SUPPLEMENT TO

THE OFFICIAL STATEMENT

DATED JULY 17, 2013 FOR

THE UNIVERSITY OF CONNECTICUT GENERAL OBLIGATION BONDS

CONSISTING OF

$172,660,000 GENERAL OBLIGATION BONDS, 2013 SERIES A

AND

$51,250,000 GENERAL OBLIGATION BONDS, 2013 REFUNDING SERIES A

Supplement Dated July 25, 2013

The information in this Supplement is subject to change without notice, and investors should not assume that there have been no other changes in the affairs of the University or the State since the date of the Official Statement. The above-referenced Official Statement is hereby supplemented to add the following information under the heading **LITIGATION** on ***Page III-89 of Part III Annual Information Statement of the State of Connecticut.***

Bouchard v. State Employees Retirement Commission is a state court proceeding representing an administrative appeal from a denial by the State Employees Retirement Commission of a request to recalculate the pensions of three retirees, based on the 2007 case of ***Longley v. State Employees Retirement Commission*** and its progeny. In ***Longley*** the State Supreme Court held that the State Employees Retirement Commission was required to include a retiree's final prorated longevity payment in their final year salary, for the purpose of calculating retirement benefits. The State Employees Retirement Commission initially interpreted ***Longley***, with the exception of the ***Longley*** plaintiffs, as prospective in application. In April 2009, the State Employees Retirement Commission adopted a resolution to extend ***Longley*** retroactively to October 2, 2001. The plaintiffs in ***Bouchard*** et al, comprise State employees who retired prior to October 2, 2001, who have appealed the denial and seek a recalculation of current pension benefits, an award of past underpayment of benefits and attorney's fees. This case has been certified as a class action. The class approximates 18,000 retirees. Currently, the matter is in the discovery stage.

This Supplement is an integral part of the July 17, 2013 Official Statement. Investors should read this Supplement together with the July 17, 2013 Official Statement to obtain information essential to making an informed investment decision.

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

$223,910,000
UNIVERSITY OF CONNECTICUT
GENERAL OBLIGATION BONDS
consisting of

$172,660,000 General Obligation Bonds, 2013 Series A | **$51,250,000 General Obligation Bonds, 2013 Refunding Series A**

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

The University of Connecticut General Obligation Bonds, 2013 Series A (the "2013 Series A Bonds") and the University of Connecticut General Obligation Bonds, 2013 Refunding Series A (the "2013 Refunding Series A Bonds" and, collectively with the 2013 Series A Bonds, the "2013 Bonds") are general obligations of the University of Connecticut (the "University"), a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State") and are issued pursuant to Sections 10a-109a to 10a-109y inclusive of the General Statutes of Connecticut, as amended (the "UCONN 2000 Act") and the General Obligation Master Indenture of Trust, dated as of November 1, 1995, as supplemented by certain supplemental indentures, including the Eighth Supplemental Indenture, dated as of January 15, 2004, and the Eighteenth Supplemental Indenture, dated as of July 1, 2013, (collectively, the "Indentures") for the purpose of providing funds for the UConn 2000 Infrastructure Improvement Program. The 2013 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 2013 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 2013 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 2013 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 2013 Bonds. Purchases of the 2013 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 2013 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 2013 Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. Principal of and interest on the 2013 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 2013 Bonds will be payable semiannually on February 15 and August 15 in each year, commencing on February 15, 2014.

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

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

The 2013 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinions of Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A., rendered in reliance upon and assuming the accuracy of and continuing compliance by the University and the State Treasurer with their representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986, as amended, under existing law, interest on the 2013 Bonds is not included in gross income of the owners thereof for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. See "Tax Matters" herein.

In the opinions of Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A., under existing statutes, interest on the 2013 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 2013 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, Hawkins Delafield & Wood LLP, Hartford, Connecticut. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, Hