2	88.0
Other	278.4	244.1	220.9
Total operating expenses	932.0	882.9	812.0
Nonoperating expenses:			
Interest expense	48.9	51.2	47.5
Other nonoperating expense, net	4.2	2.9	.6
Total nonoperating expenses	53.1	54.1	48.1
Other changes in net assets:			
Disposal of property and equipment, net	.4	.9	3.4
Total other changes in net assets	.4	.9	3.4
Total expenses	$ 985.5	$ 937.9	$ 863.5

Operating expenditures are classified by function in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets. These functions directly contribute to the major mission of the University. The following chart depicts comparative functional expenditures of the University. It does not include other operating expenses:



Total operating expenses were $932.0 million and $883.0 million in fiscal years 2009 and 2008, respectively, netted for student financial aid totaling $84.4 million and $75.5 million, respectively. Natural or object classification includes salaries, fringe benefits, utilities, and supplies and other expenses (see Note 14 for operating expenses classified by object).

Highlights of expenses, including operating and nonoperating expenses and other changes in net assets, presented on the Statements of Revenues, Expenses, and Changes in Net Assets are as follows:

- Instruction, the University's largest operating expense, increased $5.0 million (1.8%) in fiscal year 2009 primarily due to an increase of approximately 29 full-time equivalent faculty and staff, and an average compensation increase for the bargaining units of approximately 5% offset by a 6.3% decrease in supplies, commodities and other expenditures. In fiscal year 2008, instruction increased $20.6 million (8.0%) due to approximately 32 more full-time equivalent faculty and staff, an average compensation increase for the bargaining units of approximately 5% and a 6.7% increase in supplies, commodities and other expenditures.

- In fiscal year 2009, research expenses increased $3.7 million or 6.1% ($.7 million or 1.2% in fiscal year 2008). This is commensurate with an increase in fiscal years 2009 and 2008 in associated research revenues. These expenditures 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.

- Even with a decrease in fulltime equivalent staff of 1.6%, academic support increased $5.5 million in fiscal year 2009 (decrease of $.7 million in fiscal year 2008). This increase resulted from the timing of purchases for supplies, commodities and other expenditures, which included major periodicals and subscriptions.

- In fiscal years 2009 and 2008, institutional support experienced increases of $10.9 million or 15.0% and $5.0 million or 7.4%, respectively. This resulted from a 2.8% increase (5.1% in fiscal year 2008) in the number of full-time equivalent staff and an average compensation increase for the bargaining units of approximately 5% in both years. Also, in fiscal year 2009 supplies, commodities and other expenditures increase $6.4 million compared to a small decrease for the same expenditures in fiscal year 2008.

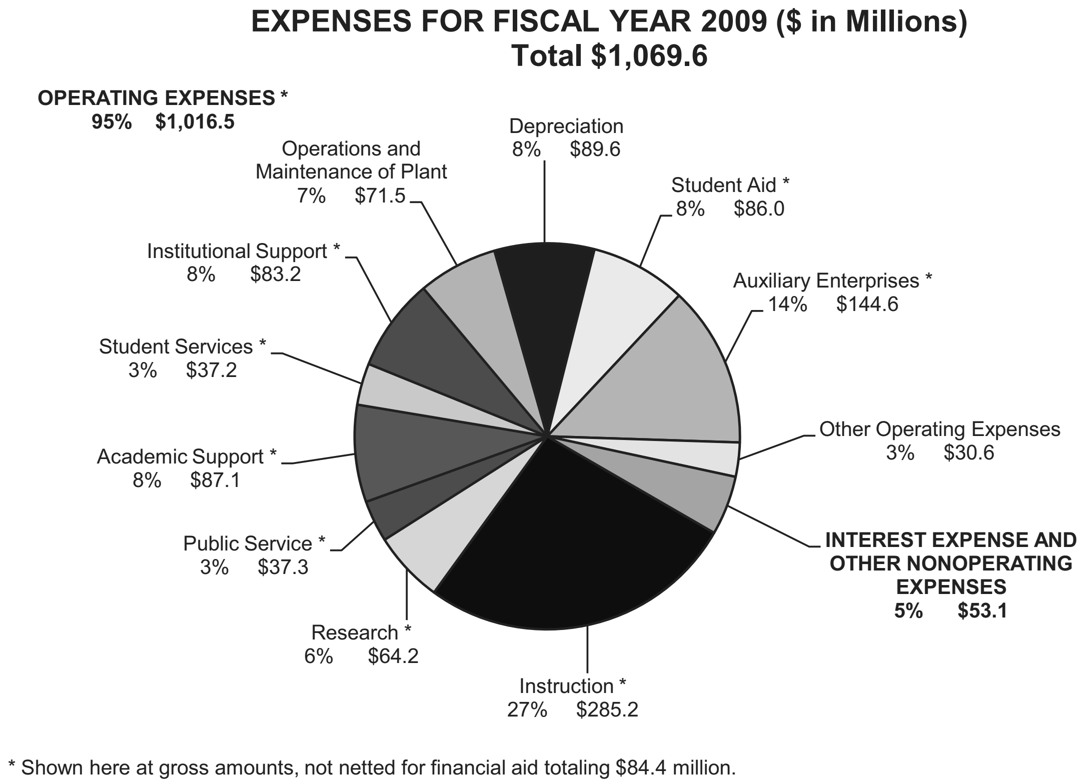
- Operations and maintenance of plant increased $7.4 million or 11.5% in fiscal year 2009 ($3.5 million or 5.8% in fiscal year 2008). The University began providing on-site generation of electricity, steam and chilled water for heating and cooling for the University at its Storrs campus in fiscal year 2006, with fiscal year 2007 the first full year of operation. Fiscal years 2009 and 2008 experienced a 14.4% and 36.2% reduction, respectively, in electricity consumption (rates increased approximately 18.8% and 8.6%, including distribution and demand charges) while natural gas consumption, the primary energy source that fuels the cogeneration plant, increased 14.1% and 4.7%. An increase in natural gas prices of approximately 4.0% and 9.1% was experienced in fiscal years 2009 and 2008, respectively.

- Fiscal year 2008 depreciation expense was higher than fiscal year 2009 and prior years due to certain adjustments for property additions and changes in the capitalization policy in fiscal year 2008.

- Auxiliary enterprises expenditures increased 6.9% in fiscal year 2009 (6.5% in fiscal year 2008), primarily due to contractual salary increases and the hiring of 17 full-time equivalent staff (11 in fiscal year 2008).

- For fiscal year 2009, a total of $16.5 million was expensed in other operating expenses for a project to correct structural deficiencies related to the construction of the Law School Library building. These expenditures will not increase the value of the building or extend its useful life (see Note 4). Also, in fiscal year 2009, a total of $8.7 million was expensed ($11.6 million in fiscal year 2008) in other operating expenses for inspections, fire and safety code updates and other corrective action needed in order to achieve safety goals for all buildings. Other amounts in other operating expenses included costs not capitalized under University policy such as repairs, project management fees, capital project studies, and mold, lead and asbestos removal projects and other miscellaneous capital-related costs and adjustments.

The pie chart below illustrates operating expenses by function, not netted for financial aid, and it 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 Assets. The chart also shows interest expense and other nonoperating expenses.



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 Assets' operating loss amount. The difference results from noncash items such as depreciation expense and the use of the accrual basis of accounting in preparing the Statements of Revenues, Expenses, and Changes in Net Assets. 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, 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 Assets to net cash used in operating activities.

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

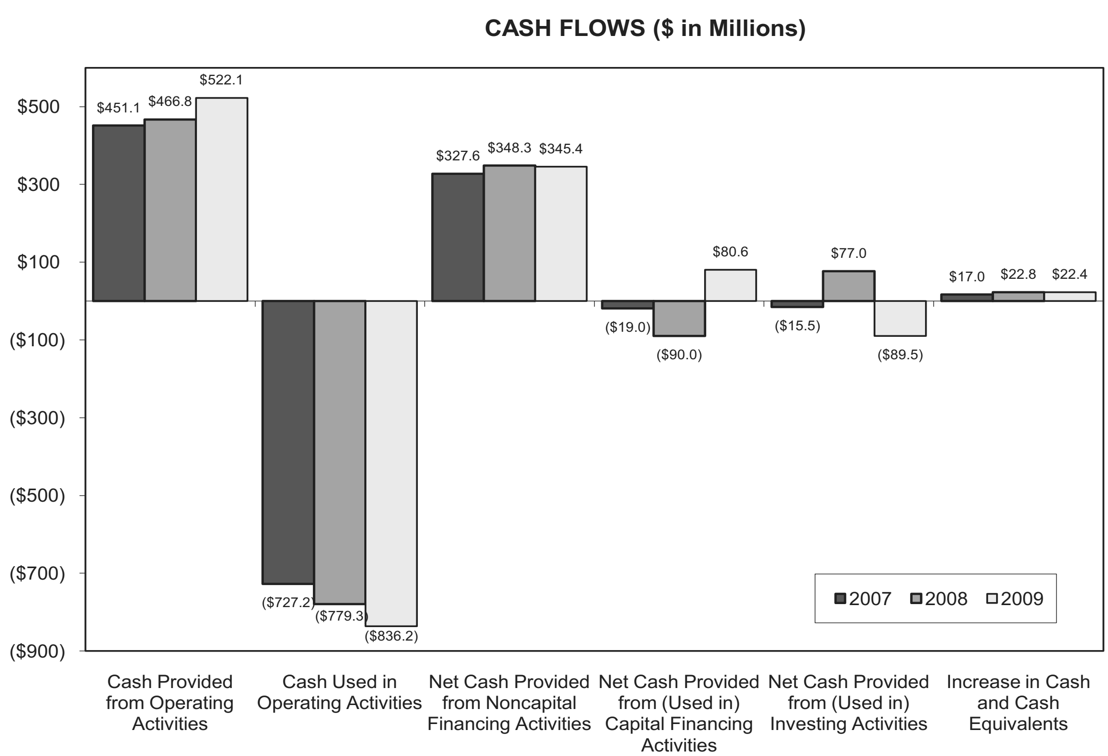
	2009	2008	2007
Cash provided from operating activities	$ 522.1	$ 466.8	$ 451.1
Cash used in operating activities	(836.2)	(779.3)	(727.2)
Net cash used in operating activities	(314.1)	(312.5)	(276.1)
Net cash provided from noncapital financing activities	345.4	348.3	327.6
Net cash provided from (used in) capital financing activities	80.6	(90.0)	(19.0)
Net cash provided from (used in) investing activities	(89.5)	77.0	(15.5)
Net increase in cash and cash equivalents	$ 22.4	$ 22.8	$ 17.0

Net cash used in operating activities was $314.1 million and $312.5 million in fiscal years 2009 and 2008, respectively, and is consistent with the operating loss discussed earlier after adding back depreciation (a noncash expense), the major difference between the two statements. GASB requires that cash flows from noncapital financing activities include state appropriation and noncapital gifts. Cash flows from these activities totaled $345.4 million in fiscal year 2009 ($348.3 million in fiscal year 2008), a $2.8 million decrease from fiscal year 2008 ($20.7 increase from fiscal year 2007).

Cash flows provided from capital financing activities was $80.6 million in fiscal year 2009 and $90.0 million used in fiscal year 2008. The major difference between fiscal years 2009 and 2008 is an increase in proceeds from bonds of $150.0 million in fiscal year 2009 ($89.0 million decrease in fiscal year 2008) and a decrease in the amount of purchases of property and equipment of $12.4 million ($12.5 million increase in 2008).

Net cash used in investing activities was $89.5 million in fiscal year 2009 and net cash provided from investing activities was $77.0 million in fiscal year 2008. The major difference between fiscal years 2009 and 2008 is that $150.0 million in bond proceeds were received in fiscal year 2009 ($0 in fiscal year 2008) which were invested in the deposit with bond trustee.

Total cash and cash equivalents increased $22.4 million and $22.8 million in fiscal years 2009 and 2008, respectively, as a result of these activities. The following bar graph shows the cash flows from and used by major categories and as described in the preceding paragraphs:



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FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT
STATEMENTS OF NET ASSETS
As of June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 240,211,599	$ 217,773,679
Accounts receivable, net	28,359,703	30,803,831
Student loans receivable, net	2,573,325	2,615,922
Due from State of Connecticut	46,244,528	49,042,365
Due from related agencies	59,465	4,628
State debt service commitment	79,923,083	78,045,650
Inventories	3,078,130	2,781,158
Deposit with bond trustee	128,909,965	34,283,667
Deferred charges	1,014,731	982,777
Prepaid expenses	2,556,415	4,857,018
Total Current Assets	532,930,944	421,190,695
Noncurrent Assets		
Cash and cash equivalents	1,471,795	1,468,489
Investments	9,497,273	12,310,361
Student loans receivable, net	9,547,902	9,288,331
State debt service commitment	780,167,441	700,089,715
Property and equipment, net of accumulated depreciation	1,411,814,151	1,459,143,806
Deferred charges	8,500,782	8,182,465
Total Noncurrent Assets	2,220,999,344	2,190,483,167
Total Assets	$ 2,753,930,288	$ 2,611,673,862
LIABILITIES		
Current Liabilities		
Accounts payable	$ 21,091,031	$ 28,225,300
Deferred income	19,411,476	21,695,631
Wages payable	52,718,457	48,478,932
Compensated absences	17,363,619	16,855,310
Due to the State of Connecticut	19,441,793	17,569,745
Due to affiliate (see Note 5)	35,488,325	13,871,320
Due to related agencies	-	35,105
Current portion of long-term debt and bonds payable	75,053,811	72,972,797
Other current liabilities	34,077,858	30,991,622
Total Current Liabilities	274,646,370	250,695,762
Noncurrent Liabilities		
Compensated absences	9,087,379	8,162,754
Deposits held for others	3,221,648	2,484,812
Long-term debt and bonds payable	1,039,045,777	962,679,046
Refundable for federal loan program	9,450,638	9,554,638
Total Noncurrent Liabilities	1,060,805,442	982,881,250
Total Liabilities	$ 1,335,451,812	$ 1,233,577,012
NET ASSETS		
Invested in capital assets, net of related debt	$ 1,142,659,278	$ 1,186,905,318
Restricted nonexpendable	10,819,220	13,778,850
Restricted expendable		
Research, instruction, scholarships and other	15,146,605	14,629,093
Loans	3,758,595	3,728,763
Capital projects	88,449,046	13,235,167
Debt service	10,397,121	10,035,433
Unrestricted (see Note 15)	147,248,611	135,784,226
Total Net Assets	$ 1,418,478,476	$ 1,378,096,850

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Student tuition and fees (Net of scholarship allowances of $81,473,702 for 2009 and $72,915,047 for 2008. See Note 1. Net revenues totaling approximately $36,808,000 for 2009 and $33,908,000 for 2008 were used as security for revenue bonds. See Note 5.)	$ 215,641,536	$ 199,720,598
Federal grants and contracts	92,375,974	85,328,534
State and local grants and contracts	27,853,272	25,429,642
Nongovernmental grants and contracts	12,347,917	10,506,027
Sales and services of educational departments	17,216,404	15,280,038
Sales and services of auxiliary enterprises (Net of scholarship allowances of $2,947,782 for 2009 and $2,524,596 for 2008. See Note 1. Net revenues totaling approximately $19,857,000 for 2009 and $15,048,000 for 2008 were used as security for revenue bonds. See Note 5.)	149,500,934	133,471,934
Other sources (Net revenues totaling approximately $2,542,000 for 2009 and $3,022,000 for 2008 were used as security for revenue bonds. See Note 5.)	10,681,689	10,907,810
Total Operating Revenues	525,617,726	480,644,583
OPERATING EXPENSES		
Educational and general		
Instruction	284,054,407	279,086,991
Research	64,028,438	60,345,206
Public service	37,128,819	33,854,891
Academic support	87,046,815	81,513,934
Student services	36,711,365	36,006,579
Institutional support	83,169,130	72,314,553
Operations and maintenance of plant	71,478,092	64,110,720
Depreciation	89,556,846	100,186,738
Student aid	3,917,207	4,009,588
Auxiliary enterprises	144,375,731	135,061,206
Other operating expenses	30,579,207	16,491,610
Total Operating Expenses	932,046,057	882,982,016
Operating Loss	(406,428,331)	(402,337,433)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	327,751,422	328,176,623
State debt service commitment for interest	37,843,218	39,525,537
Gifts	21,805,530	24,770,574
Investment income (Income totaling approximately $42,000 for 2009 and $130,000 for 2008 were used as security for revenue bonds. See Note 5.)	4,267,674	10,384,021
Interest expense	(48,915,717)	(51,246,898)
Other nonoperating expenses, net	(4,247,111)	(2,869,076)
Net Nonoperating Revenues	338,505,016	348,740,781
Loss Before Other Changes in Net Assets	(67,923,315)	(53,596,652)
OTHER CHANGES IN NET ASSETS		
State debt service commitment for principal	104,910,000	-
Capital appropriation	-	8,000,000
Capital grants and gifts	3,813,671	6,802,586
Disposal of property and equipment, net	(438,433)	(874,837)
Additions to permanent endowments	19,703	56,711
State match to endowments	-	59,484
Net Other Changes in Net Assets	108,304,941	14,043,944
Increase (Decrease) in Net Assets	40,381,626	(39,552,708)
NET ASSETS		
Net Assets-beginning of year	1,378,096,850	1,417,649,558
Net Assets-end of year	$ 1,418,478,476	$ 1,378,096,850

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 211,124,206	$ 195,073,604
Grants and contracts	131,954,380	119,992,809
Sales and services of auxiliary enterprises	148,826,102	129,967,728
Sales and services of educational departments	16,841,653	15,042,921
Payments to suppliers and others	(237,806,623)	(204,201,259)
Payments to employees	(449,299,559)	(429,268,293)
Payments for benefits	(149,104,408)	(145,812,607)
Other receipts, net	13,396,280	6,697,091
Net Cash Used in Operating Activities	(314,067,969)	(312,508,006)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	322,996,059	325,566,212
Gifts	22,989,941	23,711,662
Other nonoperating expenses, net	(535,366)	(1,019,853)
Net Cash Provided from Noncapital Financing Activities	345,450,634	348,258,021
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from bonds	150,000,000	-
State debt service commitment	100,743,059	98,832,438
Purchases of property and equipment	(51,171,301)	(63,552,008)
Proceeds from sale of property and equipment	396,048	-
Principal paid on debt and bonds payable	(71,859,929)	(73,329,800)
Interest paid on debt and bonds payable	(49,733,299)	(52,088,551)
Capital grants and gifts	2,182,405	148,634
Net Cash Provided from (Used in) Capital Financing Activities	80,556,983	(89,989,287)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	(36,942)	1,365,114
Interest on investments	5,164,818	11,488,412
Deposits with bond trustee	(94,626,298)	64,169,954
Net Cash Provided from (Used in) Investing Activities	(89,498,422)	77,023,480
INCREASE IN CASH AND CASH EQUIVALENTS	22,441,226	22,784,208
BEGINNING CASH AND CASH EQUIVALENTS	219,242,168	196,457,960
ENDING CASH AND CASH EQUIVALENTS	$ 241,683,394	$ 219,242,168
ACCOMPANYING SCHEDULE OF NON-CASH TRANSACTIONS		
Obligations under capital leases	$ 322,112	$ 51,198

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, 2009 and 2008

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating Loss	$ (406,428,331)	$ (402,337,433)
Adjustments to Reconcile Operating Loss to Net Cash		
Used in Operating Activities:		
Depreciation expense	89,556,846	100,186,738
Property and equipment	4,928,119	1,616,376
Investments	(100,000)	-
Changes in Assets and Liabilities:		
Receivables, net	349,937	9,334,816
Inventories	(296,971)	85,311
Prepaid expenses	2,300,601	(4,848,646)
Accounts payable, wages payable and compensated absences	3,679,835	(2,396,667)
Deferred income	(2,284,155)	(1,540,806)
Deferred charges	1,425	152,645
Deposits	736,836	7,590
Due from State of Connecticut	9,425,250	2,771,368
Due to affiliate	(18,327,996)	(13,799,733)
Due from related agencies	(76,858)	1,996
Other liabilities	2,684,467	(2,423,390)
Loans to students and employees	(216,974)	681,829
Net Cash Used in Operating Activities	$ (314,067,969)	$ (312,508,006)

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, 2009 and 2008

ASSETS	2009	2008
Current Assets		
Cash and cash equivalents	$ 769,736	$ 686,860
Investments	12,589,103	15,137,921
Pledges receivable, net of allowance	554,072	625,059
Other receivable	75,230	67,900
Prepaid expenses	20,122	-
Total Current Assets	14,008,263	16,517,740
Property and equipment, net of accumulated depreciation of $97,856 for 2009 and $88,248 for 2008	26,412	20,021
Total Assets	$ 14,034,675	$ 16,537,761
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	$ 2,403	$ 1,515
NET ASSETS		
Unrestricted	1,157,947	1,242,789
Temporarily restricted	1,141,320	3,965,419
Permanently restricted	11,733,005	11,328,038
Total Net Assets	14,032,272	16,536,246
Total Liabilities and Net Assets	$ 14,034,675	$ 16,537,761

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
REVENUES AND SUPPORT					
Contributions and grants	$ 405,353	$ 116,621	$ 404,967	$ 926,941	$ 1,095,394
Interest and dividends	28,344	438,173	-	466,517	584,120
Realized and unrealized gains and losses	(271,487)	(2,362,735)	-	(2,634,222)	(1,382,141)
Net assets released from restrictions	1,016,158	(1,016,158)	-	-	-
Total Revenues and Support	1,178,368	(2,824,099)	404,967	(1,240,764)	297,373
EXPENSES					
Program Expenses					
Scholarships and awards	197,150	-	-	197,150	185,391
Student support and faculty support	476,622	-	-	476,622	894,096
Alumni and graduate relations	121,905	-	-	121,905	96,960
Total Program Expenses	795,677			795,677	1,176,447
Support Expenses					
Management and general	379,925	-	-	379,925	436,178
Fundraising	87,608	-	-	87,608	80,350
Total Support Expenses	467,533	-	-	467,533	516,528
Total Expenses	1,263,210	-	-	1,263,210	1,692,975
Changes in Net Assets	(84,842)	(2,824,099)	404,967	(2,503,974)	(1,395,602)
Net Assets-beginning of year	1,242,789	3,965,419	11,328,038	16,536,246	17,931,848
Net Assets-end of year	$ 1,157,947	$ 1,141,320	$ 11,733,005	$ 14,032,272	$16,536,246

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, 2009 and 2008

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 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 years ended June 30, 2009 and 2008 represents the transactions and balances of the University, here 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). These Foundations raise funds to promote, encourage, and assist education and research at the University and the Health Center.

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*, 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 Foundation materially supports the mission of the University and the Health Center, which are both 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 in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The University has the option to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Effective July 1, 2001, the University 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 bonds (net of state debt service commitment) and notes that are 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 University 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, capital projects, and retirement of indebtedness (see Note 15).

Expenses are charged to either restricted or unrestricted net assets 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.

GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, was adopted by most universities as of July 1, 2007. The state funds the postretirement benefits of University employees and, therefore, no liability is recorded in the University's financial statements (see Note 8).

For reporting periods beginning after June 15, 2005, GASB Statement No. 47, *Accounting for Termination Benefits*, is 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 University (see Note 6). However, an accrual for compensated absences is recorded as of June 30, 2009 in the Statements of Net Assets that includes a component that is related to a retirement incentive plan (see Note 7).

Effective for reporting periods beginning after December 15, 2006, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* requires the University to disclose in the notes to the financial statements additional information about pledged revenues (see Note 5).

The University adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* as of July 1, 2007. This statement requires that outlays for pollution remediation obligations should be accrued as a liability and expensed if reasonably estimable, and disclosed in the notes to the financial statements (see Note 4).

GASB Statement No. 50, *Pension Disclosures,* was adopted by most universities as of July 1, 2007. This statement expands the footnote disclosures required for pension obligations in GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The state is responsible for and separately funds the pension benefits of University employees. Therefore, no liability is recorded in the University's financial statements (see Note 6).

The University adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* as of July 1, 2008. This statement requires that certain intangible assets are identified and recorded as capital assets. The University capitalizes certain costs related to internally generated software as capital assets according to the provisions of this statement (see Note 4).

Certain reclassifications were made to the Statements of Revenue, Expense and Changes in Net Assets and the Statements of Cash Flows for the year ended June 30, 2008 to reflect changes in the classification of operating expenses. These changes have no effect on net assets and ending cash balance for the year ended June 30, 2008.

The University follows the "business-type activities" (BTA) requirements of GASB 35. BTAs are defined as those that are financed in whole or in part by fees charged to external parties for goods or services. All significant intra-agency transactions have been eliminated.

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.

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 Assets. 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 Receivable (see Note 3)
Accounts receivable consist of tuition, fees, and auxiliary enterprises service fees charged to students, faculty, staff and others, and amounts due from state and federal governments for grants and contracts. Accounts 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. 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 services funds for the Special Obligation Bonds in dedicated Short Term Investment Fund accounts. The 1998 Special Obligation Special Capital Reserve Fund, which can be invested in various Investment Obligations as defined in the Special Obligation Indenture of Trust, is wholly invested in the Short Term Investment Fund.

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, Series 2004-A, 2006-A and 2007-A, and the Special Obligation Student Fee Revenue Refunding Series 2002-A Redemption Fund escrow, 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.

Also included in the accompanying Statement of Net Assets in deposit with bond trustee, is the remaining portion of an advance request that the University received related to the lease purchase agreement for the cogeneration plant construction project at the University. Although these funds are not held by the Trustee Bank, they are invested in a dedicated State Treasurer's Short Term Investment Fund or Tax Exempt Proceeds Fund, and are invested and disbursed as directed by the University similar to bond proceeds (see Note 5).

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 issues.

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 expense in the year the expenditure was 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 when the funds are expended.

Compensated Absences (see Note 7)
Employee vacation and sick leave is 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 Assets and in the various expense functions on the Statements of Revenues, Expenses, and Changes in Net Assets. 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, deposits held for others that are included in the assets of the University, principal payments due on bonds (net of unamortized premiums and discounts), 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 other operating expenses, are reported using functional classification, including those under educational and general and auxiliary enterprises. See Note 14 for operating expenses by object. All other revenues and expenses of the University are reported as nonoperating revenues and expenses including state appropriation and debt service commitment, noncapital gifts, investment income, and interest expense, and other changes in net assets. Revenues are recognized when earned and expenses are recognized when incurred.

GASB 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 Assets, 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 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.

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 $241,683,394 and $219,242,168 as of June 30, 2009 and 2008, respectively, and included the following:

	2009	2008
Cash maintained by State of Connecticut Treasurer	$ 218,195,602	$ 194,718,834
Invested in State of Connecticut Investment Pool	18,730,752	20,152,054
Invested in State of Connecticut Investment Pool - Endowments	1,471,795	1,468,489
Invested in Short-term Corporate Notes	2,772,576	2,063,521
Deposits with Financial Institutions and Other	512,669	839,270
Total cash and cash equivalents	241,683,394	219,242,168
Less: current balance	240,211,599	217,773,679
Total noncurrent balance	$ 1,471,795	$ 1,468,489

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 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.

The University's cash management investment policy permits the University 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 $18,730,752 and $1,471,795 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 2009. The $2,772,576 invested in Short-term Corporate Notes includes repurchase agreements held with a financial institution and is collateralized by the Federal National Mortgage Association with an AAA 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 (see table above for total amounts). 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 of Connecticut statutes. The University's governing board may appropriate for expenditure, according to the uses and purposes for which the endowment fund was established, a portion of the realized or unrealized appreciation in the fair value of the endowment fund over the historic dollar value of the fund.

The Foundation's pooled endowment portfolio is professionally managed on a total return basis. Each quarter, an amount equal to 1.0625% (4.25% per annum) of the prior twelve-quarter average unitized market value will be distributed for spending in accordance with the respective purposes of the individual endowment funds. Spending distributions may be made from current or accumulated investment return, and calculations for individual endowment funds will be performed on a unitized basis. If an individual endowment fund does not have sufficient funds to support its computed spending allocation from the current period net total return and/or from accumulated gains from prior periods, the amount allocated for spending will be limited to the interest and dividends of the fund from the current period.

The cost and fair value of the University's investments including those managed by the Foundation at June 30, 2009 and 2008 are:

	2009		2008	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Endowments:				
Foundation Managed	$ 9,426,073	$ 9,347,425	$ 9,387,131	$ 12,308,361
Corporate Bonds	-	-	2,000	2,000
Other:				
Campus Associates Limited Partnership Interest	149,848	149,848	-	-
Total Investments	$ 9,575,921	$ 9,497,273	$ 9,389,131	$ 12,310,361

University endowment investments are managed by the Foundation in its 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 its 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 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 – high beta	20% - 60%
Private capital	0% - 20%
Long/short equities	0% - 15%
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 had average credit quality of Aa2/AA (Moody's and Standard and Poor's) and pooled investments of high yield fixed income had an average credit quality of B1/B+ (Moody's and Standard and Poor's). A portion of the University's endowment pool is also invested with WCM Investment Management (WCM) in a separate account with U.S. Bank as custodian, and inherent in such investments is custodial credit risk. These investments are all publicly traded U.S. equities and money market accounts and are uncollateralized. The value of the equities at June 30, 2009 and 2008 was $149,147 and $217,179, respectively. The money market balance held in the account available for WCM to use for purchases was $2,397 at June 30, 2009 and $3,971 at June 30, 2008. The University's endowment invested by the Foundation also has investments in foreign publicly traded equities totaling $861,556 and $2,600,366 and there are amounts included in private capital investments totaling approximately $1,194,641 and $1,311,703 at June 30, 2009 and 2008, respectively.

Certain other funds are held by outside fiscal agents and 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 $10,260,341 and $12,613,173 as of June 30, 2009 and 2008, 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, 2009 and 2008 was $467,853 and $515,368, respectively.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 and 2008 consisted of the following:

	2009	2008
Grants and contracts	$ 16,864,814	$ 18,412,847
Recovery of costs related to corrective work	-	500,000
Student and general	15,701,380	15,396,343
Investment income	311,304	1,221,532
Allowance for doubtful accounts	(4,517,795)	(4,726,891)
Total accounts receivable, net	$ 28,359,703	$ 30,803,831

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 is 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 have an estimated useful life of 15 years. The value of library materials, before depreciation, is $77,947,457 and $76,435,763 at June 30, 2009 and 2008, respectively. Historical collections and art are recognized at their estimated fair values at the time of donation, and are not depreciated. Historical collections and art totaled $50,815,253 and $49,587,345 at June 30, 2009 and 2008, respectively. Capitalized software has an estimated life of 5 years. The value of capitalized software, before depreciation, is $25,028,075 and $21,657,933 at June 30, 2009 and 2008, respectively. Library materials, historical collections and art, and capitalized software are all included in equipment in the schedule of Changes in Property and Equipment.

For the year ended June 30, 2009, a total of $16,472,807 was expensed in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets in other operating expenses for a project to correct structural deficiencies related to the construction of the Law School Library building. These expenditures will not increase the value of the building or extend its useful life. While the University intends to pursue remedies from the construction and design professionals involved in the original construction of the building, the total amount that may be recovered is unknown as of the date of these financial statements.

In the accompanying Statements of Net Assets, an accrual for estimated expenditures totaling $499,541 and $2,728,102 at June 30, 2009 and 2008, respectively, is recorded in other current liabilities to complete a project to close and remediate an existing landfill. The project involves capping and diversion of water from its vicinity, and expenditures primarily include professional fees, preparation for capping, and contouring of surrounding land. The total project expenditures of

$28,123,049 have been expensed in other operating expenses from fiscal year ending June 30, 2004 through fiscal year ending June 30, 2009.

For the year ended June 30, 2008, a total of $695,325 was expensed in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets in other operating expenses for estimated outlays to remove contaminated soil from the old Waterbury campus in accordance with the provisions of GASB Statement No. 49. At June 30, 2009 and 2008, an accrual for estimated costs to complete the remediation totaling $624,892 and $656,191, respectively, is recorded in other current liabilities in the Statement of Net Assets.

For the years ended June 30, 2009 and 2008, a total of $8,652,156 and $11,551,156, respectively, was expensed in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets in other 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, 2009 and 2008, an accrual for estimated expenditures to complete these projects totaling $15,492,877 and $9,922,043, respectively, is recorded in other current liabilities in the Statement of Net Assets. 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.

The following table describes the changes in property and equipment for the years ended June 30, 2009 and 2008.

Changes in Property and Equipment for the Year Ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Transfers and Other	Balance June 30, 2009
Property and equipment:					
Land	$ 14,826,476	$ -	$ -	$ -	$ 14,826,476
Non-structural Improvements	188,051,215	4,896,762	-	809,208	193,757,185
Buildings	1,571,665,366	10,219,659	(49,437)	8,488,728	1,590,324,316
Equipment	439,555,454	19,221,282	(32,392,201)	-	426,384,535
Construction in Progress	23,758,837	8,723,969	-	(9,297,936)	23,184,870
Total property and equipment	2,237,857,348	43,061,672	(32,441,638)	-	2,248,477,382
Less accumulated depreciation:					
Non-structural Improvements	75,863,612	8,047,020	-	-	83,910,632
Buildings	453,206,775	56,705,976	(30,302)	-	509,882,449
Equipment	249,643,155	24,803,850	(31,576,855)	-	242,870,150
Total accumulated depreciation	778,713,542	89,556,846	(31,607,157)	-	836,663,231
Property and equipment, net:					
Land	14,826,476	-	-	-	14,826,476
Non-structural Improvements	112,187,603	(3,150,258)	-	809,208	109,846,553
Buildings	1,118,458,591	(46,486,317)	(19,135)	8,488,728	1,080,441,867
Equipment	189,912,299	(5,582,568)	(815,346)	-	183,514,385
Construction in Progress	23,758,837	8,723,969	-	(9,297,936)	23,184,870
Property and equipment, net:	$ 1,459,143,806	$ (46,495,174)	$ (834,481)	$ -	$ 1,411,814,151

Changes in Property and Equipment for the Year Ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Transfers and Other	Balance June 30, 2008
Property and equipment:					
Land	$ 14,806,476	$ 20,000	$ -	$ -	$ 14,826,476
Non-structural Improvements	183,705,201	2,937,588	-	1,408,426	188,051,215
Buildings	1,551,130,347	12,803,261	-	7,731,758	1,571,665,366
Equipment	413,069,080	41,490,152	(15,003,778)	-	439,555,454
Construction in Progress	17,043,892	15,855,129	-	(9,140,184)	23,758,837
Total property and equipment	2,179,754,996	73,106,130	(15,003,778)	-	2,237,857,348
Less accumulated depreciation:					
Non-structural Improvements	67,912,338	7,951,274	-	-	75,863,612
Buildings	395,282,256	57,924,519	-	-	453,206,775
Equipment	229,461,151	34,310,945	(14,128,941)	-	249,643,155
Total accumulated depreciation	692,655,745	100,186,738	(14,128,941)	-	778,713,542
Property and equipment, net:					
Land	14,806,476	20,000	-	-	14,826,476
Non-structural Improvements	115,792,863	(5,013,686)	-	1,408,426	112,187,603
Buildings	1,155,848,091	(45,121,258)	-	7,731,758	1,118,458,591
Equipment	183,607,929	7,179,207	(874,837)	-	189,912,299
Construction in Progress	17,043,892	15,855,129	-	(9,140,184)	23,758,837
Property and equipment, net:	$ 1,487,099,251	$ (27,080,608)	$ (874,837)	$ -	$ 1,459,143,806

5. LONG-TERM DEBT PAYABLE

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). This Act amended Public Act No. 95-230 that 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. The Act 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. The original Public Act No. 95-230 authorized projects for Phases I and II of UCONN 2000, estimated to cost $1,250,000,000, of which $962,000,000 was to be financed by bonds of the University; $18,000,000 was to be funded by State General Obligation bonds; and the balance of $270,000,000 to be financed by gifts, other revenue, or borrowing resources of the University. 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 $1,348,400,000, of which $1,300,000,000 is to be financed by bonds of the University and $48,400,000 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. The project costs authorized are $305,400,000 for the Health Center and $1,043,000,000 for the University. The UCONN 2000 program, including Phases I, II and III, is estimated to total $2,598,400,000.

General obligation bonds issued to finance UCONN 2000 projects as of June 30, 2009 are (see page 36 for outstanding balances):

1996 Series A	$ 83,929,715
1997 Series A	124,392,432
1998 Series A	99,520,000
1999 Series A	79,735,000
2000 Series A	130,850,000
2001 Series A	100,000,000
2002 Series A	100,000,000
2003 Series A	96,210,000
2004 Series A	97,845,000
2005 Series A	98,110,000
2006 Series A	77,145,000
2007 Series A	89,355,000
2009 Series A	144,855,000
Total issued	$ 1,321,947,147

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 to irrevocable escrow accounts held by the Trustee Bank to meet all obligations on the refunded debt (see Note 1). 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.

The 2009 Series A bonds principal amount of $144,855,000 recorded as state debt service commitment for principal, together with part of the original issue premium, resulted in total construction fund proceeds of $150,000,000. The proceeds included $39,945,000 to finance projects for the Health Center. As noted above, Phase III of UCONN 2000 includes a commitment to fund projects totaling $305,400,000 for the Health Center. 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 2009 this offset totaled $39,945,000 resulting in net revenue of $104,910,000 recorded in the Other Changes in Net Assets section of the Statements of Revenues, Expenses, and Changes in Net Assets of these financial statements. A corresponding liability is recorded in due to affiliate in the Statement of Net Assets for the unspent portion of the bonds due to the Health Center ($35,488,325 and $13,871,320 at June 30, 2009 and 2008, respectively). Also, for the years ended June 30, 2009 and 2008, nonoperating revenues include state debt service commitment for interest on general obligation bonds of $37,843,218 and $39,525,537, respectively. There were no bonds issued in fiscal year 2008.

The University may also issue Special Obligation bonds backed by certain pledged revenues of the University. Certain Special Obligation bonds may also be secured by the State's Special Capital Reserve Fund, which enables state funds to be used to pay debt service if the University does not meet its obligation. On February 4, 1998, the University issued $33,560,000 of the Student Fee Revenue Bonds 1998 Series A to fund $30,000,000 of the South Campus Project, $2,126,425 of a Special Capital Reserve Fund held by the Trustee Bank, and the remainder to pay costs of issuance, including the underwriters' discount. The Special Capital Reserve Fund is invested in the State Treasurer's Short-term Investment Fund and held by the Trustee Bank pursuant to the Indenture and restrictions thereof. The bonds have a final maturity of November 15, 2027.

The 2000 Series A bonds dated May 15, 2000 represented the second series of Special Obligation bonds issued in the amount of $89,570,000. Bond proceeds funded three UCONN 2000 projects: Hilltop Dormitory at $21,000,000, Hilltop Student Rental Apartments at $42,000,000 and Parking Garage South at $24,000,000. These bonds were refunded in advance of maturity in fiscal year 2002 with the issuance of Student Fee Revenue Bonds 2002 Refunding Series A on February 27, 2002 in the amount of $96,130,000 and have a final maturity of November 15, 2029. Consistent with general obligation bond refundings, the proceeds are deposited into an escrow account to meet all obligations.

On February 14, 2002, the University issued $75,430,000 of the Student Fee Revenue Bond 2002 Series A to fund five UCONN 2000 projects: Alumni Quadrant Renovations at $7,000,000, Shippee/Buckley Renovations at $5,000,000, East Campus North Renovations at $1,000,000, Towers Renovations (including Greek Housing) at $14,180,000, and North Campus Renovations at $45,000,000. The bonds have a final maturity of May 15, 2030.

The State of Connecticut 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.

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 of the University are approximately $59,247,000 and $52,108,000 in fiscal years 2009 and 2008, 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. Special Obligation bond investment earnings amounted to approximately $42,000 and $130,000 for the fiscal years ending June 30, 2009 and 2008, respectively. These investment earnings are part of the pledged revenues and are directly retained by the Trustee Bank to pay debt service on the Special Obligation bonds. In addition to securing revenue bonds, the gross and net pledged revenues available are pledged toward certain other debt, including the U.S. Department of Education loan. 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.

As of June 30, 2009 and 2008, the total principal and interest remaining to be paid on all Special Obligation bonds are $279,505,200 and $292,714,151, respectively. The total amount paid by pledged revenues for this debt for principal were $4,500,000 and $4,325,000, and for interest were $8,708,951 and $8,885,721 at June 30, 2009 and 2008, respectively.

In December 2003, the University entered into a 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 $75,000,000 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 $81,900,000. In December 2005, the University requested a final advance from the lessor related to this lease purchase agreement. At June 30, 2009 and 2008, $0 and $61,210, respectively, of the unspent advance are included in deposit with bond trustee in the Statements of Net Assets. Although these funds are not held by the Trustee Bank, they are invested in a dedicated State Treasurer's Short Term Investment Fund or Tax Exempt Proceeds Fund, and are invested and disbursed as directed by the University similar to bond proceeds (see Note 1). With the amendment, monthly payments of $471,254 increased to $517,135. Payments began January, 2006 and the lease matures 20 years from commencement with interest at a nominal rate of 4.42% on the first $75,000,000 and 5.09% for the last $6,900,000 of advances. 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.

During fiscal year 2009, the University purchased a unit in Campus Associates Limited Partnership for $49,848. The related loan is included in long-term debt in the accompanying financial statements.

Net unamortized premium, discounts and debt difference 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.

Long-term debt activity, including refunding of debt, for the years ended June 30, 2009 and 2008 was as follows:

Long-term Debt Activity for the Year Ended June 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
General Obligation Bonds	$ 763,413,355	$ 144,855,000	$ (63,323,640)	$ 844,944,715	$ 64,777,274
Revenue Bonds	177,330,000	-	(4,500,000)	172,830,000	4,695,000
Self Liquidating Bonds	5,808,324	32,484	(1,055,124)	4,785,684	993,466
Installment Loans	177,491	322,112	(120,336)	379,267	63,719
Obligation Under Capital Lease for Cogeneration	75,196,110	-	(2,898,221)	72,297,889	3,030,571
Campus Associates Limited Partnership Loan	-	49,848	(12,500)	37,348	24,894
Total long-term debt	1,021,925,280	145,259,444	(71,909,821)	1,095,274,903	73,584,924
Premiums/discounts/debt difference due to refunding	13,726,563	6,312,563	(1,214,441)	18,824,685	1,468,887
Total long-term debt, net	$ 1,035,651,843	$ 151,572,007	$ (73,124,262)	$1,114,099,588	$ 75,053,811

Long-term Debt Activity for the Year Ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
General Obligation Bonds	$ 823,132,147	$ -	$ (59,718,792)	$ 763,413,355	$ 63,323,640
Revenue Bonds	181,655,000	-	(4,325,000)	177,330,000	4,500,000
Self Liquidating Bonds	7,021,902	1,017,209	(2,230,787)	5,808,324	1,017,733
U.S. Dept. of Ed. Towers Loan	1,647,906	-	(1,647,906)	-	-
Installment Loans	867,844	51,198	(741,551)	177,491	85,069
Obligation Under Capital Lease for Cogeneration	77,967,770	-	(2,771,660)	75,196,110	2,898,221
Financial Accelerator Loan	2,946,710	-	(2,946,710)	-	-
Total long-term debt	1,095,239,279	1,068,407	(74,382,406)	1,021,925,280	71,824,663
Premiums/discounts/debt difference due to refunding	14,910,860	-	(1,184,297)	13,726,563	1,148,134
Total long-term debt, net	$ 1,110,150,139	$ 1,068,407	$ (75,566,703)	$1,035,651,843	$ 72,972,797

Long-term debt outstanding at June 30, 2009 and 2008 consisted of the following:

Type of Debt and Issue Date	Type of Issue	Principal Payable	Maturity Dates Through Fiscal Year	Interest Rate	Balance 2009	Balance 2008
Bonds:						
GO 1996 Series A	original	annually	2011	5.05-5.1%	$ 4,369,715	$ 4,369,715
GO 1997 Series A	original	annually	2009	5.30%	-	3,553,640
GO 1999 Series A	original	annually	2012	4.3-4.5%	13,000,000	19,000,000
GO 2000 Series A	original	annually	2010	5.0%	6,550,000	15,825,000
GO 2001 Series A	original	various	2021	4.0-4.75%	20,675,000	25,675,000
GO 2002 Series A	original	annually	2012	4.0-4.46%	15,000,000	20,000,000
GO 2003 Series A	original	annually	2023	2.3-4.4%	37,205,000	41,930,000
GO 2004 Series A	original	annually	2024	2.5-5.0%	73,370,000	78,265,000
GO 2004 Ref. Series A	refund	annually	2020	3.9-5.0%	203,080,000	212,285,000
GO 2005 Series A	original	annually	2025	3.25-3.7%	76,870,000	83,410,000
GO 2006 Series A	original	annually	2026	3.45-5.0%	65,570,000	69,430,000
GO 2006 Ref. Series A	refund	various	2020	4.75-5.0%	59,555,000	59,555,000
GO 2007 Series A	original	annually	2027	3.5-5.0%	78,815,000	84,085,000
GO 2007 Ref. Series A	refund	various	2022	5.0%	46,030,000	46,030,000
GO 2009 Series A	original	annually	2029	2.0-5.0%	144,855,000	-
Total General Obligation Bonds					844,944,715	763,413,355
Rev 1998 Series A	original	annually	2028	4.3-5.125%	26,010,000	26,840,000
Rev 2002 Series A	original	annually	2030	3.95-5.25%	64,305,000	66,050,000
Rev 2002 Ref. Series A	refund	annually	2030	4.0-5.25%	82,515,000	84,440,000
Total Revenue Bonds					172,830,000	177,330,000
March 1993	original	annually	2012	5.4-5.5%	195,000	260,000
October 1993	refund	various	2012	6.0%	205,690	205,690
March 1994	original	annually	2010	5.5%	76	112
August 1994	original	annually	2009	5.8%	-	9
September 1997	refund	annually	2009	5.0-5.5%	-	75,066
February 1998	refund	annually	2009	4.5%	-	2,193
June 2001	refund	annually	2016	4.4 -5.5%	633,610	892,056
November 2001	refund	various	2014	3.6-5.13%	1,174,156	1,313,541
June 2002	refund	annually	2010	5.0 -5.5%	296,248	593,151
August 2002	refund	various	2016	3.5-5.5%	551,867	551,867
December 2003	refund	annually	2011	5.0%	420,003	638,089
April 2005	refund	various	2017	4.38-5.25%	274,800	274,800
December 2007	refund	annually	2015	3.5-5.0%	1,001,750	1,001,750
March 2009	refund	annually	2010	2.0%	32,484	-
Total Self-Liquidating Bonds					4,785,684	5,808,324
Total Bonds					1,022,560,399	946,551,679
Loans and other debt:						
Installment Loans		various	various	1.0-5.604%	379,267	177,491
Obligation Under Capital Lease for Cogeneration		monthly	2026	4.42-5.09%	72,297,889	75,196,110
Campus Associates Limited Partnership Loan		Semi-annually	2011	0.75%	37,348	-
Total loans and other					72,714,504	75,373,601
Total bonds, loans and installment purchases					1,095,274,903	1,021,925,280
Premiums/discounts/debt difference due to refunding					18,824,685	13,726,563
Total bonds, loans and installment purchases, net					1,114,099,588	1,035,651,843
Less: current portion, net					75,053,811	72,972,797
Total noncurrent portion, net					$1,039,045,777	$ 962,679,046

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

	General Obligation Bonds			Long-term Debt Other than General Obligation Bonds			Total Obligations		
Year(s)	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	$ 64,777,274	$ 39,219,582	$ 103,996,856	$ 8,882,110	$ 11,939,377	$ 20,821,487	$ 73,659,384	$ 51,158,959	$ 124,818,343
2011	67,752,441	38,002,699	105,755,140	9,011,967	11,538,685	20,550,652	76,764,408	49,541,384	126,305,792
2012	64,350,000	33,090,007	97,440,007	9,309,407	11,124,439	20,433,846	73,659,407	44,214,446	117,873,853
2013	60,880,000	30,289,284	91,169,284	9,782,555	10,703,011	20,485,566	70,662,555	40,992,295	111,654,850
2014	64,055,000	27,413,783	91,468,783	10,115,712	10,233,964	20,349,676	74,170,712	37,647,747	111,818,459
2015-2019	286,645,000	93,949,468	380,594,468	56,793,717	43,220,720	100,014,437	343,438,717	137,170,188	480,608,905
2020-2024	175,260,000	35,497,602	210,757,602	70,903,317	27,900,095	98,803,412	246,163,317	63,397,697	309,561,014
2025-2029	61,225,000	6,956,293	68,181,293	64,446,403	10,573,804	75,020,207	125,671,403	17,530,097	143,201,500
2030	-	-	-	11,085,000	396,625	11,481,625	11,085,000	396,625	11,481,625
Total	$844,944,715	$304,418,718	$1,149,363,433	$250,330,188	$137,630,720	$387,960,908	$1,095,274,903	$442,049,438	$1,537,324,341

6. 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 approximately 44% of full-time employees. The State of Connecticut is statutorily responsible for the pension benefits of University employees who participate in this plan. The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the state. Employees may also choose to participate in the Alternative Retirement Plan (ARP) which is a defined contribution plan administered through a third-party administrator, ING Life Insurance and Annuity Company. Under this arrangement, the University and the plan participants make annual contributions to the plan.

With respect to the University's Department of Dining Services (DDS), of its approximately 552 full-time employees, 84 participate in either the State Employees' Retirement System or ARP, while 468 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 7% of employee's covered compensation for eligible employees 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, the University DDS contributed $553,355 and $498,155 to the plan for the years ended June 30, 2009 and 2008, respectively.

7. COMPENSATED ABSENCES AND WAGES PAYABLE

Compensated absences are recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, and represent the amounts earned by eligible employees. The liability for compensated absences is classified as current and noncurrent based on the amount estimated to be paid to employees in one year and beyond one year, respectively. Compensated absences include accrued unused vacation and sick leave balances for employees, and at June 30, 2009 totaled $24,553,669 and $1,897,329, respectively, and at June 30, 2008 totaled $23,589,495 and $1,428,569, respectively. During fiscal year 2009, the State of Connecticut 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 equal payments on July 1 of each year, beginning July 1, 2012. Included in the noncurrent compensated absences liability as of June 30, 2009, are $1,660,331 for accrued vacation and $421,491 for sick leave for University employees that participated in RIP. A reclassification was made to compensated absences in the accompanying Statements of Net Assets to better reflect the current and noncurrent portions at June 30, 2008.

Wages payable includes salaries and wages for amounts owed at June 30. The State of Connecticut 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 of Connecticut as of June 30.

8. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, 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 pays 100% of their health care insurance premium cost (including the cost of dependents' coverage). 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 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.

9. COMMITMENTS

On June 30, 2009, the University had outstanding commitments exceeding $100,000 each, totaling $84,996,006, which included $70,291,853 of commitments related to capital projects. Of this amount, commitments totaling $34,689,236 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). Of the total amount of outstanding commitments, $3,555,973 was included in accounts payable at June 30, 2009. In addition to the amount for capital outlay, commitments were also related to research, academic, institutional support and operating leases for building space. Of these commitments, the University expects $4,256,224 to be reimbursed by federal grants.

10. DEFERRED INCOME AND CHARGES

Deferred income is comprised of certain restricted research 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, 2009 and 2008 deferred income is as follows:

	2009	2008
Certain restricted research grants	$ 8,728,099	$ 9,762,544
Tuition and fees and auxiliary enterprises	6,633,967	7,104,697
Athletic ticket sales and commitments	3,116,151	3,339,216
Other	933,259	1,489,174
Total deferred income	$ 19,411,476	$ 21,695,631

A portion of current deferred charges totaling $836,982 and $803,603 and noncurrent deferred charges totaling $8,500,782 and $8,182,465 at June 30, 2009 and 2008, respectively, represent the cost of issuance on certain bond issues which will be 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 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 Statement of Revenues, Expenses and Changes in Net Assets. This increases tuition and fee revenues and operating expenses by $3,971,970 for the year ended June 30, 2009, and $3,703,591 for the year ended June 30, 2008. Waivers not reflected in the accompanying financial statements totaled $41,344,583 and $38,236,803 in fiscal years 2009 and 2008, respectively. In fiscal years 2009 and 2008, approximately 91% of such waivers were provided to graduate assistants.

12. RELATED PARTY TRANSACTIONS

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 reimburse the Foundation for certain administrative services and operating expenses and the Foundation agreed to reimburse the University for certain personal services performed. The following transactions occurred between the University and the Foundation as of and for the years ended June 30, 2009 and 2008:

	2009	2008
Amount paid to the Foundation for its guaranteed contractual services	$ 7,582,000	$ 7,242,000
Reimbursements from the Foundation for personal services and operating expenses	$ 671,925	$ 476,248
Capital and noncapital gifts and grants received from the Foundation	$ 19,050,811	$ 21,351,641
Amount receivable from the Foundation	$ 4,543,300	$ 4,793,553

The State of Connecticut supports the University's mission primarily via two mechanisms: State appropriations 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. The transactions were as follows for the years ended June 30, 2009 and 2008:

	2009	2008
Amount of general fund appropriations received from State of Connecticut	$234,057,728	$234,481,293
Amount of payments for fringe benefits received from State of Connecticut	88,938,332	91,084,919
Amount of general fund payroll included in receivable from State of Connecticut	4,755,362	2,610,411
Total appropriations and payments for fringe benefits from the State of Connecticut	$327,751,422	$328,176,623

The Office of Technology Commercialization (OTC) is a university-wide function consisting of the following divisions: the Center for Science and Technology Commercialization, the Research and development Corporation, and the Technology Incubation Program. The funding for these divisions is consolidated into the Health Center's budget, a part of which is reimbursed by the University in accordance with an annual memorandum of agreement for the transfer of funds. The amount contributed by the University to fund the OTC was $1,087,933 in fiscal year 2009 and $1,029,445 in fiscal year 2008. The University also engaged in certain cost share arrangements with the Health Center for shared services such as senior management salaries.

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, 2009 and 2008, the University directed funding to the Association in the amount of $323,007 and $312,507, respectively.

The University entered into a land lease with Campus Associates Limited Partnership 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 will continue for a term of fifty years and provides 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 will be 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 $49,848 for the limited partnership interest (see Note 2). As of June 30, 2009, the University owed Campus Associates Limited partnership $37,348 (see Note 5).

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

13. CONTINGENCIES

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 these matters will not have a material effect on the University's financial statements.

14. OPERATING EXPENSES BY OBJECT

The table below details the University's operating expenses by object for the years ended June 30, 2009 and 2008.

Operating Expenses by object for the Year Ended June 30, 2009:

	Salaries and Wages	Fringe Benefits	Supplies and Other Expenses	Utilities	Depreciation	Total
Instruction	$ 198,676,752	$ 59,882,773	$ 25,494,882	$ -	$ -	$ 284,054,407
Research	36,163,139	8,219,381	19,645,918	-	-	64,028,438
Public Services	22,787,611	7,187,062	7,154,146	-	-	37,128,819
Academic Support	50,019,745	18,320,531	18,706,539	-	-	87,046,815
Student Services	22,988,198	8,336,228	5,050,777	336,162	-	36,711,365
Institutional Support	45,109,153	19,257,642	18,696,789	105,546	-	83,169,130
Operations and Maintenance	19,373,491	10,548,524	20,336,027	21,220,050	-	71,478,092
Depreciation	-	-	-	-	89,556,846	89,556,846
Student Aid	410,812	-	3,506,395	-	-	3,917,207
Auxiliary Enterprises	59,769,448	23,174,108	49,493,652	11,938,523	-	144,375,731
Other Operating Expenses	803,393	288,603	29,487,211	-	-	30,579,207
	$ 456,101,742	$ 155,214,852	$ 197,572,336	$ 33,600,281	$ 89,556,846	$ 932,046,057

Operating Expenses by object for the Year Ended June 30, 2008:

	Salaries and Wages	Fringe Benefits	Supplies and Other Expenses	Utilities	Depreciation	Total
Instruction	$ 191,401,515	$ 60,482,368	$ 27,203,108	$ -	$ -	$ 279,086,991
Research	34,720,246	8,103,480	17,521,480	-	-	60,345,206
Public Services	20,914,047	6,629,221	6,311,577	46	-	33,854,891
Academic Support	48,461,671	18,110,942	14,941,321	-	-	81,513,934
Student Services	22,434,810	8,324,136	4,948,120	299,513	-	36,006,579
Institutional Support	41,798,676	18,088,008	12,303,950	123,919	-	72,314,553
Operations and Maintenance	18,537,572	9,801,817	17,454,618	18,316,713	-	64,110,720
Depreciation	-	-	-	-	100,186,738	100,186,738
Student Aid	415,906	-	3,593,682	-	-	4,009,588
Auxiliary Enterprises	56,315,159	22,122,801	46,139,971	10,483,275	-	135,061,206
Other Operating Expenses	751,828	225,200	15,514,582	-	-	16,491,610
	$ 435,751,430	$ 151,887,973	$ 165,932,409	$ 29,223,466	$ 100,186,738	$ 882,982,016

15. UNRESTRICTED NET ASSETS

The University adopted GASB No. 35 for external reporting purposes, which requires net assets to be classified for accounting and reporting purposes into one of three net asset categories, as discussed in Note 1 to the financial statements. Unrestricted net assets, as defined by the GASB, are not subject to externally imposed stipulations; however, they are subject to internal restrictions. For example, unrestricted net assets 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. Substantially all unrestricted net assets are internally designated for academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

Trustees and Financial Officers
As of June 30, 2009

UNIVERSITY OF CONNECTICUT

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SCHEDULE 2

UNIVERSITY OF CONNECTICUT HEALTH CENTER JUNE 30, 2009
AUDITED FINANCIAL STATEMENTS

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University of Connecticut Health Center

Financial Report

For the Year Ended June 30, 2009

Message from the Vice President 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 and University Dentists. 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 4,600 full-time equivalent 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 206 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 39 buildings totaling over 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, about 330 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, ranking first among the country's 55 dental schools on these examinations in 2001 and again in 2003. In the years since the Health Center graduated its first students in 1972, 1,329 men and women have received the D.M.D. degree; 2,819 the M.D. degree.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 550 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 14 such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of five. 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 $90.4 million in FY 09.

Health Care Services

Through John Dempsey Hospital (224 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 (only half are medical/surgical), 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
Vice President and Chief Financial Officer
University of Connecticut

John M. Biancamano
Chief Financial Officer
University of Connecticut Health Center

TABLE OF CONTENTS

STATE OF CONNECTICUT

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

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

We have audited the accompanying statements of net assets of the University of Connecticut Health Center (Health Center) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. The Health Center is 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. These financial statements are the responsibility of the Health Center's management. 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 24 and 25 percent of the assets of the Health Center as of June 30, 2009 and 2008, respectively and 32 and 30 percent of the revenues of the Health Center for the years then ended. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the John Dempsey Hospital, is based on the reports of the other auditors. The audits of the John Dempsey Hospital were conducted in accordance with auditing standards generally accepted in the United States of America.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits 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, 2009 and 2008, and the results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements of the Health Center, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Sincerely,

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 11, 2010
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 (the "Health Center") for the year ended June 30, 2009. 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 and University Dentists ("Primary Institution") and John Dempsey Hospital (the "Hospital"). The Health Center's enrollment in fiscal year 2009 was 331 in the School of Medicine, 172 in the School of Dental Medicine, and 325 Graduate students, taught by over 560 full time equivalent (FTE) faculty members. The Health Center in total employs approximately 4,600 FTE's. John Dempsey Hospital (JDH) has 204 acute care beds and 20 nursery beds and in fiscal year 2009 provided care to over 380,000 inpatient and outpatient visits. UConn Medical Group (UMG) in fiscal year 2009 provided care to over 563,000 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, 2009, 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.

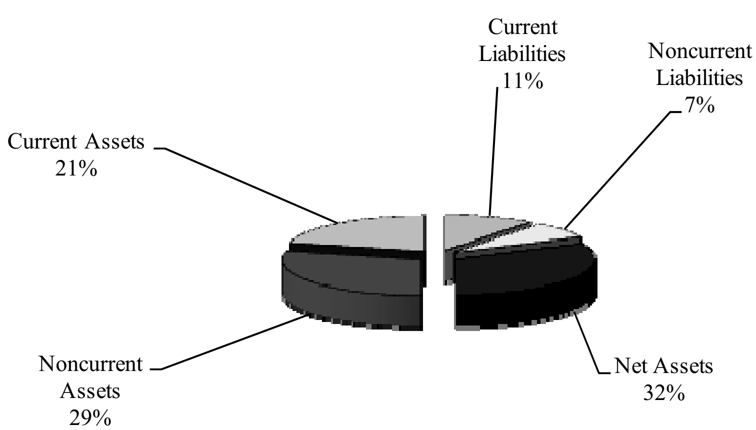
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of management's discussion and analysis and the financial statements. The basic financial statements (statements of net assets, statements of revenues, expenses and changes in net assets and statements of cash flows) present the financial position of the Health Center at June 30, 2009, 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 statement of net assets includes all of the Health Center's assets and liabilities. The statement of revenues, expenses and changes in net assets reflects 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, 2009, consisted of assets of $485.1 million and liabilities of $174.1 million. Net assets, which represent the residual interest in the Health Center's assets after liabilities are deducted, increased $40 million in fiscal year 2009 to $311.0 million at June 30, 2009.

Statement of Net Assets



The increase in net assets is primarily attributable to an increase in capital appropriations.

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, 2009, 2008 and 2007 as follows:

	(in millions) 2009	2008	2007
Total operating revenue	$ 565.1	$ 547.5	$ 526.5
Total operating expenses	778.2	746.1	692.9
Operating (loss)	(213.1)	(198.6)	(166.4)
Other changes in net assets	253.1	197.1	184.3
(Decrease) / Increase in net assets	$ 40.0	$ (1.5)	$ 17.9

The financial statements contained herein show an operating loss of $213.1 million for the year ending June 30, 2009 (fiscal year 2009). The measure more indicative of normal and recurring activities is net income before capital appropriations, 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 of $302,000 in fiscal year 2009.

Sources of recurring operating and nonoperating revenues increased in 2009 and most are expected to have slight increases in 2009, including tuition and fees revenue, patient service revenues and contract revenues. State support, not including state funded capital appropriations, increased 9.3% from the prior year inclusive of a current year deficit appropriation of $22.9 million versus the deficit appropriation of $21.9 million in the FY 2008.

STATEMENTS OF NET ASSETS

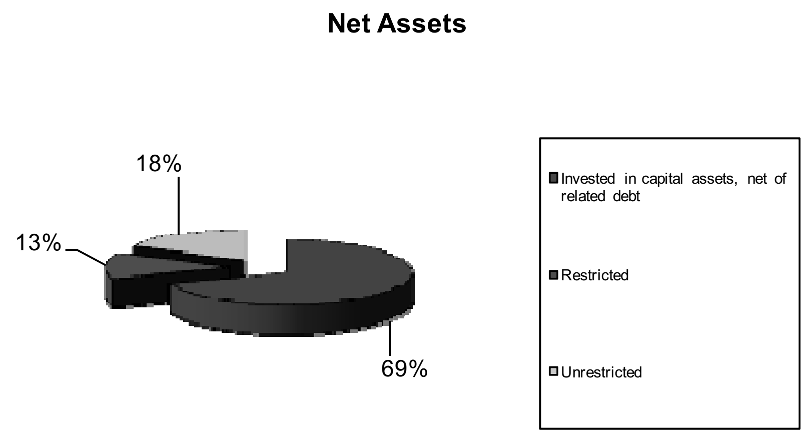
The statements of net assets present the financial position of the Health Center at the end of the fiscal years and includes all assets and liabilities of the Health Center. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of the Health Center, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened 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, 2009, 2008 and 2007 is as follows:

	(in millions)		
	2009	**2008**	**2007**
Current assets	$ 204.9	$ 177.4	$ 180.0
Noncurrent assets:			
Capital assets, net	252.8	239.9	235.4
Other	27.4	27.6	22.2
Total assets	485.1	444.9	437.6
Current liabilities	101.7	100.3	90.1
Noncurrent liabilities	72.4	73.6	75.0
Total liabilities	174.1	173.9	165.1
Net assets	$ 311.0	$ 271.0	$ 272.5

The total assets of the Health Center increased by $40 million, or 9.0%, over the prior year. The increase was primarily due to capital appropriations associated with UCONN 2000 bond funds held by the University for the Health Center. The unspent portion of these appropriations is held in the Due from Affiliates line in the Statement of Net Assets.

The total liabilities for the year increased by $150,000 or less than 1% with increases in Accrued Salaries, Compensated Absences, and Malpractice Reserves offset by lower Accounts Payable and scheduled principal payments on long term debt made during FY 2009.

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 $311.0 million at June 30, 2009, which were made up of the following:



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The statement of revenues, expenses and changes in net assets presents 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, 2009, 2008 and 2007 are as follows:

	(in millions)		
	2009	**2008**	**2007**
Operating revenues			
Patient Services	$ 413.2	$ 399.3	$ 375.9
Grants and Contracts	88.3	87.0	90.9
Other	63.6	61.2	59.7
Total operating revenue	565.1	547.5	526.5
Operating expenses			
Patient services	471.2	445.7	398.3
Instruction	115.3	109.5	104.1
Other	191.7	190.9	190.5
Total operating expenses	778.2	746.1	692.9
Operating (loss)	(213.1)	(198.6)	(166.4)
Net nonoperating revenues	212.8	197.3	161.3
Total other revenues	40.3	(0.2)	23.0
Inc/(Dec) in net assets	$ 40.0	$ (1.5)	$ 17.9

Revenue highlights for the year ending June 30, 2009, including operating and nonoperating revenues and capital additions, presented on the Statements of Revenues Expenses, and Changes in Net Assets are as follows:

- The largest source of revenue was patient service revenue. Net Patient service revenue increased $14.0 million or 3.5% over the prior year. Prior to eliminations the increase for John Dempsey Hospital was $16.4 million.

Increases in John Dempsey Hospital are the result of strategic changes to the charge master and increased outpatient volumes. Correctional Managed Health Care program revenues decreased $2.3 million or 2.3% which reflects decreased costs related to the agreement with the State of Connecticut Department of Correction. 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 $208.5 million. This represents a 9.3% increase over the prior year and includes both the deficiency appropriation of $22.9 million and increases in in-kind fringe benefits associated with salary expense of general funded employees.

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

- Patient service expense is the largest expense category for the Health Center; it accounts for 60.6% of total operating expenses. It increased to $471.2 million or 5.7% over the prior year. The increase is mainly attributable to the increase in patient volume for the John Dempsey Hospital and UConn Medical Group.

- Instruction, the Health Center's second largest operating expense, increased $5.8 million or 5.3%. The increase reflects slight increases in average faculty salaries and increase in fringe benefit expense some of which is included in the in-kind fringe benefit recovery reported as income in the state appropriation line in the nonoperating revenues (expenses) section.

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, 2009, 2008 and 2007 is as follows:

	(in millions) 2009	2008	2007
Cash received from operations	$ 566.5	$ 563.5	$ 507.0
Cash expended for operations	(667.2)	(634.1)	(601.2)
Net cash used in operating activities	(100.7)	(70.6)	(94.2)
Net cash provided by (used in) investing activities	7.5	(1.6)	6.1
Net cash provided by noncapital financing activities	132.8	117.4	98.1
Net cash used in capital and related financing activities	(29.6)	(23.2)	(24.8)
Net increase (decrease) in cash and cash equivalents	10.0	22.0	(14.8)
Cash and cash equivalents, beginning of the year	67.1	45.1	59.9
Cash and cash equivalents, end of the year	$ 77.1	$ 67.1	$ 45.1

CAPITAL AND DEBT ACTIVITIES

During fiscal year 2009 the Health Center participated in the UCONN 2000 program. This is the third phase of the program also known as 21st Century UConn, which provides $1.3 billion for improvements to facilities at the University and the Health Center. The Health Center is scheduled to receive $305 million over the life of this program. During fiscal year 2009 the Health Center received $39.9 million from the UCONN 2000 bond issuance which is included in the capital appropriation line in the Statements of Revenues, Expenses, and Changes in Net Assets. There was no bond issuance during the prior year and therefore no associated revenue was recorded.

At June 30, 2009, the Health Center had plant and equipment, net of accumulated depreciation, of $252.8 million. The Health Center's fiscal 2010 capital budget projects spending of approximately $122.6 million, includes $90.5 million from issuance of UCONN 2000 Bond Funds, $279,000 from allocated State bond funds, and $31.8 million from other Health Center sources.

Debt activity during fiscal year 2009 was the annual payments for the bonds and loans outstanding and lease payments on capital leases entered into by the Hospital. 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 2010 OUTLOOK

Results of operations for the first five months of Fiscal Year 2010 indicate a $3.5 million gain as compared to a budgeted breakeven. Achieving a breakeven for the Health Center appears achievable.

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.

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FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF NET ASSETS
As of June 30, 2009 and 2008

		2009		2008
ASSETS				
Current Assets				
Cash and cash equivalents	$	57,935,895	$	50,163,361
Assets limited as to use		-		123,447
Patient receivables, net		48,523,927		47,834,207
Contract and other receivables		32,460,165		33,404,551
Due from Affiliates		35,488,325		13,871,321
Due from State of Connecticut		7,593,527		6,961,955
Due from Department of Correction		6,098,479		9,423,851
Inventories		7,447,932		7,638,663
Due from third party payors		2,676,748		2,398,463
Prepaid expenses		6,646,457		5,608,982
Total current assets		204,871,455		177,428,801
Noncurrent Assets				
Restricted cash and cash equivalents		19,220,613		16,979,813
Other assets		740,937		691,609
Assets limited as to use		6,746,019		8,300,000
Due from State of Connecticut		713,824		1,653,782
Capital assets, net		252,786,451		239,902,389
Total noncurrent assets		280,207,844		267,527,593
Total assets	$	485,079,299	$	444,956,394
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	31,833,081	$	33,831,908
Due to State of Connecticut		4,880,610		4,725,008
Accrued salaries		26,744,974		25,302,618
Compensated absences		17,743,850		16,513,422
Deferred revenue		9,717,727		10,668,635
Malpractice reserve		6,910,000		4,958,000
Long-term debt - current portion		3,896,045		4,287,753
Total current liabilities		101,726,287		100,287,344
Noncurrent Liabilities				
Malpractice reserve		18,315,000		16,332,000
Compensated absences		20,009,022		19,385,322
Long-term debt		34,024,247		37,920,292
Total noncurrent liabilities		72,348,269		73,637,614
Total liabilities	$	174,074,556	$	173,924,958
NET ASSETS				
Invested in capital assets, net of related debt	$	216,043,925	$	197,694,344
Restricted for				
Nonexpendable				
Scholarships		61,451		61,451
Expendable				
Research		4,250,376		4,030,868
Loans		2,400,875		2,512,492
Capital projects		32,802,019		14,361,529
Unrestricted		55,446,097		52,370,752
Total net assets	$	311,004,743	$	271,031,436

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $4,134,654 and $3,779,696, respectively)	$ 11,578,853	$ 10,857,096
Patient services (net of charity care of $840,699 and $967,138, respectively)	413,226,263	399,252,009
Federal grants and contracts	60,479,262	61,214,230
Nongovernmental grants and contracts	27,784,536	25,787,409
Contract and other operating revenues	52,017,838	50,418,339
Total operating revenues	565,086,752	547,529,083
OPERATING EXPENSES		
Educational and General		
Instruction	115,260,386	109,503,140
Research	59,329,330	60,274,554
Patient services	471,209,020	445,745,818
Academic support	16,110,423	15,686,832
Institutional support	59,122,168	62,514,306
Operations and maintenance of plant	27,073,219	23,549,107
Depreciation	29,168,032	28,225,548
Loss on disposal	280,860	228,173
Student aid	659,089	417,306
Total operating expenses	778,212,527	746,144,784
Operating loss	(213,125,775)	(198,615,701)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	208,531,369	190,742,826
Gifts	981,803	2,698,560
Investment income (net of investment expense of $83,615 and $79,941, respectively)	5,884,533	6,624,737
Interest on capital asset - related debt	(2,574,423)	(2,767,549)
Net nonoperating revenues	212,823,282	197,298,574
Loss before other revenues, expenses, gains or losses	(302,493)	(1,317,127)
Capital appropriations	40,275,800	(165,790)
Total other revenues	40,275,800	(165,790)
Increase/(Decrease) in net assets	39,973,307	(1,482,917)
NET ASSETS		
Net assets-beginning of year	271,031,436	272,514,353
Net assets-end of year	$ 311,004,743	$ 271,031,436

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, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 415,583,629	$ 410,145,730
Cash received from tuition and fees	11,578,853	10,857,096
Cash received from grants, contracts and other revenue	139,315,114	142,468,034
Cash paid to employees for personal services and fringe benefits	(438,088,917)	(420,926,139)
Cash paid for other than personal services	(229,069,438)	(213,102,333)
Net cash used in operating activities	(100,680,759)	(70,557,612)
Cash flows from investing activities:		
Net change in malpractice, advances and bond trust funds	1,677,428	(8,176,114)
Interest received	5,819,033	6,532,960
Net cash provided by (used in) investing activities	7,496,461	(1,643,154)
Cash flows from noncapital financing activities:		
State appropriations	131,812,205	114,697,173
Gifts	981,803	2,698,560
Net cash provided by noncapital financing activities	132,794,008	117,395,733
Cash flows from capital and related financing activities:		
Additions to property and equipment	(42,332,954)	(29,965,749)
Capital appropriations	19,598,754	14,091,803
Interest paid	(2,574,423)	(2,767,549)
Net repayment, proceeds of long-term debt	(4,287,753)	(4,495,431)
Net cash used in capital and related financing activities	(29,596,376)	(23,136,926)
Net increase in cash and cash equivalents	10,013,334	22,058,041
Cash and cash equivalents at beginning of year	67,143,174	45,085,133
Cash and cash equivalents at end of year	$ 77,156,508	$ 67,143,174
Accompanying schedule of non-cash transactions		
Proceeds from capital leases	$ —	$ 2,979,106

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, 2009 and 2008

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

	2009	2008
Operating loss	$ (213,125,775)	$ (198,615,701)
Adjustments to reconcile operating income to net cash		
Used in operating activities:		
Depreciation and loss on disposal	29,448,892	28,453,721
Personal services and fringe benefits in-kind from State	76,018,160	73,815,240
Changes in assets and liabilities:		
Patients receivables, net	(689,720)	3,876,843
Contract and other receivables	1,079,318	5,978,610
Due from DOC	3,325,372	5,988,887
Inventories	190,731	(761,636)
Third party payors	(278,285)	1,027,991
Prepaid expenses	(77,475)	(1,444,385)
Other assets	(49,328)	(137,553)
Accounts payable and accrued liabilities	(1,998,827)	6,018,620
Due to State of Connecticut	155,602	265,898
Accrued salaries	1,442,356	3,347,955
Compensated absences	1,854,128	1,133,520
Deferred revenue	(1,910,908)	(795,622)
Malpractice reserve	3,935,000	1,290,000
Net cash used in operating activities	$ (100,680,759)	$ (70,557,612)

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, 2009 and 2008

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, 2009 and 2008, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group, University of Connecticut Health Center Finance Corporation 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 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.

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, 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.

Accounts Receivable and Net Patient Service Revenues
Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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 based on 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.

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, 2009, and 2008, these costs are included in the statements of revenues, expenses and changes in net assets.

Reclassification
Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

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.

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 $77,156,508 and $67,143,174, as of June 30, 2009 and 2008, respectively and included the following:

		2009		2008
Cash maintained by State of Connecticut Treasurer	$	20,612,497	$	12,247,206
Invested in State of Connecticut Short-Term Investment Fund		56,193,372		54,410,502
Deposits with Financial Institutions and Other		349,139		483,966
Currency (Change Funds)		1,500		1,500
Total cash and cash equivalents		77,156,508		67,143,174
Less: current balance		57,935,895		50,163,361
Total noncurrent balance	$	19,220,613	$	16,979,813

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, 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 assets.

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 $56,193,372 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 2009.

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 $2,538,880 and $2,534,032 as of June 30, 2009 and 2008, 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, 2009 and 2008 was $37,521 and $104,047, 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 2009 and 2008, the Hospital provided charity care services of $840,699 and $967,138, respectively. The cost basis of these services was $416,379 and $468,055, 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 payors that provide for payments at amounts different from its established rates. These third party payors 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:

		2009			2008	
John Dempsey Hospital						
Gross patient services revenue	$	469,647,440		$	406,763,316	
Less allowances		218,514,352			170,678,351	
Less bad debts		4,252,105			5,570,353	
Net patient service revenue			246,880,983			230,514,612
UConn Medical Group						
Gross patient services revenue		194,182,838			181,168,489	
Less allowances		114,385,267			102,207,030	
Less bad debts		995,025			557,702	
Net patient service revenue			78,802,546			78,403,757
Correctional Managed Health Care			99,371,423			101,660,324
All other			3,692,526			3,119,556
Total net patient service revenue per business unit			428,747,478			413,698,249
Eliminations			(15,521,215)			(14,446,240)
Total net patient service revenue	$		413,226,263	$		399,252,009

(Amounts above include internal transactions eliminated on face of statements. See Supplemental Information for greater details)

5. CAPITAL ASSETS

Capital assets at June 30, 2009 and 2008 consisted of the following:

		2009	2008
Land	$	8,423,594	8,423,594
Construction in Progress		50,636,930	40,262,025
Buildings		344,771,942	334,750,500
Equipment		212,665,658	199,821,569
Capital leases		13,776,275	13,776,275
		630,274,399	597,033,963
Less accumulated depreciation		377,487,948	357,131,574
Capital assets, net	$	252,786,451	239,902,389

The Health Center's fine art collection is capitalized on the statements of net assets. This collection is included in equipment in the Primary Institution and totaled $645,736 at June 30, 2009 and 2008. Plant and equipment activity and related information on accumulated depreciation for the Health Center for the years ended June 30, 2009 and 2008 was as follows:

	2008	Additions	Deletions	2009
Property and equipment:				
Land	$ 8,423,594	$ -	$ -	$ 8,423,594
Construction in Progress	40,262,025	29,486,805	(19,111,900)	50,636,930
Buildings	324,248,447	10,004,789	-	334,253,236
Improvements other than buildings	10,502,053	16,653	-	10,518,706
Equipment	199,821,569	21,936,607	(9,092,518)	212,665,658
Capital leases	13,776,275	-	-	13,776,275
Total property and equipment	597,033,963	61,444,854	(28,204,418)	630,274,399
Less accumulated depreciation:				
Buildings	190,479,329	10,720,847	-	201,200,176
Improvements other than buildings	6,794,334	284,863	-	7,079,197
Equipment	152,483,462	15,997,198	(8,811,658)	159,669,002
Capital Leases	7,374,449	2,165,124	-	9,539,573
Total accumulated depreciation	357,131,574	29,168,032	(8,811,658)	377,487,948
Net property and equipment:				
Land	8,423,594	-	-	8,423,594
Construction in Progress	40,262,025	29,486,805	(19,111,900)	50,636,930
Buildings	133,769,118	(716,058)	-	133,053,060
Improvements other than buildings	3,707,719	(268,210)	-	3,439,509
Equipment	47,338,107	5,939,409	(280,860)	52,996,656
Capital leases	6,401,826	(2,165,124)	-	4,236,702
Total capital assets, net	$ 239,902,389	$ 32,276,822	$ (19,392,760)	$ 252,786,451

	2007	Additions	Deletions	2008
Property and equipment:				
Land	$ 8,423,594	$ -	$ -	$ 8,423,594
Construction in Progress	32,031,865	15,355,090	(7,124,930)	40,262,025
Buildings	319,319,968	4,928,479	-	324,248,447
Improvements other than buildings	8,810,112	1,691,941	-	10,502,053
Equipment	187,550,388	15,115,169	(2,843,988)	199,821,569
Capital leases	10,797,169	2,979,106	-	13,776,275
Total property and equipment	566,933,096	40,069,785	(9,968,918)	597,033,963
Less accumulated depreciation:				
Buildings	180,132,794	10,346,535	-	190,479,329
Improvements other than buildings	6,547,854	246,480	-	6,794,334
Equipment	139,942,649	15,156,628	(2,615,815)	152,483,462
Capital leases	4,898,544	2,475,905	-	7,374,449
Total accumulated depreciation	331,521,841	28,225,548	(2,615,815)	357,131,574
Net property and equipment:				
Land	8,423,594	-	-	8,423,594
Construction in Progress	32,031,865	15,355,090	(7,124,930)	40,262,025
Buildings	139,187,174	(5,418,056)	-	133,769,118
Improvements other than buildings	2,262,258	1,445,461	-	3,707,719
Equipment	47,607,739	(41,459)	(228,173)	47,338,107
Capital leases	5,898,625	503,201	-	6,401,826
Total capital assets, net	$ 235,411,255	$ 11,844,237	$ (7,353,103)	$ 239,902,389

Construction in progress at June 30, 2009 and 2008, 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.

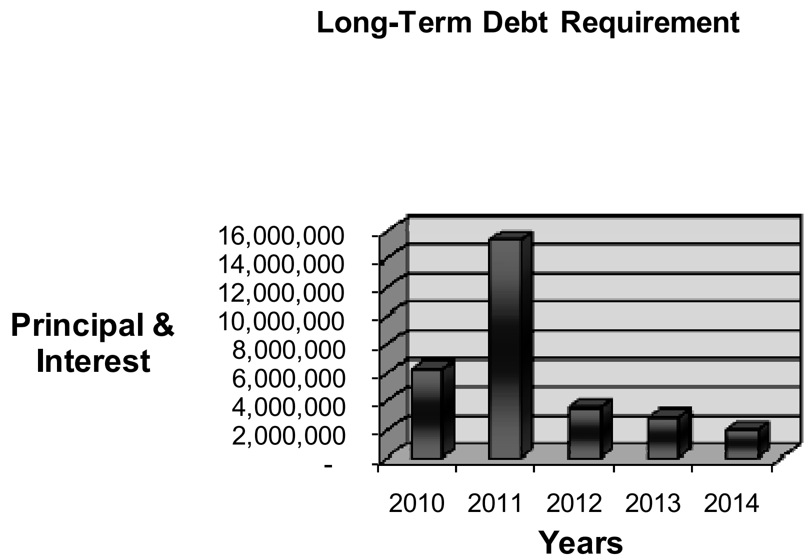
7. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2009 and 2008 was as follows:

		June 30, 2008 Balance	Additions	Reductions	June 30, 2009 Balance	Amounts due within 1 year
Long-Term debt:						
Bonds Payable John Dempsey Hospital	$	19,183	-	19,183	-	-
Bonds Payable Primary Institution		46,794	-	46,794	-	-
Loans payable John Dempsey Hospital		3,736,783	-	830,396	2,906,387	830,396
Lease Agreements John Dempsey Hospital		6,679,361	-	2,377,883	4,301,478	1,983,114
Mortgage Agreements Primary Institution		31,725,924	-	1,013,497	30,712,427	1,082,535
Total Long-Term Debt		42,208,045	-	4,287,753	37,920,292	3,896,045
Malpractice reserve		21,290,000	8,789,693	4,854,693	25,225,000	6,910,000
Compensated absences		35,898,744	24,172,425	22,318,297	37,752,872	17,743,850
Total Long - Term Liabilities	$	99,396,789	32,962,118	31,460,743	100,898,164	28,549,895

		June 30, 2007 Balance	Additions	Reductions	June 30, 2008 Balance	Amounts due within 1 year
Long-Term debt:						
Bonds Payable John Dempsey Hospital	$	162,967	-	143,784	19,183	19,183
Bonds Payable Primary Institution		294,473	-	247,679	46,794	46,794
Loans payable John Dempsey Hospital		4,567,179	-	830,396	3,736,783	830,396
Lease Agreements John Dempsey Hospital		6,027,173	2,979,106	2,326,918	6,679,361	2,377,882
Mortgage Agreements Primary Institution		32,672,578	-	946,654	31,725,924	1,013,498
Total Long-Term Debt		43,724,370	2,979,106	4,495,431	42,208,045	4,287,753
Malpractice reserve		20,000,000	3,291,309	2,001,309	21,290,000	4,958,000
Compensated absences		34,765,224	22,366,323	21,232,803	35,898,744	16,513,422
Total Long - Term Liabilities	$	98,489,594	28,636,738	27,729,543	99,396,789	25,759,175

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



Year	Long-Term Debt
2010	$ 6,275,346
2011	15,358,316
2012	3,537,091
2013	2,915,261
2014	2,014,187
Thereafter	20,981,117
Totals	$ 51,081,318

The Health Center is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under the Hospital's incident reporting system and an estimate of incurred but not reported claims are accrued based on actuarially determined present value estimates that incorporate the Hospital's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors.

The scope of the Hospital'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 that are part of the primary institution.

The Health Center is involved in litigation claiming damages arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Health Center and are currently in various stages of litigation. It is the opinion of management, however, that the amounts accrued for estimated malpractice costs at June 30, 2009 are adequate to provide for potential losses resulting from pending or threatened litigation and an actuarially determined estimate for incurred but not reported claims.

The Hospital has established a trust fund for the payment of medical malpractice claim settlements. The trust is funded based on actuarially determined amounts and is funded by the Hospital and the primary institution.

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). This Act amended Public Act No. 95-230 that 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. The 21st Century UConn Act, as amended, extended the UCONN 2000 financing program that was scheduled to end in 2005, to run for an additional 11 years to June 30, 2016. The new Act authorized additional projects for the University and the Health Center for what is to be called Phase III of UCONN 2000 at an estimated cost of $1,348,400,000. Project costs include $305,400,000 authorized for the Health Center.

The University recorded total revenue of $150,000,000 as State debt service commitment for principal for the 2009 Series A bonds which includes $39,945,000 to finance projects for the Health Center. As noted above, Phase III includes a commitment to fund projects totaling $305,400,000 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 ($35,488,325 at June 30, 2009) in the Statement of Net Assets.

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, 2009, the Health Center had individual outstanding commitments exceeding $300,000 in amount, totaling $13,208,324. A portion of this amount was included in the June 30, 2009 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 $39,917,800 during the 2009-2010 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll and related fringe benefits to the 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 2021. Expenses related to these leases were approximately $2,870,000 and $2,405,000 for the years ended June 30, 2009 and 2008, respectively. Future minimum rental payments at June 30, 2009 under non-cancelable operating leases are approximately as follows:

Year		Payments
2010	$	2,486,036
2011		2,081,381
2012		1,713,894
2013		1,393,519
2014		1,344,814
Thereafter		6,536,226
Total	$	15,555,870

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 for the benefit of the Foundation. The following transactions occurred between the Health Center and the Foundation during the year ended June 30, 2009:

Amount paid to the Foundation	$	1,000,000
Amount received from the Foundation for personal services and operating expenses	$	94,329
Amount received from the Foundation from endowments and gifts	$	4,055,443

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	$	1,033,536
Funds Paid to the University of Connecticut	$	919,241

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, 2009, the amounts of these benefits recognized were as follows:

Amount of General Fund Appropriations from State of Connecticut	$	128,212,205
In Kind Fringe Benefits:		
Recognized through CMHC		35,434,497
Recognized in John Dempsey		3,600,000
Received elsewhere in Primary Institution		41,284,667
Total In Kind Fringe Benefits received from State of Connecticut:	$	80,319,164
Total Appropriations and In Kind benefits received from State of Connecticut	$	208,531,369

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 University Medical Group. John Dempsey Hospital is allowed to borrow from the State at up to 90% of its receivables. University Medical Group is allowed to borrow at up to 70% of its accounts receivable. As of June 30, 2009 and 2008, the Hospital had drawn down $13,431,939and $17,945,885, respectively, under the State statute As of June 30, 2009 and 2008, the Hospital has available $13,372,322 and 19,405,251, respectively under the State statute.

16. SUBSEQUENT EVENT

On September 8, 2009 An *Act Concerning Expenditures and Revenue for the biennium Ending June 30, 2011*, (Public Act No. 09-3), became Connecticut law. Sec. 74. of this public act states "(Effective from passage) (a) Notwithstanding the provisions of section 10a-256 of the general statutes, the sum of $ 10,000,000 shall be transferred from The University of Connecticut Health Center Medical Malpractice Trust Fund and credited to the resources of the General Fund for each of the fiscal years ending June 30, 2010, and June 30, 2011. At the time of issuance of these statements, management has not determined what impact that this cash transfer will have on the malpractice trust fund or the payment and funding of claims in the future.

SUPPLEMENTAL INFORMATION

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET ASSETS
As of June 30, 2009

	2009			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 64,717,409	$ -	$ (6,781,514)	$ 57,935,895
Assets limited as to use	-	-	-	-
Patient receivables, net	14,758,929	33,764,998	-	48,523,927
Contract and other receivables	31,405,285	1,054,880	-	32,460,165
Due from Affiliates	35,488,325	-	-	35,488,325
Due from State of Connecticut	7,593,527	-	-	7,593,527
Due from Primary Institution	-	739,573	(739,573)	-
Due from Department of Correction	6,098,479	-	-	6,098,479
Inventories	1,543,341	5,904,591	-	7,447,932
Due from third party payors	-	2,676,748	-	2,676,748
Prepaid expenses	3,331,597	3,314,860	-	6,646,457
Total current assets	164,936,892	47,455,650	(7,521,087)	204,871,455
Noncurrent Assets				
Restricted cash and cash equivalents	572,486	18,648,127	-	19,220,613
Other assets	139,792	601,145	-	740,937
Assets limited as to use	6,746,019	-	-	6,746,019
Due from State of Connecticut	713,824	-	-	713,824
Capital assets, net	193,212,657	59,573,794	-	252,786,451
Total noncurrent assets	201,384,778	78,823,066	-	280,207,844
Total assets	$ 366,321,670	$ 126,278,716	$ (7,521,087)	$ 485,079,299
LIABILITIES				
Current Liabilities				
Cash overdraft	$ -	$ 6,781,514	$ (6,781,514)	$ -
Accounts payable and accrued liabilities	21,783,452	10,049,629	-	31,833,081
Due to State of Connecticut	2,129,353	2,751,257	-	4,880,610
Accrued salaries	20,284,822	6,460,152	-	26,744,974
Compensated absences	12,224,669	5,519,181	-	17,743,850
Due to John Dempsey Hospital	739,573	-	(739,573)	-
Deferred revenue	9,717,727	-	-	9,717,727
Malpractice reserve	-	6,910,000	-	6,910,000
Long-term debt - current portion	1,082,535	2,813,510	-	3,896,045
Total current liabilities	67,962,131	41,285,243	(7,521,087)	101,726,287
Noncurrent Liabilities				
Malpractice reserve	-	18,315,000	-	18,315,000
Compensated absences	13,785,265	6,223,757	-	20,009,022
Long-term debt	29,629,892	4,394,355	-	34,024,247
Total noncurrent liabilities	43,415,157	28,933,112	-	72,348,269
Total liabilities	$ 111,377,288	$ 70,218,355	$ (7,521,087)	$ 174,074,556
NET ASSETS				
Invested in capital assets, net of related debt	$ 163,315,529	$ 52,728,396	$ -	$ 216,043,925
Restricted for				
Nonexpendable				
Scholarships	61,451	-	-	61,451
Expendable				
Research	4,106,196	144,180	-	4,250,376
Loans	2,400,875	-	-	2,400,875
Capital projects	32,802,019	-	-	32,802,019
Unrestricted	52,258,312	3,187,785	-	55,446,097
Total net assets	$ 254,944,382	$ 56,060,361	$ -	$ 311,004,743

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET ASSETS
As of June 30, 2008

	2008			
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 63,274,569	$ -	$ (13,111,208)	$ 50,163,361
Assets limited as to use	-	123,447	-	123,447
Patient receivables, net	13,822,297	34,011,910	-	47,834,207
Contract and other receivables	32,754,705	649,846	-	33,404,551
Due from Affiliates	13,871,321	-	-	13,871,321
Due from State of Connecticut	6,961,955	-	-	6,961,955
Due from Primary Institution	-	3,383,768	(3,383,768)	-
Due from Department of Correction	9,423,851	-	-	9,423,851
Inventories	1,506,820	6,131,843	-	7,638,663
Due from third party payors	-	2,398,463	-	2,398,463
Prepaid expenses	2,535,017	4,033,965	(960,000)	5,608,982
Total current assets	144,150,535	50,733,242	(17,454,976)	177,428,801
Noncurrent Assets				
Restricted cash and cash equivalents	899,468	16,080,345	-	16,979,813
Other assets	-	691,609	-	691,609
Assets limited as to use	8,300,000	-	-	8,300,000
Due from State of Connecticut	1,653,782	-	-	1,653,782
Capital assets, net	178,732,080	61,170,309	-	239,902,389
Total noncurrent assets	189,585,330	77,942,263	-	267,527,593
Total assets	$ 333,735,865	$ 128,675,505	$ (17,454,976)	$ 444,956,394
LIABILITIES				
Current Liabilities				
Cash overdraft	$ -	$ 13,111,208	$ (13,111,208)	$ -
Accounts payable and accrued liabilities	24,315,380	9,516,528	-	33,831,908
Due to State of Connecticut	1,955,503	2,769,505	-	4,725,008
Accrued salaries	18,840,383	6,462,235	-	25,302,618
Compensated absences	10,812,097	5,701,325	-	16,513,422
Due to John Dempsey Hospital	3,383,768	-	(3,383,768)	-
Deferred revenue	11,621,475	7,160	(960,000)	10,668,635
Malpractice reserve	-	4,958,000	-	4,958,000
Long-term debt - current portion	1,060,292	3,227,461	-	4,287,753
Total current liabilities	71,988,898	45,753,422	(17,454,976)	100,287,344
Noncurrent Liabilities				
Malpractice reserve	-	16,332,000	-	16,332,000
Compensated absences	12,692,462	6,692,860	-	19,385,322
Long-term debt	30,712,426	7,207,866	-	37,920,292
Total noncurrent liabilities	43,404,888	30,232,726	-	73,637,614
Total liabilities	$ 115,393,786	$ 75,986,148	$ (17,454,976)	$ 173,924,958
NET ASSETS				
Invested in capital assets, net of related debt	$ 146,959,362	$ 50,734,982	$ -	$ 197,694,344
Restricted for				
Nonexpendable				
Scholarships	61,451	-	-	61,451
Expendable				
Research	3,884,523	146,345	-	4,030,868
Loans	2,512,492	-	-	2,512,492
Capital projects	14,361,529	-	-	14,361,529
Unrestricted	50,562,722	1,808,030	-	52,370,752
Total net assets	$ 218,342,079	$ 52,689,357	$ -	$ 271,031,436

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009

	2009				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 11,578,853	$ -	$ 11,578,853	$ -	$ 11,578,853
Patient services, net	181,866,494	246,880,984	428,747,478	(15,521,215)	413,226,263
Federal grants and contracts	60,479,262	-	60,479,262	-	60,479,262
Nongovernmental grants and contracts	27,784,536	-	27,784,536	-	27,784,536
Contract and other operating revenues	61,121,166	3,729,727	64,850,893	(12,833,055)	52,017,838
Total operating revenues	342,830,311	250,610,711	593,441,022	(28,354,270)	565,086,752
OPERATING EXPENSES					
Educational and General					
Instruction	126,009,236	-	126,009,236	(10,748,850)	115,260,386
Research	59,329,330	-	59,329,330	-	59,329,330
Patient services	232,289,402	256,525,038	488,814,440	(17,605,420)	471,209,020
Academic support	16,110,423	-	16,110,423	-	16,110,423
Institutional support	59,122,168	-	59,122,168	-	59,122,168
Operations and maintenance of plant	27,073,219	-	27,073,219		27,073,219
Depreciation	18,377,652	10,790,380	29,168,032	-	29,168,032
Loss on disposal	237,581	43,279	280,860	-	280,860
Student aid	659,089	-	659,089	-	659,089
Total operating expenses	539,208,100	267,358,697	806,566,797	(28,354,270)	778,212,527
Operating loss	(196,377,789)	(16,747,986)	(213,125,775)	-	(213,125,775)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	204,931,369	3,600,000	208,531,369	-	208,531,369
Gifts	(186,607)	1,168,410	981,803	-	981,803
Hospital transfer	(14,900,000)	14,900,000	-	-	-
Investment income, net	5,018,021	866,512	5,884,533	-	5,884,533
Interest on capital asset - related debt	(2,158,491)	(415,932)	(2,574,423)	-	(2,574,423)
Net nonoperating revenues	192,704,292	20,118,990	212,823,282	-	212,823,282
Loss before other revenues, expenses, gains or losses	(3,673,497)	3,371,004	(302,493)	-	(302,493)
Capital appropriations	40,275,800	-	40,275,800	-	40,275,800
Total other revenues	40,275,800	-	40,275,800	-	40,275,800
Increase/(Decrease) in net assets	36,602,303	3,371,004	39,973,307	-	39,973,307
NET ASSETS					
Net assets-beginning of year	218,342,079	52,689,357	271,031,436	-	271,031,436
Net assets-end of year	$ 254,944,382	$ 56,060,361	$ 311,004,743	$ -	$ 311,004,743

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

	2008				
	Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 10,857,096	$ -	$ 10,857,096	$ -	$ 10,857,096
Patient services, net	183,183,637	230,514,612	413,698,249	(14,446,240)	399,252,009
Federal grants and contracts	61,214,230	-	61,214,230	-	61,214,230
Nongovernmental grants and contracts	25,787,409	-	25,787,409	-	25,787,409
Contract and other operating revenues	59,747,464	1,955,370	61,702,834	(11,284,495)	50,418,339
Total operating revenues	340,789,836	232,469,982	573,259,818	(25,730,735)	547,529,083
OPERATING EXPENSES					
Educational and General					
Instruction	120,260,590	-	120,260,590	(10,757,450)	109,503,140
Research	60,274,554	-	60,274,554	-	60,274,554
Patient services	222,987,256	237,731,847	460,719,103	(14,973,285)	445,745,818
Academic support	15,686,832	-	15,686,832	-	15,686,832
Institutional support	62,514,306	-	62,514,306	-	62,514,306
Operations and maintenance of plant	23,549,107	-	23,549,107		23,549,107
Depreciation	17,074,565	11,150,983	28,225,548	-	28,225,548
Loss on disposal	186,945	41,228	228,173	-	228,173
Student aid	417,306	-	417,306	-	417,306
Total operating expenses	522,951,461	248,924,058	771,875,519	(25,730,735)	746,144,784
Operating loss	(182,161,625)	(16,454,076)	(198,615,701)	-	(198,615,701)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	190,742,826	-	190,742,826	-	190,742,826
Gifts	1,631,571	1,066,989	2,698,560	-	2,698,560
Investment income, net	5,551,774	1,072,963	6,624,737	-	6,624,737
Interest on capital asset - related debt	(2,228,350)	(539,199)	(2,767,549)	-	(2,767,549)
Net nonoperating revenues	195,697,821	1,600,753	197,298,574	-	197,298,574
Loss before other revenues, expenses, gains or losses	13,536,196	(14,853,323)	(1,317,127)	-	(1,317,127)
Capital appropriations	(165,790)	-	(165,790)	-	(165,790)
Total other revenues	(165,790)	-	(165,790)	-	(165,790)
Increase (decrease) in net assets	13,370,406	(14,853,323)	(1,482,917)	-	(1,482,917)
NET ASSETS					
Net assets-beginning of year	204,971,673	67,542,680	272,514,353	-	272,514,353
Net assets-end of year	$ 218,342,079	$ 52,689,357	$ 271,031,436	$ -	$ 271,031,436

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DIRECTORS AND FINANCIAL OFFICERS
June 30, 2009

BOARD OF DIRECTORS

FINANCIAL OFFICERS

Richard Gray, Vice President and Chief Financial Officer
John Biancamano, Chief Financial Officer
Jeffrey P. Geoghegan, Controller

TRUSTEES
As of June 30, 2009

BOARD OF TRUSTEES

UNIVERSITY OF CONNECTICUT
HEALTH CENTER

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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 Fifteenth Supplemental Indenture, the 2010 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 $105,000,000 for the UConn Projects as set forth therein, plus the amount of the Costs of Issuance.

Pursuant to the Eighth Supplemental Indenture, the 2010 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 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 Fifteenth Supplemental Indenture, the University covenants that it will not take any action or fail to take any action that would cause the 2010 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 2010 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 2010 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:

May __, 2010

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 $97,115,000 General Obligation Bonds, 2010 Series A (the "2010 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 2010 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 Fifteenth Supplemental Indenture (the "Fifteenth 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 2010 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 2010 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 2010 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 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 subsequent to the delivery of the 2010 Series A Bonds in order that interest on the 2010 Series A Bonds not be included in gross income for federal income tax purposes. We have examined the Indentures and the procedural documents, including a tax regulatory certificate (the "Tax Regulatory Agreement") of the University and the State Treasurer with respect to the 2010 Series A Bonds, which, in our opinion contain provisions under which such requirements can be met. The University has covenanted with respect to the 2010 Series A

Bonds in the Indentures to comply with the requirements of the Code. In rendering the following opinion, we have relied upon and assumed the accuracy of and continuing compliance by the University and the State Treasurer with their representations and covenants relating to certain requirements of the Code and enforcement of provisions of the Indentures and the Tax Regulatory Agreement.

Under existing law, interest on the 2010 Series A Bonds (a) is not includable in gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for purposes of computing such tax.

8. Under existing statutes, interest on the 2010 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 2010 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.

We express no opinion regarding other federal or state tax consequences of the ownership of or receipt or accrual of interest on the 2010 Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2010 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 2010 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:

May __, 2010

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 $36,095,000 General Obligation Bonds, 2010 Refunding Series A (the "2010 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 2010 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 2010 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 2010 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 2010 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 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 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 subsequent to the delivery of the 2010 Refunding Series A Bonds in order that interest on the 2010 Refunding Series A Bonds not be included in gross income for federal income tax purposes. We have examined the Indentures and the procedural documents, including a tax regulatory certificate (the "Tax Regulatory Agreement") of the University and the State Treasurer with respect to the 2010 Refunding Series A Bonds, which, in

our opinion contain provisions under which such requirements can be met. The University has covenanted with respect to the 2010 Refunding Series A Bonds in the Indentures to comply with the requirements of the Code. In rendering the following opinion, we have relied upon and assumed the accuracy of and continuing compliance by the University and the State Treasurer with their representations and covenants relating to certain requirements of the Code and enforcement of provisions of the Indentures and the Tax Regulatory Agreement.

Under existing law, interest on the 2010 Refunding Series A Bonds (a) is not includable in gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

8. Under existing statutes, interest on the 2010 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 2010 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.

We express no opinion regarding other federal or state tax consequences of the ownership of or receipt or accrual of interest on the 2010 Refunding Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2010 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, each NRMSIR or the SID, if any, 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, each NRMSIR or the SID, if any, 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 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 _____ day of May, 2010 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $97,115,000 University of Connecticut General Obligation Bonds, 2010 Series A, dated May 25, 2010 and $36,095,000 University of Connecticut General Obligation Bonds, 2010 Refunding Series A, dated May 25, 2010 (collectively, the "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 May 12, 2010 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, 2010) 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. Bond Authorizations With Limited or Contingent Liability (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 Fifteenth Supplemental Indenture, except as otherwise defined:

"2010 Series A Bonds" means the Bonds authorized by, and issued in one or more series, pursuant to Article II of the Fifteenth Supplemental Indenture.

"2010 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 2010 Series A Bonds and the 2010 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 2010 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.

"Fifteenth Supplemental Indenture" means the Fifteenth Supplemental Indenture dated as of April 16, 2009, as amended, authorizing the 2010 Series A Bonds (secured by the State Debt Service Commitment).

"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.

"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 2007 Series A Bonds and the 2007 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.

“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.

“SEC” means the United States Securities and Exchange Commission or any successor agency.

“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 (ki) rated at lease as high by a least two nationally recognized rating agencies as the great 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 pad by the University into q 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 2010 Series A Bonds and the 2010 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

May 12, 2010

The Annual Information Statement of the State of Connecticut (the "State"), dated February 24, 2010, appears in this Official Statement as **Part III** and contains information through February 24, 2010. 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 of the State.

This Information Supplement updates certain information in the February 24, 2010 Annual Information Statement through May 12, 2010. 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**.

Page III-1. The following information replaces the information under the caption **Secretary of the Office of Policy and Management** under the heading **Executive Branch Officers**:

The Acting Secretary of the Office of Policy and Management is Brenda Sisco.

FINANCIAL PROCEDURES

Page III-7. The following information supplements the information under the caption ***Consensus Revenue Estimates*** under the heading **The Budgetary Process**:

Pursuant to Public Act No. 09-214, the Office of Policy and Management and the legislature's Office of Fiscal Analysis issued on April 30, 2010, a consensus revision of their previous estimate. The General Fund revenue estimates for fiscal years ending June 30 of 2010, 2011, 2012, 2013 and 2014 were $17,456.4 million, $17,415.8 million, $15,791.4 million, $16,610.7 million, and $17,397.3 million, respectively. 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 General Assembly will not indicate changes in the final results of the fiscal years reported.

STATE GENERAL FUND

Page III-26. The following information is added after the information under the heading **Fiscal Year 2009-2010 Operations:**

Pursuant to Section 4-66 of the Connecticut General Statutes, the Office of Policy and Management provides estimates to the Comptroller by the twentieth day of each month of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. In the monthly estimates provided by the Office of Policy and Management for the General Fund for the 2009-10 fiscal year on March 22, 2010, as of the period ending February 28, 2010, General Fund revenues were estimated at $17,029.5 million, General Fund expenditures and miscellaneous adjustments were estimated at $17,386.0 million and the General Fund was estimated to have a deficit of $356.5 million. In the monthly estimates provided by the Office of Policy and Management for the General Fund for the 2009-10 fiscal year on April 20, 2010, as of the period ending March 31, 2010, General Fund revenues were estimated at $17,058.2 million, General Fund expenditures and miscellaneous adjustments were estimated at $17,378.0 million and the General Fund was estimated to have a deficit of $319.8 million. Such estimate does not reflect the passage of House Bill No. 5545 discussed below. The Office of Policy and Management indicated in its April 20, 2010 estimates that House Bill No. 5545 contains deficit mitigation measures that are anticipated to result in a net improvement in the General Fund deficit for the 2009-10 fiscal year of $323.2 million, yielding a projected General Fund surplus of $3.4 million for such fiscal year. The estimates of the Office of Policy and Management for the period ending December 31, 2009 have been outlined in **Appendix III-E** to **Part III** of this Official Statement. It has not been updated to reflect any later estimates. The next monthly report of the Office of Policy and Management is expected on May 20, 2010 and no assurances can be given that the estimates in such report will match the Office of Policy and Management's prior estimates.

By Statute, the State's fiscal position is reported monthly by the Comptroller. In the Comptroller's monthly report dated March 1, 2010, the Comptroller estimated a General Fund deficit for the 2009-10 fiscal year of $518.4 million as of the period ending January 31, 2010. In the Comptroller's monthly report dated April 1, 2010, the Comptroller estimated a General Fund deficit for the 2009-10 fiscal year of $371.0 million as of the period ending February 28, 2010. The Comptroller's estimate of income tax receipts is $14.5 million lower than the Office of Policy and Management's estimate. In the Comptroller's monthly report dated May 1, 2010, the Comptroller estimated a General Fund surplus for the 2009-10 fiscal year of $105.0 million as of the period ending March 31, 2010. The Comptroller's estimate takes into account the deficit mitigation measures passed by the General Assembly. The Comptroller's estimate is $101.6 million higher than the Office of Policy and Management's estimate for the same period. The next monthly report of the Comptroller is expected on June 1, 2010 and no assurances can be given that the estimates in such report will match the Office of Policy and Management's prior estimates.

The above projections are only estimates and the information in the monthly letters of the Office of Policy and Management to the Comptroller and in the Comptroller's monthly reports contain only estimates and no assurances can be given that future events will materialize as estimates or that subsequent estimates, adjustments or audit or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2009-2010 operations of the General Fund.

Pursuant to Section 4-85 of the Connecticut General Statutes, the Governor was required to submit another report with the joint standing committees of the General Assembly on appropriations and on finance, revenue and bonding on a plan to prevent a deficit. The Governor submitted such a plan on March 1, 2010. On April 14, 2010 House Bill No. 5545 was passed by the General Assembly and signed into law by the Governor. This bill provided for a net reduction in the anticipated General Fund deficit for the 2009-10 fiscal year of $323.3 million and a net increase in the General Fund deficit for the 2010-11 fiscal year of $34.2 million. In November 2009, the Governor issued two rounds of rescissions to reduce the estimated General Fund 2009-10 fiscal year deficit pursuant to her statutory authority totaling $51.0 million and issued another round of rescissions totaling $8.1 million on March 31, 2010.

Page III-28. The following information supplements the information under the heading **Midterm Budget Adjustments:**

Midterm Budget Adjustments for Fiscal Years 2009-2010 and 2010-2011:

The General Assembly concluded its legislative session on May 5, 2010, which included mid-term budget adjustments for fiscal years 2009-10 and 2010-11. The General Assembly passed and the Governor signed Senate Bill 494, as amended by Senate Amendment Schedules A, B, and C, which closed a current services gap of $416.5 million for the fiscal year ending June 30, 2011. The General Assembly projected General Fund revenue at $17,669.1 million and appropriated $17,668.9 million with an estimated surplus of $0.2 million for the fiscal year ending June 30, 2011. The projected General Fund revenue of $17,669.1 million was $72.3 million higher than the originally enacted budget of $17,596.8 million. This net increase in revenue includes: 1) a reduction of $105.2 million from the impact of the deficit mitigation plan enacted through Public Act No. 10-3; 2) a downward adjustment in projected revenue of $75.8 million; and 3) an increase of $253.3 million by adopting changes in certain policy measures consisting of (i) due to projected revenue improvement, a reduction of $334.7 million from the originally planned securitization of $1,290.7 million described in **Part III** of this Official Statement under the headings **Budget for Fiscal Years 2009-2010 and 2010-2011** and **Midterm Budget Adjustments** to be effectuated through Economic Recovery Revenue Bonds which will be secured by non-General Fund electric charges,; (ii) an increase of $365.6 million in federal grants generated from an anticipated extension of the federal American Recovery and Reinvestment Act (ARRA) funding; (iii) a $140 million transfer of revenue from the projected fiscal year 2009-10 surplus; and (iv) certain other transfers and increases. It should be noted that the ARRA funding has not yet been approved by the U.S. Congress. The projected General Fund expenditure of $17,668.9 million was $74.2 million higher than the originally enacted budget of $17,594.7 million. This net increase in expenditures is primarily due to an increase of $357.9 million in estimated current services, which was partially offset by a reduction of $120.4 million through the deficit mitigation plan and a reduction of $163.4 million in policy measure changes, including a $100 million deferral in the State's contribution to the State employees' pension fund. The mid-term budget adjustments have ***not*** been reflected in **Appendix III-E** to **Part III** of this Official Statement.

Article XXVIII of the Amendments to the Constitution of the State of Connecticut and Section 2-33a of the Connecticut General Statues codify the language on the State's expenditure cap. The revised budget is $336.4 million under the allowable expenditure cap in fiscal year 2010-11.

Based upon the most recent consensus revenue estimate, fiscal year 2009-10 is expected to end with a surplus in excess of $140 million. In its mid-term budget adjustments, the General Assembly has directed that up to $140 million of this surplus be used as revenue in fiscal year 2010-11 and any amounts in excess of $140 million be used to reduce the amount of Economic Recovery Revenue Bonds issued discussed above.

STATE DEBT

Page III-35, Table 7; page III-39, Table 8; page III-41, Table 10; page III-43, Table 12. The following information supplements the information included in such pages and tables:

In April 2010, the State issued (i) $105,000,000 of its General Obligation Bonds (2010 Series A) maturing in varying amounts between April 1, 2015 and April 1, 2018 and bearing interest at rates ranging from 2.50% to 5.00% per annum; (ii) $184,250,000 of its Taxable General Obligation Bonds (2010 Series A) (Build America Bonds – Direct Payment) maturing in varying amounts between April 1, 2019 and April 1, 2026 and bearing interest at rates ranging from 4.407% to 5.257% per annum; and (iii) $353,085,000 of its General Obligation Bond Anticipation Notes (2010 Series A) maturing May 19, 2011 and bearing interest at a rate of 2.00% per annum.

Page III-36. The following information is added after the information under the heading **UConn 2000 Financing:**

The General Assembly passed and the Governor is expected to sign House Bill 5027, as amended by House Amendment Schedule A and Senate Bill 494, which extends the UConn 2000 financing program to June 30, 2018 and increases the total estimated project costs by $207 million to finance a new patient tower and certain renovations for the John Dempsey Hospital at the University of Connecticut Health Center.

Pages III-43,Table 12; III-44,Table 13; and III-46, Table 14. The following information updates the information included in such pages and tables:

The General Assembly passed and the Governor is expected to sign various bills which adjust bond authorizations for the 2009-10 and 2010-11 fiscal years. The legislation increases the amount of new bond authorizations for the 2009-10 fiscal year by $30 million. Effective for the 2010-11 fiscal year, the General Assembly passed reductions of various bond authorizations totaling $615 million and approved additional bond authorizations totaling $71 million.

OTHER FUNDS, DEBT AND LIABILITIES

Page III-57. The following information supplements the information under the heading **School Construction Grant Commitments:**

The General Assembly passed and the Governor is expected to sign S.B. 376 which authorizes new school construction grant commitments of $427.5 million to take effect for the 2010-11 fiscal year.

PENSION AND RETIREMENT SYSTEMS

Page III-64. The following information supplements the information under the heading **Social Security and Other Post-Employment Benefits:**

It is expected that the State will receive an actuarial valuation with respect to the State's liability as of June 30, 2009 for post-retirement health care benefits for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System. There are no assurances that the expected actuarial valuation will match the prior interim valuation dated February 16, 2009 which indicated an OPEB actuarial accrued liability as of June 30, 2007 of up to $23.1 billion and a projected actuarial accrued liability as of June 30, 2008 of up to $24.6 billion on an unfunded basis with no valuation assets available to offset the liability of the plan.

LITIGATION

Page III-68. The following information is added to the end of the last paragraph under ***Sheff v. O'Neill:***

A motion for reconsideration of that ruling has been filed and remains pending.

Page III-69. The last sentence under the discussion for ***Connecticut Coalition for Justice in Education Funding et al. v. Rell, et al.*** is deleted and the following is added:

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 for a determination of whether such opportunities are being provided. The parties are currently seeking to establish a schedule for discovery.

Page III-71. The last sentence under the discussion for ***State of Connecticut Office of Protection and Advocacy for Persons with Disabilities v. The State of Connecticut, et al.*** is deleted and the following is added:

By ruling and order dated March 31, 2010, the Court denied the defendants' motions to dismiss the amended complaint and granted the plaintiffs' motion for class certification.

APPENDIX B

Page III-B-16. The row reflecting 2009 information in **TABLE B-18** is revised as follows:

TABLE B-18
Unemployment Rate

Year	Unemployment Rate		
	Connecticut	New England	United States
2009[a]	8.2%	8.3%	9.3%

(a) On a preliminary basis, Connecticut's average unemployment rate for February 2010 was 9.1% compared to New England's average of 9.2% and the national average of 9.7% for the same period. On a preliminary basis, Connecticut's average unemployment rate for March 2010 was 9.2% compared to the national average of 9.7% for the same period.

SOURCE: Connecticut State Labor Department
Federal Reserve Bank of Boston
United States Department of Labor, Bureau of Labor Statistics

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PART III
ANNUAL INFORMATION STATEMENT
STATE OF CONNECTICUT

FEBRUARY 24, 2010

This Annual Information Statement of the State of Connecticut (the "State") contains information through February 24, 2010. For information about the State after February 24, 2010, the State expects to provide an updating Information Supplement from time to time. The reader should refer to the Information Supplement, if any, set forth in this Official Statement immediately preceding this Annual Information Statement. This Annual Information Statement and the Information Supplement that precedes it, if any, and any appendices attached thereto, should be read collectively and in their entirety.

The State expects to revise this Annual Information Statement each year and expects to modify Annual Information Statements each year following the release of the State's audited GAAP based financial statements and audited legal accounting basis (modified cash) financial statements. This year, this Annual Information Statement contains the State's audited GAAP based financial statements and audited legal accounting basis (modified cash) financial statements. The State expects generally to prepare Information Supplements from time to time for the purpose of updating certain information contained in this Annual Information Statement. Such Information Supplements 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 Annual Information Statement and the most recent Information Supplement, if any, may be obtained, when prepared, 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	M. Jodi Rell
Lieutenant Governor	Michael Fedele
Secretary of the State	Susan Bysiewicz
* Treasurer	Denise L. Nappier
* Comptroller	Nancy S. Wyman
* Attorney General	Richard Blumenthal

Executive Branch Officers

* Secretary of the Office of Policy and Management	Robert L. Genuario
* Commissioner of Public Works	Raeanne V. Curtis
Commissioner of Transportation	Joseph F. Marie

Legislative Branch Officers

President Pro Tempore of the Senate	Sen. Donald E. Williams, Jr.
Speaker of the House of Representatives	Rep. Christopher G. Donovan
* Co-chairpersons of the Joint Standing Committee on Finance, Revenue and Bonding	Sen. Eileen Daily Rep. Cameron C. Staples
* Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding	Sen. Andrew W. Roraback Rep. Vincent J. Candelora
Auditors of Public Accounts	Kevin P. Johnston Robert G. Jaekle

* Denotes member of the State Bond Commission

PART III
February 24, 2010

ANNUAL INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

TABLE OF CONTENTS

INTRODUCTION

This Annual Information Statement of the State of Connecticut (the "State") contains certain information which 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 the official compilation thereof.

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 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 historic 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. 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 activities of the State which are not accounted for in the General Fund. These include the budget and debt of the Special Transportation Fund, certain special revenue funds and debt, contingent liability debt, grant commitments, guaranties and annuities. 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.

This Annual Information Statement will constitute **Part III** to Official Statements of the State prepared in connection with the offering of certain bonds of the State and should be read in its entirety together with **Part I** and **Part II**, if any, of such Official Statement. The Annual Information Statement speaks only as of its date. For more current information, potential investors should read **Part II - Information Supplement**, if any, or should contact the State directly as described in **Part I - Information Concerning the Bonds**, under the caption **ADDITIONAL INFORMATION.**

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 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; 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. These function headings apply to the General Fund as well as to other funds of the State which 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 grew at a rate which exceeded the United States' rate of population growth during the period 1940 to 1970, and slowed substantially during the past three decades. 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, and gross state product (the market value of all final goods and services produced by labor and property located within the State), which demonstrated slower growth in the early 2000s, but expanded at a healthy pace in 2004, surpassing the New England and national growth rates. Since then, Connecticut's annual growth in gross state product has mostly performed better than the New England region, but mostly slower than the Nation. Connecticut's nonagricultural employment reached a high in the first quarter of 2008 with 1,708,830 persons employed, but began declining with the onset of the recession falling to 1,628,730 jobs by the third quarter of 2009.

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 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 which 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.

The Supreme Court has ruled 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, which 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 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 which 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, which sets forth estimated revenues and expenditures for the three fiscal years after the biennium in progress.

Budget Document. By statute the budget document consists of four parts. Part I is the Governor's budget message, and contains 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 Governor's recommended appropriations from the General Fund and all special and agency funds comprise Part II of the budget document. 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. Part III of the budget document consists of drafts of appropriations and revenue bills to carry out the Governor's budget recommendations. In Part IV of the budget, the Governor makes recommendations concerning the State's economy and analyzes 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. In odd-numbered years, each agency submits its recommended adjustments or revisions of such estimates. In addition, the administrative head of each budgeted agency transmits to the Office of Fiscal Analysis copies of the 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 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 reports. Prior to June 30 of each odd-numbered year, the General Assembly generally enacts one bill making all appropriations for the next two fiscal years and setting forth revenue estimates for those years. Subsequent appropriations or revenue bills are occasionally passed.

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.

Fiscal Accountability Report. Beginning November 2005, by November fifteenth annually, the Secretary of the Office of Policy and Management and the director of the legislative 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 the Office of Policy and Management and the Director of the legislative Office of Fiscal Analysis to consider the submitted reports.

The Secretary of the Office of Policy and Management on November 15, 2009, and the director of the legislative Office of Fiscal Analysis on November 13, 2009, each submitted a fiscal accountability report for the current biennium and the next ensuing three fiscal years. The Office of Fiscal Analysis projected General Fund deficits for fiscal years ending June 30 of 2010, 2011, 2012, 2013 and 2014 of $385.9 million, $286.7 million, $3,282.0 million, $3,023.6 million and $3,191.9 million, respectively. The Office of Policy and Management in its report projected General Fund deficits for fiscal years ending June 30 of 2010, 2011, 2012, 2013 and 2014 of $337.0 million, $107.4 million, $3,024.0 million, $2,633.9 million and $2,581.7 million, respectively. The projections in each report were based on current services and certain other assumptions. In addition, both reports assumed that the scheduled sales tax reduction from 6.0% to 5.5% would not go into effect on January 1, 2010 because the trigger provisions that prevent the rate decrease from taking effect pursuant to Public Act No. 09-3 of the June 2009 Special Session would be met. Additionally, the reports estimated general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. The reports estimated fairly stable general obligation bond issuances over the five-year period of between $1.2 billion and $1.4 billion, with the expenditure on debt service gradually increasing. The projections of the Office of Policy and Management and the 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 General Assembly will not indicate changes in the final result of such fiscal years. The fiscal accountability report is generally on a current services basis, so its figures may not reflect any deficit reduction programs initiated in the current or any future budget biennium. The State has a balanced budget requirement and an expenditure cap as discussed at ***Page III-5*** under the heading **The Budgetary Process – *Balanced Budget Requirement***. As such, budgets adopted for these fiscal years will need to reflect a combination of revenue enhancements and expenditure reductions. As a result, the figures do not represent a projection of the actual financial results that might be expected, but instead serve as planning tools.

Consensus Revenue Estimates. Public Act 09-214 requires the Office of Policy and Management and the legislature's Office of Fiscal Analysis to issue consensus revenue estimates each year by October 15. 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.

Prior to the issuance of the fiscal accountability report discussed above, on October 15, 2009 the first such consensus revenue estimates were issued. The General Fund revenue estimates for fiscal years ending June 30 of 2010, 2011, 2012, 2013, and 2014 were $17,204.0 million, $17,432.7 million, $15,794.8 million, $16,755.5 million and $17,485.7 million, respectively. The consensus revenue estimates showed flat net tax revenues for the current biennium and then significant tax revenue growth for the next three fiscal years. Specifically, the consensus revenue estimates showed personal income tax revenues for the 2009-10 fiscal year of $6,610.7 million increasing to $8,499.6 million in fiscal year 2013-14. These trends were offset by a decline in Other Sources for the fiscal years ending June 30 of 2012, 2013 and 2014. This was due in part to the inclusion in the 2009-10 and 2010-11 fiscal years of federal stimulus funds, use of the $1,381.7 million balance in the Budget Reserve Fund, $1,300 million of borrowings in the form of securitization of future revenue sources for the 2010-11 fiscal year, and $60 million of asset sales, and the assumption that those sources will not be available in the ensuing fiscal years. On January 15, 2010, the Office of Policy and Management and the Office of Fiscal Analysis arrived at consensus revenue estimates. The General Fund revenue estimates for fiscal years ending June 30 of 2010, 2011, 2012, 2013, and 2014 were $17,029.5 million, $17,144.2 million, $15,385.8 million, $16,188.6 million, and $16,932.3 million, respectively.

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 General Assembly will not indicate changes in the final result of such fiscal years.

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 only 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. 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. 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 require an aggregate allotment reduction of a specified amount for the legislative or judicial branch.

Comptroller's Role. 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.

Treasurer's Role. Each warrant, draft or order upon the Treasurer must specify the particular appropriation against which it is drawn, and no money may be paid by the Treasurer absent such specification. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. The Treasurer also has primary responsibility for the investment of State funds and the issuance of debt of the State.

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 continued for a one-month period in the case of programs which were not renewed the succeeding year, those continued for the entire succeeding year in the case of highway and other capital construction projects, and limited amounts for certain special programs.

Unappropriated Surplus. 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.

After the accounts for the fiscal year are closed, beginning with the fiscal year ending June 30, 2010, and each fiscal year thereafter, until and including the fiscal year ending June 30, 2017, if the Comptroller determines there exists an unappropriated surplus in the General Fund, the amount of any such surplus is first to be used for redeeming prior to maturity any outstanding economic recovery notes issued to fund the deficit in the General Fund for the fiscal year ending June 30, 2009, refund any such notes, and pay the costs of issuance of such notes and interest payable or accrued on such notes through June 30, 2011, pursuant to Section 2 of Public Act No. 09-2 of the June 2009 Special Session, and any amount beyond that required to redeem such notes shall be used to reduce the obligations of the State under the financing plan authorized under Section 88 of Public Act No. 09-3 of the June 2009 Special Session. By statute, the Treasurer was directed to transfer (i) and did transfer, $1,039.7 million from the budget reserve fund to the resources of the General Fund to be used as revenue for the fiscal year ending June 30, 2010 and (ii) $342.0 million from the budget reserve fund to the resources of the General Fund to be used as revenue for the fiscal year ending June 30, 2011.

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 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 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 ("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. Effective with the fiscal year commencing July 1, 2008, the Comptroller, in the Comptroller's sole discretion, may initiate a process intended to result in the implementation of GAAP as prescribed by the Governmental Accounting Standards Board, with respect to the preparation and maintenance of the annual financial statements of the State now prepared on a modified cash basis, by making incremental changes consistent 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) the accrual of corporation business tax revenue received by the Department of Revenue Services no later than five business days after the fifteenth day of August immediately following the end of such fiscal year through the 2006-07 fiscal year and, pursuant to the Comptroller's constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111, the last day of July for fiscal year 2007-08 and thereafter; (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; and (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.

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 which 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 which are not so recognized in the modified cash basis of accounting.

The Treasurer is required to submit to the Governor and the Investment Advisory Council, by December 31 of each year, audited financial statements of the State's combined investment funds, and financial statements of the Short Term Investment Fund, the Second Injury Fund, and the Tax Exempt Proceeds Fund for the prior fiscal year.

In July 2003 the State implemented the first phase of a new, fully integrated, Internet based, financial management and human resources system called Core-CT. The system was rolled out in phases by applications over a period of time between July 2003 and July 2007. The new system provides a single point of entry for all State financial, human resources and payroll data. The implementation of Core-CT is the product of several years of work to improve the State's financial reporting and management information systems. From an information technology perspective, Core-CT has allowed the State to standardize and modernize its computer technology bringing uniformity to the computers, programming languages, and data base packages utilized by State government. Core-CT utilizes PeopleSoft ERP software. On-going maintenance and scheduled upgrades to the system are expected to continue.

Core-CT was implemented coincident with an unanticipated and significant downsizing of the State's workforce between 2002 and 2003, resulting in significantly reduced staffing levels in State agency business and financial offices. This left the State with the task of implementing the most ambitious upgrade to its financial systems in history with a smaller and less experienced workforce. In addition, as with the implementation of any large-scale information technology system, Core-CT experienced some initial difficulties. Software anomalies were detected, certain application processing was slow, and some users did not fully understand the new coding conventions and accounting entries required for system processing. These problems were aggravated by technical complications relating to an interface to Core-CT from a new revenue management system implemented in January 2004 at the Department of Revenue Services. While this system is not part of Core-CT, it must interface effectively with Core-CT applications.

The initial Core-CT implementation problems outlined above have been resolved. A State team consisting of employees from the Office of the State Comptroller, OPM, the Office of Information and Technology and the Department of Administrative Services continues to work on an ongoing basis with State agencies, consultants and PeopleSoft representatives to improve system performance.

The implementation problems with the CORE-CT financial management software system caused a delay in the preparation of financial statements and reports for fiscal years 2004-05 and 2005-06. The audited legal accounting basis (modified cash) financial statements and the audited financial statements of the State prepared in accordance with generally accepted accounting principles (GAAP) for the fiscal year ending June 30, 2009 appear in **Parts III-C and III-**D. There was a delay of the State's submission to the U.S. Department of Health & Human Services of its Single Audit for the fiscal year ending June 30, 2006 pursuant to OMB Circular No. A-133. The State received an extension until May 31, 2007, and the State submitted the Single Audit before that date. The State does not expect there to be any such delay this year.

Investment and Cash Management

Treasurer's Role. 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 or reinvest funds under the control of the Treasurer in United States government or agency obligations, shares or interests in an investment company or 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 fully collateralized by such obligations, United States postal service obligations, certificates of deposit, commercial paper, savings accounts and bank acceptances. The Treasurer may also invest funds, excluding civil list funds, in the sale or acquisition of securities or obligations which the Treasurer is authorized to sell or acquire for purposes of any combined investment fund, subject to repurchase agreements with any securities dealer or bank included in the list of primary dealers prepared by the Federal Reserve Bank of New York. The Treasurer is also authorized to invest all or any part of any sinking fund in bonds in which savings banks may legally invest, provided such bonds mature prior to maturity of the bonds of the State which are outstanding. 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. Cash management and the investment by the Treasurer of all State monies is based on the concept of a common cash pool. It is the practice of the State to treat all civil list funds (including monies in the General Fund, the Budget Reserve Fund, various bond funds, and the Special Transportation Fund) as common cash. All banks holding major account balances for the State Treasury report these balances daily, enabling the Treasurer to maintain adequate cash to meet anticipated demands and to keep unneeded balances fully invested.

Short Term Investment Fund. The Short Term Investment Fund ("STIF") is a combined investment pool of high quality, short term money market instruments which is the primary investment vehicle for the temporarily surplus cash of all funds of 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. These investment guidelines prohibit investment in derivative securities other than floating rate securities which 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. Shares of the Short Term Investment Fund are rated "AAAm" by Standard & Poor's.

Medium Term Investment Fund. A 1997 statute created the Medium-Term Investment Fund. The Treasurer may purchase participation units of the fund for all trusts and other funds for which the Treasurer has investment responsibility. The Treasurer may sell participation units in the Medium-Term Investment Fund to all agencies, authorities, instrumentalities and political subdivisions of the State. The Treasurer is authorized to invest and reinvest 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. The Medium-Term Investment Fund was implemented in September 2006.

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 CGS 3-24k. In addition, investments are made in individual securities pursuant to CGS 3-31a. Allowable investments under CGS 3-31a include United States government and agency obligations, 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 CGS 3-31a, which specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $500 million.

Investment of Bond Proceeds. Proceeds of bonds are accounted for in various general obligation bond funds. All invested assets of the bond funds are invested in STIF or TEPF. 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 released temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, release 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 release 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.

Tax Exempt Proceeds Fund. Under the terms of the General Statutes the Treasurer has facilitated the establishment of the Tax Exempt Proceeds Fund, Inc. ("TEPF"), a diversified, open-end management investment company, registered under the Investment Company Act of 1940, whose investment objectives are to provide its investors with high current interest income exempt from federal income taxes, preservation of capital and maintenance of liquidity. TEPF will only invest in securities that qualify as an investment in "tax-exempt bonds" as defined in Section 150(a)(6) of the Internal Revenue Code of 1986, as amended (the "Code") and amplified in Treasury Department Regulations. Therefore, shareholders of TEPF that are tax-exempt bond issuers are expected to be exempt from the arbitrage rebate provisions of the Code. TEPF seeks to achieve its objectives by investing primarily in a liquid money market portfolio of short-term, high quality, tax-exempt, fixed rate and variable rate obligations issued by states, municipal governments and by public authorities, and in participation interests therein issued by banks, insurance companies or other financial institutions that meet this federal income tax definition. The TEPF seeks to maintain a constant net asset value of $1.00 per share. TEPF's investment policies were developed for the particular federal income tax needs of entities that are issuers of tax-exempt state and local bonds, such as states and municipalities and their authorities, agencies, instrumentalities and subdivisions. All recipients of any grant or loan monies of the State funded from Connecticut tax-exempt bond proceeds must invest such monies in TEPF, unless the Treasurer waives this requirement upon a determination that a waiver will not adversely affect the tax-exempt status of State bonds, notes or other evidences of indebtedness. The State may, from time to time, deposit bond proceeds of the State in TEPF. Reich & Tang Asset Management, LLC acts as investment manager of TEPF and a Board of Directors is responsible for TEPF's overall management and supervision.

Investment Advisory Council. All 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. 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. Eleven 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 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 seven 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. However, 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 is accounted for on a modified cash basis of accounting (the "budgetary-basis"), which differs from generally accepted accounting principles ("GAAP"). For an explanation of the differences between the budgetary-basis and GAAP based accounting, see **FINANCIAL PROCEDURES — Accounting Procedures** herein. The State is not presently required to prepare GAAP financial statements, although it has prepared such statements annually since 1988. GAAP based audited financial statements for all civil list funds of the State for the fiscal year ending June 30, 2009 are included as **Appendix III-C** to this Annual Information Statement. The State gives no assurance that it will continue to prepare GAAP based financial statements in the future. Budgetary-basis financial statements for the General Fund audited for the fiscal years ending June 30, 2005 through June 30, 2009 are included in **Appendix III-D** to this Annual Information Statement. The audited final budgetary-basis results for the fiscal year ending June 30, 2009, the adopted budgets for the fiscal years ending June 30, 2010 and June 30, 2011 and the estimated (as of December 31, 2009) budget for the fiscal year ending June 30, 2010 are included as **Appendix III-E** to this Annual Information Statement. Unless otherwise stated, amounts set forth in the discussion which 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. 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 tolerable levels 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.

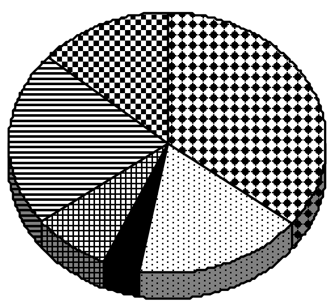
Consensus Revenue. Public Act 09-214 requires the Office of Policy and Management and the Office of Fiscal Analysis to issue consensus revenue estimates each year by October 15. The estimates must cover a five-year period that includes the current biennium and the three following fiscal years. It also 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 Year 2009-2010 and 2010-2011 Adopted Revenues. General Fund revenues as forecasted at the adoption of the revised budget for the fiscal years ending June 30, 2010 and June 30, 2011 ("Adopted Revenues") are reflected in **Appendix III-E** to this Annual Information Statement. The State, as of the forecast date, expected to derive approximately 62.9 percent and 62.0 percent, respectively, of its General Fund revenues from taxes during the 2009-10 fiscal year and the 2010-11 fiscal year. The final budgetary-basis results for the fiscal year ending June 30, 2009, the revised adopted budget and the estimated budgetary basis results (as of December 31, 2009) for the fiscal year ending June 30, 2010 and the revised adopted budget for the fiscal year ending June 30, 2011 are included in **Appendix III-E** to this Annual Information Statement.

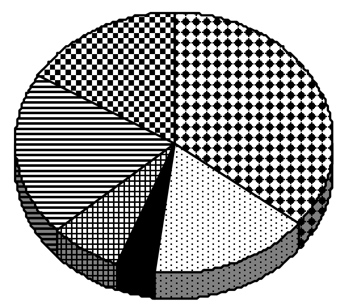
General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. Miscellaneous fees, receipts, transfers and unrestricted Federal grants account for most of the other General Fund revenue. A summary of anticipated General Fund revenue sources based on the Adopted Revenues, for the fiscal years ending June 30, 2010 and June 30, 2011, are set forth below:

Adopted General Fund Revenues (In Millions)

Adopted Revenues 2009-2010
$17,372.4[(a)]



Adopted Revenues 2010-2011
$17,596.8[(a)]



	2009-2010		2010-2011	
Personal Income Tax	$ 6,630.7	35.6%	$ 6,654.7	35.4%
Sales and Use Tax	3,166.7	17.0%	3,095.4	16.5%
Corporate Business Tax	721.6	3.9%	731.9	3.9%
Other Taxes[(b)]	1,498.5	8.1%	1,424.0	7.6%
Unrestricted Federal Grants	4,051.8	21.8%	3,770.4	20.1%
Other Non-Tax Revenues [(c)]	2,536.3	13.6%	3,089.3	16.5%

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 $18,606.3 million for fiscal year 2009-10 and $18,779.1 million for fiscal year 2010-11 and do not reflect tax refunds and transfers to other funds of $1,233.9 million for fiscal year 2009-10 and $1,182.3 million for fiscal year 2010-11. See **Appendix III-E** for anticipated adjustments to adopted tax revenues. The charts do not reflect any results of the Governor's deficit mitigation plans or the results of the November 24, 2008 Special Session of the General Assembly.

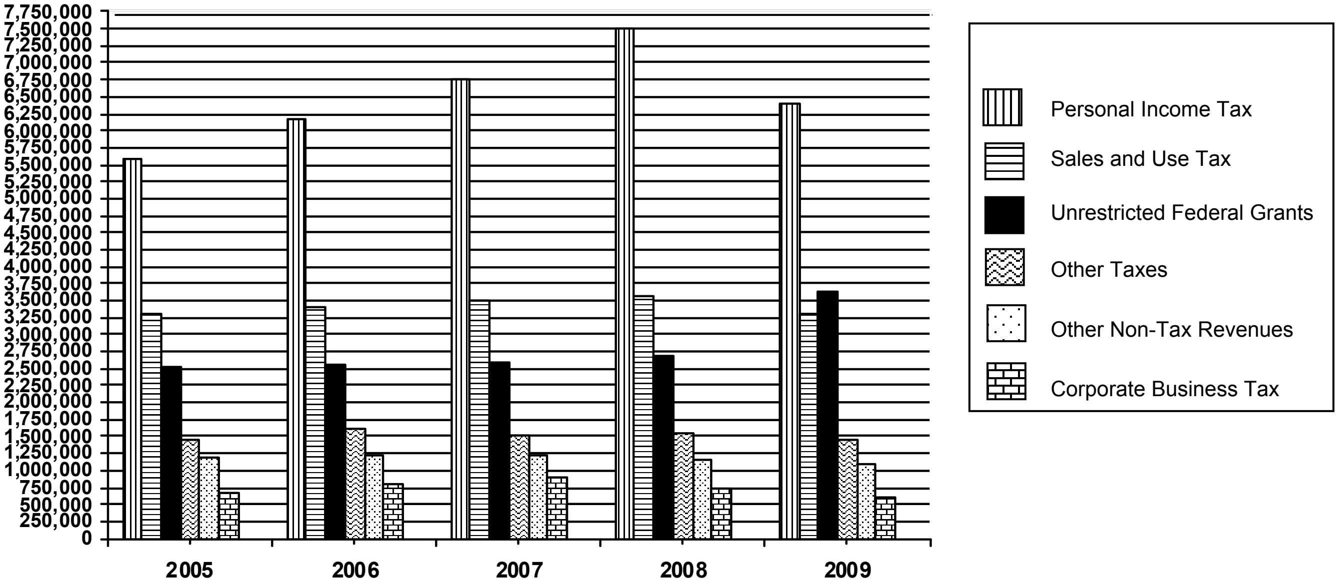
(b) Other taxes are comprised of inheritance and estate taxes, taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on oil companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on nursing home providers and 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 and designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund. See **Appendix III-E**.

SOURCE: Public Act No. 09-3 of the June 2009 Special Session; Public Act No. 09-8 of the September 2009 Special Session; Public Act No. 09-7 of the September 2009 Special Session; Public Act No. 09-5 of the September 2009 Special Session.

Historical General Fund Revenues. Actual General Fund revenues for the fiscal years ending June 30, 2005 through 2009 are set forth in **Appendix III-D** to this Annual Information Statement. A summary of the composition of General Fund gross revenues for0the last five fiscal years is illustrated below:

General Fund Revenues[(a)]
Fiscal Year Ending June 30
(In Thousands)



	2005	2006	2007	2008	2009
Taxes:					
Personal Income Tax	$ 5,570,724	$ 6,156,373	$ 6,749,462	$ 7,512,688	$ 6,385,856
Sales Tax	3,290,366	3,401,966	3,496,110	3,582,317	3,318,752
Corporate Business Tax	678,969	787,702	890,730	733,942[(e)]	615,921
Other Taxes [(b)]	1,447,999	1,606,746	1,517,553	1,558,511	1,448,448
Subtotal..............................	10,988,058	11,952,787	12,653,855	13,387,458	11,768,977
R & D Credit Exchange……….	(8,850)	(6,694)	(5,983)	(11,363)	(8,428)
Refunds of Taxes	(681,279)	(730,850)	(746,539)	(852,184)	(1,052,286)
Total Net Taxes	$10,297,929	$11,215,243	$11,901,333	$12,523,911	$10,708,263
Other Revenue:					
Federal Grants					
(Unrestricted)........................	$ 2,497,670	$ 2,549,577	$ 2,602,774	$ 2,701,603	$ 3,619,490
Other Non-Tax Revenues[(c)]	1,209,764	1,230,801	1,224,753	1,164,272	1,105,217
Transfers to Other Funds	(85,000)	(86,300)	(86,300)	(86,300)	(86,300)
Transfers from Other Funds......	142,500	89,400	100,000	115,300	354,131[(d)]
Total Other Revenues	$ 3,764,934	$ 3,783,478	$ 3,841,227	$ 3,894,875	$ 4,992,538
Total Revenues..................	$14,062,863	$14,998,721	$15,742,560	$16,418,786	$15,700,801

(a) The bar graph reflects the total of the listed tax and revenue amounts and does not reflect the listed adjustments for tax 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 nursing home providers 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 and other miscellaneous revenues less refunds of payments.

(d) For Fiscal Year 2009, $179.4 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) For Fiscal Year ending June 30, 2008, the Corporation Business Tax accrual date was changed to the last day of July from August 15th (as in the prior fiscal years). The Corporation Business Tax is now consistent with other tax accruals. The Comptroller's decision to make this change is within her constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111.

SOURCE: 2005, 2006, 2007, 2008 and 2009 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 tax imposed is at the maximum rate of 6.5% 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 certain higher income levels. Neither the personal exemption nor the tax credit described above is available to trusts or estates. Legislation enacted in 1995 effected a graduated rate structure beginning in tax year 1996 and revised for tax year 2009. Under this revised structure, the top rate remains at 6.5% 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. In addition, an income tax credit for property taxes paid of $350 per filer beginning with the tax year commencing January 1, 2003 was increased to $500 per filer for tax years beginning on or after January 1, 2006. Taxpayers also are subject to a Connecticut minimum tax based on their liability, if any, for payment of the federal alternative minimum tax.

Sales and Use Taxes. The 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) sales at retail 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) the transfer of occupancy of hotel or lodging house rooms for a period not exceeding thirty consecutive calendar days. The 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 the Sales and Use Taxes is 6%. A separate rate of 12% 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 revenues from these taxes are generally due monthly on or before the last day of the month next succeeding the taxable month.

Corporation Business Tax. The 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 which carries on or has the right to carry on business within the State or owns or leases property or 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, that 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. The Corporation Business Tax provides for three methods of computation. The taxpayer's liability is the greatest amount computed under any of the three methods.

The first method of computation 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 from time to time. The Income-Base Tax had been levied at the rate of 10.75% in 1996 and was phased down over subsequent years to 7.5% for taxable years commencing on and after January 1, 2000. The second method of computing the Corporation Business Tax is an alternative tax on capital. This alternative 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 its capital stock and balance sheet surplus, profit and deficit. The third method of computing the Corporation Business Tax is the minimum tax which is a flat $250. Corporations must compute their tax liability under all three methods, determine which calculation produces the greatest tax, and pay that amount to the State. In

2002 the State limited corporation credits from reducing tax liability by more than 70%. The State imposed a one time corporation business tax surcharge of 20% for income year 2003, 25% for income year 2004, 20% for income year 2006. There was no corporation business tax surcharge for income year 2005, 2007 or 2008. For income year 2009, 2010 and 2011 a corporation business tax surcharge of 10% has been imposed for businesses with over $100 million in federal adjusted gross income.

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.

Other Taxes. Other tax revenues are derived from estate taxes, taxes on gross receipts of public service companies, taxes on net direct premiums of insurance companies, taxes on oil companies, cigarette and alcoholic beverage excise taxes, real estate conveyance taxes, taxes on admissions and dues, taxes on nursing home providers and other miscellaneous tax sources.

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 expenditure driven. The largest federal grants in fiscal year 2008-09 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 which are not reflected in annual appropriations but which nonetheless are accounted for in the General Fund. The American Recovery and Reinvestment Act (ARRA) provides the State with increased Medicaid and Title IV-E grants as well as new funding for education, transportation, and other general government functions in fiscal years 2009, 2010 and 2011. In addition, the State receives certain federal grants which are not accounted for in the General Fund but are allocated to the Transportation Fund, various Capital Project Funds and other funds.

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

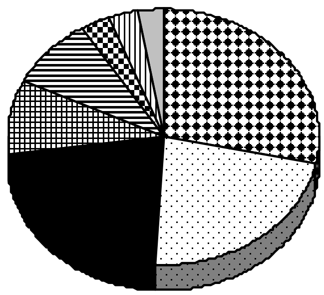
Appropriated and Historical Expenditures

Fiscal Year 2009-2010 and 2010-2011 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 of Persons and Property; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, not the General Fund. Occasionally, minor expenditures for transportation related expenditures are paid from the General Fund.

The revised adopted budgets for the fiscal years ending June 30, 2010 and June 30, 2011, the audited final budgetary-basis results for the fiscal year ending June 30, 2009, and the estimated (as of December 31, 2009) budgetary-basis results for the fiscal year ending June 30, 2010 are included as **Appendix III-E** to this Annual Information Statement. A summary of appropriated General Fund expenditures for the fiscal years ending June 30, 2010 and June 30, 2011 is set forth below.

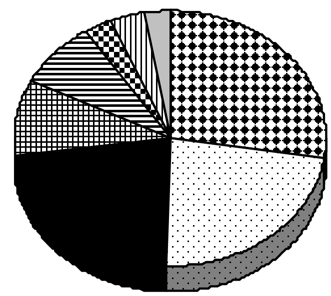
Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures 2009-2010
$17,370.6[a]



Human Services	$ 5,066.5	30.1%
Education, Libraries and Museums	4,023.4	23.9%
Non-Functional	3,873.3	23.0%
Health and Hospitals	1,705.5	10.1%
Corrections	1,568.8	9.3%
General Government	543.7	3.2%
Judicial	561.0	3.3%
Other Expenditures[b]	501.7	3.0%

Appropriated Expenditures 2010-2011
$17,591.0[a]



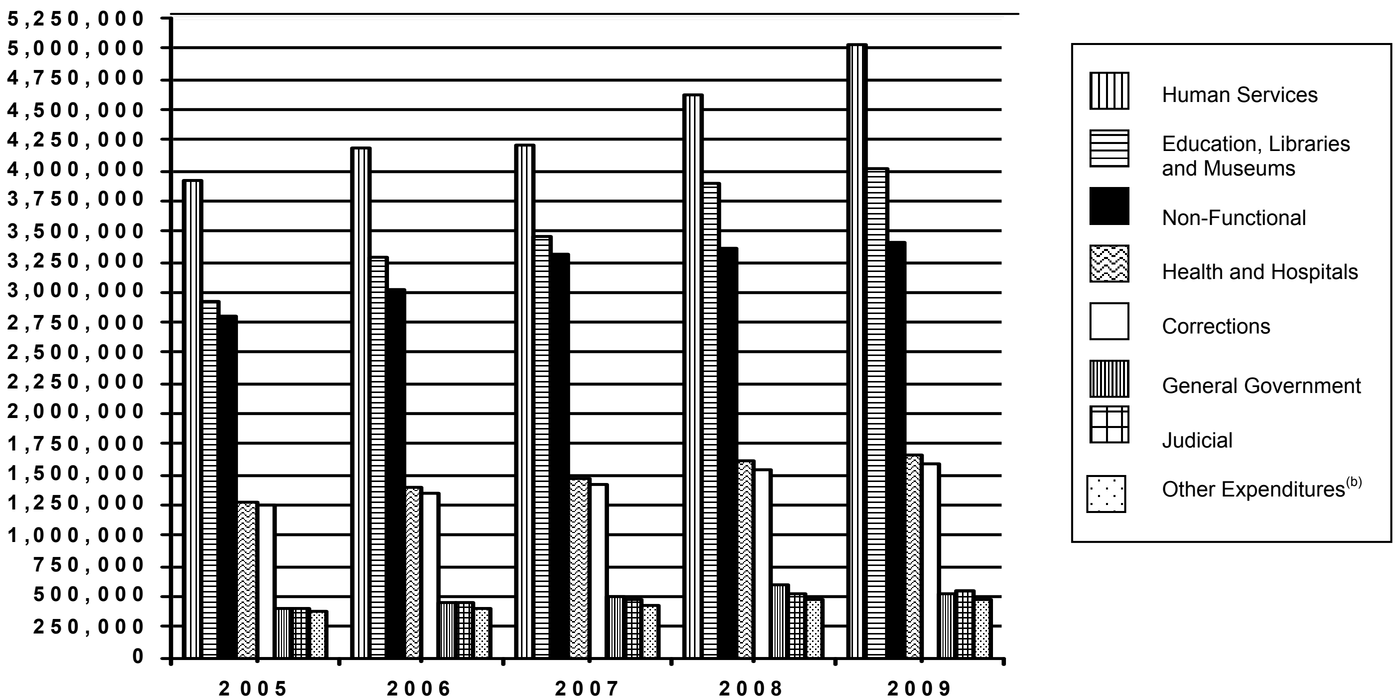
Human Services	$ 4,996.8	28.4%
Education, Libraries and Museums	4,103.6	23.3%
Non-Functional	4,091.2	23.3%
Health and Hospitals	1,737.4	9.9%
Corrections	1,554.6	8.8%
General Government	553.4	3.1%
Judicial	579.1	3.3%
Other Expenditures[b]	505.1	2.9%

(a) The pie charts reflect the total listed expenditures of $17,843.9 million for fiscal year 2009-10 and $18,121.4 million for fiscal year 2010-11, and do not reflect adjustments for unallocated lapses of $473.3 million for fiscal year 2009-10 and $530.4 million for fiscal year 2010-11. See **Appendix III-E** for anticipated adjustments to appropriated expenditures. The charts do not reflect any results of the Governor's deficit mitigation plan or the results of the November 24, 2008 Special Session of the General Assembly.

(b) Other expenditures are comprised of appropriations for Legislative, Regulation and Protection, Conservation and Development and Transportation.

SOURCE: Public Act No. 09-3 of the June 2009 Special Session; Public Act No. 09-8 of the September 2009 Special Session; Public Act No. 09-7 of the September 2009 Special Session; Public Act No. 09-5 of the September 2009 Special Session.

Historical General Fund Expenditures. Actual General Fund expenditures for the fiscal years ending June 30, 2005 through 2009 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)

	2005	2006	2007	2008	2009
Human Services	$ 3,908,030	$ 4,181,893	$ 4,221,641	$ 4,629,658	$ 5,041,515
Education, Libraries and Museums	2,922,543	3,290,626	3,449,507	3,892,796	4,019,381
Non-Functional	2,793,571	3,022,667	3,311,597	3,356,538	3,399,404
Health and Hospitals	1,283,235	1,392,263	1,473,779	1,606,711	1,662,540
Corrections	1,239,564	1,339,289	1,430,316	1,549,792	1,577,167
General Government	409,138	442,518	500,641	602,849	520,115
Judicial	405,818	438,123	474,067	515,738	543,078
Other Expenditures[(b)]	371,804	392,237	432,187	473,365	471,655
Totals	$ 13,333,703	$ 14,499,616	$ 15,293,735	$ 16,627,447	$ 17,234,855

(a) The bar graphs and amounts listed do not reflect expenditure of restricted federal and other grants. See **Appendix III-D**.

(b) Other expenditures are comprised of appropriations for Legislative, Regulation and Protection, Conservation and Development and Transportation.

SOURCE: 2005, 2006, 2007, 2008 and 2009 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.

Education, Libraries and Museums. Based upon the adopted budget for the 2009-10 fiscal year, approximately 67% of the 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 33% consists of expenditures for higher education (including the University of Connecticut, the Connecticut State University System and the Regional Community-Technical Colleges), the Teachers' Retirement Board, the State Library, and services for the blind and deaf.

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 historical sites, commerce and industry; and environment, the latter accounting for approximately 54% of all appropriations for Conservation and Development based upon the adopted budget for the 2009-10 fiscal year.

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 State expenditures to which they relate are divided for both administrative and budgetary purposes among appropriation account categories 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 3 to **Table 1** below). Such payments to third parties amount to approximately 63% of total General Fund appropriations under the adopted budget for the 2009-10 fiscal year. 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 37% of all General Fund appropriations under the revised adopted budget for the 2009-10 fiscal year.

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 in question 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, in fact, adopted by the General Assembly. A summary of fixed charges is shown on **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[1]
Fixed Charges - General Fund
Summarized by Function of Government and Expenditure Category
Including Major Expenditure Items
(In Thousands of Dollars)

	Fiscal Year 2007-08 (Actual)		Fiscal Year 2008-09 (Unaudited)		Fiscal Year 2009-10 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
LEGISLATIVE						
Total – Legislative	313	0	330	0	373	0
GENERAL GOVERNMENT						
Tax Relief for Elderly Renters	18,402	0	20,311	0	22,000	0
Property Tax Relief Elderly Circuit Breaker	20,506	20,506	20,506	20,506	20,506	20,506
P.I.L.O.T. - New Manufacturing Machinery and Equipment	53,380	53,380	57,348	57,348	57,348	57,348
Undesignated	48,833	19,290	52,641	24,103	40,637	17,830
Total – General Government	122,719	93,176	130,495	101,957	118,491	95,684

	Fiscal Year 2007-08 (Actual)		Fiscal Year 2008-09 (Unaudited)		Fiscal Year 2009-10 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
REGULATION AND PROTECTION						
Total - Regulation and Protection	1,272	0	1,110	130	1,013	0
CONSERVATION AND DEVELOPMENT						
Total - Conservation and Development	37,171	19,408	34,983	17,875	30,742	13,954
HEALTH AND HOSPITALS						
Employment Opportunities and Day Services (Dept. of Developmental Services [2])	157,721	0	162,299	0	177,494	0
Community Residential Services (Dept. of Developmental Services [2])	373,714	0	395,022	0	379,448	0
Grants for Substance Abuse Services	28,191	0	26,045	0	25,529	0
Grants for Mental Health Services	80,132	0	79,339	0	77,894	0
Undesignated	51,548	14,837	52,795	15,961	47,934	14,900
Total - Health and Hospitals	691,306	14,837	715,500	15,961	708,299	14,900
HUMAN SERVICES						
Medicaid	3,470,656	0	3,851,692	0	3,847,385	0
Old Age Assistance	32,573	0	35,555	0	36,328	0
Aid to the Disabled	57,525	0	58,942	0	60,649	0
Temporary Assistance to Families – TANF	110,962	0	112,605	0	117,435	0
Connecticut Pharmaceutical Assistance Contract to the Elderly	31,954	0	31,464	0	10,280	0
Medicaid - Disproportionate Share - Mental Health	105,935	0	105,935	0	105,935	0
Connecticut Home Care Program	57,861	0	69,106	0	66,428	0
Child Care Services - TANF/CCDBG	98,801	0	93,119	0	103,872	0
Housing/Homeless Services	31,230	0	40,495	0	44,051	0
Disproportionate Share - Medical Emergency Assistance	57,725	0	53,725	0	51,725	0
DSH - Urban Hospitals in Distressed Municipalities	31,550	0	31,550	0	31,550	0
State Administered General Assistance	184,049	0	203,186	0	244,024	0
Medicare Part D Supplemental Needs	22,862	0	25,264	0	3,120	0
Hospital Hardship Fund	28,647	0	7,953	0	0	0
Undesignated	71,847	6,468	73,378	6,453	71,777	7,018
Total - Human Services	4,394,177	6,468	4,793,969	6,453	4,794,559	7,018

	Fiscal Year 2007-08 (Actual)		Fiscal Year 2008-09 (Unaudited)		Fiscal Year 2009-10 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
EDUCATION, LIBRARIES AND MUSEUMS						
Charter Schools	34,880	0	41,655	0	48,152	0
Adult Education	19,620	19,620	19,567	0	20,594	20,594
Transportation of School Children	47,964	47,964	47,975	47,975	47,964	47,964
Education Equalization Grants	1,808,802	1,808,802	1,882,944	1,882,944	1,889,609	1,889,609
Priority School Districts	127,061	127,061	114,417	114,417	117,237	117,237
Excess Cost - Student Based	129,835	129,835	140,045	140,045	120,491	120,491
Magnet Schools	109,750	109,750	128,613	128,613	148,108	148,108
Connecticut Independent College Student Grant	23,914	0	23,397	0	23,914	0
Connecticut Aid for Public College Students	30,208	0	30,208	0	30,208	0
Teachers' Retirement Contributions	518,560	0	539,303	0	559,224	0
Undesignated	126,992	62,555	126,455	80,119	98,176	55,649
Total – Education	2,977,586	2,305,587	3,094,579	2,394,113	3,103,677	2,399,652
CORRECTIONS						
Community Support Services (Dept. of Correction)	35,481	0	38,682	0	40,370	0
Board and Care for Children – Adoption	71,884	0	77,305	0	81,533	0
Board and Care for Children – Foster	112,224	0	107,635	0	112,410	0
Board and Care for Children – Residential	191,692	0	196,143	0	189,341	0
Community KidCare	21,697	0	23,233	0	25,946	0
Undesignated	92,688	0	90,997	0	99,918	0
Total – Corrections	525,666	0	533,995	0	549,518	0
NON FUNCTIONAL						
Debt Service (Including UConn 2000 and CHEFA Day Care Security) [3]	1,413,035	0	1,469,283	0	1,603,864	0
Reimbursement to Towns for Loss of Taxes on State Property	80,019	80,019	80,019	80,019	73,519	73,519
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property	122,430	122,430	122,430	122,430	115,432	115,432
Undesignated	424	0	466	0	525	0
Total - Non Functional	1,615,908	202,449	1,672,198	202,449	1,793,340	188,951
Total - Fixed Charges	10,366,118	2,641,925	10,977,159	2,738,938	11,100,012	2,720,159

1 Table 1 includes actual fixed charge expenditures for fiscal year 2007-08, unaudited fixed charge expenditures for Fiscal Year 2008-09, and appropriated fixed charge expenditures for fiscal year 2009-10.

2 The Department of Developmental Services was formerly known as the Department of Mental Retardation.

3 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 2008-2009 Operations

Pursuant to the Comptroller's financial statements provided on December 31, 2009, as of June 30, 2009, General Fund revenues were $15,700.8 million, General Fund expenditures and net miscellaneous adjustments were $16,648.4 million and the General Fund deficit for the 2008-09 fiscal year was $947.6 million. On December 3, 2009, the Treasurer issued $915,795,000 notes for the purpose of funding the deficit, amounts to pay costs of issuance of such notes and certain interest payable or accrued on such notes.

The audited results for the final fiscal year 2008-09 operations of the General Fund have been outlined in **Appendix III-D** to this **Part III**.

Budget for Fiscal Years 2009-2010 and 2010-2011

On June 3, 2009, the General Assembly adjourned its regular 2009 session without adopting a fiscal year 2009-2011 biennial budget. Prior to adjournment, the General Assembly passed resolutions calling for a special session to take up matters related to adoption of a budget. The special session was immediately convened at the conclusion of the regular session. During the special session, the General Assembly passed a General Fund budget for the 2009-10 and 2010-11 fiscal years which was subsequently vetoed by the Governor.

The State continued to run its operations pursuant to Executive Orders which were issued by the Governor. Authorization to pay debt service on the State's general obligation bonds remained unaffected. The Executive Orders directed all department heads and executive branch employees to limit purchases of goods and services and directed all department heads to utilize personnel and other resources in an effective and efficient manner, giving priority to programs that provide direct care services, administer justice and protect the public health and safety. The Executive Orders covered the months of July, August and the portion of September until the approval of an appropriation act for the fiscal year commencing July 1, 2009.

In a special session, the General Assembly passed the biennial budget for fiscal years 2009-10 and 2010-11 which subsequently became law on September 8, 2009. The enacted budget, Public Act No. 09-3 of June 2009 Special Session, for fiscal year 2009-10 included General Fund revenues of $17,375.4 million and net appropriations of $17,374.6 million, resulting in a projected surplus of $0.8 million. The budget for fiscal year 2010-11 included General Fund revenues of $17,591.9 million and net appropriations of $17,591.0 million, resulting in a projected surplus of $0.9 million.

The enacted biennial budget raised net revenues from three major resources: 1) Grants from the ARRA, 2) transfers from other State funds to the State's General Fund and securitizations, and 3) net increases in taxes and miscellaneous fees. Federal grants from the ARRA for human services, education, and other economic related stimulus programs totaled $878.9 million in fiscal year 2009-10 and $594.8 million in fiscal year 2010-11. Major revenues from transfers of other State funds to the State's General Fund and securitizations included (i) transferring Budget Reserve Funds by $1,039.7 million in fiscal year 2009-10 and $342.0 million in fiscal year 2010-11, and (ii) securitizing $1,290.7 million in fiscal year 2010-11 as amended by Public Act No. 09-7 of the September 2009 Special Session. The significant tax changes included: (i) an increase in the highest income tax rate to 6.5% from 5% for those with taxable incomes over $1 million for joint filers, $800,000 for heads of households, and $500,000 for single filers and married people filing separately, raising approximately $594.0 million in fiscal year 2009-10 and $400.0 million in fiscal year 2010-11; (ii) an imposition of a 10% corporation tax surcharge for the 2009, 2010, and 2011 income years on companies that have (1) $100 million or more in annual gross income in those years and (2) tax liability that exceeds the $250 minimum, raising approximately $74.1 million in fiscal year 2009-10 and $41.1 million in fiscal year 2010-11; (iii) an increase in the cigarette tax rate from $2.00 per pack to $3.00 per pack, raising approximately $94.9 million in fiscal year 2009-10 and $112.4 million in fiscal year 2010-11; (iv) changes in various fees, raising approximately a net total of $108.5 million in fiscal year 2009-10 and $105.9 million in fiscal year 2010-11, and (v) cuts in taxes, including (1) a reduction in the sales and use tax rate to 5.5% from

6%, and (2) a reduction in the estate and gift tax. The reduction of the sales and use tax rate effective January 1, 2010 was expected to result in a revenue loss of approximately $129.5 million in fiscal year 2009-10 and $268.0 million in fiscal year 2010-11. However, if any cumulative monthly financial statement issued by the Comptroller before January 1, 2010 indicates that the estimated gross tax revenue to the General Fund to the end of the fiscal year ending June 30, 2010 is at least 1% less than the adopted gross tax revenue to the General Fund for fiscal year 2009-10, the tax rate would remain at 6%. If any cumulative monthly financial statement issued after January 1, 2010, and on or before June 30, 2010, indicates that the estimated gross tax revenue to the General Fund to the end of the fiscal year ending June 30, 2010 is at least 1% less than the adopted gross tax revenue to the General Fund, the tax rate would remain at 6%. On the estate and gift taxes, the enacted law (i) increased the threshold for the value of an estate or gift subject to the estate and gift taxes from $2 million to $3.5 million; (ii) reduced the marginal tax rates by 25%; and (iii) eliminated the tax cliff. These three measures were expected to reduce revenues by approximately $5.9 million in fiscal year 2009-10 and $70.3 million in fiscal year 2010-11.

The significant changes in appropriations came from State employee personal services reductions, entitlement programs savings, and education grants reductions. Personal services reductions from concessions with a coalition of employee collective bargaining units included wage freezes and a Retirement Incentive Plan which were expected to save approximately $191.0 million in fiscal year 2009-10 and $193.7 million in fiscal year 2010-11. Savings from entitlement programs included (i) eliminating nursing home rate increases in reimbursement levels under Medicaid, saving approximately $113.2 million in fiscal year 2009-10 and $162.2 million in fiscal year 2010-11, (ii) reducing managed care organization capitation rates by 6% under both HUSKY A and HUSKY B, saving approximately $50.1 million in fiscal year 2009-10 and $51.8 million in fiscal year 2010-11, and (iii) managing services for aged, blind and disabled individuals who are currently receiving care under the Medicaid fee-for-service program, saving approximately $27.8 million in fiscal year 2009-10 and $80.0 million in fiscal year 2010-11. Education reductions included cuts of grants to (i) the Excess Cost program that reimburses funds to towns, saving approximately $13.4 million each for both fiscal years 2009-10 and 2010-11, (ii) the Priority School District program that assists the neediest communities and funds School Readiness program, reduced $6.9 million each for both fiscal years 2009-10 and 2010-11, and (iii) the Reading Success program designed to improve kindergarten through grade three reading was eliminated, saving the State $2.4 million each for both fiscal years 2009-10 and 2010-11.

In addition, the budget for fiscal year 2010-11 required the Treasurer and the Secretary of the Office of Policy and Management to jointly develop a financing plan that would result in net proceeds of up to $1,290.7 million to be used as general revenues of the State during such fiscal year, which may include securitizations as discussed above. The budget also required the Treasurer and the Secretary of the Office of Policy and Management to jointly develop a plan to sell assets of the State that would result in net proceeds of up to $15 million to be used as general revenues of the State during the 2009-10 fiscal year and $45 million to be used as general revenues of the State during the 2010-11 fiscal year. In addition, the budget for fiscal year 2009-10 required a reduction of $473.3 million in expenses from budgeted amounts. The budget for fiscal year 2010-11 required a reduction of $515.2 million of expenses from budgeted amounts. The biennial budget for fiscal years 2009-10 (revised per Public Act No. 09-3 of the June 2009 Special Session and subsequent revisions as amended by Public Act No. 09-8 of the September 2009 Special Session, Public Act No. 09-5 of the September 2009 Special Session, and Public Act No. 09-7 of the September 2009 Special Session) and 2010-11 has been outlined in **Appendix III-E** to this **Part II**.

The budget was $840.9 million below the expenditure cap in fiscal year 2009-10 and $589.9 million below the expenditure cap in fiscal year 2010-11.

Fiscal Year 2009-2010 Operations

Pursuant to Section 4-66 of the Connecticut General Statutes, the Office of Policy and Management provides estimates to the Comptroller by the twentieth day of each month of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. In the monthly estimates provided by the Office of Policy and Management for the General Fund for the 2009-10 fiscal year on October 20, 2009 (as of the period ending September 30, 2009 and not reflecting the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million), November 20, 2009 (as of the period ending October 31, 2009 and not reflecting the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million), December 21, 2009 (as of the period ending November 30, 2009 and does reflect the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million), General Fund was estimated to have a deficit of $388.5 million, $466.5 million and $327.9 million, respectively. In the monthly estimate provided by the Office of Policy and Management on January 20, 2010 for the General Fund for the 2009-10 fiscal year, as of the period ending December 31, 2009, General Fund revenues were estimated at $17,029.5 million, General Fund expenditures and miscellaneous adjustments were estimated at $17,530.0 million and the General Fund was estimated to have a deficit of $500.5 million. In the monthly estimate provided by the Office of Policy and Management on February 22, 2010 for the General Fund for the 2009-10 fiscal year, as of the period ending January 31, 2010, General Fund revenues were estimated at $17,029.5 million, General Fund expenditures and miscellaneous adjustments were estimated at $17,533.4 million and the General Fund was estimated to have a deficit of $503.9 million. The next monthly report of the Office of Policy and Management is expected on March 22, 2010 and no assurances can be given that the estimates in such report will match the Office of Policy and Management's prior estimates.

By statute, the State's fiscal position is reported monthly by the Comptroller. In her monthly reports dated November 1, 2009, December 1, 2009 and January 4, 2010, the Comptroller estimated deficits in the General Fund for the 2009-10 fiscal year of $624 million (as of the period ending September 30, 2009 and not reflecting the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million), $549.5 million (as of the period ending October 31, 2009 and reflecting the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million) and $513.3 million (as of the period ending November 30, 2009 and reflecting the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million). In the Comptroller's monthly report dated February 1, 2010, the Comptroller estimated a General Fund deficit for the 2009-10 fiscal year of $515.0 million as of the period ending December 31, 2009. This estimate reflects the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million. The next monthly report of the Comptroller is expected on March 1, 2010, and no assurances can be given that the estimates in such report will match the Office of Policy and Management's estimates or the Comptroller's prior estimates.

The above projections are only estimates and the information in the monthly letters of the Office of Policy and Management to the Comptroller and in the Comptroller's monthly reports contain only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or audit or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2009-10 operations of the General Fund.

The Governor may generally reduce budget allotment requests within certain prescribed limits and has done so for the current fiscal year. Additionally, pursuant to Section 4-85 of the Connecticut General Statutes, whenever the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one percent of the total General Fund appropriations, the Governor is required within thirty days 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 which the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. Should such plan result in a reduction of more than five percent of total appropriations, approval of the General Assembly would be required. The Governor was required to file such report as a result of the deficit projection included in the

Comptroller's November 1, 2009 report. On November 24, 2009, Governor Rell delivered her plan to address a potential deficit of $466.5 million in the General Fund for fiscal year 2009-10 to the General Assembly. Pursuant to Public Act No. 09-3 of the June 2009 Special Session, since the Comptroller certified that state tax revenues for fiscal year 2009-10 will not be within 1 percent of original projections, the plan to reduce the State sales tax rate by 0.5 percentage points did not take effect in January 2010. The elimination of the rate reduction precluded an estimated revenue loss of $129.5 million, leaving a deficit of $337.0 million still to be closed. The deficit mitigation plan included spending cuts made under the Governor's authority and those requiring legislative approval, additional fund transfers, and reductions in municipal aid.

In addition to $31.6 million in rescissions to agency budgets announced on November 5, 2009, the Governor's plan called for an additional $19.3 million in rescissions and $16.8 million in program cuts that the Governor can order on her own authority, including reductions in certain programs and delays in the implementation of others. The Governor's plan also recommended $116.3 million in program reductions that will require legislative approval, including reductions in a number of grants and reductions in Medicaid provider rates. The deficit mitigation plan anticipated a lapse of $16.1 million above the level in the Office of Policy and Management's November 20, 2009 letter to the Comptroller, and a gain of about $200,000 from the sale of surplus State cars. The plan called for intercepting $52.8 million from accounts such as the Citizens Election Fund, the Stem Cell Research Fund, and the Tobacco and Health Trust Fund. The plan also called for a reduction of 3 percent in state aid to municipalities, saving the State approximately $84.0 million. In late December, the General Assembly passed certain deficit mitigation measures which were subsequently vetoed by the Governor. The Governor is expected to submit to the General Assembly a revised deficit mitigation package by March 1, 2010.

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 3, 2010 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 2010-11. The midterm budget adjustments incorporated the January 15th consensus revenue forecast as a baseline and anticipated additional revenue of $422.3 million for total revenue collections of $17,566.5 million. General Fund appropriations were reduced by $28.6 million to $17,566.1 million resulting in a projected budget surplus of $0.4 million.

The Governor's proposed midterm budget adjustments assume $422.3 million in additional revenue. Of that total, $365.6 million is due to federal grants anticipated from an extension of the American Recovery and Reinvestment Act for both Medicaid and education funding. The Governor's proposal also assumes the implementation of Keno gaming in the State expected to generate $20 million in fiscal year 2010-11 and $15 million in transfers from other funds of the State to the General Fund. All other proposed revenue changes net to $21.7 million.

In regards to expenditures, the Governor's proposed midterm budget adjustments add $156.3 million in the Department of Social Services to reflect current expenditure and caseload trends and add $72.5 million to fully fund the HUSKY capitation payment. Pursuant to an agreement with the State employees' bargaining agent coalition, the Governor's proposal assumes savings of $100 million by reducing the required contribution to the State Employees' Retirement Fund. The Governor's proposed budget remains $485.1 million below the expenditure cap.

The Governor's proposed midterm budget adjustments include an increase of $131 million in general obligation bond authorizations to take effect in fiscal year 2010-11 and cancellation of $388.7 million of prior general obligation bond authorizations. The Governor's recommendations also include an increase of $4.825 million in special transportation obligation bond authorizations.

Also on February 3rd, the Office of the State Treasurer and the Office of Policy and Management released a report required by the originally adopted budget regarding a $1.29 billion securitization plan for fiscal year 2010-11. The plan outlines options for the General Assembly to consider which includes the securitization of certain non-General Fund electric rate charges, lottery revenues, tobacco settlement revenues and certain existing General Fund revenues among others and also includes the consideration of selling major State assets. The Governor's proposed midterm budget adjustments assumes the successful completion of the $1.29 billion securitization which requires the enactment of legislation by the General Assembly. The General Assembly is expected to deliberate on the Governor's proposed revisions and securitization plan and adjourn by May 5, 2010.

General Fund Budget History

Table 2 summarizes the results of operation of the General Fund on the budgetary-basis. Summaries of actual revenues and expenditures on the budgetary (modified cash) basis for the fiscal years 2005 through 2009 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 Years Ending June 30

	2005	2006	2007	2008	2009
Total General Fund Revenues[a]	$ 14,062.9	$14,998.7	$ 15,742.6	$16,418.8	$15,700.8
Net Appropriations/Expenditures[b]	13,699.0	14,552.2	15,473.4	16,319.4	16,648.4
Operating Surplus/(Deficit)	$ 363.9[d]	$ 446.5[e]	$ 269.2[f]	$ 99.4[g]	$ (947.6)[h]

(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 entire surplus balance of $302.2 million was reserved for transfer to the Budget Reserve Fund.

(d) The entire surplus balance of $363.9 million was reserved for transfer to the Budget Reserve Fund.

(e) The entire surplus balance of $446.6 million was reserved for transfer to the Budget Reserve Fund.

(f) The entire surplus balance of $269.2 million was reserved for transfer to the Budget Reserve Fund.

(g) The entire surplus balance of $99.4 million was reserved for spending in fiscal year 2008-09.

(h) The State Treasurer was given authority to fund, and did fund, the Fiscal Year 2009 General Fund deficit through economic recovery notes.

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. Audited GAAP based financial statements for fiscal year 2009 are included in **Appendix III-C**.

TABLE 3

General Fund
Summary of Operating Results — Budgetary (Modified Cash) Basis vs. GAAP Basis

(In Millions)

Fiscal Years Ending June 30

	2005	2006	2007	2008	2009
Modified Cash Basis Operating Surplus/(Deficit)	$ 363.9	$ 446.5	$ 269.2	$ --	$ (947.6)
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(98.2)	10.5	(91.0)	63.5	284.0
Other Receivables	(33.5)	25.7	177.9	(302.0)	101.4
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	(60.3)	(37.7)	45.2	60.3	(601.6)
Salaries and Fringe Benefits Payable	61.0	(22.3)	(90.0)	(14.0)	56.6
Increase (decrease) in Continuing Appropriations	481.6	8.4	128.2	(327.0)	(415.3)
Reclassification of equity adjustments	15.8	41.0	80.0	99.4	--
Proceeds of Recovery Notes	--	--	--	--	--
Transfer of restricted resources	--	--	--	--	--
Transfer of prior year surplus	(150.4)	(15.8)	(41.0)	--	(179.4)
GAAP Based Operating Surplus/(Deficit)	$ 579.9	$ 456.3	$ 478.5	$ (419.8)	$ (1,701.9)

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 Years Ending June 30

	2005	2006	2007	2008	2009
Operating Surplus/Deficit	$ 363.9	$ 446.5	$ 269.2	$ 99.4	$ (947.6)
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	363.9	446.5	269.2	0.0	0.0
Transfers from Budget Reserve Fund	--	--	--	--	--
Economic Recovery Note Debt Retirement	--	--	--	--	--
Reserve for Transfers to Budget Reserve Fund	--	--	--	--	--
Reserve for Debt Service Appropriation	--	--	--	--	--
Reserve for Fiscal Year 2009 Operations	--	--	--	99.4	--
Reserve for Debt Avoidance	--	--	--	--	--
Total Transfers/Reserves	363.9	446.5	269.2	99.4	(947.6)
Unreserved Fund Balance					
Surplus/(deficit)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ (947.6)

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 Years Ending June 30

	2005	2006	2007	2008	2009
Unreserved Fund Balance (Deficit)					
Modified Cash Basis	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ (947.6)
GAAP Based Adjustments					
Continuing Appropriations Available for GAAP Liabilities	--	--	--	--	--
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(300.3)	(282.1)	(271.0)	(380.7)	(364.1)
Eliminate Corporation Accrual	(14.7)	(12.4)	(7.1)	(3.6)	(11.2)
Additional Taxes Receivable	6.4	8.0	133.6	6.1	4.1
Net Increase (Decrease) Taxes	(308.6)	(286.5)	(144.5)	(378.2)	(371.2)
Net Accounts Receivable	167.6	152.6	146.0	237.6	199.6
Federal and Other Grants Receivable[(a)]	491.4	501.9	410.9	474.5	758.5
Due From Other Funds	19.7	22.2	22.7	20.3	27.1
Total Additional Assets	$ 370.1	$ 390.2	$ 435.1	$ 354.2	$ 614.0
Additional Liabilities					
Salaries and Fringe Payable	(172.7)	(195.0)	(285.0)	(299.1)	(242.5)
Accounts Payable—Department of Social Services	(707.0)	(718.4)	(628.1)	(508.0)	(585.0)
Accounts Payable—Trade & Other	(362.9)	(372.9)	(339.3)	(473.2)	(891.0)
Payable to Local Governments	-	-	-	-	-
Payable to Federal Government	(71.0)	(61.0)	(67.9)	(121.1)	(146.1)
Due to Other Funds	(94.2)	(101.6)	(109.1)	(102.0)	(105.2)
Total Additional Liabilities	$(1,407.8)	$(1,448.9)	$(1,429.4)	$(1,503.4)	$(1,969.8)
Unreserved Fund Balance (Deficit)					
GAAP Basis	$(1,037.7)	$(1,058.7)	$ (994.3)	$(1,149.2)	$ (2,303.4)

(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 Years Ending June 30

	2005	2006	2007	2008	2009
Reserved:					
Petty Cash	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0
Budget Reserve	666.0	1,112.5	1,381.7	1,381.7	1,381.7
Loans & Advances to Other Funds	23.3	20.6	18.0	9.7	9.8
Restricted Purposes	15.9	41.0	80.0	179.4	-
Inventories	34.0	39.3	34.0	25.3	24.3
Continuing Appropriations	694.4	702.8	811.3	455.4	87.1
Debt Service	-	-	-	-	-
Total	1,434.6	1,917.2	2,326.0	2,052.5	1,503.9
Unreserved:	(1,037.7)	(1,058.7)	(994.3)	(1,149.2)	(2,303.4)
Total Fund Balance	$ 396.9	$ 858.5	$1,331.7	$ 903.3	$ (799.5)

SOURCE: Comptroller's Office

STATE DEBT

Constitutional Provisions

The State has no constitutional limit on its power to issue obligations or incur debt other than 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, State 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 which are maintained outside the State's General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds which are maintained outside the State's General Fund. In addition, the State has a number of programs under which 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

General

Statutory Authorization and Security Provisions. In general, the State issues general obligation bonds pursuant to specific statutory bond acts and Section 3-20 of the General Statutes, the State 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 of Connecticut are pledged for the payment of the principal of and interest on such bonds as the same become due. Such act further provides that, as a part of the contract of the State with the owners of such bonds, appropriation of all amounts necessary for the punctual payment of such principal and interest is made, 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 State 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 which 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 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 deficits of the State for any fiscal year ending on or before June 30, 1991 and for the fiscal years ending June 30, 2002 and June 30 2003, all indebtedness authorized and issued pursuant Public Act No. 09-2 of the June 2009 Special Session in connection with the issuance of notes for the purpose of funding the deficit for the fiscal year ending 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. 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.***

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.

The total tax receipts for the fiscal year beginning July 1, 2009 as last estimated by the General Assembly's joint standing committee on finance, revenue and bonding, and 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 February 1, 2010, is described in the following table.

TABLE 7
Statutory Debt Limit
as of February 1, 2010

Total General Fund Tax Receipts	$10,927,600,000	
Multiplier	1.6	
Debt Limit		$17,484,160,000
Outstanding Debt[(a)]	$ 10,899,304,364	
Guaranteed Debt[(b)]	$ 828,027,441	
Authorized Debt[(c)]	$ 3,406,545,538	
Total Subject to Debt Limit		$15,133,877,343
Less Debt Retirement Funds[(d)]	$ 23,382,559	
Aggregate Net Debt		$15,110,494,784
Debt Incurring Margin		$ 2,373,665,216

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes $915,795,000 General Obligation Notes (Economic Recovery 2009 Series A), Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, short term revenue anticipation notes, CCEDA Bonds, CHFA Supportive Housing Bonds and lease financings other than the Middletown Courthouse and the Juvenile Training School.

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt.** Guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds. Excludes accreted value of UConn 2000 capital appreciation bonds.

(c) Includes guarantee for UConn 2000 Bonds authorized but unissued under cap for 2009-10 fiscal year.

(d) Includes debt service funds for self-liquidating debt issued to finance facilities at the University of Connecticut and Connecticut State University.

SOURCE: State Treasurer's Office

State Bond Commission. The general obligation bond procedure act establishes the State Bond 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 the Department of Public Works, 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 an appropriation of such amount 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, notwithstanding the fact that the contracts and obligations may at a particular time exceed the amount of the proceeds from the sale of such bonds 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 in formal session.

Types of Direct General Obligation Debt

Bond Acts. Pursuant to various public or special bond acts, the General Assembly empowers the State Bond 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 usually 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 $2,276,578,270.75 of such bonds. 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. The General Assembly has enacted two acts for the financing of projects at the University of Connecticut. In 1995 the General Assembly established the University of Connecticut as a separate corporate entity and instrumentality of the State that is empowered to issue bonds and construct the infrastructure improvements contemplated by the act for the University of Connecticut. The estimated costs of the infrastructure improvements set forth in the act totaled $1,250 million to be financed over a 10-year period. In 2002 the General Assembly extended the existing UConn 2000 financing program for an additional 10 years from July 1, 2005 through June 30, 2015 and increased the total estimated project costs to $2,598 million. In 2007 the General Assembly extended the UConn 2000 financing program to June 30, 2016. The act authorized the University to borrow money to finance the UConn 2000 projects and to refund such financings. Such borrowings are to be general obligations of the University payable from any revenues or assets of the University and may be secured by pledges of the University's revenues or assets other than mortgages.

The UConn 2000 projects are to be financed by $18 million general obligation bonds of the State and $2,262 million bonds of the University which are secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. The balance of the estimated cost of UConn 2000 projects may be met by the issuance of special obligation bonds of the University or from gifts or other revenue or borrowing resources of the University. Under the act, 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 State Treasurer is obligated to make such payments. For this reason, all general obligation borrowings by the University are treated as part of the State's general obligation debt. The amount of the University's bonds which are 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. The cap does not apply to bonds issued to finance any special capital reserve fund or other debt service reserve fund, costs of issuance or capitalized interest. The amount of bonds issued by the University and secured by the State's debt service commitment, except for the accreted value of any capital appreciation bonds, and the amount of bonds which are authorized to be issued in a fiscal year under the cap are counted against the State's debt limit.

The total amount of University bonds and State general obligation bonds authorized by the acts is approximately $336.4 million less than the estimated costs of the infrastructure improvements set forth in the acts. This difference is expected to be addressed by capital cost reductions, deferring certain projects to a future date, and by securing additional funding sources, such as private fundraising and special obligation bonds. 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 form of master resolution for bonds secured by the State's debt service commitment must be approved by the State Bond Commission, as must any substantive amendment thereto. 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. All borrowing by the University is to be undertaken by the State Treasurer.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities and an energy facility at a juvenile training school, 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 which 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 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 Authority 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 and no commitments for new projects under this program may be approved by the Authority on or after July 1, 2012.

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 State Bond 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. Any provision in the contract providing for the payments 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 the fiscal year ending June 30, 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.

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. The State has established programs of temporary note issuances from time to time to cover periodic cash flow requirements. No temporary notes are outstanding and none have been issued since 1991.

On June 18, 2009, pursuant to the Treasurer's request and the Governor's approval to borrow funds on a temporary basis from time to time on behalf of the State, the Treasurer arranged with a group of banks a 364-day revolving credit facility in the amount of $580 million.

Forms of Debt. In addition to the bonds, notes and lease financings described above, the State 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 State Bond 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 the sale 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 which has accrued on capital appreciation bonds up to the date of the table is added to the principal amount of the State's 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 State Bond 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 which is the same as or higher than the underlying rating of the State on the applicable bonds. The State Bond 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 18 – Interest Rate Swaps**.

Swap Agreements

Bond Issue	Notional Amount	Termination Date	Fixed Rate Paid by State
2001 Series B	$ 20,000,000	June 15, 2012	4.33%
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 as of February 1, 2010) 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 February 1, 2010
(In Thousands)

General Obligation Bonds	$ 11,434,659
Pension Obligation Bonds	2,296,499
UConn 2000 Bonds	828,724
Other [(b)]	119,645
Long Term General Obligation Debt Total	14,679,527
Short Term General Obligation Debt Total[(c)]	353,085
Gross Direct General Obligation Debt	15,032,612
Deduct:	
University Auxiliary Services [(d)]	23,383
Net Direct General Obligation Debt	$15,009,229

(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 and CHFA supportive housing bonds. Does not include CCEDA Bonds. See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt - *Capital City Economic Development Authority***.

(c) On April 29, 2009 the State issued $353,085,000 General Obligation Bond Anticipation Notes (2009 Series A) maturing on April 28, 2010.

(d) 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
(As of June 30)

	2005	2006	2007	2008	2009
Gross Direct Debt[(a)]	$10,168,006	$10,403,634	$10,615,810	$13,076,942	$13,945,108
Net Direct Debt[(a)]	$10,121,035	$10,361,226	$10,580,359	$13,042,524	$13,921,725
Ratio of Debt to Personal Income[(b)]					
Gross Direct Debt	6.03%	5.66%	5.47%	6.64%	7.08%
Net Direct Debt	6.00%	5.64%	5.45%	6.72%	7.07%
Ratio of Debt to Estimated Full Value[(c)]					
Gross Direct Debt	2.07%	1.86%	1.79%	2.29%	2.37%
Net Direct Debt	2.06%	1.85%	1.79%	2.28%	2.36%
Per Capita Debt[(d)]					
Gross Direct Debt	$2,924	$2,985	$3,043	$3,733	$3,964
Net Direct Debt	$2,911	$2,973	$3,032	$3,723	$3,957

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(a) In thousands. Includes gross and net long-term direct general obligation bonded indebtedness as set out in **Table 11**. 2008 figures include $2,278,382,011 Pension Obligation Bonds. 2009 figures include $2,289,598,815 Pension Obligation Bonds.
(b) See **Appendix III-B, Table B-2**. Personal Income: 2005 — $168,666 million; 2006 — $183,820 million; 2007 — $194,069 million and 2008 — $197,024 million. The 2009 ratio uses 2008 data.
(c) Full value estimated by OPM. Uses final equalized net grand lists: 2003 — $490.3 billion; 2004 — $560.3 billion; 2005 — $592.4 billion; 2006 — $571.7 billion; and 2007 – 589.4 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2005 ratio uses 2003 data; 2006 ratio uses 2004 data; 2007 ratio uses 2005 data; 2008 ratio uses 2006 data and 2009 ratio uses 2007 data.
(d) See **Appendix III-B, Table B-1**. State population 2005 — 3,477,000; 2006 — 3,485,000; 2007 — 3,489,000; 2008 — 3,503,000; and 2009 — 3,518,000.

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 February 1, 2010. 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 February 1, 2010

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b,c)]	Total Debt Service
2010	$ 858,111,306	$ 368,572,364	$ 1,226,683,670
2011	1,172,839,706	671,615,792	1,844,455,497
2012	1,112,626,696	614,597,691	1,727,224,387
2013	1,044,619,369	586,693,780	1,631,313,149
2014	1,021,800,017	525,023,506	1,546,823,523
2015	950,946,365	466,470,926	1,417,417,291
2016	911,865,061	422,670,763	1,334,535,824
2017	676,654,988	380,788,753	1,057,443,741
2018	661,452,299	350,491,888	1,011,944,187
2019	610,816,471	317,020,010	927,836,481
2020	562,185,614	290,107,492	852,293,106
2021	567,636,206	259,599,633	827,235,839
2022-2032	4,686,931,736	1,626,509,592	6,313,441,328
Totals	$ 14,838,485,834	$ 6,880,162,189	$ 21,718,648,023

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($14,838,485,834), plus accreted interest ($194,126,070), total the amount of such long-term debt ($15,032,611,905) 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, including capital appreciation bonds issued pursuant to the College Savings Bond Program. Capital appreciation bonds mature in fiscal years 2010-2025.

(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	$ 50,000,000	2010-2014	4.25%
2001	100,000,000	100,000,000	2018-2021	4.25
2001*	20,000,000	20,000,000	2012	4.33
2003	77,700,000	35,800,000	2010-2013	5.75
2005*	300,000,000	280,000,000	2016-2023	4.25
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
2008	50,000,000	37,500,000	2012	5.75

* 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	Fiscal Year	Gross Debt	Net Debt
2000	$ 7,435,283	$ 7,318,337	2005	$ 10,168,006[c]	$ 10,121,035[c]
2001	7,925,186	7,800,440	2006	10,403,634[d]	10,361,226[d]
2002	8,623,009	8,496,151	2007	10,615,810	10,580,359
2003	9,513,380 [a]	9,463,962[a]	2008	13,076,942[e]	13,042,524[e]
2004	9,940,945 [b]	9,895,717[b]	2009	13,945,108[f]	13,921,725[f]

(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 in Pension Obligation Bonds.
(f) Includes $2,289,598,815 in Pension Obligation Bonds.

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 State Bond Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of February 1, 2010, the amount of bonds authorized by bond acts in effect, the amount the State Bond Commission has authorized, the amount of bonds issued pursuant to State Bond 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, 2010.

TABLE 12
Authorized but Unissued Direct General Obligation Debt
as of February 1, 2010
(In Thousands)

	State Direct Debt[(a)]	Pension Obligation Bonds	UCONN 2000[(b)]	Tax Increment[(c)]	Total
Bond Acts in Effect	$24,357,459	$2,276,578	$1,567,447	$52,750	$28,254,235
Amount Authorized	22,327,867	2,276,578	1,426,947	52,750	26,084,143
Amount Issued	21,192,169	2,276,578	1,321,947	49,155	24,839,849
Authorized but Unissued	1,135,699	0	105,000	3,595	1,244,294
Available for Authorization	2,029,592	0	140,500	0	2,170,092

(a) Includes CHFA Supportive Housing Bonds and excludes CCEDA bonds, economic recovery notes and lease financings.
(b) Includes bonds which 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. Amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.
(c) 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.

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 which take effect during the fiscal year listed, and the net amount after subtracting prior bond authorizations which have been repealed or reduced. Pension obligation bonds and economic recovery notes are not included since they are not recurring authorizations.

TABLE 13

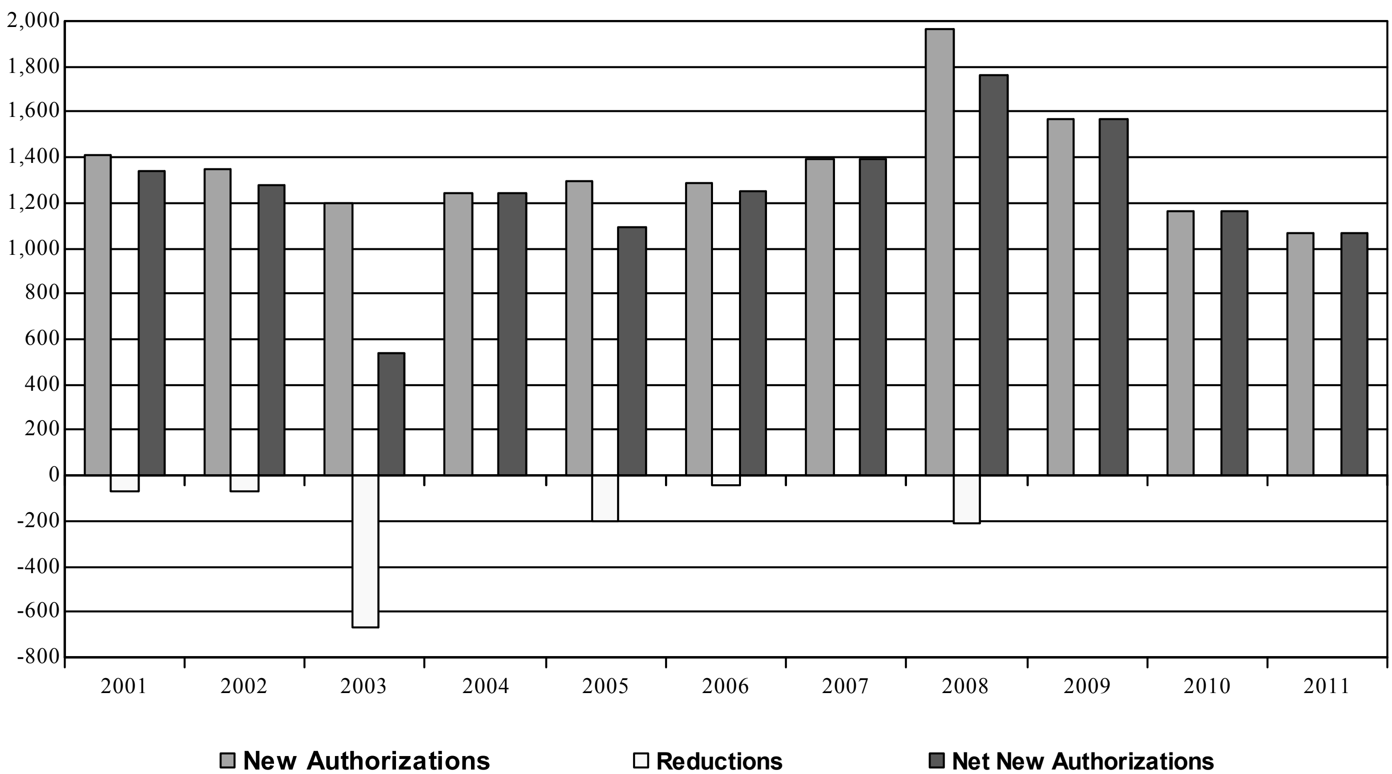
Statutory General Obligation Bond Authorizations and Reductions[(a)]
(In Millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
New Authorizations	$1,407.9	$1,351.6	$1,201.0	$1,246.1	$1,296.5	$1,290.4	$1,388.7	$1,965.0	$1,564.5	$1,165.4	$1,067.2
Reductions	(70.1)	(69.9)	(663.6)	0.0	(200.3)	(41.3)	0.0	(206.9)	0.0	0.0	0.0
Net New Authorizations	$1,337.8	$1,281.7	$ 537.4	$1,246.1	$1,096.2	$1,249.1	$1,388.7	$1,758.1	$1,564.5	$1,165.4	$1,067.2

(a) Does not include teachers' retirement fund pension obligation bonds, economic recovery notes, lease financings, tax increment or cash flow borrowings. Includes amount for UConn 2000 available under the cap for 2001 through 2011, 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 2011.

SOURCE: 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 next table. 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, lease financings, economic recovery notes or pension obligation bonds included.

TABLE 14[a]

New Agency Authorizations (Does Not Include Reductions)
(In Thousands)

Purpose	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010[d]	2010-2011[d]
Policy & Management	$ 167,399	$ 143,549	$ 136,900	$ 106,500	$ 55,000	$ 59,500
Revenue Services	11,300	0	2,950	0	0	0
Comptroller	17,288	968	960	1,115	0	0
Special Revenue	0	0	220	0	0	0
Information and Technology	5,000	4,800	12,910	6,311	0	0
Veterans Affairs	2,628	900	1,250	1,000	0	0
Public Works	12,500	12,500	53,200	30,600	2,500	2,500
Public Safety	6,375	4,655	18,385	11,965	0	0
Fire Prevention and Control	0	0	0	0	0	0
Public Utility Control	0	0	50,000	0	0	0
Motor Vehicles	10,000	0	14,000	0	3,000	0
Military	2,013	2,900	2,000	1,500	1,000	1,000
Emergency Mgmt. & Homeland Sec.	0	0	250	0	0	0
Agriculture	9,750	11,000	8,500	10,000	2,500	10,500
Environmental Protection	70,330	77,527	212,746	152,100	81,000	40,000
Economic and Community Development:						
Housing	21,000	15,000	11,000	9,000	0	0
Housing Trust Fund	20,000	20,000	20,000	30,000	20,000	0
Economic Development	5,000	5,000	59,100	63,000	0	0
Other	35,105	26,125	58,930	25,278	12,000	5,000
Ct Innovations Inc.	0	0	92,000	12,000	0	0
Public Health	8,000	8,250	46,779	0	7,000	0
Developmental Services	6,600	2,000	5,000	5,000	0	2,500
Mental Health and Addiction Services	6,000	1,000	12,100	6,000	0	0
Social Services	21,044	12,785	12,496	1,000	5,000	0
Education	630,000	694,400	746,550	658,900	694,300	641,600
State Library	4,300	5,425	10,428	8,500	0	0
Culture & Tourism	7,080	4,600	18,498	4,600	0	0
Agricultural Experiment Station	0	0	1,800	9,000	0	0
Charter Oak State College	50	0	0	0	2,500	0
Regional Community-Technical Colleges	62,214	99,898	53,681	70,719	3,366	55,129
State University	44,211	131,219	80,000	0	0	0
CSUS 2020[c]	0	0	0	95,000	95,000	95,000
Legislative Management	300	0	6,810	1,450	0	0
Children & Families	19,225	10,180	24,232	22,415	32,700	0
Judicial	5,650	5,000	51,325	23,500	0	0
CPTV	1,000	0	2,500	0	0	0
Correction	0	0	11,000	42,095	0	0
UConn	0	0	0	0	0	0
UConn Health Center	0	0	0	0	0	0
UConn 2000[b]	79,000	89,000	115,000	140,000	140,500	146,500
Transportation	0	0	11,500	16,000	8,000	8,000
Totals	$1,290,362	$1,388,681	$1,965,000	$1,564,548	$1,165,366	$1,067,229

(a) Does not include authorizations which take effect after fiscal year 2010-11. Does not include teachers' retirement fund pension obligation bonds, or economic recovery notes, or tax increment cash flow or lease financings or CHFA supportive housing bonds.

(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 which 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 FY 2008-09 through FY 2017-18.

(d) Include authorizations enacted in prior years that become effective during the biennium.

SOURCE: 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 has also made commitments to municipalities to make future grant payments for school construction projects, payable over a period of years. In addition, the State has committed to apply moneys for debt service on loans to finance child care facilities and has certain other contingent liabilities for future payments.

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 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, aeronautic facilities (excluding Bradley International Airport), 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 established under the act, and payment of State contributions to the local bridge revolving fund established under the act. The infrastructure program is administered by the Department of Transportation.

The cost of the infrastructure program for State fiscal years 1985-2014, which will be met from federal, State, and local funds, is currently estimated at $26.4 billion. The State's share of such cost, estimated at $10.5 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 $0.7 billion and includes the expenses of the infrastructure program which 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 State fiscal years 1985-2014 to be financed by STO bonds currently is estimated at $9.8 billion. The actual amount may exceed $9.8 billion 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 may also be issued for the purpose of refunding general obligation bonds of the State issued for transportation infrastructure purposes.

During fiscal years 1985-2009, $21.0 billion of the total infrastructure program was approved by the appropriate governmental authorities. The remaining $5.4 billion is required for fiscal years 2010-2014. The $5.4 billion of such infrastructure costs is anticipated to be funded with proceeds of $1.6 billion from the anticipated issuance of new STO bonds, $75 million in anticipated revenues, and $3.7 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 issue 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. 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. Legislation enacted in 2009 permits the issuance of STO bonds to fund State grant payments to towns and cities for various road improvements.

The following table shows the amount of STO bonds authorized by the General Assembly for the program, the amount issued and the amount outstanding (excluding refunded bonds) as of February 1, 2010. It is anticipated that additional STO bonds will be authorized by the General Assembly annually in an amount necessary to finance and to complete the 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 indentures controlling the issuance of such bonds are met. The State expects to continue to offer bonds for this program.

TABLE 15

Special Tax Obligation Bonds
As of February 1, 2010
(In Millions)

	New Money	Refundings[a]	Total
Amount Authorized	$ 9,550	N/A	$ 9,550
Amount Issued	6,697	3,390	10,087
Amount Outstanding	2,036	1,017	3,053

(a) Refunding Bonds do not require legislative approval.

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 the year ended June 30, 2009 the Special Transportation Fund paid $2.0 million of State direct general obligation transportation debt service payments. The amount budgeted by the Special Transportation Fund for State direct general obligation transportation debt service payments for fiscal year 2009-10 is $1.0 million.

During the past several years the Fund's revenues and expenses have undergone a variety of legislative changes. In 2005 legislation increased the scheduled transfers to the Fund from the State's General Fund from Oil Companies Tax revenue by $22.5 million in fiscal year 2006, $30 million in fiscal year 2007, $53 million in fiscal year 2008, $79.9 million in each of fiscal years 2009-2013, and $98 million thereafter. In 2006, legislation again increased the scheduled transfers to the Fund from the State's General Fund from Oil Companies Tax revenue by $80 million in each of fiscal years 2007 - 2010 and by $100 million in fiscal year 2011 and thereafter. In July 2007 legislation increased the motor fuels tax on each gallon of diesel fuel from $0.26 to $0.37 and correspondingly exempted diesel fuel from the petroleum products gross earnings tax. In 2009, legislation authorized additional transfers to the Fund from the State's General Fund in the amount of $81.2 million in fiscal year 2010, $126.0 million in fiscal years 2011 and 2012 and $172.8 million in fiscal year 2013 and annually thereafter.

A fifteen member 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. The TSB's strategic goals are: 1) improve personal mobility within and through Connecticut; 2) improve the movement of goods and freight within and through Connecticut; 3) integrate transportation with economic, land use, environmental and quality of life issues; 4) develop policies and procedures that will integrate the state economy with regional, national and global economies; and 5) identify policies and sources that provide an adequate and reliable flow of funding necessary for a quality multi-modal transportation system. The TSB presented the initial transportation strategy to the Governor and General Assembly on January 6, 2003. In January 2007, as required in Public Act No. 06-136, the TSB again presented "Connecticut's Transportation Strategy" to the Governor and General Assembly.

In order to implement the strategy-related projects submitted by TSB, legislation was passed in 2005 that established fixed transfers from the Special Transportation Fund to the TSB project accounts in the amounts of $25.3 million in fiscal year 2005-06, $20.3 million in fiscal year 2006-07, $15.3 million in each of fiscal years 2007-08 through 2014-15 and $.3 million in fiscal year 2015-16 and thereafter. In September 2007 legislation authorized the transfer of $5.5 million on deposit in the Special Transportation Fund to the TSB's project account for various transportation related studies.

Public Acts in 2005 and 2006 authorized the issuance of more than $2.1 billion of special tax obligation bonds for the ten-year period from 2005 to 2014 for transportation system improvements, many of which are TSB recommended projects. The entire $2.1 billion authorization is included in **Table 15**.

Legislation passed in 2006 also authorized the issuance of $1.3 billion in bonds in anticipation of future federal transportation funds and is not included in **Table 15**.

Other Special Revenue Funds and Debt

Bradley Airport

Bradley International Airport, located in Windsor Locks, Connecticut, is owned by the State and operated by the Bureau of Aviation and Ports in the State's Department of Transportation. The General Assembly has 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 $294 million bond issuance cap for Bradley Airport but retained the requirement for State Bond Commission approval of any new bond issue. As of February 1, 2010, there were $188.8 million of Bradley International Airport Revenue Bonds outstanding.

The 2001 legislation also established a Bradley Board of Directors to oversee the operation and development of Bradley Airport. The seven-member board includes five appointed members and the Commissioners of Transportation and Economic and Community Development. The Bradley Board is charged with a wide range of duties and responsibilities, including developing an organizational and management structure, approving the annual capital and operating budget, master plan, and community relations policies of the airport, and ensuring customer service standards and performance assessments.

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 February 1, 2010 $43.0 million of such bonds are outstanding.

The board of directors of Bradley Airport and the State Bond Commission approved a transaction authorizing the State Treasurer to refund Bradley International Airport General Airport Revenue Bonds, Series 2001A (AMT) for expected delivery in 2011 or thereafter and to enter into a forward starting interest rate swap transaction for the purpose of locking in current market savings. Pursuant to such authorization the State entered into certain swap agreements in April 2006.

Clean Water Fund

The General Assembly has authorized the issue of revenue bonds for up to $1,913.4 million (including authorizations of $80 million to become effective July 1, 2010), of which $1,408.7 million have been issued for the purpose of funding various State and federally mandated water pollution control and drinking water projects. 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 February 1, 2010 $832.5 million revenue bonds were outstanding (including refunding bonds).

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 $1,000 million, plus amounts for certain reserves and costs of issuance. As of February 1, 2010, the State borrowed $261 million from the Federal Unemployment Trust Fund to fund a deficit in the State's Unemployment Compensation Fund and anticipates borrowing a total of approximately $900 million by the end of calendar year 2011.

Second Injury Fund

The Second Injury Fund is a State-run workers' compensation insurance fund which 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 are currently outstanding. The State's management objective is to pay additional claims and settlements from current income and, if necessary, short term borrowings.

Rate Reduction Bonds

The General Assembly authorized the issuance of special obligation bonds to sustain funding of the conservation and load management and the renewable energy investment programs established under the general statutes. The State issued $205.3 million Special Obligation Rate Reduction Bonds (2004 Series A) in June 2004. These bonds were defeased June 5, 2008. The bonds were secured by certain revenues collected through a non-bypassable charge imposed upon each customer of the electric utilities within the State. Such revenues are property of the State and are pledged towards payment of debt service on the bonds and related costs, which pledge is a first priority lien on such revenues. The net proceeds of the bonds were deposited in the General Fund.

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, 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 special capital reserve fund, monies held in and credited to a special capital reserve fund are intended to be used solely for the payment of the principal of bonds secured by such special capital reserve fund, 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 special capital reserve fund 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 special capital reserve fund to its minimum level. The method for determining such required minimum capital reserve is set out in the legislation authorizing the special capital reserve fund. If the special capital reserve fund should fall below the required minimum capital reserve amount, an official of the authority or municipality which established the special capital reserve fund shall certify to the Secretary of the Office of Policy and Management or the State Treasurer or both the amount necessary to restore such special capital reserve fund 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 special capital reserve fund. On an annual basis, the State's liability under any special capital reserve fund mechanism is limited to its obligation to restore that fund to its minimum capital reserve amount.

Quasi-Public Agencies

The State has established by legislation several quasi-public agencies. These quasi-public agencies 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 Connecticut Development Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Housing Finance Authority, the Connecticut Resources Recovery Authority and the Capital City Economic Development 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 special capital reserve fund, or other contractual arrangement, for which the State has limited contingent liability.

Connecticut Development Authority ("CDA"). The CDA was established in 1973 as a successor Authority. In order to discharge its responsibilities and fulfill its purposes, the CDA is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 1, 2010, $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 $5.0 million. Other CDA 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. Currently, the only outstanding CDA bonds secured by special capital reserve funds were issued pursuant to the General Obligation Bond Program. Although there remains legislative authority for the issue of bonds secured by special capital reserve funds under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and the CDA does not anticipate a resumption of any lending activity under that program.

Under the General Obligation Bond Program, the CDA issues bonds to finance eligible economic development and information technology projects. General revenues of the CDA, which are not otherwise pledged, are made available to service the debt of bonds issued under the General Obligation Bond Program. Although such bonds may also be secured by a special capital reserve fund, to date only $30.56 million 1993 Series A (Hartford Whalers Project) bonds have been secured by such a fund. As of February 1, 2010, $6.1 million of such bonds remain outstanding.

The Board of Directors of the CDA is comprised of eleven members: the State Treasurer, the Commissioner of Economic and Community Development, the Secretary of the Office of Policy and Management, as ex officio members; four members appointed by the governor and experienced in the field of financial lending or the development of commerce, trade or business; 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.

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 1.25 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 and a working capital fund reserve account in an amount equal to 60 days of operating expenses or three 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.

The State Treasurer has applied appropriated funds and General Fund budget surplus to defease certain bonds for nursing homes in order to avoid any draw on the special capital reserve fund which secures such bonds. Legislation enacted in 1998 provides that no bonds secured by a special capital reserve fund are to be issued by CHEFA in the future for nursing homes, except for bonds that at least in part, refund, refinance, or otherwise restructure bonds under certain circumstances where the aggregate liability of the State with respect to such bonds will be less than the aggregate liability of the State with respect to the bonds being refunded, refinanced or restructured and that doing so is in the best interest of the State.

CHEFA is also allowed to issue revenue bonds to finance facility improvements for the Connecticut State University System (the "System") which are secured by one or more special capital reserve funds. The System has pledged University Student Fees and certain student parking fees as a source of funds for the payment of debt service on the bonds. The types of facilities of the System financed through CHEFA were financed in the past through self-liquidating general obligation bonds of the State, so implementation of this program should limit the need for the State to issue such bonds in the future.

Although CHEFA is authorized to issue bonds secured by a special capital reserve fund to finance equipment acquisitions by hospitals and clinical services projects for The University of Connecticut Health Center, these programs have not yet been implemented.

The Board of Directors of CHEFA is comprised of ten members including the State Treasurer and 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, their parents or others responsible for the cost of their education and provides an alternative method to enable institutions for higher education in the State to assist qualified students to attend 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 special capital reserve fund.

The Board of Directors of CHESLA is comprised of eight members including the State Treasurer, the Secretary of OPM and the Commissioner of Higher Education, serving ex officio, and five members appointed by the Governor based on their qualifications in the areas of higher education and/or public finance.

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 multifamily 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 which 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 $1.5 billion. In order to finance these activities CHFA has established a Housing Mortgage Finance Program and has issued its general obligation bonds under a General Bond Resolution pursuant to which CHFA has pledged all revenues which 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 special capital reserve fund.

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 Special Needs Housing Mortgage Finance Program Special Obligation Bonds under a separate indenture, including bonds for group homes, assisted living facilities, supportive housing and residential care homes, which bonds are and will be secured by a special capital reserve fund.

In 2008 a public act authorized CHFA to issue up to $50 million of bonds to fund an Emergency Mortgage Assistance Program and required the Treasurer and the Office of Policy and Management 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. Additionally, the public act provided for the appropriation of $2.5 million from the State Banking Fund to the State Treasurer for such contract assistance for the fiscal year ending June 30, 2009.

The Board of Directors of CHFA is comprised of fifteen members: the Commissioner of Economic and Community Development, the Secretary of OPM, the Commissioner of Banking and the State 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.

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 serve over 100 municipalities in the State. CRRA bonds may be secured by a special capital reserve fund. 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 is one vacancy. In addition, there are eight ad hoc members, two representing each of the four facilities. Such ad hoc members may only vote on matters pertaining to their respective facility. As of February 1, 2010, only three ad hoc seats were filled.

Capital City Economic Development Authority ("CCEDA"). CCEDA was created in 1998 and was granted the power to issue revenue bonds for a convention center project in Hartford. The bonds are to be backed by State contractual assistance equal to annual debt service. In 2004 a public act authorized CCEDA to use a special capital reserve fund in connection with any such revenue bonds, but there are currently no plans for such an issue.

In December 2003 the State Bond Commission approved up to $100 million of revenue bonds and other borrowings and in December 2004 approved an increase in the authorized amount to $122.5 million. CCEDA has 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 $105.12 was outstanding as of February 1, 2010. 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 CCEDA reimburses the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses. Under the agreement between CCEDA and the State, after completion of the convention center project CCEDA 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, an adjacent parking structure underlying the Connecticut Science Center and a retail and entertainment district, including a fourth parking structure, which currently are under construction. The full convention center project is not expected to be completed or placed in service at least until 2013. In the fiscal year ending June 30, 2006, the first full year of operations of the convention center, the delay in these additional elements, higher than anticipated operating expenses and startup expenses resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments in June 2006. This situation has continued since then, so that there are significant shortfalls in excess revenues to fund the reimbursement obligation. This is expected to continue at least until the other elements of the project are completed. As debt service on CCEDA's revenue bonds continues to be paid under the contract assistance agreement, CCEDA'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 CCEDA.

The Board of Directors of CCEDA is comprised of seven members appointed jointly by the Governor, the speaker of the House of Representatives, the majority leader of the House of Representatives, the minority leader of the House of Representatives, the president pro tempore of the Senate, the majority leader of the Senate and the minority leader of the Senate, and includes members who have expertise in the fields of commercial and residential real estate construction or development and financial matters. There is one vacancy on the Board.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds which may be secured by a special capital reserve fund which the State undertakes to restore to its minimum level. Before issuing special obligation bonds secured by such a special capital reserve fund, 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 which are not secured by such a special capital reserve fund.

Assistance to Municipalities

In addition to the limited or contingent liabilities that the State has undertaken in connection with the activities of its quasi-public agencies, 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 or other obligations issued by the City of Waterbury and the Southeastern Connecticut Water Authority. The State previously was obligated pursuant to the establishment of a special capital reserve fund to secure certain bonds issued by the City of Bridgeport to fund its past budget deficits; however such bonds were refunded by the City in 1996. The State previously had guaranteed debt service on bonds of the City West Haven, but an irrevocable escrow has been established to pay such bonds. Legislation also authorized distressed municipalities, in certain circumstances and subject to various conditions, to issue deficit funding obligations secured by a special capital reserve fund. There are no such obligations currently outstanding.

The City of Waterbury. In March and June 2001 the State adopted legislation to assist the City of Waterbury in financing its budget deficits. The legislation imposed certain financial controls on the City and created a Waterbury Financial Planning and Assistance Board. The legislation authorized the City, subject to approval of the Board and the State Treasurer, to issue bonds for the purpose of funding the City's past budget deficits. Payment of the bonds is serviced through the City's taxing authority. The legislation requires the

City to direct certain of its tax revenues to a trustee through a tax intercept mechanism for the purpose of servicing the debt on its bonds. The legislation also provides for the establishment of a special capital reserve fund to further secure up to $100 million bonds issued by the City to fund its budget deficits. The State is contingently obligated to restore the special capital reserve fund to its required minimum.

The Waterbury Financial Planning and Assistance Board was comprised of the Secretary of the Office of Policy and Management, the State Treasurer, the Mayor of the City, and four members appointed by the Governor, one affiliated with a business located in the City, one with expertise in finance, one resident of the City and one a representative of organized labor. On January 23, 2007, the Board determined that the City had met all of the legislation's requirements for the termination of the Board, and the Board by resolution discontinued its existence and its exercise of its powers, duties and functions.

Southeastern Connecticut Water Authority. The Southeastern Connecticut Water Authority was established for the purpose of developing a reliable water supply for southeastern Connecticut. The State Bond Commission is authorized to approve a State guarantee of obligations of the Southeastern Connecticut Water Authority. Amounts borrowed by the Authority are to be repaid by July 1, 2045.

State Treasurer's Role

By statute, CDA, CHEFA, CHFA, CHESLA, CRRA and CCEDA may not owe any money or issue any bonds or notes which are guaranteed by the State of Connecticut or for which there is a special capital reserve fund 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 State Treasurer or the Deputy State 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 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 special capital reserve fund of any kind which 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 State Treasurer. The State 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 Contingent Debt

The amount of outstanding debt which is secured by special capital reserve funds or State guarantees as described above is outlined in the following table.

TABLE 16
Bond Authorizations With
Limited Or Contingent Liability
(In Millions)

	Authorized SCRF or Guaranteed Debt As of 2/1/10	Outstanding SCRF or Guaranteed Debt As of 2/1/10	Minimum Capital Reserve Requirement As of 2/1/10
Indebtedness Secured by Special Capital Reserve Funds or Guaranteed by State			
Connecticut Development Authority			
Umbrella Bond Program	$ 300.0	$ 0.00	$ 0.0
General Obligation Bond Program	30.6	6.1	1.8
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	18.49	2.58
Connecticut State University System	(a)	262.62	26.65
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	160.29	15.34
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,914.2	287.9
Special Needs Housing Mortgage Finance Program	(a)	55.5	4.0
Connecticut Resources Recovery Authority	725.0	51.6	12.3
University of Connecticut Student Fee Rev. Bonds	(a)	25.14	2.126
City of Waterbury Special Capital Reserve Fund Bonds	100.0	40.535	7.08
Southeastern Connecticut Water Authority	15.0	1.47	N.A.

(a) No statutory limit.

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 which 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 Education.

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 $400 million which take effect in the 2009-10 fiscal year. As of June 30, 2009, the Commissioner estimates that current grant obligations under this program are approximately $2,450 million which includes approximately $6,900 million in grants approved as of such date less payments already made of $4,450 million.

Prior to 1997 the grant program was conducted differently. For certain school projects grants for construction costs are paid to the cities, towns and districts in installments which 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, 2009, under the grant program prior to 1997 the State is obligated to various cities, towns and regional school districts for approximately $314 million in aggregate principal installment payments and $57 million in aggregate interest subsidies, for a total of $371 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 Education 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.

Child Care Facilities Debt Service Commitments

Legislation enacted in 1997 authorized CHEFA to issue bonds and loan the proceeds to various entities to finance child care facilities. The Department of Social Services 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 bonds. Legislation enacted in 1999 provided for the obligation of the Department of Social Services to make debt service payments to be made by the State Treasurer. Any obligation by the Department of Social Services or the State Treasurer to pay is subject to annual appropriation. CHEFA first issued special obligation bonds under this program in 1998. As of February 1, 2010 CHEFA has approximately $68.2 million bonds outstanding under this program with annual debt service of approximately $5.4 million, of which the Department of Social Services is committed to pay approximately $4.4 million. The remaining portion of debt service is to be paid from Department of Education and Department of Social Services intercepts of revenues from providers.

Two other Child Care Facilities programs also authorize the Commissioner of the Department of Social Services 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.

Other Contingent Liabilities

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 group contracts with insurance companies which 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, 2009 the current and long term liabilities of the Corporation total $251.34 million.

PENSION AND RETIREMENT SYSTEMS

State Employees' Retirement Fund

The State Employees' Retirement Fund is one of the systems maintained by the State with approximately 53,068 active members, 1,632 inactive (vested) members and 39,617 retired members as of June 30, 2009. Generally, employees hired before July 1, 1984 participate in the Tier I plan, which includes employee contributions. As of July 1, 2009 approximately 12% 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 and provides somewhat lesser benefits. As of July 1, 2009, approximately 40% 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, 2009, approximately 48% of the total work force was covered under the Tier IIA Plan.

Since fiscal year 1978-79, payments into the State Employees' Retirement Fund and investment income in each fiscal year, with the exception of fiscal years 2003-04 and 2008-09, have been sufficient to meet benefits paid from the fund in such year. 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 most recent actuarial valuation of November 2008 indicated that, as of June 30, 2007, the State Employees' Retirement Fund had assets with an actuarial value of $9,585.0 million and as of June 30, 2008, the State Employees' Retirement Fund had assets with an actuarial value of $9,990.2 million. The actuarial valuation was based upon an 8.25% earnings assumption and the impact of phasing in an approximately 4.8% negative return on plan assets for the 2007-08 fiscal year. For periods ending June 30, 2009, the Treasurer has realized annualized net returns on investment assets in the State Employees' Retirement Fund of 6.73% over the past twenty years, of 6.85% over the past fifteen years, of 2.91% over the past ten years and of 2.20% over the past five years. These annualized net returns reflect the impact of the negative return on investment assets resulting from the significant downturn in the financial markets during the Fall of 2008. The November 2008 actuarial valuation indicated that as of June 30, 2008 the State Employees' Retirement Fund had a funded ratio of 51.9% on a projected basis. As of June 30, 2008, the market value of the fund's investment assets, as reported in the actuarial valuation, was $9,329,175,038. As of June 30, 2009, the market value of the fund's investment assets was $7,320,843,712. The market value of the fund's investment assets is continually subject to change based on a variety of factors, including changes in the financial and credit markets and general economic conditions, and the current market value of the fund's investment assets at December 31, 2009 was higher than it was at June 30, 2009, in part, due to an improvement in the financial markets.

The November 2008 actuarial valuation determined the following employer contribution requirements**,** based on a projected unit credit actuarial cost method and level percent-of-payroll contributions, which contributions are sufficient to meet Governmental Accounting Standards Board ("GASB") standards: (i) $897.4 million for fiscal year 2009-10, and (ii) $944.1 million for fiscal year 2010-11. The annual contribution requirements for fiscal years 2009-10 and 2010-11 include amounts which may be required pursuant to the Supreme Court's decision in the case of ***Longley v. State Employees Retirement Commission*** which requires that the plaintiffs' final pro-rated longevity payment be included in the earnings calculations for purposes of calculating their retirement incomes. The State met 99.25% of its annual contribution requirement for fiscal year 2007-08 and 92.85% of its annual contribution requirement for fiscal year 2008-09. To meet the State's annual contribution requirements for fiscal years 2009-10 and 2009-11, $713.0 million and $745.8 million, respectively, have been appropriated from the General and Special Transportation Funds. The appropriation for fiscal year 2009-10 was reduced by $64.5 million as part of the Mid-Term Budget Adjustments and it is contemplated that the appropriation will be reduced by an additional $100.0 million in connection with upcoming fiscal year 2009-10 deficit mitigation plans. Based on projections by the Office of Policy and Management, it is anticipated that contributions to the fund for fiscal year 2009-10 from grant reimbursements from Federal and other funds will be sufficient to meet all but approximately $12.0 to $13.0 million of the annual contribution requirement. The appropriation for fiscal year 2010-11 was reduced by $100.0 million as part of the Mid-Term Budget Adjustments.

Set forth below 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, and benefits paid for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets and the resulting unfunded accrued liabilities for the actuarial valuations as of June 30, 2006 and June 30, 2008.

TABLE 17

State Employees' Retirement Fund

	Year Ending June 30				
	2005	**2006**	**2007**	**2008**	**2009**
General Fund Contributions.................	$ 354,400,568	$ 447,209,748	$ 477,219,351	$ 481,878,589	$ 454,805,009
Transportation Fund Contributions.................	48,916,000	60,055,000	63,819,000	67,058,000	71,426,000
Federal and other Reimbursements............	115,447,400	115,797,984	122,892,384	162,618,685	173,538,851
Employee Contributions....	51,721,944	55,234,913	61,794,719	67,389,585	70,808,970
Total Contributions	$ 570,485,912	$ 678,297,645	$ 725,725,454	$ 778,944,859	770,578,830
Investment Income[a]	$ 329,385,117	$ 310,506,921	$ 352,538,549	$ 371,620,098	252,399,209
Net Realized Gains (Losses).........................	$ 1,948,216	$ 14,036,602	$ 300,610,772	$ 323,533,563	12,284,308
Net Unrealized Gains (Losses)	454,670,646	532,826,108	856,560,402	(1,171,995,109)	(1,973,178,423)
Total Net Gains (Losses)...	$ 456,618,862	$ 546,862,710	$ 1,157,171,174	$ (848,461,546)	(1,960,894,115)
Benefits Paid	$ 882,375,233	$ 913,030,578	$ 951,353,124	$ 1,008,131,838	1,063,286,151
Actuarial Accrued Liabilities	N/A	$16,830,349,168	N/A	$19,243,372,754	N/A
Actuarial Values Of Assets	N/A	8,951,392,914	N/A	9,990,247,212	N/A
Unfunded Accrued Liabilities	N/A	$ 7,879,019,254	N/A	9,253,125,542	N/A

(a) Investment Income (exclusive of net realized gains and losses).

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 establishing salary schedules for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2009, there were 64,242 active and former employees with accrued and accruing benefits, 30,142 retired members and 330 members on disability allowance.

Since fiscal year 1978-79, payments into the Teachers' Retirement Fund and investment income in each fiscal year, with the exception of fiscal years 2003-04, 2004-05 and 2008-09, have been sufficient to meet benefits paid from the fund in such year. 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.

Actuarial valuations are performed as of June 30th of each even-numbered year. The most recent actuarial valuation dated November 12, 2008 indicated that, as of June 30, 2008, the Teachers' Retirement Fund had assets, inclusive of the cost-of-living adjustment reserve account, with an actuarial value of $15,271.0 million. The actuarial valuation was based upon an 8.50% earnings assumption. For periods ending June 30, 3009, the Treasurer has realized annualized net returns on investment assets in the Teachers' Retirement Fund of 6.88% over the past twenty years, of 6.85% over the past fifteen years, of 3.12% over the past ten years and of 2.55% over the past five years. These annualized net returns incorporate the negative return on investment assets resulting from the general market downturn during the Fall of 2008. The November 2008 actuarial valuation indicated that as of June 30, 2008 the Teachers' Retirement Fund had a funded ratio of 70.1% on a projected basis. As of June 30, 2008, the market value of the fund's investment assets, as reported in the actuarial valuation, was $14,551,467,434. As of June 30, 2009, the market value of the fund's investment assets was $11,396,681,762. The market value of the fund's investment assets is continually subject to change based on a variety of factors, including changes in the financial and credit markets and general economic conditions, and the current market value of the fund's investment assets at December 31, 2009 was higher than it was at June 30, 2009.

The actuarial valuation dated November 29, 2006 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) $518.6 million for fiscal year 2007-08, and (ii) $539.3 million for fiscal year 2008-09. The State met its annual contribution requirement for fiscal years 2007-08 and 2008-09. The actuarial valuation dated November 12, 2008 determined the following employer contribution requirements, which are sufficient to meet GASB standards: (i) $559.2 million for fiscal year 2009-10, and (ii) $581.6 million for fiscal year 2010-11. To meet the State's annual contribution requirements for fiscal years 2009-10 and 2010-11, $559.2 million and $581.6 million, respectively, have been appropriated.

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, and benefits paid for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets and the resulting unfunded accrued liabilities for the actuarial valuations as of June 30, 2006 and June 30, 2008.

TABLE 18

Teachers' Retirement Fund

	Year Ending June 30				
	2005	2006	2007	2008	2009
General Fund Contributions...............	$ 185,348,143	$ 396,248,844	$ 412,101,958	$ 2,518,560,263[a]	$ 539,302,674
Employee Contributions[b]............	259,408,422	293,530,283	279,147,447	275,268,365	289,343,810
Total Contributions	$ 444,756,565	$ 689,779,127	$ 691,249,405	$ 2,793,828,628	$ 828,646,484
Investment Income[c]	$ 460,613,365	$ 372,811,689	$ 482,745,492	$ 519,183,177	$ 393,748,965
Net Realized Gains (Losses)	$ 2,275,332	$ 45,550,687	$ 650,696,447	$ 188,080,715	$ 24,937,167
Net Unrealized Gains (Losses)	645,128,201	736,860,094	967,671,640	(1,414,057,911)	(2,958,832,005)
Total Net Gains (Losses)...	$ 647,403,533	$ 782,410,781	$1,618,368,087	$(1,225,977,196)	$(2,933,894,838)
Benefits Paid	$ 964,597,731	$ 1,050,132,506	$1,159,443,441	$ 1,266,950,462	$ 1,381,129,716
Actuarial Accrued Liabilities	N/A	$18,703,792,895	N/A	$21,801,020,991	N/A
Actuarial Values Of Assets[d]	N/A	11,781,338,002	N/A	15,271,012,785	N/A
Unfunded Accrued Liabilities	N/A	$ 6,922,454,893	N/A	$ 6,530,008,206	N/A

(a) In April 2008 the State issued $2,276,578,270.75 Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series) and $2.0 billion of the proceeds of such bonds were deposited into the Teachers' Retirement Fund.

(b) Includes municipal contributions under early retirement incentive programs ($2,456,776 during fiscal year 2004-05, $2,802,639 during fiscal year 2005-06, $2,659,720 during fiscal year 2006-07, $1,667,810 during fiscal year 2007-08 and $1,573,023 during fiscal year 2008-09); and employee contributions to the Teachers' Retirement Health Insurance Fund ($43,830,845 during fiscal year 2004-05, $39,144,621 during fiscal year 2005-06, $40,070,052 during fiscal year 2006-07, $41,296,730 during fiscal year 2007-08 and $46,219,153 during fiscal year 2008-09.

(c) Investment Income (exclusive of net realized gains and losses).

(d) For years prior to fiscal year 2007-2008, includes cost-of-living adjustment reserve account. As of June 30, 2007 the fund was dissolved and its assets combined with Teachers' Retirement Fund assets.

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 $2,276,578,270.75 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 which 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.

The statutory provisions which govern pension benefits payable from the Teachers' Retirement Fund include certain cost of living adjustments. Public Act No. 07-186 added a provision limiting cost-of-living adjustments for employees hired after July 1, 2007, but also removed a statutory provision which subjected certain annual cost of living adjustments in pension benefits to a limit based on funds available from earnings on fund investments which exceeded an 11.5% return. Such excess earnings were held in the cost-of-living adjustment reserve account until applied to provide for cost of living adjustments. Although there are other statutory limits on the cost of living adjustments, it is anticipated that the removal of the limit based on available earnings which exceeded an 11.5% return will cause an increase in the aggregate actuarial accrued liability of the fund. One preliminary report estimated that these changes could increase the unfunded actuarial accrued liability by approximately $1.0 billion. This preliminary estimate was based on various assumptions and no assurances can be given that subsequent projections or the next actuarial report will not result in a higher or lower estimate.

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, 2009, there were approximately 221 active members of these plans and approximately 262 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

State employees, except for police and members of a retirement system other than the State Employees' Retirement Fund, whose employment commenced after February 21, 1958, are entitled to Social Security coverage. Certain employees hired prior to that date have also elected to be covered. Pursuant to a collective bargaining agreement, State Troopers hired on or after May 8, 1984 are entitled to Social Security coverage. As of June 30, 2009, approximately 59,308 State employees were entitled to Social Security coverage. The amount expended by the State for Social Security coverage for fiscal year 2008-09 was $309.9

million. Of this amount, $227.4 million was paid from the General Fund and $14.5 million was paid from the Special Transportation Fund.

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. The State has not established any fund for the accumulation of assets with which to pay post-retirement life insurance benefits in future years. The State has established a trust for the accumulation of assets with which to pay post-retirement health care benefits in future years. All employees hired on or after July 1, 2009 are required to contribute 3% of salary through their tenth year of service, to be deposited into the post-retirement health care benefits trust. Commencing July 1, 2010, employees with less than five years of service will be required to contribute 3% of salary through their tenth year of service, to be deposited into the trust. It is anticipated that contributions to the trust in fiscal years 2009-10 and 2010-11 will be completely expended on current benefit expense. Thereafter it is anticipated that the trust will begin to accumulate assets which will be available to fund future liabilities. 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 2009-10 $482.9 million was appropriated.

Implementation of GASB Statement No. 45 regarding accounting and financial reporting for postemployment 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 2007-08. The State has received an actuarial report dated March 2007 with respect to the State's liability for post-retirement health care benefits for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System. The report indicated an OPEB actuarial accrued liability as of April 1, 2006 estimated to range from $11.4 billion to $21.7 billion. The amounts depend upon various assumptions including those with respect to medical cost inflation rates, the establishment of a trust to fund those liabilities, the amount of initial and annual amounts deposited in such a trust and discount rates. The report used discount rates ranging from 4.5% to 8.5%. The amount of the annual required contribution under these various assumptions ranged from $1.0 billion to $1.6 billion for fiscal year 2006-07, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions. Additional assumptions were also tested for sensitivity analysis which produced different results. The annual required contribution included the cost for both current eligible employees and retirees. The State has received an interim actuarial valuation dated February 16, 2009 with respect to the State's liability for post-retirement health care benefits for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System, based upon the stated assumptions of the March 2007 actuarial report but reflecting actual increases in the State's medical and dental costs between April 1, 2006 and June 30, 2008. The report indicates an OPEB actuarial accrued liability as of June 30, 2007 of up to $23.1 billion and a projected actuarial accrued liability as of June 30, 2008 of up to $24.6 billion on an unfunded basis with no valuation assets available to offset the liabilities of the plan. The interim actuarial valuation determined an employer contribution requirement for fiscal year 2007-08 of up to $1.66 billion on an unfunded basis, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions. The State paid $458.4 million for eligible employees and $415.4 million for retirees for health care costs in fiscal year 2006-07. The State paid $480.0 million for eligible employees and $468.8 million for retirees for health care costs in fiscal year 2007-08. The State paid $521.9 million for eligible employees and $454.6 million for retirees for health care costs in fiscal year 2008–09.

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 expended by the State for such coverage.

TABLE 19

State Employee Retirees Health Care And Life Insurance Benefits

	Year Ending June 30				
	2005	2006	2007	2008	2009
Retirees Eligible to Receive Benefits	39,737	38,065	37,506	38,917	38,736
Retirees Receiving Health Care Benefits	36,815	36,911	37,304	37,865	38,613
Retirees Receiving Life Insurance Benefits	25,827	25,943	25,565	25,581	25,368
General Fund Expenditures on Retiree Health Care and Life Insurance Benefits (millions)	$377.0	$395.0	$435.5	$472.0	$458.0

The State is required to make General Fund appropriations to the Teachers' Retirement Fund to cover one-third of retiree health insurance costs plus any portion of the balance of such costs which is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund. Legislation which became effective July 1, 1998 generally requires the State to subsidize the health insurance costs of retired teachers who are not members of the Teachers' Retirement Board's health benefit plan in a manner consistent with its prior practice of subsidizing the health insurance costs of those retired teachers who were members of the Board's health benefit plan. Legislation which became effective July 1, 2008 generally requires the State to subsidize a portion of the health insurance costs of retired teachers who have attained normal retirement age, are ineligible to participate in Medicare Part A and pay to participate in local board of education retiree health benefit plans. No General Fund appropriations to the Teachers' Retirement Fund to cover retiree health insurance costs have been made for fiscal years 2009-10 and 2010-11. The Teachers' Retirement Board is monitoring the impact of the reduction in levels of State funding for fiscal years 2009-10 and 2010-11. 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 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 commencing with those for fiscal year 2007-08. The Teachers' Retirement Board has received an actuarial valuation of the State's liability with respect to post-retirement health care benefits for members of the Teachers' Retirement Fund. The report indicates an actuarial accrued liability as of June 30, 2008 of $2,318.8 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. The actuarial valuation determined a $116.7 million employer contribution requirement for fiscal year 2008-09 and $121.3 million for fiscal year 2009-10, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions. The State paid $20.7 million for post-retirement health insurance costs for fiscal year 2007-08. The valuation noted that if the plan were prefunded the actuarial accrued liability as of June 30, 2008 would be reduced to $1.52 billion based on a 7.5% earnings assumption, which would result in a $67.9 million employer contribution requirement for fiscal year 2008-09.

Set forth below for each of the past five fiscal years are State contributions to the Teachers' Retirement 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.

TABLE 20

Teachers' Retirement Health Insurance Fund

	Year Ending June 30				
	2005	**2006**	**2007**	**2008**	**2009**
Portions Attributable To Post-Retirement Medicare Supplement Health Insurance......................	$ 7,142,769	$ 9,897,646	$12,922,673	$12,909,315	$14,548,169
Portions Attributable To Non-Board Health Insurance Cost Subsidy	5,715,000	7,765,203	7,826,864	7,860,352	7,885,215
Total General Fund Contributions...............	$12,857,769	$17,662,849	$20,749,537	$20,769,667	$22,433,384

Additional Information

The June 30, 2009 audited financial statements 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 25 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.

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 $15 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, among other things, open two new magnet schools in the Hartford area each year, substantially increase the voluntary interdistrict busing program in the Hartford area, and work collaboratively with the plaintiffs in planning for the period after the four year duration of the proposed order. That agreement expired in June, 2007, and the anticipated costs of that agreement have been expended.

On August 23, 2006, the City of Hartford moved to intervene in the case, and on January 4, 2007, the Court granted that motion. On July 5, 2007 the plaintiffs filed a motion for an order to enforce the judgment and to order a remedy, alleging that the State remained in material non-compliance with the *Sheff* mandate. In November 2007 the Superior Court began a hearing on the plaintiffs' motion, and in January 2008 completed that hearing. A decision remained pending.

On April 4, 2008, a tentative settlement between the plaintiffs and the State requiring the State to comply with defined benchmarks over a period of time was presented to the legislature in accordance with Section 3-125a of the Connecticut General Statutes. The legislature approved the settlement on May 4, 2008 and the court approved it on June 12, 2008. Thereafter, the City of Hartford also agreed to settle with the parties. The court approved this settlement by stipulation on August 28, 2008. Under these settlements and court orders, the State has ongoing obligations to work toward certain enumerated goals aimed at reducing racial, ethnic and economic isolation in the Hartford public schools, as detailed in the orders themselves.

On December 9, 2009, the plaintiffs filed a motion for breach of the 2008 agreement claiming that the State failed to meet a benchmark for placement of students in reduced isolation educational settings. In light of this alleged breach, they sought appointment of a special master "to ensure prompt and complete compliance" with the stipulation. On February 23, 2010, the trial court denied the plaintiffs' motion.

S*tate Employees Bargaining Agent Coalition v. Rowland* is a Federal District Court case 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 case 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 2004 through 2008, the State was engaged in litigation against several tobacco companies that participate in the MSA regarding the calculation of the companies' payments to the State for the year 2003. The litigation focused on whether the parties' payment dispute must be decided by the state courts or by an arbitration panel. In December, 2008, the Connecticut Supreme Court sided with the tobacco companies and ruled that the MSA requires all aspects of the payment dispute to be arbitrated. If an arbitration results in a decision adverse to the State, that determination would likely reduce or eliminate the State's MSA payments for 2004 and possibly even subsequent years.

In ***Connecticut Coalition for Justice in Education Funding et al. v. Rell, et al.***, brought in Hartford Superior Court, 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. Purporting to represent a class of similarly situated students in selected school districts, 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 these 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 United States Code Section 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 have 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 remains, 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, and that appeal remains pending.

Since 1991, the State Department of Children and Families has been operating under the provisions of a federal court-ordered consent decree in ***Juan F. v. Weicker*** case. In October 2003 the State entered into an agreement with the ***Juan F.*** Court Monitor and lawyers representing the plaintiff class of children in the child welfare system designed to end judicial oversight of the agency by November 2006. The agreement was approved and ordered by the court. The agreement included the establishment of a Transition Task Force, which included the ***Juan F.*** Court Monitor, who was given full and binding authority to develop an Exit Plan. The Court Monitor's Exit Plan includes an open-ended funding provision (virtually identical to that contained in the Consent Decree). The State has objected to this provision of the Exit Plan, which was adopted by the court in December 2003, claiming in part that the Exit Plan requires the State to provide open-ended funding to implement the plan which could violate the State's constitutional cap on spending. On February 10, 2004 the court denied the State's request to reconsider the funding provision. In 2005 the Court entered orders that ended the Transition Task Force and revised the monitoring order, but left in place the open-ended funding provision. The State is currently working to meet the requirements of the Exit Plan. By letter dated May 5, 2008, the plaintiffs notified the defendants and the Court Monitor of their view that the defendants "are in actual or likely noncompliance" with two provisions of the revised monitoring order. Pursuant to the order, the parties had to engage in a period of mediation, after which the Court, if there were no negotiated resolution, could make findings and issue orders. As a remedy, the plaintiffs requested the appointment of a limited receiver tailored to address the defendants' performance regarding the two identified provisions. On July 17, 2008 the Court approved a stipulation by the parties resolving the plaintiffs' claims of noncompliance with these two provisions. The State has continued to work with the plaintiffs and the Court Monitor to meet the requirements of the Exit Plan. On December 9, 2009, plaintiffs filed a motion for emergency relief seeking to prevent the Department from effectuating the Governor's budget-related directive to cease new admissions to the voluntary services program – a program permitting parents to obtain services for disabled children without relinquishing custody. The Governor has rescinded this order, but the parties continue to litigate whether the children eligible for voluntary services fall within the ***Juan F.*** class.

While the various cases described in this paragraph involving alleged ***Indian Tribes*** do not specify the monetary damages sought from the State, the cases are mentioned because they claim State land and/or sovereignty over land areas that are part of the State of Connecticut. Several suits have been filed since 1977 in the Federal District Court and the Connecticut Superior Court on behalf of alleged ***Indian Tribes*** in various parts of the State, claiming monetary recovery as well as ownership to land in issue. Some of these suits have been settled or dismissed. The plaintiff group in one of the remaining suits is the alleged Golden Hill Paugussett Tribe and the lands involved are generally located in Bridgeport, Trumbull and Orange. In June of 2004 the Federal Bureau of Indian Affairs denied recognition to the alleged Golden Hill Paugussett Tribe of Indians. The alleged Tribe filed an appeal with the United States Secretary of Interior, and that appeal was dismissed on March 18, 2005. On November 30, 2006 the federal district court dismissed the Golden Hill Paugussett's land claims. The Golden Hill Paugussett Tribe appealed the dismissal to the U.S. Court of Appeals for the Second Circuit, and on September 10, 2007 that appeal was dismissed. The Golden Hill Paugussett Tribe has not appealed the denial of its petition seeking federal recognition, but has until March 2011 to do so. An additional suit was filed by the alleged Schaghticoke Tribal Nation claiming ownership of privately and town held lands in the Town of Kent. The State is not a defendant to that action. In February 2004 the Federal Bureau of Indian Affairs issued a final determination granting federal recognition to the Schaghticoke Tribal Nation. The State appealed that decision to the Federal Department of Interior Board of Appeals, which on May 13, 2005 vacated the determination and remanded the matter to the Federal Bureau of Indian Affairs for reconsideration. On October 12, 2005 the Federal Bureau of Indian Affairs declined to acknowledge the Schaghticoke Tribal Nation, and the alleged Tribe appealed that decision to the United States District Court. The District Court dismissed the appeal on August 22, 2008, and the Schaghticoke Tribal Nation appealed that decision to the U.S. Court of Appeals for the Second Circuit. The land claims have been stayed pending the resolution of the federal recognition matter. On October 19, 2009, the Court of Appeals denied the appeal and affirmed the District Court's ruling. A petition for rehearing is pending with the Court. In June 2002 the Federal Bureau of Indian Affairs issued a final determination granting federal recognition to the Historic Eastern Pequot tribe. The State appealed the decision to the Federal Department of the Interior Board of Appeals, which on May 13, 2005 vacated the determination and remanded the matter to the Federal Bureau of Indian Affairs for reconsideration. On October 12, 2005, the Federal Bureau of Indian Affairs declined to acknowledge this group as an Indian tribe. The Pequot Tribe has not appealed this decision, but has until October 2011 to do so. It is possible that other land claims could be brought by other 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.

The ***White Oak Corp.*** has brought demands for arbitration against the State of Connecticut, Department of Transportation ("DOT"), pursuant to State statute, alleging breaches of contract in connection with both the Tomlinson Bridge construction project in New Haven and a separate construction project in Bridgeport. In December of 2005, the American Arbitration Association ruled against White Oak in the Tomlinson Bridge construction project, rejecting their claim for $90 million and instead awarded DOT damages in the amount of $1.17 million. The Superior Court confirmed the panel's decision, but White Oak thereafter filed a new demand for arbitration seeking $110 million for delay damages in connection with the same Tomlinson Bridge project. The State sought an injunction on this second demand in light of the rulings in the first demand for arbitration. The Superior Court denied the State an injunction, but on May 20, 2008 the Connecticut Supreme Court reversed and ordered that the Superior Court issue a permanent injunction barring White Oak from pursuing the second arbitration. On November 1, 2009, the arbitration panel released its decision on the Bridgeport Green project in which White Oak was seeking $50 million in damages. The panel rejected White Oak's claims for damages, but ordered the DOT to pay White Oak $5,343,000 previously held by the agency as liquidated damages, along with $4,903,930 in prejudgment interest on that sum. On November 30, 2009, the State filed an application to modify the arbitration decision with respect to the award of liquidated damages and interest. As of December 7, 2009 White Oak has taken no action to modify, vacate or correct the arbitration decision. Any subsequent judicial appeal from the arbitrators' final decision is generally limited to jurisdictional issues.

***State of Connecticut Office of Protection and Advocacy for Persons with Disabilities v. The State of Connecticut*, *et al*.,** is an action in Federal District Court brought in February of 2006, on behalf of individuals with mental illness in nursing facilities in the State. The plaintiffs claim that the State has violated the Americans with Disabilities Act by failing to provide services for the identified group in the most integrated setting appropriate to the needs of the qualified individuals. In September 2007 the Court dismissed the plaintiff's case for lack of standing, although it left open the ability for proper plaintiffs to replead. On September 8, 2008, the plaintiffs filed an amended complaint adding five nursing home residents as plaintiffs in addition to the Office of Protection and Advocacy for Persons with Disabilities. The defendants' motions to dismiss the amended complaint and the plaintiffs' motion for class certification are pending before the Court.

Belanger v. State Employees Retirement Commission is a Federal District Court action brought by three retired state employees, claiming that the Commission's members have breached their fiduciary duties and federal law by failing to apply retroactively to the plaintiffs and to others similarly situated, the recent decision of the Connecticut Supreme Court in *Longley v. State Employees Retirement Commission*. In *Longley*, the Court ruled in the case of two retired state employees that the Commission had not properly interpreted and applied State law by failing to add their final, prorated longevity payments to their salary in their final year of employment, for the purpose of calculating their "base salaries" under the State Employees Retirement Act, Connecticut General Statutes § 5-152 et seq. The plaintiffs' complaint in *Belanger* also seeks costs and attorneys fees and the plaintiffs have also moved for class certification to include all retired state plan members harmed by the alleged improper calculation. The defendants filed a motion to dismiss the complaint and the plaintiffs filed a motion for class certification. On June 10, 2009, the defendant's motion to dismiss was granted. Plaintiffs' motion for reconsideration remains pending.

Pham v. Starkowski is a class action lawsuit which was filed in the Superior Court on November 30, 2009 seeking to enjoin the Department of Social Services (DSS) from terminating the State funded medical assistance for non-citizen's program (SMANC). The SMANC program was established pursuant to State legislative direction to continue providing medical assistance benefits to "qualified aliens" following the enactment of restrictions on eligibility of such aliens in the federal Medicaid program. As a result of budget difficulties, the State legislature directed DSS to substantially eliminate the program. The complaint challenged the section of the DSS budget implementer that substantially repealed the SMANC program and the section of the implementer that clarified the scope of individuals who could be eligible for the State Administered General Assistance medical program. The matter was certified by the court as a class action. The trial court struck down both challenged implementer provisions relying on the equal protection clause in the United States Constitution. The State filed the appeal and requested a stay of the injunction, which motion was denied by the trial court. DSS has estimated that the reinstatement of the program will cost approximately

$9.75 million annually. DSS is in the process of finalizing compliance by reinstating individuals onto the SMANC program and opening up the program to new applicants.

Connecticut Association of Health Care Facilities v. Rell. On January 28, 2010, a trade association representing for-profit nursing homes filed a lawsuit in federal court against Governor Rell. The lawsuit alleges that the nursing homes are systemically undercompensated under Connecticut's Medicaid payment system in violation of the federal Medicaid Act and State and federal constitutional guarantees against the taking of private property without just compensation. Although the lawsuit seeks only declaratory and injunctive relief, an adverse ruling requiring substantial modifications to the State's nursing home Medicaid reimbursement system could have a material fiscal impact on the State.

Computers Plus Center, Inc. and Malapanis v. Department of Information Technology. On January 29, 2010, a State court jury returned a verdict against the Department of Information Technology (DOIT) in favor of counter-claim plaintiff Computers Plus Center (CPC) in the amount of $18.3 million for breach of due process rights guaranteed by Article First, § 10 of the Connecticut Constitution. DOIT alleged that CPC had failed to provide certain components required by a contract for the purchase of 10,000 computers from CPC. CPC's counter-claim, essentially one for reputational harm to CPC's business, arises out of DOIT's termination of the contract and the denial of CPC's bids for other computer contracts, as well as press statements and other communications relating to the matter. The State has filed motions for a new trial and to reduce and set aside the verdict, which remain pending.

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.

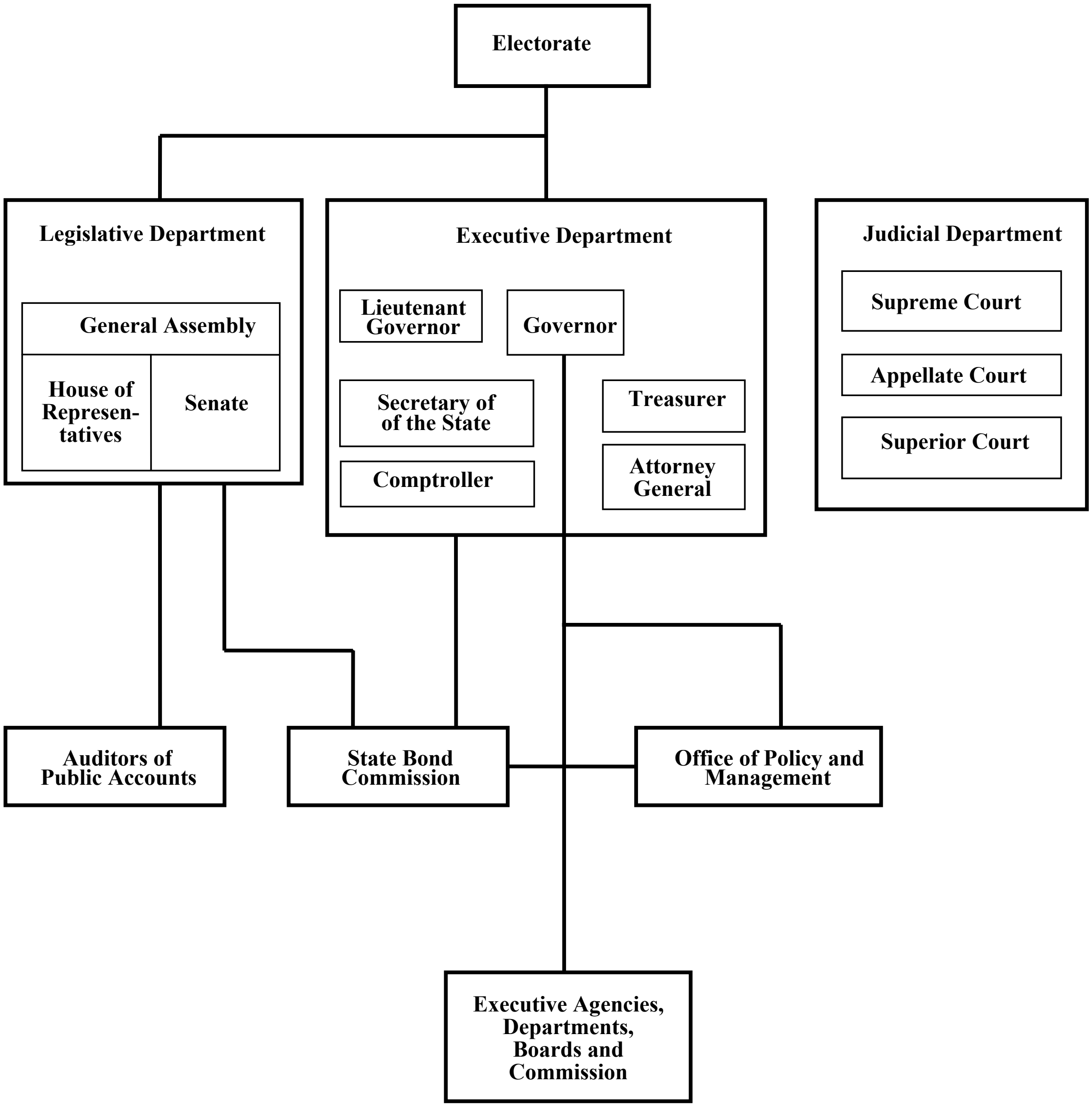
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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 2008, and the new members took office in January 2009.

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 2006 for terms beginning in January 2007. 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. There are approximately 172 sitting Superior Court judges, 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 ten 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 117 probate districts situated throughout the State. Effective January 5, 2011 the number of probate courts will be reduced to fifty-four.

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)]	2005	2006	2007	2008	2009
Legislative	586	575	613	571	582
General Government	3,429	3,428	3,610	3,650	3,563
Regulation and Protection	4,211	4,279	4,360	4,338	4,325
Conservation and Development	1,358	1,267	1,299	1,325	1,321
Health and Hospitals	7,593	7,665	8,018	8,130	7,791
Transportation	3,150	3,035	3,220	3,318	3,191
Human Services	1,827	1,883	2,010	2,095	2,019
Education	15,077	15,446	16,055	16,453	16,720
Corrections	9,573	9,551	10,275	10,379	9,919
Judicial	4,386	4,322	4,745	4,612	4,616
Total	51,190	51,451	54,205	54,871	54,047

(a) Table shows approximate filled full-time positions as of June 30 in each of the listed years.
(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, 2009[(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	Private Contributions	TOTALS
Legislative	582	0	0	0	0	0	582
General Government	2,997	0	0	311	10	245	3,563
Regulation and Protection	2,268	596	537	694	121	109	4,325
Conservation and Development	578	0	7	387	255	94	1,321
Health and Hospitals	7,437	0	0	28	318	8	7,791
Transportation	0	3,079	0	112	0	0	3,191
Human Services	1,709	0	11	1	259	39	2,019
Education	10,020	0	0	6,463	182	54	16,720
Corrections	9,804	0	0	87	27	1	9,919
Judicial	4,543	0	26	0	5	42	4,616
Total	39,938	3,675	581	8,083	1,177	592	54,047

(a) Table shows approximate filled full-time positions.

(b) Breakdown for 2009 reflects the funding breakdown on Core-CT chart of accounts coding. Some positions which in years prior to 2005 were designated as being paid out of private contributions are now coded as being paid out of special funds – non appropriated in order to properly reflect how they are coded on Core-CT.

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 32 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 on 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		
Correction Officers	9.54%	Contract in place through 6/30/2011
Administrative Clerical	7.73%	Contract in place through 6/30/2012
Maintenance and Service	7.33%	Contract in place through 6/30/2012
Health Care Non-Professionals	6.80%	Contract in place through 6/30/2012
Social and Human Services	6.84%	Contract in place through 6/30/2012
Administrative and Residual	5.61%	Contract in place through 6/30/2012
Health Care Professionals	5.49%	Contract in place through 6/30/2012
Engineering, Scientific and Technical	4.70%	Contract in place through 6/30/2012
University of Connecticut Faculty	4.29%	Contract in place through 6/30/2012
University Health Professionals (University of Connecticut Health Center)	3.72%	Contract in place through 6/30/2012
University of Connecticut Professional Employee Association	3.04%	Contract in place through 6/30/2012
Connecticut State University Faculty	2.72%	Contract in place through 6/30/2012
Judicial Employees	2.70%	Contract in place through 6/30/2012
Judicial Professionals	2.42%	Contract in place through 6/30/2012
Congress of Connecticut Community Colleges	2.33%	Contract in place through 6/30/2012
Vocational Technical School Faculty	2.15%	Contract in place through 6/30/2012
State Police	2.05%	Contract in place through 6/30/2012
Protective Services	1.57%	Contract in place through 6/30/2012
Education Professionals (Institutions)	1.39%	Contract in place through 6/30/2012
Other Bargaining Units (13 units)	4.80%	Varies by Unit
Total Covered by Collective Bargaining	87.21%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.21%	Not Applicable
Other Employees	12.58%	Not Applicable
Total Not Covered by Collective Bargaining	12.79%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 54,000 filled full-time positions as of June 30, 2009.

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
Elections Enforcement Commission
Office of State Ethics
Freedom of Information Commission
Judicial Selection Commission
Contracting Standards Board
State Treasurer
State Comptroller
Department of Revenue Services
Division of Special Revenue
Office of Policy and Management
Department of Veterans' Affairs
Office of Workforce Competitiveness
Board of Accountancy
Department of Administrative Services
Department of Information Technology
Department of Public Works
Attorney General
Division of Criminal Justice

Regulation and Protection
Department of Public Safety
Department of Emergency Management and Homeland Security
Police Officer Standards and Training Council
Board of Firearms Permit Examiners
Department of Motor Vehicles
Military Department
Commission on Fire Prevention and Control
Department of Banking
Insurance Department
Office of Consumer Counsel
Department of Public Utility Control
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Office of the Victim Advocate
Commission on Human Rights and Opportunities
Office of Protection and Advocacy for Persons with Disabilities
Office of the Child Advocate
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Environmental Protection
Council on Environmental Quality
Commission on Culture and Tourism
Department of Economic and Community Development
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
Psychiatric Security Review Board

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
Board of Education and Services for the Blind
Commission on the Deaf and Hearing Impaired
State Library
Department of Higher Education
University of Connecticut
University of Connecticut Health Center
Charter Oak State College
Teachers' Retirement Board
Regional Community-Technical Colleges
Connecticut State University

Corrections
Department of Correction
Department of Children and Families

Judicial
Judicial Department
Public Defender Services Commission
Child Protection 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 January 1, 2010.

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 Management and Homeland Security. The Department of Emergency Management and Homeland Security was established as of January 1, 2005 to provide a coordinated and integrated program for statewide emergency management and homeland security. The mission of the Department is to direct and coordinate all available resources to protect the life and property of the citizens of Connecticut in the event of a disaster or crisis, through a collaborative program of prevention, planning, preparedness, response, recovery and public education. Among the Department's primary functions is the administration and management of federal grant funds related to emergency management and homeland security. The Department oversees the state Emergency Operations Center during emergencies. In addition, the Department's Commissioner directs the preparation of state emergency plans, which are submitted to the Governor for approval. For planning purposes with respect to events requiring mass evacuations and sheltering in the State, the Department 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 Millstone Power Plant release of contamination. The State has been divided into five regions to coordinate planning, training and response.

Each year, in accordance with its statutory mandate, the Department reviews and approves local emergency operations plans, which are submitted to the Department after having been reviewed and approved by municipal officials. The Department continues to advance emergency planning for the State by bringing multiple partners at the local, state and federal level together. Recent planning initiatives include: evacuation and shelter guides; commodity distribution; donations management; disaster recovery centers and debris management. The Department continues to conduct many exercises around the state to test plans and first responder preparedness. The Department continues to support the training of emergency volunteers. The Department continues to be heavily invested in interoperable communications, including the distribution, testing and maintenance of numerous communications assets. The Department also operates a fusion center which collects and disseminates intelligence information to law enforcement and other related groups. The Department, in conjunction with other State and local agencies, has completed significant work to implement and maintain a statewide geospatial information systems (GIS) program. The Department conducts public education campaigns on a regular basis to increase the public's preparedness for emergencies. The Department, in cooperation with local government, has also created five regional emergency planning teams (REPTs). Each REPT includes representatives from each of the municipalities or tribes within the region. The REPTs develop a regional spending plan for the Homeland Security grant funds for each region. Additionally, Intrastate Mutual Aid legislation creates a legal system whereby each municipality in the State can request aid from, or provide aid to, any other State municipality, regardless of whether a written mutual aid agreement exists between the municipalities. The Department also continues to codify its relationships with many key nongovernmental organizations including American Red Cross, Salvation Army, Civil Air Patrol and United Way. The agency continues to work with local towns by providing funding for emergency planning and Emergency Operation Center upgrades. The Department has deployed WEB EOC, a software program introduced in 2008 which allows all communities to communicate important information to the State during an emergency.

Pursuant to the General Statutes, 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 state-wide emergency management and homeland security activities during the preceding calendar year.

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Appendix III-B

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 3,405,565 in April 2000, an increase of 118,449, or 3.6%, from the 3,287,116 figure of 1990. 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 three decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 3.6% from 1990 to 2000 versus 5.4% in New England and 13.2% for the nation. The mid-2009 population in Connecticut was estimated at 3,518,288, up 0.4% from a year ago, compared to increases of 0.5% and 0.9% for New England and the United States, respectively. From 2000 to 2009, within New England, Massachusetts, Maine, and New Hampshire experienced growth higher than Connecticut.

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
1999….	3,386	0.6	13,838	0.8	279,040	1.2
2000….	3,412	0.7	13,953	0.8	282,172	1.1
2001….	3,428	0.5	14,052	0.7	285,082	1.0
2002….	3,448	0.6	14,135	0.6	287,804	1.0
2003….	3,468	0.6	14,192	0.4	290,326	0.9
2004….	3,475	0.2	14,216	0.2	293,046	0.9
2005….	3,477	0.1	14,227	0.1	295,753	0.9
2006….	3,485	0.2	14,259	0.2	298,593	1.0
2007….	3,489	0.1	14,298	0.3	301,580	1.0
2008….	3,503	0.4	14,363	0.5	304,375	0.9
2009….	3,518	0.4	14,430	0.5	307,007	0.9

Note: 1940-2000, April 1 Census. Figures are for census comparison purposes.
1999-2009, 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 the Census; Information prior to 1999 – Economy.com

The State is highly urbanized with a 2009 population density of 726 persons per square mile, as compared with 87 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2008 estimate, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

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 98 weekday departures to 29 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.

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 38 million passengers per year. The State supports urban transit, commuter express bus, rural transit and Americans with Disabilities Act paratransit services carrying approximately 37 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.

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.

Connecticut recently initiated its largest single transportation initiative since its infrastructure renewal program of 1984. The initiatives of 2005 and 2006 provide funding for significant transit and highway improvements, including rail car replacement, rail infrastructure improvements and traffic flow enhancements.

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 (RTO) 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. 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 Department of Public Utility Control (DPUC), but must receive a license issued by the DPUC 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.

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, Energy East Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. Energy East is a New York-based regional utility holding company. Yankee Gas was acquired by Northeast Utilities.

Since 1996 the DPUC 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 in the process of being opened 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 4,879 British Thermal Units (BTU) per dollar of Gross State Product in 2007, 32% less than the national average of 7,208 BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 249.5 million BTU of energy per person in 2007, ranking it 45th among the 50 states and 26% less than the national average of 336.8 million BTU.

In 2009 U.S. energy prices, including electricity, gasoline, natural gas and heating oil, stayed below the previous year's levels due mainly to the slowdown in the economy. Higher energy prices impact consumer and investment spending and 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. The following table shows total and per capita personal income for Connecticut residents during the period from 1999 to 2008 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

Calendar Year	Connecticut		Connecticut Per Capita as Percent of	
	Total (Millions of Dollars)	Per Capita (Dollars)	New England	United States
1999	$131,114	$38,718	115.3%	136.7%
2000	143,021	41,921	114.5	138.3
2001	149,519	43,614	114.8	140.0
2002	149,466	43,346	113.7	137.7
2003	151,653	43,730	112.7	135.5
2004	161,314	46,417	113.7	136.9
2005	168,666	48,485	114.4	136.8
2006	183,820	52,702	115.4	139.7
2007	194,069	55,609	115.8	141.0
2008	197,024	56,272	114.5	140.0

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)
1999	4.7%	5.4%	5.1%	3.1%	3.8%	3.6%
2000	9.1	9.9	8.2	6.8	7.6	5.9
2001	4.5	5.9	3.8	2.2	3.5	1.5
2002	0.0	0.9	2.0	(1.6)	(0.7)	0.4
2003	1.5	2.2	3.5	(0.7)	0.0	1.3
2004	6.4	5.5	6.0	3.4	2.5	3.1
2005	4.6	3.8	5.5	1.2	0.5	2.1
2006	9.0	7.9	7.4	5.5	4.5	4.1
2007	5.6	5.4	5.5	2.6	2.5	2.6
2008	1.5	2.6	2.9	(0.6)	0.5	0.7

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 2008.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2008
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$ 92,466	46.93%	$ 5,796,657	47.41%
Property Income (Div., Rents & Int.)	40,156	20.38	2,203,774	18.03
Wages in Manufacturing	13,839	7.02	741,893	6.07
Transfer Payments less Social Insurance Paid	8,624	4.38	886,310	7.25
Other Labor Income	22,826	11.59	1,487,444	12.17
Proprietor's Income	19,113	9.70	1,109,510	9.08
Personal Income—Total	$197,024	100.00%	$12,225,589	100.00%

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 2008, the State produced $216.2 billion worth of goods and services and $177.7 billion worth of goods and services in 2000 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 of Dollars)

	Connecticut		New England(a)		United States(b)	
Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
1999	150,303	3.4	524,123	5.3	9,353,500	6.4
2000	160,436	6.7	565,835	8.0	9,951,475	6.4
2001	165,025	2.9	580,920	2.7	10,286,175	3.4
2002	166,073	0.6	591,733	1.9	10,642,300	3.5
2003	169,885	2.3	612,006	3.4	11,142,175	4.7
2004	182,112	7.2	647,473	5.8	11,867,750	6.5
2005	190,499	4.6	671,797	3.8	12,638,375	6.5
2006	201,635	5.8	707,672	5.3	13,398,925	6.0
2007	212,252	5.3	741,597	4.8	14,077,650	5.1
2008	216,174	1.8	763,683	3.0	14,441,425	2.6

(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 2000 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2000 Chained Dollars*)

	Connecticut		New England		United States	
Year	**$**	**Percent Growth**	**$**	**Percent Growth**	**$**	**Percent Growth**
1999	153,298	1.6	531,902	4.0	10,779,850	4.8
2000	160,436	4.7	565,835	6.4	11,225,980	4.1
2001	161,197	0.5	570,313	0.8	11,347,180	1.1
2002	158,628	(1.6)	568,750	(0.3)	11,552,980	1.8
2003	159,456	0.5	579,651	1.9	11,840,700	2.5
2004	165,828	4.0	597,196	3.0	12,263,800	3.6
2005	169,094	2.0	605,048	1.3	12,638,380	3.1
2006	174,310	3.1	620,103	2.5	12,976,250	2.7
2007	178,470	2.4	634,166	2.3	13,254,050	2.1
2008	177,717	(0.4)	640,735	1.0	13,312,180	0.4

* 2000 chained dollar series are calculated as the product of the chain-type quantity index and the 2000 current-dollar value of the corresponding series, divided by 100.

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 2008 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 58.7% for the nation and 68.4% in 1999. 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 13.7% in 1999 to 13.4% in 2008 caused by increased competition with foreign countries and other states as well as generally declining and only recently rising defense expenditures during this period. The broadly defined services in the private sector, which excludes industries in agriculture and construction, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have decreased slightly to 74.3% of the total GSP in 2008 from 75.5% in 1999. The decreased share of service production was due to a faster increase in the government sector which forced the share of the broadly defined services in the private sector smaller. Services in the private sector increased by 43.5% from 1999 to 2008 compared to 59.6% 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 of Dollars)

Sector	2001	2002	2003	2004	2005	2006	2007	2008
Manufacturing	$ 21,405	$ 20,870	$ 19,109	$ 21,628	$ 22,553	$ 27,142	$ 28,544	$ 28,864
Construction[(a)]	5,484	5,613	5,522	6,110	6,650	6,877	6,433	5,897
Agriculture[(b)]	327	286	302	334	358	346	443	371
Utilities[(c)]	11,936	11,699	12,498	14,026	14,413	14,587	15,533	16,135
Wholesale Trade	9,062	9,001	9,271	9,619	10,152	10,944	11,133	11,293
Retail Trade	10,152	10,415	10,678	10,901	11,393	11,577	11,866	11,876
Finance[(d)]	48,123	48,151	49,748	54,165	55,904	57,613	60,627	61,023
Services[(e)]	44,007	44,719	47,175	48,786	51,523	54,122	58,114	60,268
Government	14,528	15,318	15,583	16,542	17,553	18,426	19,557	20,448
Total GSP	$165,024	$166,072	$169,886	$182,111	$190,499	$201,634	$212,250	$216,175

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 1998 and 2008. Connecticut's nonagricultural employment reached a high in the first quarter of 2008 with 1,708,830 persons employed, but began declining with the onset of the recession falling to 1,628,730 jobs by the third quarter of 2009.

TABLE B-8

Non-agricultural Employment[a]
(In Thousands)

Calendar Year	Connecticut Employment	Connecticut Percent Growth	New England Employment	New England Percent Growth	United States Employment	United States Percent Growth
1998	1,643.4	2.22%	6,728.4	2.34%	125,922.9	2.57%
1999	1,669.1	1.56	6,860.7	1.97	128,991.7	2.44
2000	1,693.2	1.45	7,023.2	2.37	131,793.6	2.17
2001	1,681.1	(0.72)	7,036.3	0.19	131,829.9	0.03
2002	1,664.9	(0.96)	6,927.5	(1.55)	130,340.4	(1.13)
2003	1,644.5	(1.22)	6,850.7	(1.11)	129,996.0	(0.26)
2004	1,649.8	0.32	6,875.1	0.36	131,419.2	1.09
2005	1,662.0	0.74	6,918.3	0.63	133,699.2	1.73
2006	1,680.6	1.12	6,983.8	0.95	136,097.6	1.79
2007	1,698.1	1.04	7,043.5	0.86	137,604.3	1.11
2008	1,699.7	0.09	7,034.9	(.12)	137,045.9	(.41)

(a) Non-agricultural employment excludes agricultural workers, proprietors, self-employed individuals, domestic workers, family workers and members of the armed forces.

(b) According to statistics from the Connecticut Department of Labor, the average non-agricultural employment in Connecticut for the first six months of 2009 was 1,650,300.

(c) In March 2009, the Connecticut Department of Labor revised and updated employment statistics back to 2004.

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 2008. 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, 2008
(In Thousands)

	Connecticut Total	Connecticut Percent	United States Total	United States Percent
Services[a]	703.1	41.4%	55,618.8	40.6%
Trade[b]	310.0	18.2	26,381.1	19.2
Manufacturing	187.4	11.0	13,423.0	9.8
Government	252.4	14.8	22,496.3	16.4
Finance[c]	143.3	8.4	8,143.8	5.9
Information[d]	37.6	2.2	2,997.0	2.2
Construction[e]	66.0	3.9	7,985.7	5.8
Total[f]	1,699.8	100.0%	137,045.7	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 four decades, while manufacturing employment in Connecticut has been steadily declining, employment in non-manufacturing industries has surged. In calendar year 2008, approximately 89% 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)

Year	Manufacturing	Trade[(a)]	Services[(b)]	Government	Finance[(c)]	Information[(d)]	Construction[(e)]	Total Non-agricultural Employment[(f)]
1999	240.26	312.12	634.37	235.18	140.84	44.67	61.64	1,669.09
2000	235.74	317.52	643.26	241.91	143.03	46.41	65.34	1,693.22
2001	226.72	312.18	644.08	244.43	142.93	44.69	66.08	1,681.11
2002	211.19	309.23	647.35	249.29	142.63	41.02	64.17	1,664.89
2003	200.03	305.53	648.08	245.97	142.65	39.57	62.67	1,644.50
2004	197.19	307.93	655.86	242.78	140.66	38.99	66.43	1,649.83
2005	195.17	310.57	665.46	243.76	142.29	38.08	66.70	1,662.03
2006	193.47	310.96	680.22	245.87	144.29	37.91	67.90	1,680.61
2007	190.75	311.73	694.10	249.19	144.61	38.40	69.35	1,698.13
2008	187.42	309.97	703.07	252.40	143.32	37.58	65.97	1,699.73

(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 eighteenth in the nation for its dependency on manufacturing wages in fiscal year 2009. Manufacturing has traditionally been of prime economic importance to Connecticut but has continued to trend down during the last decade. 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. Thus, Connecticut has been successful in diversifying itself away from dependence on just one type of industry. In calendar year 2008 approximately 11.0% of the State's workforce, versus 9.8% 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
1999	240.3	(3.07)%	939.8	(2.62)%	17,323	(1.35)%
2000	235.7	(1.88)	938.4	(0.15)	17,265	(0.33)
2001	226.7	(3.83)	900.7	(4.02)	16,440	(4.78)
2002	211.2	(6.85)	815.8	(9.42)	15,257	(7.20)
2003	200.0	(5.28)	765.0	(6.23)	14,508	(4.90)
2004	197.2	(1.42)	747.1	(2.34)	14,315	(1.34)
2005	195.2	(1.02)	733.8	(1.78)	14,226	(0.62)
2006	193.5	(0.88)	720.4	(1.83)	14,159	(0.48)
2007	190.8	(1.40)	709.3	(1.53)	13,880	(1.97)
2008	187.4	(1.75)	691.2	(2.56)	13,423	(3.29)

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 2008.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[a]	Total Manufacturing Employment
1999	49.86	50.51	35.40	23.98	80.51	240.26
2000	46.92	50.01	35.48	23.71	79.62	235.74
2001	46.87	47.03	33.82	22.41	76.59	226.72
2002	45.33	43.23	29.46	20.27	72.90	211.19
2003	43.35	40.92	26.56	18.92	70.28	200.03
2004	43.17	41.14	25.86	18.48	68.54	197.19
2005	43.50	41.08	25.48	18.14	66.98	195.17
2006	43.59	41.13	24.90	18.05	65.79	193.47
2007	43.57	40.42	25.23	18.18	63.34	190.75
2008	44.29	40.20	25.29	17.73	59.90	187.42

(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.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

During the past ten years, Connecticut's manufacturing employment was at its highest in 1999 at 240,260 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 187,420 in 2008. The total number of manufacturing jobs dropped 52,840, or 22.0%, from its decade high in 1999.

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 $15.3 billion in 2008, accounting for 7.08% of Gross State Product. From 2004 to 2008, the State's export of goods grew at an average annual rate of 15.8% versus 4.4% 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)

	2004	2005	2006	2007	2008	Percent of 2008 Total	Average Percent Growth 2004-2008
A. Manufacturing Products							
Transportation Equipment	$3,177.8	$3,936.7	$ 5,382.1	$ 5,795.4	$ 6,434.4	42.0%	19.8%
Computer & Electronics	803.6	885.4	1,077.1	1,312.5	1,301.6	8.5	13.2
Machinery, Except Electronics	1,106.8	1,129.2	1,387.1	1,618.5	1,555.6	10.2	9.4
Fabricated Metal Production	406.5	408.2	541.2	585.9	621.7	4.1	11.8
Chemicals	608.2	590.4	748.6	1,447.9	1,575.0	10.3	31.5
Misc. Manufacturing	606.2	562.1	286.2	229.5	272.0	1.8	(14.4)
Electrical Equipment	469.7	433.0	551.4	607.0	602.9	3.9	7.2
Plastics & Rubber	179.6	178.4	204.6	212.4	251.0	1.6	9.0
Paper	165.8	219.8	230.3	147.7	146.9	1.0	0.2
Primary Metal Mfg.	275.7	325.9	639.0	480.4	508.5	3.3	23.8
Others	759.0	1,018.2	1,200.4	1,361.9	2,043.5	13.3	28.9
Total	$8,559.2	$9,687.3	$12,248.0	$13,799.1	$15,313.1	100.0%	15.8%
% Growth	5.2%	13.2%	26.4%	12.7%	11.0%		
B. Gross State Product[(a)]	$182,112	$190,499	$201,635	$ 212,252	$ 216,174		4.4%
Mfg Exports as a % of GSP	4.7%	5.1%	6.1%	6.5%	7.1%		

(a) In millions.

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 2008, Connecticut received $9.7 billion of prime contract awards. These total awards accounted for 2.6% of national total awards and ranked 11th in total defense dollars awarded and 4th in per capita dollars awarded among the 50 states. In fiscal year 2008, Connecticut had $2,769 in per capita defense awards, compared to the national average of $1,204. 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 4.0% of Gross State Product in fiscal year 2008, up from 2.0% of Gross State Product in fiscal year 1999. Recent increases were primarily due to the procurement of helicopters and submarines.

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.
1998-99	$3,169,394	12th	(7.0)%	5.0%
1999-00	2,177,462	17th	(31.3)	7.3
2000-01	4,269,536	10th	96.1	9.7
2001-02	5,638,582	9th	32.1	17.4
2002-03	8,064,794	5th	43.0	20.5
2003-04	8,959,424	5th	11.1	6.4
2004-05	8,753,063	7th	(2.3)	16.5
2005-06	7,780,793	10th	(11.1)	8.6
2006-07	8,601,359	9th	10.5	22.6
2007-08	9,696,554	11th	12.7	16.0

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% by 2008. This trend has decreased the State's dependence on manufacturing. Over the course of the last ten years, there were more than 83,480 jobs created in this sector, an increase of 5.8%. Moreover, this sector has more than compensated for the loss in manufacturing jobs, fueling the recovery in nonagricultural employment since 2003.

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)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
1999	1,428.8	2.39%	5,920.8	2.73%	111,669.1	3.05%
2000	1,457.5	2.00	6,084.8	2.77	114,528.5	2.56
2001	1,454.4	(0.21)	6,135.6	0.83	115,389.5	0.75
2002	1,453.7	(0.05)	6,111.7	(0.39)	115,083.7	(0.27)
2003	1,444.5	(0.64)	6,085.7	(0.43)	115,487.6	0.35
2004	1,452.6	0.57	6,128.0	0.70	117,104.5	1.40
2005	1,466.9	0.98	6,184.6	0.92	119,473.1	2.02
2006	1,487.1	1.38	6,263.4	1.28	121,939.1	2.06
2007	1,507.4	1.36	6,334.2	1.13	123,724.8	1.46
2008	1,512.3	0.33	6,343.7	0.15	123,622.9	(0.08)

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 90% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 1999, 2006, 2007 and 2008 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 1999 and 2008 service industry employment expanded by 68,690 workers, responsible for over 82% of all non-manufacturing jobs, which registered an increase of 83,480 jobs. State and local governments expanded by 20,070 jobs. The increase in this line item over the ten-year period can be attributed to the Federal Government's decision to categorize all workers employed on Indian Reservations as state and local government employees. The State's two tribal casinos employ about 19,900 workers.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry (In Thousands)

Industry	Calendar Year 1999	Calendar Year 2006	Calendar Year 2007	Calendar Year 2008	Percent Change 2007-08	Percent Change 1999-08
Construction[a]	61.64	67.90	69.35	65.97	(4.87)%	7.03%
Information[b]	44.67	37.91	38.40	37.58	(2.13)	(15.86)
Trade[c]	312.12	310.96	311.73	309.97	(0.57)	(0.69)
Finance, Insurance & Real Estate	140.84	144.29	144.61	143.32	(0.89)	1.76
Services[d]	634.37	680.22	694.10	703.07	1.29	10.83
Federal Government	22.33	19.65	19.60	19.47	(0.64)	(12.77)
State and Local Government	212.86	226.22	229.59	232.93	1.45	9.43
Total Non-manufacturing Employment[d]	1,428.83	1,487.14	1,507.38	1,512.31	0.33	5.84

(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 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 as 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 four fiscal years. Connecticut retail trade in fiscal year 2009 totaled $45.5 billion, a decrease of 6.9% from fiscal year 2008 with only two sectors, health & personal care stores and general merchandise stores, registering an increase. The decline in sales were especially severe in the durable goods category that are mostly big ticket items sold by furniture and home furnishings stores and motor vehicles and parts dealers.

TABLE B-17

Retail Trade In Connecticut[a] (In Millions)

NAICS		Fiscal Year 2005	Percent of Fiscal Year 2005 Total	Fiscal Year 2006	Percent of Fiscal Year 2006 Total	Fiscal Year 2007	Percent of Fiscal Year 2007 Total	Fiscal Year 2008	Percent of Fiscal Year 2008 Total	Fiscal Year 2009	Percent of Fiscal Year 2009 Total	Average Percent Growth Fiscal Year 2005-2009
441	Motor Vehicle and Parts Dealers	$ 8,744	20.28%	$ 8,421	18.91%	$ 8,602	18.53%	$ 8,197	16.78%	$ 6,475	14.25%	(6.8)%
442	Furniture and Home Furnishings Stores	2,665	6.18	2,784	6.25	2,635	5.68	1,993	4.08	1,456	3.20	(13.0)
443	Electronics and Appliance Stores	1,510	3.50	1,646	3.70	1,627	3.50	1,686	3.45	1,595	3.51	1.5
444	Building Material and Garden Supply Stores	3,436	7.97	3,532	7.93	3,465	7.46	3,243	6.64	2,767	6.09	(5.0)
445	Food and Beverage Stores[b]	5,701	13.22	5,945	13.35	6,472	13.94	9,433	19.31	8,927	19.64	13.4
446	Health and Personal Care Stores	3,459	8.02	3,555	7.98	4,219	9.09	3,905	7.99	4,961	10.91	10.3
447	Gasoline Stations	2,666	6.18	3,050	6.85	3,073	6.62	3,403	6.97	2,868	6.31	2.5
448	Clothing and Clothing Accessories Stores	2,679	6.21	2,712	6.09	2,838	6.11	2,947	6.03	2,667	5.87	0.1
451	Sporting Goods, Hobby, Book and Music Stores	1,080	2.50	1,091	2.45	1,155	2.49	1,195	2.45	1,052	2.31	(0.4)
452	General Merchandise Stores	4,844	11.23	5,059	11.36	5,135	11.06	5,193	10.63	5,215	11.47	1.9
453	Miscellaneous Store Retailers	3,505	8.13	3,792	8.52	3,998	8.61	4,037	8.26	3,964	8.72	3.2
454	Nonstore Retailers	2,836	6.58	2,933	6.59	3,209	6.91	3,616	7.40	3,508	7.72	5.6
	Total[a]	$43,126	100.00%	$44,521	100.00%	$46,428	100.00%	$48,848	100.00%	$45,455	100.00%	
Durables (NAICS 441, 442, 443, 444)		$16,355	37.92%	$16,383	36.80%	$16,329	35.17%	$15,119	30.95%	$12,293	27.04%	(6.6)
Non Durables (all other NAICS)		$26,771	62.08%	$28,138	63.20%	$30,099	64.83%	$33,729	69.05%	$33,162	72.96%	5.6

(a) Totals may not agree with detail due to rounding.

(b) Please note that due to a discrepancy in reporting methodology, the 2008 figure for Food and Beverage Stores is inconsistent with past reporting practices. The Office of Policy and Management estimates that the 2008 figure should indicate a modest increase rather than the calculated 45.8% from fiscal year 2007.

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 a high of 5.5% in 2003, Connecticut's unemployment rate declined to 4.4% by 2006. This current recession has seen the unemployment rate rise to 8.0% for 2009, compared to the New England average of 8.3% and the national average of 9.3% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States between 2000 and 2009.

TABLE B-18

Unemployment Rate

Year	**Unemployment Rate**		
	Connecticut	**New England**	**United States**
2000	2.3	2.8	4.0
2001	3.1	3.6	4.7
2002	4.4	4.8	5.8
2003	5.5	5.4	6.0
2004	4.9	4.9	5.5
2005	4.9	4.7	5.1
2006	4.4	4.5	4.6
2007	4.6	4.4	4.6
2008	5.7	5.4	5.8
2009[a]	8.0	8.3	9.3

(a) On a preliminary basis, Connecticut's average unemployment rate for December 2009 was 8.9% compared to the average national level of 10.0% for the same period.

SOURCE: Connecticut State Labor Department
Federal Reserve Bank of Boston
United States Department of Labor, Bureau of Labor Statistics

APPENDIX III-C

STATE OF CONNECTICUT

NANCY WYMAN
COMPTROLLER

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

MARK E. OJAKIAN
DEPUTY COMPTROLLER

February 17, 2010

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, 2009. 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,

Nancy Wyman
State Comptroller

An Equal Opportunity Employer

STATE OF CONNECTICUT

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

KEVIN P. JOHNSTON
ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Governor M. Jodi Rell
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund, the Transportation Special Tax Obligations account within the Debt Service Fund, and the Clean Energy Fund account within the Environmental Programs Fund, which in the aggregate, represent six percent of the assets and six 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, Connecticut Community/ Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 64 percent of the assets and 47 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 92 percent of the assets and 97 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the Clean Energy Fund account, which represents 49 percent of the assets and 33 percent of the revenues of the Environmental Programs Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, the Connecticut

- Community-Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, the Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 63 percent of the assets and 47 percent of the revenues of the Enterprise Funds;

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audits of the Connecticut Development Authority, the Capital City Economic Development Authority, John Dempsey Hospital, Connecticut State University, Connecticut Community-Technical Colleges and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The State of Connecticut adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This standard modifies the method that governments have reported the cost of providing such benefits, primarily retiree health care. It requires the systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and the disclosure of information about the actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. Our audit disclosed that the required actuarial valuation was not performed and the State of Connecticut did not present information pertaining to the Funded Status and Funding Progress, and Actuarial Methods and Assumptions for the State Employee OPEB Plan in Note 14 of the financial statements in compliance with GASB requirements.

In our opinion, except for the matter described in the preceding paragraph, 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, 2009, and the respective budgetary comparison for the General Fund and the Transportation Fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the State's Single Audit Report and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 25, and 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 on pages 90 and 91, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We did not audit this information and do not express an opinion on it. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. As a result of such limited procedures, we found that the State of Connecticut has not presented the schedule of funding progress and schedule of employer contributions for the State Employee OPEB plan that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

Kevin P. Johnston

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 17, 2010
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, 2009. 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, 2009, the State had a combined net asset deficit of $5.1 billion, an increase of $2.8 billion when compared to the prior year ending deficit balance. This increase resulted mainly from a decrease of $2.6 billion in the net assets of governmental activities. The governmental activities reflect the impact of an economic recession that resulted in a $1.4 billion decline in Fiscal Year 2009 tax revenues from the prior fiscal year. Despite deficit mitigation efforts of over half a billion dollars during the course of Fiscal Year 2009, at year-end the budgetary imbalance was approaching one billion dollars in the General Fund. In addition, In Fiscal Year 2009 the state failed to contribute its full required contribution to the state employee pension fund and the state employee OPEB fund.

Fund Level:
The governmental funds had a total fund balance of $1.4 billion at year end. Of this amount, $3.2 billion was reserved for various purposes, resulting in a total unreserved fund balance deficit of $1.8 billion. The portion of the total unreserved fund balance deficit that pertains to the General Fund was a $2.3 billion deficit. The General Fund had an actual budget deficit of $1.0 billion this year.

The Enterprise funds had total net assets of $4.5 billion, substantially all of which was invested in capital assets or restricted for various purposes.

It should be noted that Public Act 09-2 of the June Special Session authorized the State Treasurer to issue economic recovery notes to cover the Fiscal Year 2009 budgetary shortfall in the State's General Fund of $947.6 million. The notes were issued in Fiscal Year 2010 and therefore the proceeds are not reflected in the Fiscal Year 2009 financial statements.

Long–Term Debt:
Total long-term debt was $22.5 billion for governmental activities, of which $16.9 billion was bonded debt.

Total long-term debt was $2.2 billion for business-type activities, of which $1.6 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 assets presents information on all of the State's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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, Bradley International Airport, Connecticut Lottery Corporation, Employment Security, and Clean Water, which are considered to be 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 eight legally separate Component Units for which the State is financially accountable: the Connecticut Housing Finance Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Development Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Resources Recovery Authority, the Connecticut Innovations, Incorporated, the Capital City Economic Development Authority, and the University of Connecticut Foundation, Incorporated. 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, and the Restricted Grants and Accounts Fund, all of which are considered to be 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.

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 ASSETS

As noted earlier, net assets may serve over time as a useful indicator of the State's financial position. During the current fiscal year, the combined net asset deficit of the State increased 121 percent to $5.1 billion. In comparison, last year the combined net asset deficit increased 807 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008*	2009	2008*
ASSETS:						
Current and Other Assets	$ 4,273	$ 5,122	$ 3,861	$ 3,805	$ 8,134	$ 8,927
Capital Assets	11,076	10,028	3,352	3,326	14,428	13,354
Total Assets	15,349	15,150	7,213	7,131	22,562	22,281
LIABILITIES:						
Current Liabilities	3,346	3,078	733	741	4,079	3,819
Long-term Liabilities	21,572	19,027	1,976	1,727	23,548	20,754
Total Liabilities	24,918	22,105	2,709	2,468	27,627	24,573
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	5,500	4,914	2,612	2,558	8,112	7,472
Restricted	1,618	1,641	1,470	1,757	3,088	3,398
Unrestricted	(16,687)	(13,510)	422	348	(16,265)	(13,162)
Total Net Assets (Deficit)	$ (9,569)	$ (6,955)	$ 4,504	$ 4,663	$ (5,065)	$ (2,292)

* Restated for comparative purposes. See Note 22.

The net asset deficit of the State's governmental activities increased $2.6 billion (37.6 percent) to $9.6 billion during the current fiscal year. Of this amount, $7.1 billion was invested in capital assets (buildings, roads, bridges, etc.) or was restricted for various purposes, resulting in an unrestricted net asset deficit of $16.7 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 in the amount of $7.2 billion which were issued to finance various municipal grant programs (e.g., school construction) and a contribution to a pension trust fund, and b) other long-term obligations in the amount of $5.6 billion (e.g., net pension obligation and compensated absences).

Net assets of the State's business-type activities decreased $0.2 billion (3.4 percent) to $4.5 billion during the current fiscal year. Of this amount, $4.1 billion was invested in capital assets or was restricted for various purposes, resulting in unrestricted net assets of $0.4 billion. These resources cannot be used to make up for the net asset deficit of the State's governmental activities. The State can only use these net assets to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center, Bradley International Airport, and others).

CHANGE IN NET ASSETS

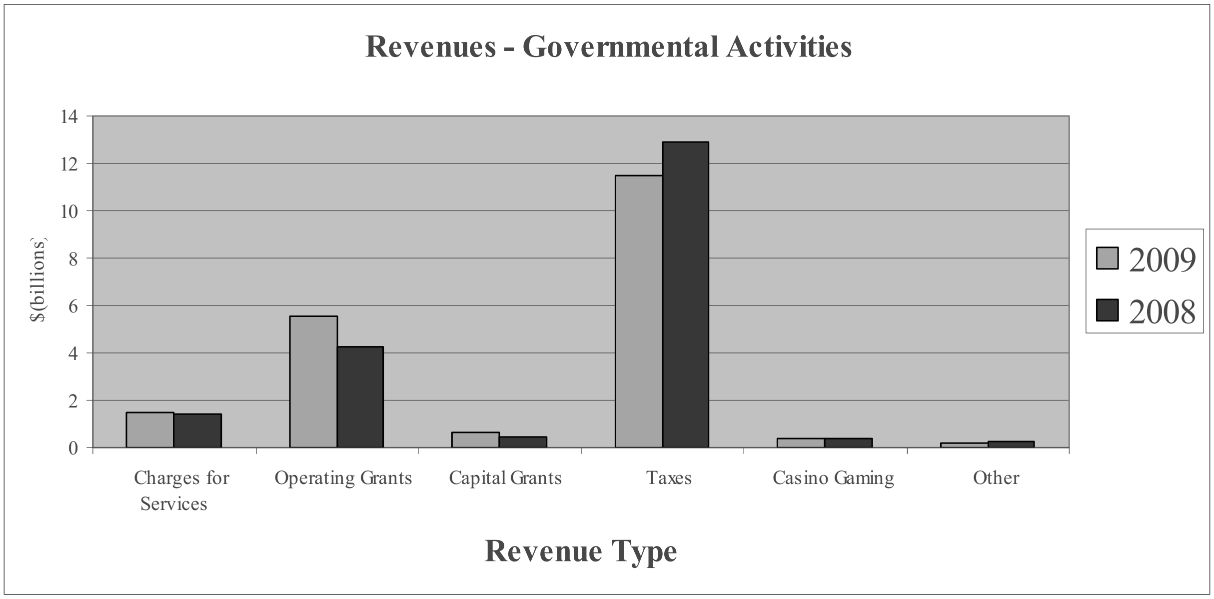
Changes in net assets for the years ended June 30, 2009 and 2008 were as follows:

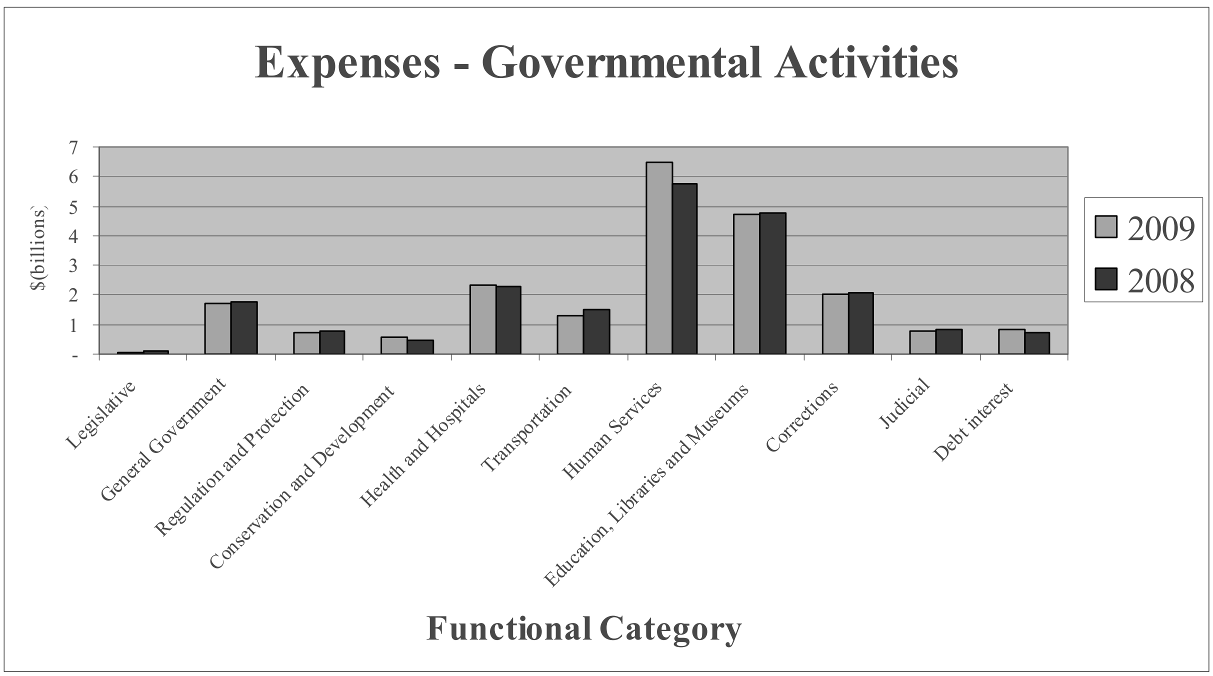
State of Connecticut's Changes in Net Assets
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		%change
	2009	2008	2009	2008	2009	2008	09-08
REVENUES							
Program Revenues							
Charges for Services	$ 1,490	$ 1,448	$ 3,108	$ 3,000	$ 4,598	$ 4,448	3.4%
Operating Grants and Contributions	5,553	4,271	907	323	6,460	4,594	40.6%
Capital Grants and Contributions	646	442	64	36	710	478	48.5%
General Revenues							
Taxes	11,491	12,901	-	-	11,491	12,901	-10.9%
Casino Gaming Payments	378	411	-	-	378	411	-8.0%
Other	197	273	76	117	273	390	-30.0%
Total Revenues	19,755	19,746	4,155	3,476	23,910	23,222	3.0%
EXPENSES							
Legislative	32	112	-	-	32	112	-71.4%
General Government	1,735	1,738	-	-	1,735	1,738	-0.2%
Regulation and Protection	731	789	-	-	731	789	-7.4%
Conservation and Development	550	474	-	-	550	474	16.0%
Health and Hospitals	2,344	2,298	-	-	2,344	2,298	2.0%
Transportation	1,302	1,482	-	-	1,302	1,482	-12.1%
Human Services	6,478	5,744	-	-	6,478	5,744	12.8%
Education, Libraries and Museums	4,707	4,749	-	-	4,707	4,749	-0.9%
Corrections	2,043	2,085	-	-	2,043	2,085	-2.0%
Judicial	777	806	-	-	777	806	-3.6%
Interest and Fiscal Charges	810	734	-	-	810	734	10.4%
University of Connecticut & Health Center	-	-	1,725	1,626	1,725	1,626	6.1%
State Universities	-	-	639	611	639	611	4.6%
Bradley International Airport	-	-	68	68	68	68	0.0%
CT Lottery Corporation	-	-	723	732	723	732	-1.2%
Employment Security	-	-	1,574	632	1,574	632	149.1%
Clean Water	-	-	31	27	31	27	14.8%
Other	-	-	512	476	512	476	7.6%
Total Expenses	21,509	21,011	5,272	4,172	26,781	25,183	6.3%
Excess (Deficiency) Before Transfers and Special Items	(1,754)	(1,265)	(1,117)	(696)	(2,871)	(1,961)	46.4%
Special Items	13	-	85	-	-	-	
Transfers	(873)	(779)	873	779	-	-	0.0%
Increase (Decrease) in Net Assets	(2,614)	(2,044)	(159)	83	(2,773)	(1,961)	41.4%
Net Assets (Deficit) - Beginning (as restated)	(6,955)	(4,911)	4,663	4,580	(2,292)	(331)	592.4%
Net Assets (Deficit) - Ending	$ (9,569)	$ (6,955)	$ 4,504	$ 4,663	$ (5,065)	$ (2,292)	121.0%

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

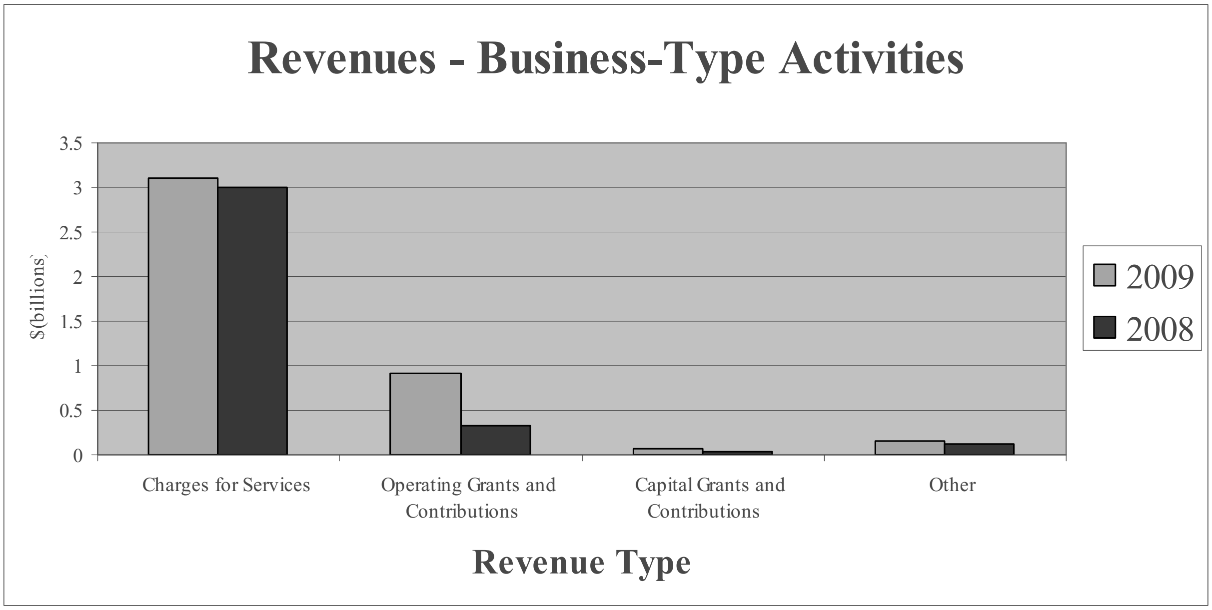
GOVERNMENTAL ACTIVITIES
The following charts provide a two year comparison of governmental activities revenues and expenses.

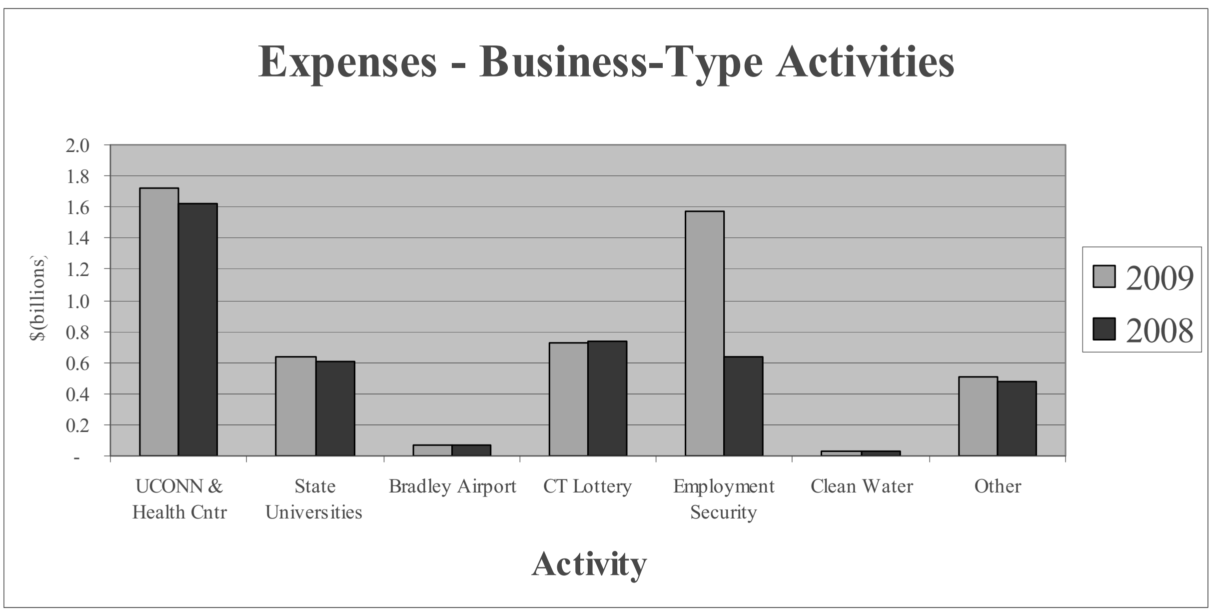




During the year, total revenues of governmental activities increased slightly to $19.8 billion, while total expenses increased 2.4 percent to $21.5 billion. In comparison, last year total revenues and expenses increased 2.8 percent and 16.0 percent, respectively. The small increase in total revenues was due mainly to an increase in grant revenues of $1.5 billion (31.5 percent) that was offset by a decrease in tax revenues of $1.4 billion (10.9 percent). Although, total expenses exceeded total revenues by $1.7 billion, this excess was increased by transfers of $0.9 billion, resulting in a decrease in net assets of $2.6 billion.

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 increased 19.5 percent to $4.2 billion, while total expenses increased by 26.4 percent to $5.3 billion. In comparison, last year total revenues and expenses increased 3.5 percent and 6.9 percent, respectively. The increase in total expenses was due mainly to an increase in Employment Security expenses of $1.0 billion or 149.1 percent. Although, total expenses exceeded total revenues by $1.1 billion, this excess was reduced by transfers and special items of $0.9 billion, resulting in a decrease in net assets of $0.2 billion.

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, unreserved 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, 2009, the State's governmental funds had fund balances of $1.4 billion, a decrease of $1.7 billion when compared to the prior year ending fund balances. Of the total governmental fund balances, $3.2 billion represents reserved fund balance, meaning that this portion is not available for the new spending because it has already been committed for specific purposes. The remainder of fund balance is an unreserved deficit fund balance of $1.8 billion.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2009, the General Fund had a fund balance deficit of $0.8 billion. Of this amount, $1.5 billion was reserved for various purposes, leaving a deficit of $2.3 billion in unreserved fund balance. Fund balance decreased by $1.7 billion during the current fiscal year.

Debt Service Fund

As of June 30, 2009, the Debt Service Fund had a fund balance of $679 million, all of which was reserved. Fund balance decreased by $4 million during the current fiscal year.

Transportation Fund

As of June 30, 2009, the Transportation Fund had a fund balance of $154 million. Of this amount, $64 million was reserved for various purposes, leaving $90 million in unreserved fund balance. Fund balance decreased by $72 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2009, the Restricted Grants and Accounts Fund had a fund balance of $578 million, all of which was reserved. Fund balance decreased by $38 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, 2009, the net assets of the State's Fiduciary funds totaled $21.6 billion, a decrease of $5.5 billion when compared to the prior year ending net asset balance.

Budgetary Highlights-General Fund

The General Fund had a budget deficit estimated to be $10 million at the beginning of the fiscal year. Because the economy continued to be in a recession during the fiscal year, the deficit estimate grew to $946 million by the end of the fiscal year.

Although actual fund expenditures exceeded revenues by $1,534 million, this excess was reduced by other financing sources of $586 million, resulting in an actual deficit of $948 million for the fiscal year. A portion of the 2008 surplus in the amount of $179 million was spent during the fiscal year. This amount was reported as other financing source in the budgetary statement.

Actual revenues were lower than originally budgeted by $1,276 million for the fiscal year. This negative revenue variance resulted mainly from a negative tax revenue variance of $2,263 million that was offset by positive federal and transfer revenue variances of $1,089 million. Some of the actual tax revenues that were lower than originally budgeted were as follows: personal income, $1,290 million; sales and use, $429 million; corporations, $176 million; and real estate conveyance, $113 million.

Final budgeted appropriations were almost the same as originally budgeted for the fiscal year.

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, 2009 totaled $14.4 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 $1.1 billion, due mainly to a 10 percent increase in governmental activities' capital assets.

Major capital asset events during the fiscal year included the following:

- Additions to land of $0.9 billion
- Additions to infrastructure of $0.6 billion
- Depreciation expense of $0.9 billion

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	
	2009	2008*	2009	2008*	2009	2008*
Land	$ 2,295	$ 1,400	$ 60	$ 60	$ 2,355	$ 1,460
Buildings	1,209	1,116	2,493	2,406	3,702	3,522
Improvements Other than Buildings	222	174	252	249	474	423
Equipment	194	337	354	361	548	698
Infrastructure	5,819	5,659	-	-	5,819	5,659
Construction in Progress	1,337	1,342	193	250	1,530	1,592
Total	$ 11,076	$ 10,028	$ 3,352	$ 3,326	$ 14,428	$ 13,354

* Restated for comparative purposes. See Note 22.

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 $18.5 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)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	$ 13,444	$ 13,092	$ -	$ -	$ 13,444	$ 13,092
Transportation Related Bonds	2,817	2,791	-	-	2,817	2,791
Revenue Bonds	-	-	1,602	1,358	1,602	1,358
Bond Anticipation Notes	228	-	-	-	228	-
Premiums and deferred amounts	420	348	32	20	452	368
Total	$ 16,909	$ 16,231	$ 1,634	$ 1,378	$ 18,543	$ 17,609

The State's total bonded debt increased by $0.9 billion (5.3 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $0.6 billion (including bond anticipation notes) and an increase in revenue bonds of $0.2 billion.

The State's General Obligation Bonds are rated Aa3, AA, and AA by Moody's Investor Service, Standard and Poor's Corporation, and Fitch Ratings, respectively. Special Tax Obligation Bonds are rated A1, AA, AA- by Moody's Investor Service, Standard and Poor's Corporation, and Fitch Ratings, respectively.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of February 2009, the State had a debt incurring margin of $5.9 billion.

Other Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Net Pension Obligation	$ 2,021	$ 1,917	$ -	$ -	$ 2,021	$ 1,917
Net OPEB Obligation	2,543	1,234	-	-	2,543	1,234
Compensated Absences	503	482	135	130	638	612
Workers Compensation	460	413	-	-	460	413
Lottery Prizes	-	-	204	232	204	232
Other	91	66	186	163	277	229
Total	$ 5,618	$ 4,112	$ 525	$ 525	$ 6,143	$ 4,637

The State's other long-term obligations increased by $1.5 billion (32.5 percent) during the fiscal year. This increase was due mainly to an increase in the Net OPEB Obligation of $1.3 billion.

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

During the fiscal year, the State's economy continued to be in a recession. The State lost 65,100 payroll jobs over the fiscal year, bringing the unemployment rate to 8.00 percent – the highest rate for the last twenty years. New home permits and new auto registrations decreased 46.9 percent and 33.9 percent over the fiscal year, respectively. New business starts declined 8.8 percent, while business terminations increased 17.2 percent over the fiscal year. Personal income decreased 1.7 percent to $193.6 billion for the fiscal year. Nationally, the economy showed signs of improvement by growing 3.5 percent in the third quarter of 2009, after posting declines of 6.4 percent and 0.7 percent in the first and second quarters of the year, respectively. However, the unemployment rate continued to grow, reaching 9.8 percent by the end of the third quarter of the year.

For fiscal year 2010, the General Fund had a budget surplus initially estimated to be $2 million. Budgeted revenues were expected to increase 2.3 percent to $17,372 million, while budgeted appropriations were expected to decrease 1.7 percent to $17,370 million. However, due to the continuing economic recession, the Fund had an estimated budget deficit of $515 million by the second half of the fiscal year. Budgeted revenues and appropriations were expected to be $357.4 million lower and $157.6 million higher than originally anticipated, respectively. To eliminate the estimated budget deficit, the Governor proposed spending cuts of $284 million and transfers of cash from other state funds of $53 million. Because some of the proposed spending cuts needed legislative approval, the Governor called the legislature into special session. At this writing, no legislation has been enacted to mitigate the Fiscal Year 2010 General Fund deficit. If the fiscal year closes with a deficit, additional borrowing will be required.

<u>CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT</u>

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

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Basic Financial Statements

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Statement of Net Assets

June 30, 2009
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 641,367	$ 647,787	$ 1,289,154	$ 199,372
Deposits with U.S. Treasury	-	243,629	243,629	-
Investments	482,427	50,011	532,438	287,104
Receivables, (Net of Allowances)	2,177,947	806,863	2,984,810	42,456
Due from Primary Government	-	-	-	13,108
Inventories	54,952	11,954	66,906	3,694
Restricted Assets	-	141,565	141,565	1,248,737
Internal Balances	(102,089)	102,089	-	-
Other Current Assets	17,536	14,536	32,072	2,900
Total Current Assets	3,272,140	2,018,434	5,290,574	1,797,371
Noncurrent Assets:				
Cash and Cash Equivalents	-	268,896	268,896	-
Due From Component Units	9,793	-	9,793	-
Investments	-	240,203	240,203	39,632
Receivables, (Net of Allowances)	235,818	608,024	843,842	166,081
Restricted Assets	679,779	684,507	1,364,286	4,329,972
Capital Assets, (Net of Accumulated Depreciation)	11,075,553	3,351,555	14,427,108	442,591
Other Noncurrent Assets	75,669	41,334	117,003	8,789
Total Noncurrent Assets	12,076,612	5,194,519	17,271,131	4,987,065
Total Assets	15,348,752	7,212,953	22,561,705	6,784,436
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	691,971	289,174	981,145	72,770
Notes Payable	353,085	-	353,085	-
Due to Component Units	13,108	-	13,108	-
Due to Other Governments	150,651	284	150,935	-
Current Portion of Long-Term Obligations	954,162	182,597	1,136,759	166,235
Amount Held for Institutions	-	-	-	446,227
Deferred Revenue	81,422	204,553	285,975	-
Medicaid Liability	584,992	-	584,992	-
Liability for Escheated Property	339,429	-	339,429	-
Other Current Liabilities	176,956	56,027	232,983	30,005
Total Current Liabilities	3,345,776	732,635	4,078,411	715,237
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	21,572,165	1,976,366	23,548,531	4,264,368
Total Noncurrent Liabilities	21,572,165	1,976,366	23,548,531	4,264,368
Total Liabilities	24,917,941	2,709,001	27,626,942	4,979,605
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,499,602	2,611,952	8,111,554	299,724
Restricted For:				
Transportation	68,439	-	68,439	-
Debt Service	642,100	42,380	684,480	17,504
Federal Grants and Other Accounts	576,383	-	576,383	-
Capital Projects	179,927	195,822	375,749	18,843
Unemployment Compensation	-	362,403	362,403	-
Clean Water and Drinking Water Projects	-	696,365	696,365	-
Bond Indenture Requirements	-	2,349	2,349	885,718
Loans	-	6,159	6,159	-
Permanent Investments or Endowments:				
Expendable	2,348	-	2,348	72,984
Nonexpendable	85,834	12,802	98,636	247,353
Other Purposes	62,696	152,169	214,865	39,904
Unrestricted (Deficit)	(16,686,518)	421,551	(16,264,967)	222,801
Total Net Assets (Deficit)	$ (9,569,189)	$ 4,503,952	$ (5,065,237)	$ 1,804,831

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

Statement of Activities

For The Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees, Fines , and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	$ 32,159	$ 2,701	$ 44	$ -
General Government	1,734,577	506,224	58,557	-
Regulation and Protection	730,701	525,057	143,551	-
Conservation and Development	549,811	133,395	74,549	-
Health and Hospitals	2,343,919	62,747	168,934	-
Transportation	1,302,395	78,136	-	646,416
Human Services	6,478,180	39,722	4,553,058	-
Education, Libraries, and Museums	4,707,240	27,365	425,986	-
Corrections	2,042,503	7,346	121,397	-
Judicial	776,981	107,578	6,612	-
Interest and Fiscal Charges	810,403	-	-	-
Total Governmental Activities	21,508,869	1,490,271	5,552,688	646,416
Business-Type Activities:				
University of Connecticut & Health Center	1,725,343	908,260	199,170	3,814
State Universities	639,397	323,874	53,013	49,537
Bradley International Airport	67,995	53,723	-	10,406
Connecticut Lottery Corporation	723,249	991,482	-	-
Employment Security	1,573,806	640,317	560,869	-
Clean Water	30,723	15,661	18,998	-
Other	511,542	174,532	75,000	-
Total Business-Type Activities	5,272,055	3,107,849	907,050	63,757
Total Primary Government	$ 26,780,924	$ 4,598,120	$ 6,459,738	$ 710,173
Component Units				
Connecticut Housing Finance Authority (12-31-08)	$ 227,636	$ 194,134	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,546	7,067	-	-
Other	302,378	217,356	7,651	15,389
Total Component Units	$ 535,560	$ 418,557	$ 7,651	$ 15,389

General Revenues:
Taxes:
Personal Income
Corporate Income
Sales and Use
Other
Restricted for Transportation Purposes:
Motor Fuel
Other
Casino Gaming Payments
Tobacco Settlement
Unrestricted Investment Earnings
Contributions to Endowments
Special Items:
Transfer from Component Unit
Debt Reduction Transfer
Transfer to the State
Transfers-Internal Activities
Total General Revenues, Contributions, Special Items, and Transfers
Change in Net Assets
Net Assets (Deficit)- Beginning (as restated)
Net Assets (Deficit)- Ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government				
Governmental Activities	Business-Type Activities	Total	Component Units
$ (29,414)	$ -	$ (29,414)	$ -
(1,169,796)	-	(1,169,796)	-
(62,093)	-	(62,093)	-
(341,867)	-	(341,867)	-
(2,112,238)	-	(2,112,238)	-
(577,843)	-	(577,843)	-
(1,885,400)	-	(1,885,400)	-
(4,253,889)	-	(4,253,889)	-
(1,913,760)	-	(1,913,760)	-
(662,791)	-	(662,791)	-
(810,403)	-	(810,403)	-
(13,819,494)	-	(13,819,494)	-
-	(614,099)	(614,099)	-
-	(212,973)	(212,973)	-
-	(3,866)	(3,866)	-
-	268,233	268,233	-
-	(372,620)	(372,620)	-
-	3,936	3,936	-
-	(262,010)	(262,010)	-
-	(1,193,399)	(1,193,399)	-
(13,819,494)	(1,193,399)	(15,012,893)	-
-	-	-	(33,502)
-	-	-	1,521
-	-	-	(61,982)
-	-	-	(93,963)
5,657,309	-	5,657,309	-
437,444	-	437,444	-
3,301,096	-	3,301,096	-
1,407,084	-	1,407,084	-
492,566	-	492,566	
196,034	-	196,034	-
377,805	-	377,805	-
153,819	-	153,819	-
42,493	75,933	118,426	48,178
-	-	-	23,317
13,150	-	13,150	-
-	85,000	85,000	-
-	-	-	(13,150)
(873,590)	873,590	-	-
11,205,210	1,034,523	12,239,733	58,345
(2,614,284)	(158,876)	(2,773,160)	(35,618)
(6,954,905)	4,662,828	(2,292,077)	1,840,449
$ (9,569,189)	$ 4,503,952	$ (5,065,237)	$ 1,804,831

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Governmental Fund Financial Statements

Major Funds

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

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

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

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.

Balance Sheet
Governmental Funds
June 30, 2009
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 102,776	$ 8,089	$ 519,438	$ 630,303
Investments	387,263	-	-	-	95,164	482,427
Securities Lending Collateral	-	-	-	-	17,255	17,255
Receivables:						
Taxes, Net of Allowances	922,924	-	42,943	-	-	965,867
Accounts, Net of Allowances	188,859	-	10,560	11,641	29,791	240,851
Loans, Net of Allowances	-	-	-	-	235,818	235,818
From Other Governments	762,270	-	-	178,636	10,179	951,085
Interest	-	1,367	34	-	-	1,401
Other	-	-	-	-	2	2
Due from Other Funds	27,126	-	1,367	563,616	415,757	1,007,866
Due from Component Units	9,793	-	-	-	-	9,793
Inventories	24,357	-	26,856	-	-	51,213
Restricted Assets	-	679,384	-	-	395	679,779
Other Assets	-	-	-	-	208	208
Total Assets	$ 2,322,592	$ 680,751	$ 184,536	$ 761,982	$ 1,324,007	$ 5,273,868
Liabilities and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	$ 284,264	$ -	$ 25,069	$ 153,832	$ 60,632	$ 523,797
Notes Payable	-	-	-	-	353,085	353,085
Due to Other Funds	939,237	1,367	-	3,209	89,485	1,033,298
Due to Component Units	-	-	-	444	12,664	13,108
Due to Other Governments	147,045	-	-	3,606	-	150,651
Deferred Revenue	667,502	-	5,289	22,551	36,484	731,826
Medicaid Liability	584,992	-	-	-	-	584,992
Liability For Escheated Property	339,429	-	-	-	-	339,429
Securities Lending Obligation	-	-	-	-	17,255	17,255
Other Liabilities	159,701	-	-	-	-	159,701
Total Liabilities	3,122,170	1,367	30,358	183,642	569,605	3,907,142
Fund Balances						
Reserved For:						
Petty Cash	840	-	-	-	-	840
Inventories	24,357	-	26,856	-	-	51,213
Loans	9,793	-	-	-	235,818	245,611
Continuing Appropriations	87,113	-	37,324	-	1,500	125,937
Debt Service	-	679,384	-	-	-	679,384
Restricted Purposes	-	-	-	578,340	88,182	666,522
Budget Reserve Fund	1,381,748	-	-	-	-	1,381,748
Unreserved Reported In:						
General Fund	(2,303,429)	-	-	-	-	(2,303,429)
Transportation Fund	-	-	89,998	-	-	89,998
Special Revenue Funds	-	-	-	-	247,763	247,763
Capital Project Funds	-	-	-	-	181,139	181,139
Total Fund Balances	(799,578)	679,384	154,178	578,340	754,402	1,366,726
Total Liabilities and Fund Balances	$ 2,322,592	$ 680,751	$ 184,536	$ 761,982	$ 1,324,007	$ 5,273,868

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

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

June 30, 2009
(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 1,366,726
Net assets reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Buildings	2,880,415	
Equipment	1,542,647	
Infrastructure	14,047,034	
Other Capital Assets	2,332,376	
Accumulated Depreciation	(9,788,408)	11,014,064
Debt issue costs are recorded as expenditures in the funds. However, these costs are deferred (reported as other assets) and amortized over the life of the bonds in the Statement of Net Assets.		74,918
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.		650,533
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(10,659)
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	(2,020,664)	
Net OPEB Obligation	(2,542,958)	
Worker's Compensation	(459,778)	
Capital Leases	(47,129)	
Compensated Absences	(498,471)	
Claims and Judgments	(43,690)	(5,612,690)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement (Note 17).		
Bonds Payable	(16,488,700)	
Unamortized Premiums	(613,861)	
Less: Deferred Loss on Refundings	193,825	
Accrued Interest Payable	(143,345)	(17,052,081)
Net Assets of Governmental Activities		$ (9,569,189)

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, 2009

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Revenues						
Taxes	$ 10,703,681	$ -	$ 688,213	$ -	$ 24,872	$ 11,416,766
Assessments	-	-	-	-	28,129	28,129
Licenses, Permits and Fees	160,935	-	297,292	7,450	81,194	546,871
Tobacco Settlement	-	-	-	-	153,819	153,819
Federal Grants and Aid	4,111,553	-	-	1,831,921	74,186	6,017,660
Charges for Services	32,558	-	62,497	-	6,445	101,500
Fines, Forfeits and Rents	-	-	30,440	-	2,401	32,841
Casino Gaming Payments	377,805	-	-	-	-	377,805
Investment Earnings	18,731	11,696	2,914	3,122	6,824	43,287
Miscellaneous	152,158	-	5,428	547,400	85,024	790,010
Total Revenues	15,557,421	11,696	1,086,784	2,389,893	462,894	19,508,688
Expenditures						
Current:						
Legislative	99,453	-	-	2,635	-	102,088
General Government	1,223,277	-	2,193	285,698	196,141	1,707,309
Regulation and Protection	377,126	-	86,122	84,445	202,780	750,473
Conservation and Development	142,478	-	-	107,273	261,136	510,887
Health and Hospitals	1,989,034	-	-	216,938	16,525	2,222,497
Transportation	-	-	630,912	633,487	3,870	1,268,269
Human Services	5,589,908	-	-	455,426	14,524	6,059,858
Education, Libraries, and Museums	3,233,199	-	-	468,655	699,569	4,401,423
Corrections	1,978,251	-	-	23,439	9,287	2,010,977
Judicial	745,375	-	-	13,664	16,672	775,711
Capital Projects	-	-	-	-	438,724	438,724
Debt Service:						
Principal Retirement	886,789	278,770	723	-	-	1,166,282
Interest and Fiscal Charges	571,936	178,937	10,068	148,308	9,384	918,633
Total Expenditures	16,836,826	457,707	730,018	2,439,968	1,868,612	22,333,131
Excess (Deficiency) of Revenues Over Expenditures	(1,279,405)	(446,011)	356,766	(50,075)	(1,405,718)	(2,824,443)
Other Financing Sources (Uses)						
Bonds Issued	55,585	-	-	-	1,808,015	1,863,600
Premiums on Bonds Issued	720	39,109	-	-	70,731	110,560
Transfers In	624,864	423,049	25,459	91,098	159,295	1,323,765
Transfers Out	(1,116,820)	(16,942)	(454,341)	(79,061)	(525,381)	(2,192,545)
Refunding Bonds Issued	-	586,940	-	-	-	586,940
Payment to Refunded Bond Escrow Agent	-	(590,397)	-	-	-	(590,397)
Special Item: Transfer from Component Unit	13,150	-	-	-	-	13,150
Total Other Financing Sources (Uses)	(422,501)	441,759	(428,882)	12,037	1,512,660	1,115,073
Net Change in Fund Balances	(1,701,906)	(4,252)	(72,116)	(38,038)	106,942	(1,709,370)
Fund Balances - Beginning (as restated)	903,290	683,636	220,376	616,378	647,460	3,071,140
Changes in Reserves for Inventories	(962)	-	5,918	-	-	4,956
Fund Balances - Ending	$ (799,578)	$ 679,384	$ 154,178	$ 578,340	$ 754,402	$ 1,366,726

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, 2009

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ (1,709,370)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Bond proceeds provide current financial resources to governmental funds. However issuing debt increases long term-liabilities in the Statement of Net Assets. Bond proceeds were received this year from		
Bonds Issued	(1,863,600)	
Refunding Bonds Issued	(586,940)	
Premium on Bonds Issued	(110,560)	(2,561,100)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt repayments this year consisted of:		
Principal Retirement	1,166,282	
Payments to Refunded Bond Escrow Agent	590,397	
Capital Lease Payments	4,620	1,761,299
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	1,948,972	
Depreciation Expense	(851,964)	
Retirements	(53,307)	1,043,701
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.		4,956
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in Accrued Interest	(22,760)	
Decrease in Interest Accreted on Capital Appreciation Debt	99,210	
Amortization of Bond Premium	57,756	
Amortization of Loss on Debt Refundings	(29,801)	
Increase in Compensated Absences Liability	(20,913)	
Increase in Workers Compensation Liability	(47,159)	
Increase in Claims and Judgments Liability	(30,055)	
Increase in Net Pension Obligation	(104,127)	
Increase in Net OPEB Obligation	(1,308,562)	(1,406,411)
Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year		246,337
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		2,481
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	10,286	
Amortization of Debt Issue Costs	(6,463)	3,823
Change in Net Assets of Governmental Activities		$ (2,614,284)

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, 2009
(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 12,971,100	$ 10,703,200	$ 10,708,262	$ 5,062
Operating Transfers In	398,300	403,000	402,995	(5)
Casino Gaming Payments	449,000	377,900	377,805	(95)
Licenses, Permits, and Fees	153,500	157,200	162,474	5,274
Other	324,000	282,700	278,406	(4,294)
Federal Grants	2,768,100	3,623,100	3,619,490	(3,610)
Refunds of Payments	(600)	(700)	(662)	38
Operating Transfers Out	(86,300)	(86,300)	(86,300)	-
Transfer to the Resources of the General Fund	-	238,503	238,331	(172)
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	16,977,100	15,698,603	15,700,801	2,198
Expenditures				
Budgeted:				
Legislative	80,761	78,784	71,555	7,229
General Government	650,870	567,521	520,115	47,406
Regulation and Protection	293,421	329,253	286,822	42,431
Conservation and Development	130,416	125,982	113,329	12,653
Health and Hospitals	1,675,088	1,699,449	1,662,540	36,909
Transportation	15,854	2,854	(50)	2,904
Human Services	5,026,218	5,094,923	5,041,515	53,408
Education, Libraries, and Museums	3,993,286	4,064,566	4,019,381	45,185
Corrections	1,591,890	1,642,166	1,577,167	64,999
Judicial	550,328	564,910	543,078	21,832
Non Functional	3,779,886	3,600,383	3,399,403	200,980
Total Expenditures	17,788,018	17,770,791	17,234,855	535,936
Appropriations Lapsed	117,480	456,591	-	(456,591)
Excess (Deficiency) of Revenues Over Expenditures	(693,438)	(1,615,597)	(1,534,054)	81,543
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	504,098	504,098	504,098	-
Appropriations Continued to Fiscal Year 2010	-	-	(88,771)	(88,771)
Transfer of 2008 Surplus	179,420	179,420	179,420	-
Miscellaneous Adjustments	-	(13,699)	(8,271)	5,428
Total Other Financing Sources (Uses)	683,518	669,819	586,476	(83,343)
Net Change in Fund Balance	$ (9,920)	$ (945,778)	(947,578)	$ (1,800)
Budgetary Fund Balances - July 1			684,405	
Changes in Reserves			(594,795)	
Budgetary Fund Balances - June 30			$ (857,968)	

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

Transportation Fund

Budget Original	Budget Final	Actual	Variance with Final Budget positive (negative)
$ 730,500	$ 687,600	$ 687,973	$ 373
-	-	-	-
-	-	-	-
407,300	364,400	363,212	(1,188)
47,000	15,600	15,583	(17)
-	-	-	-
(3,000)	(2,400)	(2,772)	(372)
(9,500)	(9,500)	(9,500)	-
-	(6,492)	(6,492)	-
(15,300)	(15,300)	(15,300)	-
1,157,000	1,033,908	1,032,704	(1,204)
-	-	-	-
2,517	2,518	2,152	366
79,259	79,602	59,677	19,925
-	-	-	-
-	-	-	-
517,321	528,594	512,908	15,686
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
604,823	595,516	553,464	42,052
1,203,920	1,206,230	1,128,201	78,029
11,000	42,553	-	(42,553)
(35,920)	(129,769)	(95,497)	34,272
38,693	38,693	38,693	-
-	-	(37,324)	(37,324)
-	-	-	-
-	8,665	9,429	764
38,693	47,358	10,798	(36,560)
$ 2,773	$ (82,411)	(84,699)	$ (2,288)
		216,963	
		(1,369)	
		$ 130,895	

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Proprietary Fund Financial Statements

Major Funds

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

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

Bradley International Airport:
The airport is owned by the State of Connecticut and is operated by the Bureau of 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.

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

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

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

Statement of Net Assets
Proprietary Funds
June 30, 2009
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 295,375	$ 127,199	$ 48,316	$ 23,420
Deposits with U.S. Treasury	-	-	-	-
Investments	3,331	13,519	-	33,161
Receivables:				
Accounts, Net of Allowances	112,080	157,202	4,188	16,530
Loans, Net of Allowances	2,573	1,917	-	-
Interest	-	-	-	6,321
From Other Governments	-	2,058	9,816	-
Due from Other Funds	54,050	43,459	-	-
Inventories	10,526	-	-	-
Restricted Assets	128,910	-	12,655	-
Other Current Assets	9,468	1,932	185	2,403
Total Current Assets	616,313	347,286	75,160	81,835
Noncurrent Assets:				
Cash and Cash Equivalents	1,472	105,578	-	-
Investments	9,497	26,662	-	168,315
Receivables:				
Loans, Net of Allowances	9,548	9,334	-	-
Restricted Assets	25,967	-	105,187	-
Capital Assets, Net of Accumulated Depreciation	1,664,600	864,985	302,476	2,786
Other Noncurrent Assets	2,373	2,727	6,249	4,997
Total Noncurrent Assets	1,713,457	1,009,286	413,912	176,098
Total Assets	2,329,770	1,356,572	489,072	257,933
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	132,388	58,352	11,967	17,553
Due to Other Funds	17,722	3,234	10,923	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	54,498	21,152	10,145	35,077
Deferred Revenue	29,129	169,865	1,513	815
Other Current Liabilities	18,932	7,540	-	29,003
Total Current Liabilities	252,669	260,143	34,548	82,448
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	331,512	324,066	188,836	168,890
Total Noncurrent Liabilities	331,512	324,066	188,836	168,890
Total Liabilities	584,181	584,209	223,384	251,338
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	1,358,703	668,424	109,991	2,786
Restricted For:				
Debt Service	10,397	-	27,475	-
Unemployment Compensation	-	-	-	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	121,251	-	74,571	-
Nonexpendable Purposes	10,819	1,963	-	-
Bond Indentures	-	-	2,349	-
Loans	6,159	-	-	-
Other Purposes	19,458	69,174	-	6,595
Unrestricted (Deficit)	218,802	32,802	51,302	(2,786)
Total Net Assets (Deficit)	$ 1,745,589	$ 772,363	$ 265,688	$ 6,595

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**
$ -	$ 970	$ 152,507	$ 647,787		$ 11,064
243,629	-	-	243,629		-
-	-	-	50,011		-
148,509	46,617	15,332	500,458		241
-	253,105	10,033	267,628		-
-	8,780	589	15,690		-
10,874	24	315	23,087		-
1,797	-	76,626	175,932		2,926
-	-	1,428	11,954		3,739
-	-	-	141,565		-
-	-	548	14,536		73
404,809	309,496	257,378	2,092,277		18,043
-	123,478	38,368	268,896		-
-	35,729	-	240,203		-
-	528,064	61,078	608,024		-
-	487,401	65,952	684,507		-
-	-	516,708	3,351,555		61,489
-	23,514	1,474	41,334		751
-	1,198,186	683,580	5,194,519		62,240
404,809	1,507,682	940,958	7,286,796		80,283
158	8,195	60,561	289,174		18,981
41,964	-	-	73,843		66,931
284	-	-	284		-
-	53,745	7,980	182,597		244
-	-	3,231	204,553		129
-	-	552	56,027		-
42,406	61,940	72,324	806,478		86,285
-	806,053	157,009	1,976,366		4,657
-	806,053	157,009	1,976,366		4,657
42,406	867,993	229,333	2,782,844		90,942
-	-	472,048	2,611,952		54,871
-	-	4,508	42,380		-
362,403	-	-	362,403		-
-	604,902	91,463	696,365		-
-	-	-	195,822		-
-	-	20	12,802		-
-	-	-	2,349		-
-	-	-	6,159		-
-	-	56,942	152,169		-
-	34,787	86,644	421,551		(65,530)
$ 362,403	$ 639,689	$ 711,625	$ 4,503,952		$ (10,659)

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For The Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Operating Revenues				
Charges for Sales and Services	$ 807,164	$ 306,912	$ 42,622	$ 991,303
Assessments	-	-	-	-
Federal Grants, Contracts and Other Aid	152,855	33,896	-	-
State Grants, Contracts and Other Aid	27,853	16,073	-	-
Private Gifts and Grants	40,132	3,044	-	-
Interest on Loans	-	-	-	-
Other	60,576	13,707	-	173
Total Operating Revenues	1,088,580	373,632	42,622	991,476
Operating Expenses				
Salaries, Wages and Administrative	1,502,379	565,085	40,342	94,962
Lottery Prize Awards	-	-	-	604,712
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	117,969	50,375	17,863	477
Other	89,910	23,937	-	8,428
Total Operating Expenses	1,710,258	639,397	58,205	708,579
Operating Income (Loss)	(621,678)	(265,765)	(15,583)	282,897
Nonoperating Revenue (Expenses)				
Interest and Investment Income	10,089	4,533	3,304	15,174
Interest and Fiscal Charges	(15,085)	-	(9,790)	(14,670)
Other	18,850	3,255	11,101	6
Total Nonoperating Revenues (Expenses)	13,854	7,788	4,615	510
Income (Loss) Before Capital Contributions, Grants, Transfers, and Special Item	(607,824)	(257,977)	(10,968)	283,407
Capital Contributions	3,814	49,537	10,406	-
Federal Capitalization Grants	-	-	-	-
Transfers In	688,737	248,412	9,647	-
Transfers Out	-	-	-	(283,000)
Special Item: Debt Reduction Transfer	-	-	-	-
Change in Net Assets	84,727	39,972	9,085	407
Total Net Assets (Deficit) - Beginning (as restated)	1,660,862	732,391	256,603	6,188
Total Net Assets (Deficit) - Ending	$ 1,745,589	$ 772,363	$ 265,688	$ 6,595

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
$ -	$ -	$ 132,856	$ 2,280,857	$ 88,644
616,419	-	36,465	652,884	-
560,869	-	47,689	795,309	-
13,180	-	17,084	74,190	-
-	-	3,699	46,875	-
-	13,386	1,621	15,007	-
10,718	-	3,590	88,764	30
1,201,186	13,386	243,004	3,953,886	88,674
-	465	425,447	2,628,680	63,252
-	-	-	604,712	-
1,573,806	-	-	1,573,806	-
-	-	38,352	38,352	-
-	-	19,086	205,770	18,814
-	-	22,856	145,131	-
1,573,806	465	505,741	5,196,451	82,066
(372,620)	12,921	(262,737)	(1,242,565)	6,608
19,637	17,573	5,623	75,933	87
-	(30,258)	(5,691)	(75,494)	(45)
-	2,275	(110)	35,377	(106)
19,637	(10,410)	(178)	35,816	(64)
(352,983)	2,511	(262,915)	(1,206,749)	6,544
-	-	-	63,757	3,450
-	18,998	6,528	25,526	-
-	983	243,708	1,191,487	-
(25,250)	-	(9,647)	(317,897)	(7,513)
-	-	85,000	85,000	-
(378,233)	22,492	62,674	(158,876)	2,481
740,636	617,197	648,951	4,662,828	(13,140)
$ 362,403	$ 639,689	$ 711,625	$ 4,503,952	$ (10,659)

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Cash Flows from Operating Activities				
Receipts from Customers	$ 819,476	$ 302,736	$ 43,916	$ 987,364
Payments to Suppliers	(495,144)	(177,892)	(24,890)	(28,776)
Payments to Employees	(1,036,579)	(400,950)	(15,188)	(13,997)
Other Receipts (Payments)	297,496	66,722	-	(675,276)
Net Cash Provided by (Used in) Operating Activities	(414,751)	(209,384)	3,838	269,315
Cash Flows from Noncapital Financing Activities				
Proceeds from Sale of Bonds	-	-	-	-
Retirement of Bonds and Annuities Payable	-	-	-	(37,906)
Interest on Bonds and Annuities Payable	-	-	-	(15,994)
Transfers In	454,808	240,257	9,647	-
Transfers Out	-	-	-	(283,000)
Other Receipts (Payments)	23,437	3,192	-	7,913
Net Cash Flows from Noncapital Financing Activities	478,245	243,449	9,647	(328,987)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant and Equipment	(93,504)	(26,320)	(19,707)	(326)
Proceeds from Capital Debt	150,000	-	-	-
Principal Paid on Capital Debt	(76,148)	(19,163)	(9,605)	-
Interest Paid on Capital Debt	(52,307)	-	(10,259)	-
Transfer In	120,342	-	-	-
Federal Grant	2,182	-	-	-
Capital Contributions	-	18,061	4,008	-
Other Receipts (Payments)	398	58	18,645	-
Net Cash Flows from Capital and Related Financing Activities	50,963	(27,364)	(16,918)	(326)
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	3,040		37,792
Purchase of Investment Securities	(37)	(1,933)	-	(7,913)
Interest on Investments	10,984	5,104	3,558	16,504
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	969	-	(834)	-
Net Cash Flows from Investing Activities	11,916	6,211	2,724	46,383
Net Increase (Decrease) in Cash and Cash Equivalents	126,373	12,912	(709)	(13,615)
Cash and Cash Equivalents - Beginning of Year	318,605	219,865	136,995	37,035
Cash and Cash Equivalents - End of Year	$ 444,978	$ 232,777	$ 136,286	$ 23,420
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (621,678)	$ (265,765)	$ (15,583)	$ 282,897
Adjustments not Affecting Cash:				
Depreciation and Amortization	117,969	50,375	17,863	477
Other	84,006	93	(13)	97
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	5,442	(16,251)	1,294	(4,117)
(Increase) Decrease in Due from Other Funds	(7,636)	305	-	-
(Increase) Decrease in Inventories and Other Assets	1,790	(302)	-	(1,250)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	5,356	22,161	277	(8,789)
Increase (Decrease) in Due to Other Funds	-	-	-	-
Total Adjustments	206,927	56,381	19,421	(13,582)
Net Cash Provided by (Used In) Operating Activities	$ (414,751)	$ (209,384)	$ 3,838	$ 269,315
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 295,375	$ 127,199	$ 48,316	
Cash and Cash Equivalents - Noncurrent	1,472	105,578	-	
Cash and Cash Equivalents - Restricted	148,131	-	87,970	
	$ 444,978	$ 232,777	$ 136,286	

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
	$ 594,302	$ 66,556	$ 169,483	$ 2,983,833	$ 89,477
	-	-	(85,468)	(812,170)	(37,258)
	-	(441)	(327,413)	(1,794,568)	(31,402)
	(588,689)	(119,398)	71,408	(947,737)	(4,004)
	5,613	(53,283)	(171,990)	(570,642)	16,813
	-	365,960	29,675	395,635	-
	-	(46,897)	(115,258)	(200,061)	-
	-	(23,635)	(1,794)	(41,423)	-
	-	982	235,320	941,014	-
	(25,250)	-	(9,647)	(317,897)	-
	-	17,855	110,817	163,214	-
	(25,250)	314,265	249,113	940,482	-
	-	-	(12,104)	(151,961)	(22,534)
	-	-	-	150,000	-
	-	-	-	(104,916)	-
	-	-	(3,437)	(66,003)	-
	-	-	3,690	124,032	-
	-	19,167	5,297	26,646	-
	-	-	-	22,069	-
	-	-	(47,362)	(28,261)	(130)
	-	19,167	(53,916)	(28,394)	(22,664)
	-	-	-	40,832	-
	-	-	-	(9,883)	-
	19,637	17,723	6,266	79,776	87
	-	(28,493)	(11,630)	(40,123)	-
	-	(268,409)	(20,492)	(288,766)	(21)
	19,637	(279,179)	(25,856)	(218,164)	66
	-	970	(2,649)	123,282	(5,785)
	-	-	155,156	867,656	16,849
	$ -	$ 970	$ 152,507	$ 990,938	$ 11,064
	$ (372,620)	$ 12,921	$ (262,737)	$ (1,242,565)	$ 6,608
	-	-	19,086	205,770	18,814
	-	-	(4,673)	79,510	(4,700)
	(21,011)	(66,204)	64,419	(36,428)	593
	(1,106)	-	-	(8,437)	239
	367,290	-	(310)	367,218	278
	-	-	12,225	31,230	(5,019)
	33,060	-	-	33,060	-
	378,233	(66,204)	90,747	671,923	10,205
	$ 5,613	$ (53,283)	$ (171,990)	$ (570,642)	$ 16,813

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Fiduciary Fund Financial Statements

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

Private Purpose Trust Fund
Escheat Securities:
to account for securities that are held by the State Treasurer for individuals under escheat laws of the State.

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

(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	$ 112,518	$ -	$ -	$ 91,928	$ 204,446
Receivables:					
Accounts, Net of Allowances	16,735	-	-	4,941	21,676
From Other Governments	3,104	-	-	-	3,104
From Other Funds	1,802	-	-	5,612	7,414
Interest	607	943	-	23	1,573
Investments	20,295,775	1,107,232	-	-	21,403,007
Inventories	-	-	-	452	452
Securities Lending Collateral	3,358,101	-	-	-	3,358,101
Other Assets	-	17	88,297	364,621	452,935
Total Assets	23,788,642	1,108,192	88,297	$ 467,577	25,452,708
Liabilities					
Accounts Payable and Accrued Liabilities	20,951	524	-	$ 9,116	30,591
Securities Lending Obligation	3,358,101	-	-	-	3,358,101
Due to Other Funds	3,209	-	-	16,857	20,066
Funds Held for Others	-	-	-	441,604	441,604
Total Liabilities	3,382,261	524	-	$ 467,577	3,850,362
Net Assets					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	20,298,248	-	-		20,298,248
Other Employee Benefits (Note 15)	108,133	-	-		108,133
Individuals, Organizations, and Other Governments	-	1,107,668	88,297		1,195,965
Total Net Assets	$ 20,406,381	$ 1,107,668	$ 88,297		$ 21,602,346

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009
(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	$ 400,599	$ -	$ -	$ 400,599
State	1,727,708	-	-	1,727,708
Municipalities	36,102	-	-	36,102
Total Contributions	2,164,409	-	-	2,164,409
Investment Income	(4,426,734)	19,055	-	(4,407,679)
Less: Investment Expense	(93,228)	(318)	-	(93,546)
Net Investment Income	(4,519,962)	18,737	-	(4,501,225)
Escheat Securities Received	-	-	21,700	21,700
Pool's Share Transactions	-	132,131	-	132,131
Transfers In	2,703	-	-	2,703
Other	7,339	-	-	7,339
Total Additions	(2,345,511)	150,868	21,700	(2,172,943)
Deductions				
Administrative Expense	2,883	-	-	2,883
Benefit Payments and Refunds	3,111,267	-	-	3,111,267
Escheat Securities Returned or Sold	-	-	6,891	6,891
Distributions to Pool Participants	-	18,737	-	18,737
Other	2,740	-	21,858	24,598
Total Deductions	3,116,890	18,737	28,749	3,164,376
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	(5,462,401)	-	-	(5,462,401)
Individuals, Organizations, and Other Governments	-	132,131	(7,049)	125,082
Net Assets - Beginning	25,868,782	975,537	95,346	26,939,665
Net Assets - Ending	$ 20,406,381	$ 1,107,668	$ 88,297	$ 21,602,346

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

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Component Unit Financial Statements

Major Component Units

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

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

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Statement of Net Assets
Component Units

June 30, 2009

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-08)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 3,596	$ 195,776	$ 199,372
Investments	-	115	286,989	287,104
Receivables:				
Accounts, Net of Allowances	-	123	25,598	25,721
Loans, Net of Allowances	-	-	16,045	16,045
Other	-	-	690	690
Due From Primary Government	-	-	13,108	13,108
Restricted Assets	752,031	446,230	50,476	1,248,737
Inventories	-	-	3,694	3,694
Other Current Assets	-	154	2,746	2,900
Total Current Assets	752,031	450,218	595,122	1,797,371
Noncurrent Assets:				
Investments	-	-	39,632	39,632
Accounts, Net of Allowances	-	-	23,082	23,082
Loans, Net of Allowances	-	-	142,999	142,999
Restricted Assets	4,236,186	10,045	83,741	4,329,972
Capital Assets, Net of Accumulated Depreciation	3,173	349	439,069	442,591
Other Noncurrent Assets	-	-	8,789	8,789
Total Noncurrent Assets	4,239,359	10,394	737,312	4,987,065
Total Assets	4,991,390	460,612	1,332,434	6,784,436
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	35,928	1,372	35,470	72,770
Current Portion of Long-Term Obligations	138,514	-	27,721	166,235
Amount Held for Institutions	-	446,227	-	446,227
Other Liabilities	29,068	-	937	30,005
Total Current Liabilities	203,510	447,599	64,128	715,237
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	3,898,989	2,225	363,154	4,264,368
Total Noncurrent Liabilities	3,898,989	2,225	363,154	4,264,368
Total Liabilities	4,102,499	449,824	427,282	4,979,605
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,173	349	296,202	299,724
Restricted:				
Debt Service	-	-	17,504	17,504
Bond Indentures	885,718	-	-	885,718
Expendable Endowments	-	-	72,984	72,984
Nonexpendable Endowments	-	-	247,353	247,353
Capital Projects	-	-	18,843	18,843
Other Purposes	-	7,820	32,084	39,904
Unrestricted	-	2,619	220,182	222,801
Total Net Assets	$ 888,891	$ 10,788	$ 905,152	$ 1,804,831

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Connecticut Housing Finance Authority (12/31/08)	$ 227,636	$ 194,134	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,546	7,067	-	-
Other Component Units	302,378	217,356	7,651	15,389
Total Component Units	$ 535,560	$ 418,557	$ 7,651	$ 15,389

General Revenues:
Investment Income (Loss)
Contributions to Endowments
Special Item: Transfer to the State
Total General Revenues,
Contributions, and Special Item
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

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

Connecticut Housing Finance Authority (12-31-08)	Connecticut Health & Educational Facilities Authority	Other Component Units	Totals
	Net (Expense) Revenue and Changes in Net Assets		
$ (33,502)	$ -	$ -	$ (33,502)
-	1,521	-	1,521
-	-	(61,982)	(61,982)
(33,502)	1,521	(61,982)	(93,963)
106,196	301	(58,319)	48,178
-	-	23,317	23,317
-	(13,150)	-	(13,150)
106,196	(12,849)	(35,002)	58,345
72,694	(11,328)	(96,984)	(35,618)
816,197	22,116	1,002,136	1,840,449
$ 888,891	$ 10,788	$ 905,152	$ 1,804,831

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Notes to the Financial Statements
June 30, 2009

Note 1 Summary of Significant Accounting Policies

a. Basis of Presentation

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

b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) the State is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. The State also includes a nongovernmental nonprofit corporation as a component unit because it would be misleading to exclude the corporation from the reporting entity. Component units are reported in the financial statements in a separate column (discrete presentation), or as part of the primary government (blending presentation).

Discretely Presented Component Units

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

Connecticut Development Authority

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

Connecticut Housing Finance Authority

The Authority is a public instrumentality and political subdivision of the State. It was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2008.

Connecticut Resources Recovery Authority

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

Connecticut Higher Education Supplemental Loan Authority

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

Connecticut Health and Educational Facilities Authority

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

Connecticut Innovations, Incorporated

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

Capital City Economic Development Authority

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

University of Connecticut Foundation, Incorporated

The University of Connecticut Foundation, Incorporated is a nongovernmental nonprofit corporation created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund.

Financial statements for the major component units are included in the accompanying financial statements after the fund financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

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

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

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

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds issued to buy, construct, or improve those assets.

2. Restricted net assets result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

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

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

The State reports the following major governmental funds:

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

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

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenue collected for the purpose of payment of transportation related bonds and budgeted appropriations of the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the State.

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.

The State reports the following major enterprise funds:

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

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

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

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

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

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

In addition, the State reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. This option is followed by the following component units of the State: the Connecticut Development Authority and the Connecticut Health and Educational Facilities Authority.

Governmental Fund Financial Statements

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

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

e. Budgeting Process

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

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the

CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

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

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as 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 2009 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

f. Assets and Liabilities

Cash and Cash Equivalents (see Note 4)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents include investments in the Short-Term Investment Fund ("STIF") and the Tax Exempt Proceeds Fund, Inc. ("TEPF"). TEPF is a short-term, tax-exempt money market fund reported under the Investment Company Act of 1940. Investments in STIF and TEPF are reported at the fund's share price.

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 equity and debt securities 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 assets.

Inventories

Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation

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

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

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

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

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

Securities Lending Transactions (see Note 4)
Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

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

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

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

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

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

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

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

h. Interest Rate Swap Agreements
The State has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net

interest expenditures resulting from these agreements, no amounts are recorded in the financial statements (see Note 18).

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)	$ (947,578)	$ (84,699)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	385,400	(949)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(601,590)	11,342
Salaries and Fringe Benefits Payable	56,609	(792)
Decrease in Continuing Appropriations	(415,327)	(1,368)
Transfer of 2008 Surplus	(179,420)	-
Fund Reclassification-Bus Operations	-	4,350
Net change in fund balances (GAAP basis)	$ (1,701,906)	$ (72,116)

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

1. Revenues are recorded when received in cash except for certain year-end accruals (budgetary basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).

3. For budgetary reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as reserved fund balance.

Note 3 Nonmajor Fund Deficits
The following funds have deficit fund/net assets balances at June 30, 2009, none of which constitutes a violation of statutory provisions (amounts in thousands).

<u>Special Revenue</u>	
Insurance	$ 664
<u>Enterprise</u>	
Bradley Parking Garage	$ 19,146
<u>Internal Service</u>	
Administrative Services	$ 30,972

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:

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

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

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

Primary Government

The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund, one Medium-Term Investment Fund, and eleven 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, asset-backed securities, and student loans. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net assets.

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

As of June 30, 2009, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

		Investment Maturities (in years)	
Investment Type	Amortized Cost	Less Than 1	1-5
Floating Rate Notes	$ 116,033	$ 116,033	$ -
Federal Agency Securities	436,897	100,844	336,053
Money Market Funds	163,803	163,803	-
Total Investments	$ 716,733	$ 380,680	$ 336,053

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, 2009, the weighted average maturity of the STIF was 9 days. Additionally, STIF is allowed by policy to invest in floating-rate securities, and investments in such securities with maturities up to two years are 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, 2009, the amount of STIF's investments in variable-rate securities was $503 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, 2009, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

		Quality Ratings			
Investment Type	Amortized Cost	AAA	AA	A	Unrated
Floating Rate Notes	$ 116,034	$ -	$ 5,000	$ 66,589	$ 44,445
Federal Agency Securities	436,896	436,896	-	-	-
Money Market Funds	163,803	163,803	-	-	-
Total Investments	$ 716,733	$ 600,699	$ 5,000	$ 66,589	$ 44,445

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, 2009, 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
Beta Finance	$ 50,000
FHLB	$ 78,000
FHLMC	$ 228,030
FNMA	$ 74,983
Gryphon	$ 44,445

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits and NOW Accounts (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". As of June 30, 2009, $879,500 of the bank balance of STIF's deposits of $3,830,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 796,500
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	83,000
Total	$ 879,500

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, and asset-backed securities. STIF Plus' investments are reported at fair value on the fund's statement of net assets.

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, 2009, STIF Plus had the following investments and maturities (amount in thousands):

Short-Term Plus Investment Fund

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5
Federal Agency Securities	$ 5,071	$ 5,071	$ -
Corporate Notes	73,019	30,541	42,478
Asset Backed Securities	10,279	-	10,279
Repurchase Agreements	485	485	-
Total Investments	$ 88,854	$ 36,097	$ 52,757

Interest Rate Risk

STIF Plus' 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, 2009, the weighted average maturity of STIF Plus was 109 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, 2009, STIF Plus's investment in variable-rate securities was $79.9 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, 2009, STIF Plus' investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Plus Investment Fund

Investment Type	Fair Value	Quality Ratings AAA	AA	A	D
Federal Agency Securities	$ 5,071	$ 5,071	$ -	$ -	$ -
Corporate Notes	73,019	-	29,335	43,684	-
Asset Backed Securities	10,279	9,721	-	-	558
Repurchase Agreements	485	-	-	485	-
Total	$ 88,854	$ 14,792	$ 29,335	$ 44,169	$ 558

Concentration of Credit Risk

STIF Plus' policy for managing this risk is to limit the amount it may invest in any single federal agency to an amount not to exceed 15 percent. As of June 30, 2009, 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
Bank of America	$ 8,784
Citigroup	$ 11,555
FHLMC	$ 5,071
GE Capital Corp	$ 14,534
Goldman Sachs	$ 9,575
HSBC	$ 4,869
Merrill Lynch	$ 8,901
Wells Fargo	$ 14,801

Combined Investment Funds (CIFS)

The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. CIFS' investments are reported at fair value in each fund's statement of net assets.

For financial reporting purposes, the CIFS are considered to be internal investment pools and are not reported in the 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, 2009, 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	$ 85,834	$ 559	$ 20,295,775
Other Investments	396,593	49,452	1,107,232
Total Investments-Current	$ 482,427	$ 50,011	$ 21,403,007

As of June 30, 2009, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
		Investment Maturities (in Years)			
Cash Equivalents	$ 1,466,778	$ 1,439,200	$ -	$ -	$ 27,578
Asset Backed Securities	122,298	5,810	100,989	15,499	-
Government Securities	2,531,238	208,995	788,253	762,585	771,405
Government Agency Securities	978,443	1,419	40,941	66,235	869,848
Mortgage Backed Securities	480,456	815	18,514	18,911	443,210
Corporate Debt	1,756,610	229,634	607,786	623,225	294,971
Convertible Debt	28,687	580	13,963	4,586	9,558
Mutual Fund	318,934	-	-	-	318,934
Total Debt Instruments	7,683,444	$ 1,886,453	$ 1,570,446	$ 1,491,041	$ 2,735,504
Common Stock	9,568,436				
Preferred Stock	48,399				
Real Estate Investment Trust	65,333				
Mutual Fund	570,811				
Limited Liability Corporation	3,329				
Trusts	4,656				
Limited Partnerships	2,486,773				
Total Investments	$ 20,431,181				

Interest Rate Risk

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

Credit Risk

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, 2009, 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	$ 3,035,622	$ -	$ 78,677	$ 1,774,059	$ 850,931	$ 227,600	$ 104,355	$ -	$ -
Aa	225,537	-	49	47,274	-	20,755	157,459	-	-
A	560,822	-	720	77,067	-	12,603	470,149	283	-
Baa	516,518	-	3,632	157,264	-	31,274	324,348	-	-
Ba	409,308	-	490	203,491	-	22,578	181,164	1,585	-
B	337,959	-	-	59,211	-	21,900	253,563	3,285	-
Caa	151,164	-	-	-	-	23,318	127,630	216	-
Ca	21,336	-	-	2,401	-	1,971	16,964	-	-
C	1,687	-	-	-	-	495	1,192	-	-
Prime 1	510,556	510,000	556	-	-	-	-	-	-
Not Rated	1,912,935	956,778	38,174	210,471	127,512	117,962	119,786	23,318	318,934
Total	$ 7,683,444	$ 1,466,778	$ 122,298	$ 2,531,238	$ 978,443	$ 480,456	$ 1,756,610	$ 28,687	$ 318,934

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, 2009, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds

			Fixed Income Securities				Equities		
Foreign Currency	**Total**	**Cash**	**Government Securities**	**Mutual Funds**	**Corporate Debt**	**Convertible Securities**	**Common Stock**	**Preferred Stock**	**Real Estate Investment Trust**
Argentine Peso	$ 27	$ 27	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	245,216	1,230	16,318	-	10,761	-	216,606	-	301
Brazilian Real	106,436	548	26,188	-	5,239	-	38,336	36,125	-
Canadian Dollar	74,164	304	-	-	-	-	73,860	-	-
Chilean Peso	1,973	1	-	-	996	-	976	-	-
Colombian Peso	8,389	-	7,202	-	1,187	-	-	-	-
Czech Koruna	12,243	416	-	-	-	-	11,827	-	-
Danish Krone	28,656	463	-	-	-	-	28,193	-	-
Egyptian Pound	7,873	16	957	-	-	-	6,900	-	-
Euro Currency	1,378,709	4,767	57,612	-	4,044	-	1,304,610	7,454	222
Hong Hong Dollar	315,551	1,183	-	-	-	-	313,412	-	956
Hungarian Fornit	16,697	5	16,607	-	85	-	-	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-
Indonesian Rupiah	31,307	192	8,232	-	5,061	-	17,822	-	-
Israeli Shekel	6,998	190	-	-	-	-	6,808	-	-
Japanese Yen	959,443	2,694	-	12,266	-	623	941,241	-	2,619
Kazakhstan Tenge	424	-	-	-	424	-	-	-	-
Malaysian Ringgit	40,324	127	10,698	-	8,563	-	20,936	-	-
Mexican Peso	46,820	1,299	36,314	-	562	-	8,645	-	-
Moroccan Dirham	1,547	77	-	-	-	-	1,470	-	-
New Russian Rubel	3,233	70	-	-	3,163	-	-	-	-
New Taiwan Dollar	69,883	723	-	-	-	-	69,160	-	-
New Zealand Dollar	41,035	172	31,778	-	-	-	9,076	-	9
Norwegian Krone	26,912	169	-	-	-	-	26,743	-	-
Pakistan Rupee	179	179	-	-	-	-	-	-	-
Peruvian Nouveau Sol	900	-	895	-	-	-	5	-	-
Philippine Peso	7,560	68	-	-	-	-	7,492	-	-
Polish Zloty	47,061	51	30,993	-	-	-	16,017	-	-
Pound Sterling	759,347	1,602	7,224	-	9,271	-	737,344	-	3,906
Singapore Dollar	75,620	2,591	-	-	-	-	68,956	-	4,073
South African Rand	82,667	1,517	23,256	-	1,585	-	56,309	-	-
South Korean Won	272,920	240	772	-	-	-	269,672	2,236	-
Swedish Krona	74,153	757	-	-	-	-	73,396	-	-
Swiss Franc	332,481	1,952	7,900	-	-	-	322,629	-	-
Thailand Baht	46,847	116	9,367	-	201	-	37,163	-	-
Turkish Lira	58,159	71	13,203	-	-	-	44,885	-	-
Total	$ 5,181,756	$ 23,819	$ 305,516	$ 12,266	$ 51,142	$ 623	$ 4,730,489	$ 45,815	$ 12,086

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, 2009, the CIFS had deposits with a bank balance of $16.9 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, 2009, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Repurchase Agreements	$ 2,773	$ 2,773	$ -	$ -	$ -
State Bonds	49,114	4,738	17,866	16,118	10,392
U.S. Government Securities	67,300	32,278	15,823	10,472	8,727
Guaranteed Investment Contracts	430,113	15,006	149,223	145,937	119,947
Tax Exempt Proceeds Fund	18,804	18,804	-	-	-
Money Market Funds	396	396	-	-	-
Total Debt Investments	568,500	$ 73,995	$ 182,912	$ 172,527	$ 139,066
Annuity Contracts	201,476				
Endowment Pool	9,347				
Limited Partnership	150				
Total Investments	$ 779,473				

Credit Risk

As of June 30, 2009, other investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

			Quality Ratings		
Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**Unrated**
Repurchase Agreements	$ 2,773	$ 2,773	$ -	$ -	$ -
State Bonds	49,114	-	49,114	-	-
Guaranteed Investment Contracts	430,113	75,480	290,013	64,620	-
Tax Exempt Proceeds Fund	18,804	-	-	-	18,804
Money Market Funds	396	396	-	-	-
Total	$ 501,200	$ 78,649	$ 339,127	$ 64,620	$ 18,804

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, 2009, $124,288 of the bank balance of the Primary Government of $379,443 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 110,207
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	14,081
Total	$ 124,288

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Health and Education Facilities Authority (CHEFA) reported the following investments and maturities as of 12-31-08 and 6-30-09, respectively (amounts in thousands):

Major Component Units

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	More Than 10
Collateralized Mortgage Obligations	$ 1,014	$ -	$ -	$ 1,014
Corporate Finance Bonds	4,610	-	4,610	-
Federated Funds	1,923	1,923	-	-
Fidelity Tax Exempt Fund	17,829	17,829	-	-
GNMA Program Assets	1,064,051	-	-	1,064,051
Guaranteed Investment Contracts	127,943	23,963	103,980	-
Mortgage Backed Securities	2,631	-	673	1,958
Repurchase Agreements	3,591	-	-	3,591
U.S. Government Securities	2,170	1,264	-	906
Structured Securities	628	-	-	628
Money Market Funds	308,403	308,403	-	-
Certificate of Deposits	2,000	2,000	-	-
Total	$ 1,536,793	$ 355,382	$ 109,263	$ 1,072,148

The CHFA and the CHEFA own 71.5 percent and 28.5 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.

Interest Rate Risk

CHFA

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

CHEFA

The Authority manages its exposure to this risk by designing its portfolio of unrestricted investments with the objective of regularly exceeding the average return of 90 day U.S. Treasury Bills. This is considered to be a benchmark for riskless investment transactions and therefore represents a minimum standard for the portfolio's rate of return. The Authority's policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures, with the above policy and with applicable Connecticut State Law.

Credit Risk

CHFA

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

CHEFA

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

CHFA's and CHEFA's investments were rated as of 12-31-08 and 6-30-09, respectively, as follows (amounts in thousands):

Component Units

Investment Type	Fair Value	Quality Ratings AAA	AA	BBB	D	Unrated
Collateralized Mortgage Obligations	$ 1,014	$ -	$ -	$ -	$ -	$ 1,014
Corporate Finance Bonds	4,610	-	-	4,610	-	-
Federated Funds	1,923	-	-	-	-	1,923
Fidelity Tax Exempt Fund	17,829	-	-	-	-	17,829
GNMA Assets	1,064,051	-	-	-	-	1,064,051
Guaranteed Investment Contracts	127,943	289	127,654	-	-	-
Mortgage Backed Securities	2,631	-	-	-	-	2,631
Repurchase Agreements	3,591	-	-	-	-	3,591
Structured Securities	628	-	-	-	628	-
Money Market Funds	308,403	308,403	-	-	-	-
Certificate of Deposits	2,000	-	-	-	-	2,000
Total	$ 1,534,623	$ 308,692	$ 127,654	$ 4,610	$ 628	$ 1,093,039

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, 2008, 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).

CHEFA

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

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 form 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 (other than the default by Lehman Brothers which resulted in no loss to the funds). 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 $3,386.8 million and $3,281.1 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 41.03 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, 2009, current receivables consisted of the following (amounts in thousands):

	Primary Government Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,155,267	$ -	$ -
Accounts	996,432	591,272	26,582
Loans-Current Portion	-	267,628	18,179
Other Governments	951,085	23,087	-
Interest	1,401	10,782	542
Other (1)	18,502	4,908	148
Total Receivables	3,122,687	897,677	45,451
Allowance for Uncollectibles	(944,740)	(90,814)	(2,995)
Receivables, Net	$ 2,177,947	$ 806,863	$ 42,456

(1) Includes a reconciling amount of $18,500 from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2009 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 459,628	$ -	$ 459,628
Income Taxes	335,523	-	335,523
Corporations	104,932	-	104,932
Gasoline and Special Fuel	-	43,304	43,304
Various Other	211,880	-	211,880
Total Taxes Receivable	1,111,963	43,304	1,155,267
Allowance for Uncollectibles	(189,039)	(361)	(189,400)
Taxes Receivable, Net	$ 922,924	$ 42,943	$ 965,867

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2009, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 47,656
Loans	245,386	610,889	129,958
Total Receivables	245,386	610,889	177,614
Allowance for Uncollec	(9,568)	(2,865)	(11,533)
Receivables, Net	$ 235,818	$ 608,024	$ 166,081

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 $528 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 9.7 percent. At year end, the noncurrent portion of loans receivable was $106.9 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2009, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
Governmental Activities:					
Debt Service	$ 679,384	$ -	$ -	$ -	$ 679,384
Environmental	395	-	-	-	395
Total-Governmental Activities	$ 679,779	$ -	$ -	$ -	$ 679,779
Business-Type Activities:					
Bradley International Airport	$ 87,970	$ 28,258	$ -	$ 1,614	$ 117,842
UConn/Health Center	148,131	-	-	6,746	154,877
Clean Water	175,642	311,759	-	-	487,401
Other Proprietary	26,785	39,167	-	-	65,952
Total-Business-Type Activities	$ 438,528	$ 379,184	$ -	$ 8,360	$ 826,072
Component Units:					
CHFA	$ 551,591	$ 1,077,719	$ 3,196,823	$ 162,084	$ 4,988,217
CHEFA	455,959	-	-	316	456,275
Other Component Units	117,856	16,125	-	236	134,217
Total-Component Units	$ 1,125,406	$ 1,093,844	$ 3,196,823	$ 162,636	$ 5,578,709

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2009, 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	$ 41,767	$ 242,497	$ -	$ -	$ 284,264
Transportation	11,900	13,169	-	-	25,069
Other Governmental	187,091	24,642	-	2,731	214,464
Internal Service	2,545	2,167	-	14,269	18,981
Reconciling amount from fund financial statements to government-wide financial statements	-	-	143,345	5,848	149,193
Total-Governmental Activities	$ 243,303	$ 282,475	$ 143,345	$ 22,848	$ 691,971
Business-Type Activities:					
UConn/Health Center	$ 28,769	$ 79,464	$ -	$ 24,155	$ 132,388
State Universities	14,029	42,294	2,029	-	58,352
Other Proprietary	22,991	31,936	19,238	24,269	98,434
Total-Business-Type Activities	$ 65,789	$ 153,694	$ 21,267	$ 48,424	$ 289,174

b. Notes Payable

Notes payable consist of the short-term portion of Bond Anticipation Notes as described in Note 18. The activity for the notes for the year ended June 30, 2009 was as follows (amounts in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Bond Anticipation Notes	$ -	$ 353,085	$ -	$ 353,085

Note 10 Capital Assets

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

	Beginning Balance (1)	Additions		Retirements	Ending Balance
Governmental Activities					
Capital Assets not being Depreciated:					
Land	$ 1,399,842	$ 948,028		$ 53,307	$ 2,294,563
Construction in Progress	1,342,448	809,315		814,600	1,337,163
Total Capital Assets not being Depreciated	2,742,290	1,757,343		867,907	3,631,726
Other Capital Assets:					
Buildings	2,754,166	164,332		36,317	2,882,181
Improvements Other than Buildings	463,726	72,192		65,748	470,170
Equipment	1,718,326	144,367		140,825	1,721,868
Infrastructure	11,629,766	647,748		-	12,277,514
Total Other Capital Assets at Historical Cost	16,565,984	1,028,639		242,890	17,351,733
Less: Accumulated Depreciation For:					
Buildings	1,637,572	72,055		36,317	1,673,310
Improvements Other than Buildings	290,342	23,692		65,748	248,286
Equipment	1,381,206	287,552		140,825	1,527,933
Infrastructure	5,971,020	487,357		-	6,458,377
Total Accumulated Depreciation	9,280,140	870,656	*	242,890	9,907,906
Other Capital Assets, Net	7,285,844	157,983		-	7,443,827
Governmental Activities, Capital Assets, Net	$10,028,134	$ 1,915,326		$ 867,907	$ 11,075,553

(1) Restated. See Note No. 22.

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 5,918
General Government	61,532
Regulation and Protection	30,807
Conservation and Development	15,699
Health and Hospitals	14,393
Transportation	611,681
Human Services	2,282
Education, Libraries and Museums	36,551
Corrections	51,002
Judicial	22,099
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	18,692
Total Depreciation Expense	$ 870,656

	Beginning Balance (1)	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 59,969	$ -	$ 341	$ 59,628
Construction in Progress	249,661	61,974	118,500	193,135
Total Capital Assets not being Depreciated	309,630	61,974	118,841	252,763
Capital Assets being Depreciated:				
Buildings	3,583,211	208,005	7,463	3,783,753
Improvements Other Than Buildings	472,244	22,461	2	494,703
Equipment	930,661	69,349	60,853	939,157
Total Other Capital Assets at Historical Cost	4,986,116	299,815	68,318	5,217,613
Less: Accumulated Depreciation For:				
Buildings	1,177,411	119,113	5,519	1,291,005
Improvements Other Than Buildings	222,742	20,688	-	243,430
Equipment	569,643	65,551	50,808	584,386
Total Accumulated Depreciation	1,969,796	205,352	56,327	2,118,821
Other Capital Assets, Net	3,016,320	94,463	11,991	3,098,792
Business-Type Activities, Capital Assets, Net	$ 3,325,950	$ 156,437	$ 130,832	$ 3,351,555

(1) Restated. See Note No. 22.

Component Units

Capital assets of the component units consisted of the following as of June 30, 2009 (amounts in thousands):

Land	$ 29,031
Buildings	8,881
Improvements other than Buildings	2,851
Machinery and Equipment	724,056
Construction in Progress	14,226
Total Capital Assets	779,045
Accumulated Depreciation	(336,454)
Capital Assets, net	$ 442,591

Note 11 State Retirement Systems

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

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

Plan Descriptions and Funding Policy

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

	SERS 6/30/2008	TRS 6/30/2008	JRS 6/30/2008
Retirees and beneficiaries receiving benefits	38,093	28,787	225
Terminated plan members entitled to but not yet receiving benefits	1,592	1,394	1
Active plan members	53,196	51,738	220
Total	92,881	81,919	446

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 Plan 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	$ 753,698	$ 539,303	$ 14,172
Interest on net pension obligation	203,745	(40,843)	4
Adjustment to annual required contribution	(146,667)	33,963	(2)
Annual pension cost	810,776	532,423	14,174
Contributions made	699,770	539,303	14,173
Increase (decrease) in net pension obligation	111,006	(6,880)	1
Net pension obligation beginning of year	2,396,999	(480,510)	48
Net pension obligation/(asset) end of year	$ 2,508,005	$ (487,390)	$ 49

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

	Fiscal Year	Pension Cost (APC)	of APC Contributed	Pension Obligation/(Asset)
SERS	2007	$ 725,009	91.6%	$ 2,332,327
	2008	$ 776,227	91.7%	$ 2,396,999
	2009	$ 810,776	86.3%	$ 2,508,005
TRS	2007	$ 441,802	93.3%	$ 1,495,542
	2008	$ 542,508	464.2%	$ (480,510)
	2009	$ 532,423	101.3%	$ (487,390)
JRS	2007	$ 12,376	100%	$ 47
	2008	$ 13,435	100%	$ 48
	2009	$ 14,174	100%	$ 49

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2008 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	$ 9,990.2	$ 19,243.4	$ 9,253.2	51.9%	$ 3,497.4	264.6%
TRF	$ 15,271.0	$ 21,801.0	$ 6,530.0	70.0%	$ 3,399.3	192.1%
JRF	$ 191.7	$ 267.0	$ 75.3	71.8%	$ 34.0	221.5%

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	6/30/2008	6/30/2008	6/30/08
Actuarial Cost Method	Projected unit credit cost method	Entry age actuarial cost method using level percent of payroll funding	Projected unit credit cost method
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining Amortization Period	24 Years	29.2 years	23 Years
Asset Valuation Method	5-year smoothed market	4-year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return	8.25%	8.5%	8.25%
Projected Salary Increases	4.0%-20.0%	4.0%-7.5%	5.25%
Includes inflation at	4.0%	4.0%	5.25%
Cost-of-Living Adjustments	2.7%-3.6%	2.0%-3.0%	2.75%-5.25%

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 $35.3 million and $21.7 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 7/1/2007	CPJERS 12/31/2007
Retirees and beneficiaries receiving benefits	5,263	277
Terminated plan members entitled to but not receiving benefits	495	28
Active plan members	8,695	409
Total	14,453	714
Number of participating employers	164	1

Connecticut Municipal Employees' Retirement System

Plan Description

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

Contributions

Plan members are required to contribute 2.28 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is a single-employer defined benefit pension plan that covers judges and employees of probate courts in the State. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of the General statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

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

Note 13 Pension Trust Fund 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 Assets (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Cash and Cash Equivalents	$ -	$ 2,729	$ 2	$ -	$ -	$ 220	$ 2,951
Receivables:							
Accounts, Net of Allowances	2,289	9,216	7	5,219	4	-	16,735
From Other Governments	-	3,104	-	-	-	-	3,104
From Other Funds	21	144	-	-	-	-	165
Interest	189	372	4	38	3	-	606
Investments	7,320,844	11,396,682	148,168	1,345,096	66,306	864	20,277,960
Securities Lending Collateral	1,216,042	1,834,046	29,704	262,857	12,018	145	3,354,812
Total Assets	8,539,385	13,246,293	177,885	1,613,210	78,331	1,229	23,656,333
Liabilities							
Accounts Payable and Accrued Liabilities	64	-	-	-	-	-	64
Securities Lending Obligation	1,216,042	1,834,046	29,704	262,857	12,018	145	3,354,812
Due to Other Funds	499	1,567	-	1,128	15	-	3,209
Total Liabilities	1,216,605	1,835,613	29,704	263,985	12,033	145	3,358,085
Net Assets							
Held in Trust For Employee Pension Benefits	7,322,780	11,410,680	148,181	1,349,225	66,298	1,084	20,298,248
Total Net Assets	$ 7,322,780	$ 11,410,680	$ 148,181	$ 1,349,225	$ 66,298	$ 1,084	$ 20,298,248

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
	Statement of Changes in Fiduciary Net Assets (000's)						
Additions							
Contributions:							
Plan Members	$ 70,847	$ 241,145	$ 1,618	$ 15,337	$ 291	$ 38	$ 329,276
State	699,770	539,303	14,173	-	-	-	1,253,246
Municipalities	-	156	-	35,937	-	-	36,093
Total Contributions	770,617	780,604	15,791	51,274	291	38	1,618,615
Investment Income	(1,673,282)	(2,476,319)	(25,788)	(238,441)	(12,083)	(54)	(4,425,967)
Less: Investment Expenses	(35,132)	(52,245)	(541)	(5,006)	(254)	-	(93,178)
Net Investment Income	(1,708,414)	(2,528,564)	(26,329)	(243,447)	(12,337)	(54)	(4,519,145)
Transfers In	-	-	-	-	2,703	-	2,703
Other	-	277	-	-	-	-	277
Total Additions	(937,797)	(1,747,683)	(10,538)	(192,173)	(9,343)	(16)	(2,897,550)
Deductions							
Administrative Expense	846	-	10	-	-	-	856
Benefit Payments and Refunds	1,070,474	1,396,098	18,522	90,925	3,095	2	2,579,116
Other	-	-	7	24	2,709	-	2,740
Total Deductions	1,071,320	1,396,098	18,539	90,949	5,804	2	2,582,712
Changes in Net Assets	(2,009,117)	(3,143,781)	(29,077)	(283,122)	(15,147)	(18)	(5,480,262)
Net Assets Held in Trust For Employee Pension Benefits:							
Beginning of Year	9,331,897	14,554,461	177,258	1,632,347	81,445	1,102	25,778,510
End of Year	$ 7,322,780	$ 11,410,680	$ 148,181	$ 1,349,225	$ 66,298	$ 1,084	$ 20,298,248

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.

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.

In the prior fiscal year, a limited actuarial valuation of the plan disclosed that the plan had an estimated liability of $23.7 billion as of June 30, 2008. A full actuarial valuation of the plan was to be performed in the current fiscal year, but it was not completed on time. Thus, required disclosures on funded status, funding progress, and actuarial methods and assumptions for the plan could not be made in this note. These disclosures will be made starting next fiscal year.

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, 2008 (date of the latest actuarial valuation), the plan had 30,619 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	$ 1,703,712	$ 116,667
Interest on Net OPEB Obligation	7,667	458
Adjustment to Annual Required Contribution	(42,058)	(3,421)
Annual OPEB Cost	1,669,321	113,704
Contributions Made	452,029	22,433
Increase in net OPEB Obligation	1,217,292	91,271
Net OPEB Obligation - Beginning of Year	1,139,042	95,353
Net OPEB Obligation - End of Year	$ 2,356,334	$ 186,624

In addition, other related information for each plan for the current and prior fiscal years was as follows:

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP	2009	$ 1,669,321	27.1%	$ 2,356,334
	2008	$ 1,602,739	28.9%	$ 1,139,042
RTHP	2009	$ 113,704	19.7%	$ 186,624
	2008	$ 116,123	17.9%	$ 95,353

Funded Status and Funding Progress

The following is funded status information for the RTHP as of June 30, 2008, date of the latest actuarial valuation (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)
RTHP	$ -	$ 2,318.8	$ 2,318.8	0.0%	$ 3,399.3	68.2%

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:

	RTHP
Actuarial Valuation Date	6-30-08
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Period	30 Years
Asset Valuation Method	n/a
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increases	4.0%-7.5%
Healthcare Inflation Rate	9% Initial, 4% 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 6/30/09 there were 8 municipalities participating in the plan with a total membership of 608 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 Fund 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 Assets (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Assets				
Cash and Cash Equivalents	$ 31,733	$ 77,832	$ 2	$ 109,567
Receivables:				
From Other Funds	70	1,567	-	1,637
Interest	-	-	1	1
Investments	-	-	17,815	17,815
Securities Lending Collateral	-	-	3,289	3,289
Total Assets	31,803	79,399	21,107	132,309
Liabilities				
Accounts Payable	7,142	13,745	-	20,887
Securities Lending Obligation	-	-	3,289	3,289
Total Liabilities	7,142	-	3,289	3,289
Net Assets				
Held in Trust For Other				
Postemployment Benefits	24,661	65,654	17,818	108,133
Total Net Assets	$ 24,661	$ 65,654	$ 17,818	$ 108,133

Statement of Changes in Fiduciary Net Assets (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Additions				
Contributions:				
Plan Members	$ -	$ 70,864	$ 459	$ 71,323
State	452,029	22,433	-	474,462
Municipalities	-	-	9	9
Total Contributions	452,029	93,297	468	545,794
Investment Income	527	1,074	(2,368)	(767)
Less: Investment Expenses	-	-	(50)	(50)
Net Investment Income	527	1,074	(2,418)	(817)
Other	-	7,062	-	7,062
Total Additions	452,556	101,433	(1,950)	552,039
Deductions				
Administrative Expense	-	2,027	-	2,027
Benefit Payments and Refunds	437,945	93,369	837	532,151
Total Deductions	437,945	95,396	837	534,178
Changes in Net Assets	14,611	6,037	(2,787)	17,861
Net Assets Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year (as restated)	10,050	59,617	20,605	90,272
End of Year	$ 24,661	$ 65,654	$ 17,818	$ 108,133

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):

2010	$ 31,804
2011	27,800
2012	17,845
2013	17,761
2014	17,983
Thereafter	12,182
Total	$ 125,375

Contingent revenues for the year ended June 30, 2009, were $.3 million.

State as Lessee

Obligations under capital and operating leases as of June 30, 2009, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2010	$ 80,122	$ 7,916
2011	58,090	7,855
2012	40,208	7,300
2013	36,890	7,168
2014	14,295	4,008
2015-2019	24,134	14,786
2020-2024	63,205	7,819
2025-2029	3,440	6,110
2030-2034	-	2,432
Total minimum lease payments	$ 320,384	65,394
Less: Amount representing interest costs		18,265
Present value of minimum lease payments		$ 47,129

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

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2009, were $129.4 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 $296 million at June 30, 2009.

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, 2009, (amounts in thousands):

Governmental Activities	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due within one year
Bonds:					
General Obligation	$ 13,092,570	$ 1,409,655	$ 1,058,700	$ 13,443,525	$ 611,644
Transportation	2,790,682	812,725	786,392	2,817,015	144,101
	15,883,252	2,222,380	1,845,092	16,260,540	755,745
Plus/(Less) premiums and deferred amounts	348,228	99,763	27,955	420,036	74,564
Total Bonds	16,231,480	2,322,143	1,873,047	16,680,576	830,309
Bond Anticipation Notes:	-	228,160	-	228,160	-
Other Liabilities:					
Net Pension Obligation	1,916,537	1,357,372	1,253,245	2,020,664	-
Net OPEB Obligation	1,234,395	1,783,025	474,462	2,542,958	-
Compensated Absences	481,964	30,592	9,889	502,667	26,392
Workers' Compensation	412,619	143,104	95,945	459,778	88,067
Capital Leases	51,748	-	4,619	47,129	5,466
Claims and Judgments	13,635	40,091	10,036	43,690	3,928
Contracts Payable & Other	1,117	-	412	705	-
Total Other Liabilities	4,112,015	3,354,184	1,848,608	5,617,591	123,853
Governmental Activities Long-Term Liabilities	$ 20,343,495	$ 5,904,487	$ 3,721,655	$ 22,526,327	$ 954,162

In prior years, the General and Transportation funds have been used to liquidate other liabilities.

Business-Type Activities	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due within one year
Revenue Bonds	$ 1,358,084	$ 390,807	$ 147,094	$ 1,601,797	$ 94,118
Plus/(Less) premiums, discounts and deferred amounts	19,779	18,979	6,476	32,282	95
Total Revenue Bonds	1,377,863	409,786	153,570	1,634,079	94,213
Lottery Prizes	232,283	8,249	36,565	203,967	35,077
Compensated Absences	130,005	29,890	25,246	134,649	39,254
Other	162,969	35,636	12,337	186,268	14,053
Total Other Liabilities	525,257	73,775	74,148	524,884	88,384
Business-Type Long-Term Liabilities	$ 1,903,120	$ 483,561	$ 227,718	$ 2,158,963	$ 182,597

Starting this fiscal year, the liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $40 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.

As of June 30, 2009, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2009	Amounts due within year
Bonds Payable	$ 4,162,391	$ 108,807
Escrow Deposits	172,992	45,451
Closure of Landfill:	63,389	11,104
Due to State	9,793	-
Deferred Revenue	2,983	455
Other	19,055	418
Total	$ 4,430,603	$ 166,235

Note 18 Bonded Debt

a. Bond Anticipation Notes

As of June 30, 2009, $581.2 million in Bond Anticipation Notes bearing interest rates from 2 percent to 4 percent were outstanding. Of these notes, $353.1 million mature in April 2010 and are reported as short-term liabilities of the Capital Projects and Special Revenue funds. The $228.1 million long-term portion of the notes mature on June 1, 2011.

Future amounts needed to pay principal and interest on these notes are as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2011	$ 228,160	$ 18,685	$ 246,845
Total	$ 228,160	$ 18,685	$ 246,845

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, 2009, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2009-2027	2.00-7.372%	$ 2,237,466	$ 260,411
School Construction	2009-2028	2.00-6.777%	3,805,450	88,451
Municipal & Other Grants & Loans	2009-2022	2.00-7.312%	1,087,237	157,143
Elderly Housing	2009-2027	2.299-6.795%	113,837	97,979
Elimination of Water Pollution	2009-2023	3.00-7.312%	218,710	581,384
General Obligation Refunding	2009-2022	2.00-6.00%	3,355,698	-
Pension Obligation	2009-2032	4.20-6.27%	2,276,578	-
Miscellaneous	2009-2036	2.50-6.75%	101,675	67,058
			13,196,651	$ 1,252,426
Accretion-Various Capital Appreciation Bonds			246,874	
		Total	$ 13,443,525	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$ 952,740	$ 744,694	$ 1,697,434
2011	938,464	646,979	1,585,443
2012	883,664	583,703	1,467,367
2013	810,716	525,080	1,335,796
2014	780,168	474,528	1,254,696
2015-2019	3,425,400	1,801,441	5,226,841
2020-2024	2,585,186	1,271,921	3,857,107
2025-2029	1,838,623	645,626	2,484,249
2030-2034	973,005	120,858	1,093,863
2035-2039	8,685	1,083	9,768
Total	$ 13,196,651	$ 6,815,913	$ 20,012,564

Transportation Related Bonds

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

Transportation related bonds outstanding and bonds authorized but unissued at June 30, 2009, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2009-2027	2.00-7.125%	$ 2,817,015	$ 1,556,672
Specific Highways	2009	4.80%	-	4,066
General Obligation Other	2009	7.513%	-	1
			2,817,015	$ 1,560,739
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 2,817,015	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$ 285,315	$ 132,600	$ 417,915
2011	255,870	118,005	373,875
2012	239,085	105,450	344,535
2013	271,735	92,891	364,626
2014	224,095	81,167	305,262
2015-2019	782,260	279,790	1,062,050
2020-2024	531,650	118,364	650,014
2025-2029	227,005	22,811	249,816
	$ 2,817,015	$ 951,078	$ 3,768,093

Variable-Rate Demand Bonds

As of June 30, 2009, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
Special Tax Obligation	$ 43,000	1990	2010
General Obligation	50,000	1997	2014
General Obligation	100,000	2001	2021
General Obligation	280,000	2005	2023
Total	$ 473,000		

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 standby bond purchase agreements expire as follows:
1990 STO expires in the year 2010,
1997 GO expires in the year 2014,
2001 GO expires in the year 2015, and
2005 GO expires in the year 2015.

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

Interest Rate Swaps

Objective of the swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the State has entered into eight separate pay-fixed, receive-variable interest rate swaps in effect at a cost less than what the State would have paid to issue fixed-rate debt. Two of the swaps were executed in December 1990, one was executed in June 2001, and five were executed in March and April of 2005.

Terms, fair values, and credit risk

The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2009, are as follows. The notional amount of the swaps matches the principal amount of the associated debt. The State's swap agreements, except for the Consumer Price Index (CPI) related swaps, contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated debt. For the CPI swaps, the swap agreements and associated debt are nonamortizing and mature on the same date.

Associated Bond Issue	Notional Amounts (000's)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values (000's)	SWAP Termination Date	Counterparty Credit Rating
1990 STO	$ 25,800	12/19/1990	5.746%	65% of LIBOR	$ (1,215)	12/1/2010	A3/A-/BBB
1990 STO	17,200	12/19/1990	5.709%	65% of LIBOR	(821)	12/1/2010	Aa2/A+/A
2001 GO	20,000	6/28/2001	4.330%	CPI plus 1.43%	(720)	6/15/2012	A2/A/nr
2005 GO	140,000	3/24/2005	3.392%	60% of LIBOR plus 30bp	(7,295)	3/1/2023	Aa1/AAA/nr
2005 GO	140,000	3/24/2005	3.401%	60% of LIBOR plus 30bp	(7,363)	3/1/2023	Aa3/A+/nr
2005 GO	15,620	4/27/2005	3.990%	CPI plus .65%	(1,466)	6/1/2016	A2/A/nr
2005 GO	20,000	4/27/2005	5.070%	CPI plus 1.73%	(2,107)	6/1/2017	A2/A/nr
2005 GO	20,000	4/27/2005	5.200%	CPI plus 1.79%	(2,062)	6/1/2020	AAA/nr/nr
Total	$ 398,620				$ (23,049)		

Fair value

As of June 30, 2009, all of the swaps had negative fair values because interest rates had declined since the time when the swaps were undertaken. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the State's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

Credit Risk
As of June 30, 2009, 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.

The swap agreements contain varying collateral agreements with the counterparties. With the exception of the 2005 swap with a credit rating of Aa1/AAA/nr, the 2005 swap agreements require collateralization of the fair value of the swap in cash or government securities should the counterparty's credit rating fall below Aa3 as issued by Moody's Investors Service or AA- as issued by Standard & Poor's Ratings or Fitch Ratings. One of the swaps executed in 1990 requires collateral of cash or securities if the counterparty credit rating falls below A1/A+. The other 1990 swap agreement and the 2001 swap agreement do not have collateral provisions. Given the negative fair values, no collateral was required to be posted for any of the swaps at June 30, 2009. The State is not required to post collateral for any of the swaps.

Two separate counter parties, with credit ratings of Aa1/AAA/nr and Aa3/A+/nr, hold equal positions totaling approximately 70 percent of the notional amount of the swaps outstanding. The lowest rated counterparty, rated A3/A-/BBB holds one swap of approximately 6 percent of the notional amount of the swaps outstanding, while another counter party, rated A2/A/nr, holds three swaps of approximately 14 percent. The remaining two swaps are held by counter parties rated Aa2/A+/A or better.

Basis Risk
The State's variable-rate bond coupon payments are equivalent to the Securities Industry and Financial Markets Association Municipal Swap (SIFMA) index rate, or the CPI floating rate. For those swaps for which the State receives a variable-rate payment other than CPI, the State is exposed to basis risk should the relationship between the London Interbank Offered Rate (LIBOR) and SIFMA converge. If a change occurs that results in the rates moving to convergence, the synthetic rate on the bonds would change, and the expected cost savings may not be realized. As of June 30, 2009, the SIFMA rate was 0.35 percent, whereas 65 percent and 60 percent plus 30bp of LIBOR were 0.201 and 0.485 percent, respectively. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2009, 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. Under the 1990 swap agreements, the State may fund any required termination payment over a five-year period.

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

Swap Payments and Associated Debt
Using rates as of June 30, 2009, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate SWAP, Net	Total
2010	$ 20,800	$ 5,913	$ 9,846	$ 36,559
2011	22,200	5,730	8,651	36,581
2012	20,000	5,661	8,129	33,790
2013	-	5,651	7,273	12,924
2014	-	5,651	7,273	12,924
2015-2019	195,620	21,032	30,177	246,829
2020-2024	140,000	2,886	5,656	148,542
Total	$ 398,620	$ 52,524	$ 77,005	$ 528,149

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, 2009, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2010-2033	2.0-6.0%	$ 177,616
State Universities	2010-2034	2-6.0%	295,397
Bradley International Airport	2010-2033	2.5-5.25%	198,930
Clean Water	2010-2028	2-5.%	827,103
Bradley Parking Garage	2010-2024	6.125-6.6%	44,655
Drinking Water	2010-2028	2-5.%	58,096
Total Revenue Bonds			1,601,797
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			(4,342)
State Universities			1,514
Bradley International Airport			51
Clean Water			35,059
Other			-
Revenue Bonds, net			$ 1,634,079

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 Airport has issued various revenue bonds to finance costs of improvements to the airport. As of June 30, 2009, the following bonds were outstanding:

a) 2004 Airport Revenue Refunding Bonds in the amount of $10.7 million. These bonds were issued in July, 2004, to redeem the 1992 Airport Revenue Refunding Bonds, and are secured by and payable solely from the gross operating revenues generated by the State from the operations of the airport and other receipts, funds or monies pledged in the bond indenture.

b) 2001 Bradley International Airport Revenue Bonds in the amount of $170.9 million and 2001 Bradley International Airport Refunding Bonds in the amount of $17.3 million. Both bond series are secured by and payable solely from the gross operating revenues generated by the state from the operation of the airport and other receipts, funds or monies pledged in the bond indenture.

As of June 30, 2009, Bradley airport has entered into interest rate swap agreements for $152.4 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

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. As of June 30, 2009, the Clean Water Fund has entered into interest rate swap agreements for $121.4 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

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

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$ 94,119	$ 74,117	$ 168,236
2011	99,912	71,054	170,966
2012	101,162	67,453	168,615
2013	103,543	62,348	165,891
2014	89,937	57,860	147,797
2015-2019	437,230	222,327	659,557
2020-2024	366,489	118,422	484,911
2025-2029	224,665	42,880	267,545
2030-2034	82,650	6,937	89,587
2035-2039	2,090	85	2,175
Total	$ 1,601,797	$ 723,483	$ 2,325,280

d. Component Units

Component units' revenue bonds outstanding at June 30, 2009, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2009-2020	3.9-6%	$ 22,585
CT Housing Finance Authority	2009-2049	1.5-9.36%	3,870,056
CT Resources Recovery Authority	2009-2016	5.125-5.5%	20,343
CT Higher Education Supplemental Loan Authority	2009-2028	0.0-9.7%	138,710
Capital City Economic Development Authority	2009-2033	3.1-5%	105,115
UConn Foundation	2009-2029	3.875-5.%	6,955
Total Revenue Bonds			4,163,764
Plus/(Less) premiums, discounts, and deferred amounts:			
CDA			13
CRRA			(360)
CCEDA			(327)
CHESLA			(699)
Revenue Bonds, net			$ 4,162,391

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

Connecticut Development Authority's revenue bonds are issued to finance such projects as the acquisition of land or the construction of buildings, and the purchase and installation of machinery, equipment, and pollution control facilities. The Authority finances these projects through its Self-Sustaining Bond Program and Umbrella Program. As of June 30, 2009 no bonds were outstanding under the Umbrella Program. Bonds issued under the Self-Sustaining Bond Program are discussed in the no-commitment debt section of this note. In addition, the Authority had $22.6 million in general obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72 and an indenture dated 9/25/95. As of December 31, 2008, bonds outstanding under the bond resolution and the indenture were $3,813.4 million and $56.6 million, respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's general fund, and (3) all monies and securities of the Authority's general and capital reserve funds. The capital reserve fund is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in the next succeeding calendar year ($273.5 million at 12/31/08) on all outstanding bonds. As of December 31, 2008, the Authority has entered into interest rate swap agreements for $963.5 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.

Each Authority has established special capital reserve funds that secure all the outstanding bonds of the Authority at year-end, except as discussed next. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so. For the Connecticut Resources Recovery Authority, the amount of bonds outstanding at year-end that were secured by the special capital reserve funds was $20.3 million.

The Capital City Economic Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered into a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed $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, 2009, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2010	$ 115,034	$ 174,396	$ 289,430
2011	136,732	168,995	305,727
2012	126,744	162,634	289,378
2013	116,788	175,401	292,189
2014	130,181	155,596	285,777
2015-2019	714,302	681,909	1,396,211
2020-2024	759,646	515,839	1,275,485
2025-2029	850,102	342,971	1,193,073
2030-2034	768,355	179,981	948,336
2035-2039	429,525	43,219	472,744
2040-2044	16,355	2,525	18,880
Total	$ 4,163,764	$ 2,603,466	$ 6,767,230

No-commitment debt
Under the Self-Sustaining Bond program, the Connecticut Development Authority issues revenue bonds to finance such projects as described previously in the component unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2009 were $979.8 million.

The Connecticut Resources Recovery Authority has issued several bonds to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under lease or loan arrangements between the Authority and the operators. Letters of credit secure some of these bonds. The Authority does not become involved in the construction activities or the repayment of the debt (other than the portion allocable to Authority purposes). In the event of a default, neither the authority nor the State guarantees payment of the debt, except for the State contingent liability discussed below. Thus, the assets and liabilities that relate to these bond issues are not included in the Authority's financial statements. Total bonds outstanding at June 30, 2009 were $83.9 million. Of this amount, $40.4 million was secured by a special capital reserve fund.

The Connecticut Health and Educational Facilities Authority has issued special obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total special obligation bonds outstanding at June 30, 2009, were $6,824.0 million, of which $296.7 million was secured by special capital reserve funds.

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

e. Debt Refundings
During the year, the State issued $74.2 million of general obligation bonds with an average interest rate of 2.71 percent to refund $73.3 million of general obligation bonds with an average interest rate of 4.44 percent. The reacquisition price exceeded the carrying amount of the old debt by $2.0 million. This amount is being netted against the new debt and amortized over the life of the new or old debt, whichever is shorter.

The State refunded these bonds to reduce its total debt service payments over the next fifteen years by $2.5 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $3.5 million. As of June 30, 2009, $2,482.6 million of outstanding general obligation, special tax obligation, and revenue bonds had been advanced refunded and are, accordingly, considered defeased.

In addition, $506.3 million of variable-rate Special Tax Obligation bonds were advance refunded during the year.

Note 19 Risk Management

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

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

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per Statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

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

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-07	$ 382,128	$ 20,000
Incurred claims	115,558	3,291
Paid claims	(85,067)	(2,001)
Balance 6-30-08	412,619	21,290
Incurred claims	143,104	8,790
Paid claims	(95,945)	(4,856)
Balance 6-30-09	$ 459,778	$ 25,224

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2009, were as follows (amounts in thousands):

	Balance due to fund(s)											
	General	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)												
General	$ -	$ -	$ 553,105	$ 280,655	$ 52,218	$ 21,720	$ 20,969	$ 1,797	$ 2,926	$ 5,847	$ -	$ 939,237
Debt Service	-	1,367	-	-	-	-	-	-	-	-	-	1,367
Restricted Grants & Accounts	3,133	-	-	76	-	-	-	-	-	-	444	3,653
Other Governmental	2,626	-	-	7,631	1,832	21,739	55,657	-	-	-	12,664	102,149
UConn	17,722	-	-	-	-	-	-	-	-	-	-	17,722
State Universities	3,234	-	-	-	-	-	-	-	-	-	-	3,234
Employment Security	-	-	-	41,964	-	-	-	-	-	-	-	41,964
Other Proprietary	412	-	10,511	-	-	-	-	-	-	-	-	10,923
Internal Services	-	-	-	66,931	-	-	-	-	-	-	-	66,931
Fiduciary	-	-	-	18,500	-	-	-	-	-	1,567	-	20,067
Component Units	9,793	-	-	-	-	-	-	-	-	-	-	9,793
Total	$ 36,920	$ 1,367	$ 563,616	$ 415,757	$ 54,050	$ 43,459	$ 76,626	$ 1,797	$ 2,926	$ 7,414	$ 13,108	$ 1,217,040

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

Note 21 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2009, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)									
	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary	Total
Amount transferred from fund(s)										
General	$ -	$ -	$ -	$ -	$ 101,712	$ 536,282	$ 238,315	$ 240,511	$ -	$ 1,116,820
Debt Service	-	-	16,797	145	-	-	-	-	-	16,942
Transportation	6,492	423,049	-	15,300	9,500	-	-	-	-	454,341
Restricted Grants & Accounts	78,373	-	-	-	688	-	-	-	-	79,061
Other Governmental	249,486	-	8,662	75,653	22,145	152,455	10,097	4,180	2,703	525,381
Internal Service	7,513	-	-	-	-	-	-	-	-	7,513
Connecticut Lottery	283,000	-	-	-	-	-	-	-	-	283,000
Employment Security	-	-	-	-	25,250	-	-	-	-	25,250
Other Proprietary	-	-	-	-	-	-	-	9,647	-	9,647
Total	$ 624,864	$ 423,049	$ 25,459	$ 91,098	$ 159,295	$ 688,737	$ 248,412	$ 254,338	$ 2,703	$ 2,517,955

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 22 Restatement of Fund Balance/Net Assets, and Restricted Assets

As of June 30, 2009, the beginning net assets/fund balances for the following funds and activities were restated as follows (amounts in thousands):

	Balance 6-30-08 Previously Reported	Correction of Reported Assets/Liabilites	Balance 6-30-08 as Restated
Governmental Funds and Activities			
Major Funds:			
Restricted Grants and Accounts	$ 666,022	$ (49,644)	$ 616,378
Total Governmental Funds	$ 3,120,784	$ (49,644)	$ 3,071,140
Governmental Activites:			
Capital Assets	$ 10,045,466	$ (17,332)	$ 10,028,134
Net Assets of Governmental Activites	$ (6,887,929)	$ (66,976)	$ (6,954,905)
Proprietary Funds and Business-Type Activites			
Major Funds:			
State Universities	$ 754,043	$ (21,652)	$ 732,391
Total Proprietary Funds	$ 4,684,480	$ (21,652)	$ 4,662,828
Net Assets of Business-Type Activites	$ 4,684,480	$ (21,652)	$ 4,662,828

The beginning fund balance of the Restricted fund, a governmental fund, was adjusted to correct an overstatement in the balance of accounts receivable reported last year.

The beginning net asset balance of governmental activities was adjusted to correct a net overstatement in the balance of capital assets reported last year.

The beginning net assets balance of the State Universities fund, a proprietary fund, was adjusted to reflect the cumulative effect of a change in the depreciation method for library books, a capital asset.

As of June 30, 2009, the government-wide statement of net assets reported $3,088 of restricted net assets, of which $300 million was restricted by enabling legislation.

Note 23 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 24 New Accounting Pronouncements

In fiscal year 2009, the State implemented the following Statements issued by the Governmental Accounting Standards Board: Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations"; Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"; and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

Statement No. 49 establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. Previously, the GAAP hierarchy for state and local governments was set forth in an American Institute of Certified Public Accountants' auditing standard, rather than in GASB's authoritative literature.

Statement No. 56 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance presented in American Institute of Certified Public Accountants' auditing standards. This guidance deals with financial reporting of related party transactions, going concern considerations, and subsequent events.

Note 25 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, 2009, the Departments of Transportation and Public Works had contractual commitments of approximately $936 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,821 million.
Clean and drinking water loan programs $433 million.
Various programs and services $3,269 million.

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

Component Units

As of December 31, 2008, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $146 million.

B. Contingent Liabilities

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

In 2002 the City of Waterbury issued $97.5 million of General Obligation Special Capital Reserve Fund Bonds. These bonds are secured by a Special Capital Reserve Fund for which the State may be contingently liable as explained previously in Note 18 – Component Units.

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

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 26 Subsequent Events

In July 2009, the State issued $115.8 million of Clean Water Fund revenue bonds. The bonds will mature in years 2010 through 2022 and bear interest rates ranging from 1.5 percent to 5.0 percent.

In October 2009, the State issued $196 million of Special Tax Obligation Transportation Infrastructure bonds. The bonds will mature in years 2010 through 2029 and bear interest rates ranging from 2.5 percent to 5.0 percent.

In October 2009, the State issued $304 million Special Tax Obligation “Taxable Build America” Bonds. The bonds will mature in years 2020 through 2029 and bear interest rates ranging from 4.86 percent to 5.74 percent.

In October 2009, the State issued $49.8 million of Special tax obligation refunding bonds. The bonds will mature in years 2010 through 2014 and bear interest rates ranging from 2.50 percent to 5.00 percent.

In December 2009, the State issued $915.8 million of General Obligation Economic Recovery Notes. The notes will mature in years 2012 through 2016 and bear interest rates ranging from 2.00 percent to 5.00 percent.

In December 2009, the State issued $165.8 million of General Obligation Bonds. The bonds will mature in years 2012 through 2014 and bear an interest rate of 5.00 percent.

In December 2009, the State issued $450.0 million of General Obligation “Taxable Build America” Bonds. The bonds will mature in years 2020 through 2029 and bear interest rates ranging from 4.95 percent to 5.63 percent.

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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						
6/30/2003	$8,058.6	$14,223.8	$6,165.2	56.7%	$2,654.3	232.3%
6/30/2004	$8,238.3	$15,128.5	$6,890.2	54.5%	$2,816.7	244.6%
6/30/2005	$8,517.7	$15,987.5	$7,469.8	53.3%	$2,980.1	250.7%
6/30/2006	$8,951.4	$16,830.3	$7,878.9	53.2%	$3,107.9	253.5%
6/30/2007	$9,585.1	$17,888.1	$8,303.0	53.6%	$3,310.4	250.8%
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%
*No actuarial valuation was performed.						
TRS						
6/30/2003 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2004	$9,847.0	$15,070.5	$5,223.5	65.3%	$2,930.8	178.2%
6/30/2005 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2006	$10,190.3	$17,112.8	$6,922.5	59.5%	$3,137.7	220.6%
6/30/2007 *	$-	$-	$-	0.0%	$-	0.0%
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%
*No actuarial valuation was performed.						
JRS						
6/30/2003	$142.8	$211.1	$68.3	67.6%	$27.8	245.7%
6/30/2004	$150.9	$219.8	$68.9	68.7%	$28.9	238.4%
6/30/2005	$160.3	$235.0	$74.7	68.2%	$30.2	247.8%
6/30/2006	$169.7	$246.9	$77.2	68.7%	$31.8	242.8%
6/30/2007	$182.4	$261.2	$78.8	69.8%	$33.8	233.1%
6/30/2008	$191.7	$267.0	$75.3	71.8%	$34.0	221.5%
6/30/2009 *	$-	$-	$-	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%

*No actuarial valuation was performed.

Only one actuarial valuation is presented because GASB Statement No. 45 was implemented in fiscal year 2008.

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Employer Contributions
(Expressed in Millions)

	SERS		TRS		JRS		RTHP	
Fiscal Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2003	$421.5	100.0%	$221.2	81.3%	$10.1	100.0%	$0.0	0.0%
2004	$470.3	100.0%	$270.5	68.5%	$11.6	100.0%	$0.0	0.0%
2005	$518.8	100.0%	$281.4	65.8%	$12.2	100.0%	$0.0	0.0%
2006	$623.1	100.0%	$396.2	100.0%	$11.7	100.0%	$0.0	0.0%
2007	$663.9	100.0%	$416.0	99.0%	$12.4	100.0%	$0.0	0.0%
2008	$716.9	99.2%	$518.6	485.7%	$13.4	100.0%	$116.1	17.9%
2009	$753.7	92.8%	$539.3	100.0%	$14.2	100.0%	$116.7	19.2%

For RTHP required information is presented starting with fiscal year 2008 because GASB Statement No. 45 was implemented in that year.

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APPENDIX III-D

NANCY WYMAN
COMPTROLLER

STATE OF CONNECTICUT

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

MARK E. OJAKIAN
DEPUTY COMPTROLLER

February 17, 2010

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, 2005-2009. 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, 2005-2009.

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,

Nancy Wyman
State Comptroller

STATE OF CONNECTICUT

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

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT
CERTIFICATE OF AUDIT

We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2005, 2006, 2007, 2008 and 2009 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. These financial statements are the responsibility of the State's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2005, 2006, 2007, 2008 and 2009, 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, 2005, 2006, 2007, 2008 and 2009, 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.

As discussed in the litigation section of the accompanying Official Statement, the State of Connecticut is a defendant in certain legal proceedings. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements. However, as indicated in that section, an adverse judgement in any one of these cases could have a material fiscal impact on the State.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 1, 2010
State Capitol
Hartford, Connecticut

GENERAL FUND[(a)]

Balance Sheet
As of June 30
(In Thousands)

	2005	2006	2007	2008	2009
Assets					
Cash and Short-Term Investments	$ 102,329	$ 208,659	$ 30,148	$ --	$ --
Accrued Taxes Receivable	923,537	949,567	1,111,655	1,133,886	976,536
Accrued Accounts Receivable	33,815	35,289	36,080	32,874	29,913
Federal and Other Grants Receivable and Unexpended Balances	--	--	--	--	--
Investments	--	--	--	--	--
Due from Other Funds	1,200	--	--	--	--
Loans Receivable	18,559	15,939	13,320	--	--
Total Assets	$ 1,079,440	$ 1,209,454	$ 1,191,203	$ 1,166,760	$ 1,006,449
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	--	--	--	$ 477,251	$ 1,863,042
Accounts Payable	--	--	--	--	--
Deferred Restricted Accounts and Federal and Other Grant Revenue	--	--	--	--	--
Due to Other Funds	$ 4,332	$ 18,198	$ 9,975	$ 5,103	$ 1,374
Total Liabilities	$ 4,332	$ 18,198	$ 9,975	$ 482,354	$ 1,864,416
Reserves					
Petty Cash Funds	$ 971	$ 912	$ 918	$ 886	$ 840
Statutory Surplus Reserves	379,715	446,490	269,240	179,420	--
Appropriations Continued to Following Year	694,422	702,854	831,070	504,100	88,772
Reserved FY 06 Surplus for FY 07 Operations	--	41,000	--	--	--
Reserved FY 07 Surplus for FY 08 Operations	--	--	80,000	--	--
Total Reserves	$ 1,075,108	$ 1,191,256	$ 1,181,228	$ 684,406	$ 89,612
Unappropriated Surplus (Deficit)	0	0	0	0	(947,579)
Total Liabilities, Reserves and Surplus	$ 1,079,440	$ 1,209,454	$ 1,191,203	$ 1,166,760	$ 1,006,449

(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)

	2005	2006	2007	2008	2009
Unappropriated Surplus (Deficit), July 1	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Resources from Reserve for Debt Avoidance/ERN	--	--	--	--	--
Total Revenues (per Appendix III-D-6)	14,062,863	14,998,721	15,742,561	16,418,786	15,700,801
Total Expenditures (per Appendix III-D-7)	13,333,703[a]	14,499,616[b]	15,293,735[c]	16,627,447[d]	17,234,855[e]
Operating Balance	729,160	499,105	448,826	(208,661)	(1,534,054)
Reserved for Prior Year Appropriations Less Appropriations Carried Forward	(481,561)	(8,432)	(128,216)	326,972	415,327
Transferred (Out) or Reserved for:					
Budget Reserve Fund	(363,863)	(446,490)	(269,240)	-0-	-0-
Reserve for Debt Retirement/Avoidance	(15,851)	(41,000)	(80,000)	(99,420)	-0-
Other Adjustments	(18,185)	(19,035)	(12,370)	(18,891)	(8,271)
Reserved from Prior Year	150,300	15,852	41,000	-0-	179,420
Subtotal	-0-	-0-	-0-	-0-	(947,578)
Transferred from Budget Reserve Fund	--	--	--	--	--
Unappropriated Surplus (Deficit), June 30	$ -0-	$ -0-	$ -0-	$ -0-	$ (947,578)

(a) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of ($481,561).

(b) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of ($8,432).

(c) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of ($128,216).

(d) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $326,972.

(e) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $415,327.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2005	2006	2007	2008	2009
Taxes:					
Personal Income	$ 5,570,724	$ 6,156,373	$ 6,749,462	$ 7,512,688	$ 6,385,856
Sales and Use	3,290,366	3,401,966	3,496,110	3,582,317	3,318,752
Corporations	678,970	787,702	890,730	733,942[c]	615,921
Insurance Companies	257,152	269,902	253,016	227,221	202,217
Inheritance and Estate	253,907	196,258	179,922	170,619	238,337
Alcoholic Beverages	44,235	45,998	46,007	47,077	47,065
Cigarettes	273,979	272,230	269,525	335,197	317,774
Admissions, Dues, Cabaret	31,699	35,367	33,439	37,277	36,040
Oil Companies	143,548	212,091	144,404	205,483	104,413
Public Service Corporations	196,819	225,263	235,502	237,113	268,495
Real Estate Conveyance	207,631	207,457	211,222	158,544	90,802
Miscellaneous	39,028	142,180	144,517	139,980	143,305
Refunds of Taxes	(681,279)	(730,849)	(746,539)	(852,184)	(1,052,286)
R&D Credit Exchange	(8,850)	(6,694)	(5,983)	(11,363)	(8,428)
Other Revenue:					
Licenses, Permits, Fees	143,250	157,400	151,738	171,739	162,474
Sales of Commodities and Services	35,148	34,612	35,529	30,066	32,558
Transfer – Special Revenue	273,894	289,946	283,808	287,604	287,195
Investment Income	15,294	53,702	83,610	63,943	18,806
Transfers — To Other Funds[a]	(85,000)	(86,300)	(86,300)	(86,300)	(86,300)
Fines, Escheats and Rents	170,732	91,456	51,782	59,922	64,018
Miscellaneous	153,982	176,595	188,324	140,089	163,023
Refunds of Payments	(374)	(438)	(514)	(501)	(662)
Federal Grants	2,497,670	2,549,577	2,602,774	2,701,603	3,619,490
Indian Gaming Payments	417,838	427,527	430,476	411,410	377,805
Statutory Transfers From Other Funds	142,500	89,400	100,000	115,300	354,131
Total Revenues[b]	$ 14,062,863	$ 14,998,721	$ 15,742,561	$ 16,418,786	$ 15,700,801

(a) Transfer to Pequot/Mohegan Fund.

(b) See Operating Balance on Appendix III-D-5 for surplus or deficit for each fiscal year.

(c) For Fiscal Year ending June 30, 2008, the Corporation Business Tax accrual date was changed to the last day of July from August 15th (as in the prior fiscal years). The Corporation Business Tax is now consistent with other tax accruals. The Comptroller's decision to make this change is within her constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2005	2006	2007	2008	2009
Legislative	$ 63,220	$ 62,159	$ 68,141	$ 72,488	$ 71,555
General Government					
Executive	9,558	9,821	10,441	12,572	11,841
Financial Administration	332,330	361,310	414,664	499,320	424,610
Legal	67,250	71,387	75,535	90,957	83,664
Total General Government	409,138	442,518	500,640	602,849	520,115
Regulation and Protection of Persons and Property					
Public Safety	138,586	150,624	163,838	193,796	189,394
Regulative	75,311	86,756	101,843	87,196	97,428
Total Regulation and Protection	213,897	237,380	265,681	280,992	286,822
Conservation and Development					
Agriculture	10,283	10,765	11,557	15,960	12,276
Environment	35,244	35,215	36,477	39,965	39,038
Historical Sites, Commerce and Industry	47,958	44,907	48,227	63,833	62,015
Total Conservation and Development	93,485	90,887	96,261	119,758	113,329
Health and Hospitals					
Public Health	77,482	84,149	90,753	103,265	108,878
Mental Retardation	752,463	820,250	870,600	937,962	970,322
Mental Health	453,290	487,864	512,426	565,484	583,339
Total Health and Hospitals	1,283,235	1,392,263	1,473,779	1,606,711	1,662,539
Transportation	1,203	1,810	2,103	127	(50)
Human Services	3,908,030	4,181,893	4,221,641	4,629,658	5,041,515
Education, Libraries and Museums					
Department of Education	2,091,313	2,232,795	2,312,000	2,569,432	2,671,600
Education of the Blind and Deaf	14,195	14,339	13,864	15,337	13,537
University of Connecticut	270,278	205,807	222,567	234,481	234,058
Higher Education and the Arts	71,207	126,706	153,625	192,594	198,638
Libraries	10,155	11,188	11,795	13,248	13,100
Teachers Retirement	199,993	418,469	435,051	541,671	564,062
Community—Technical Colleges	126,921	135,802	145,503	161,778	161,451
State University	138,481	145,520	155,102	164,254	162,935
Total Education, Libraries and Museums	2,922,543	3,290,626	3,449,507	3,892,795	4,019,381
Corrections	1,239,564	1,339,289	1,430,316	1,549,792	1,577,167
Judicial	405,818	438,123	474,067	515,738	543,078
Non-Functional					
Debt Service	1,256,859	1,306,091	1,472,839	1,409,878	1,464,072
Miscellaneous	1,536,711	1,716,576	1,838,760	1,946,661	1,935,332
Total Non-Functional	2,793,570	3,022,667	3,311,599	3,356,539	3,399,404
Totals	13,333,703	14,499,615	15,293,735	16,627,447	17,234,855
Total Expenditures[(a)]	$13,333,703	$14,499,615	$15,293,735	$16,627,447	$17,234,855

(a) See Operating Balance on **Appendix III-D-5** for surplus or deficit for each fiscal year.

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GENERAL FUND REVENUES AND EXPENDITURES
AUDITED FINAL BUDGET FOR FISCAL YEAR 2008-09
ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2009-10
ADOPTED BUDGET FOR FISCAL YEAR 2010-11

(In Millions)

	Final Budget 2008-09[c]	Revised Adopted Budget 2009-10[f]	Estimated Budget 2009-10[g]	Revised Adopted Budget 2010-11[f]
Revenues				
Taxes				
Personal Income Tax	$ 6,385.9	$ 6,630.7	$ 6,423.0	$ 6,654.7
Sales & Use	3,318.8	3,166.7	3,076.1	3,095.4
Corporation	615.9	721.6	706.6	731.9
Public Service	268.5	272.3	271.2	278.3
Inheritance & Estate	238.3	208.7	196.2	102.0
Insurance Companies	202.2	202.7	200.2	216.8
Cigarettes	317.8	392.6	387.6	403.1
Real Estate Conveyance	90.8	94.5	94.5	117.5
Oil Companies	104.4	98.9	124.4	75.5
Alcoholic Beverages	47.1	48.0	47.6	48.5
Admissions and Dues	36.0	37.1	37.1	37.6
Miscellaneous	143.3	143.7	145.5	144.7
Total Taxes	$11,769.0	$12,017.5	$11,710.0	$11,906.0
Less Refunds of Taxes	(1,052.3)	(1,080.5)	(1,145.5)	(983.3)
Less R&D Credit Exchange	(8.4)	(9.4)	(9.4)	(10.5)
Net Taxes	$10,708.3	$10,927.6	$10,555.1	$10,912.2
Other Revenues				
Transfers- Special Revenues	287.2	293.4	293.4	295.1
Indian Gaming Payments	377.8	384.1	371.0	391.7
Licenses, Permits, Fees	162.5	281.8	264.9	265.6
Sales of Commodities & Services	32.6	33.2	33.2	34.3
Rents, Fines & Escheats	64.0	97.3	170.0	103.4
Investment Income	18.8	10.0	10.0	10.0
Miscellaneous	163.0	208.0	177.6	218.5
Less Refunds of Payments	(0.7)	(0.7)	(0.7)	(0.7)
Total Other Revenue	$ 1,105.2	$ 1,307.1	$ 1,319.4	$ 1,317.9
Other Sources				
Federal Grants	3,619.5	4,051.8[h]	4,094.0[h]	3,770.4[h]
Transfers to the Resources of the G.F.	238.3[d]	1,121.9[i]	1,096.7[i]	1,678.0[i]
Transfers from Tobacco Settlement Funds	115.8	107.3	107.3	106.1
Transfers to Other Funds[a]	(86.3)	(143.3)	(143.0)	(187.8)
Total Other Sources	$ 3,887.3	$ 5,137.7	$ 5,155.0	$ 5,366.7
Total Budgeted Revenue[b]	$15,700.8	$17,372.4	$17,029.5	$17,596.8

	Final Budget 2008-09[(c)]	Revised Adopted Budget 2009-10[(f)]	Estimated Budget 2009-10[(g)]	Revised Adopted Budget 2010-11[(f)]
Appropriations/Expenditures				
Legislative	$ 71.5	$ 79.3	$ 79.3	$ 82.4
General Government	492.5	543.7	553.8	552.4
Regulation & Protection	305.5	272.7	279.7	276.6
Conservation & Development	94.9	149.7	149.7	141.4
Health & Hospitals	1,655.5	1,705.5	1,736.0	1,737.4
Human Services	4,937.9	5,066.5	5,191.5	4,996.8
Education, Libraries & Museums	3,801.9	4,023.4	4,023.4	4,103.6
Corrections	1,577.2	1,568.8	1,589.8	1,560.3
Judicial	542.8	561.0	561.0	574.9
Non- Functional				
Debt Service	1,469.3	1,662.3	1,662.3	1,702.7
Miscellaneous	1,870.7	2,211.0	2,211.0	2,396.5
Subtotal	$ 16,819.6	$ 17,843.9	$ 18,037.5	$ 18,125.0
Other Reductions and Lapses	-	(473.3)	(524.3)	(530.4)
Net Appropriations/Expenditures	$ 16,819.6	$ 17,370.6	$ 17,513.0	$ 17,594.7
Surplus (or Deficit) from Operations	(1,118.9)		(483.5)	2.1
Miscellaneous Adjustments	(8.3)		(17.0)	-
Statutory Transfer from Restricted Purposes	179.4		-	-
Balance[(b)]	$ (947.6)	$ 1.8	$ (500.5)	$ 2.1

NOTE: Columns may not add due to rounding.

(a) Transfer $86.3 million to Mashantucket Pequot and Mohegan Fund for grants to towns in fiscal year 2008-09; transfer $61.8 million to the Mashantucket Pequot Fund for grants to towns, $81.2 million to the Special Transportation Fund, and $0.2 million to the Community Investment Account in fiscal year 2009-10; and transfer $61.8 million to the Mashantucket Pequot Fund for grants to towns and $126.0 million to the Special Transportation Fund in fiscal year 2010-11.

(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, as amended by Public Act No. 09-2 of the June 2009 Special Session, after the accounts for the fiscal year are closed, beginning with the fiscal year ending June 30, 2010, and each fiscal year thereafter, until and including the fiscal year ending June 30, 2017, if the Comptroller determines there exists an unappropriated surplus in the General Fund, the amount of any such surplus is first to be used for redeeming prior to maturity any outstanding notes issued under such Act, and any amount beyond that required to redeem such notes shall be used to reduce the obligations of the State under the financing plan authorized under Section 88 of Public Act No. 09-3 of the June Special Session.

(c) Per the Comptroller's annual report for the fiscal year ending June 30, 2009, 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. The Treasurer issued $915,795,000 Notes for the purpose of funding the deficit in the General Fund for the 2008-09 fiscal year, and amounts to pay the costs of issuance of such notes and certain interest payable or accrued on such notes.

(d) Per Public Act No. 07-1 of the June Special Session, the Comptroller was required to transfer $16 million of fiscal year 2007-08 General Fund revenues and $80 million from the fiscal year 2006-07 General Fund surplus for use in fiscal year 2008-09. Per Public Act No. 08-1 of the November 24, 2008 Special Session and Public Act No. 09-1, an additional $71.2 million will be transferred from various funds to the General Fund.

(e) Per Public Act No. 08-1 and 08-2 of the August Special Session, $83.4 million of fiscal year 2008-09 surplus was transferred for use in fiscal year 2008-09 with $79.0 million of that amount appropriated for energy relief programs.

(f) Per Public Act No. 09-3 of the June 2009 Special Session, Public Act No. 09-8 of the September 2009 Special Session, Public Act No. 09-7 of the September 2009 Special Session and Public Act No. 09-5 of the September 2009 Special Session. See discussion under **State General Fund – Budget for Fiscal Years 2009-2010 and 2010-2011.**

(g) Per the Office of Policy and Management's letter to the Comptroller dated January 20, 2010 for the fiscal year ending June 30, 2010, as of the period ending December 31, 2009. In the Comptroller's monthly report dated February 1, 2010, the

Comptroller estimated a General Fund deficit for the 2009-10 fiscal year of $515.0 million as of the period ending December 31, 2009. In the monthly estimate provided by the Office of Policy and Management on February 22, 2010 for the General Fund for the 2009-10 fiscal year, as of the period ending January 31, 2010, General Fund revenues were estimated at $17,029.5 million. General Fund expenditures and miscellaneous adjustments were estimated at $17,533.4 million and the General Fund was estimated to have a deficit of $503.9 million. The next report of the Office of Policy and Management is expected on March 22, 2010 and the next report of the Comptroller is expected on March 1, 2010. No assurances can be made that the estimates of the Office of Policy and Management and the Comptroller will match these prior estimates.

(h) Includes ARRA funds of $878.9 million for fiscal year 2009-10 and $549.8 million for fiscal year 2010-11.

(i) Pursuant to Public Act No. 09-3 of the June Special Session, as amended, includes transfers from the budget reserve fund of $1,039.7 million for fiscal year 2009-10 and $342.0 million for 2010-11 and includes proposed securitizations of $1,290.7 million for fiscal year 2010-11.

NOTE: The information in **Appendix III-E** of this **Annual Information Statement** 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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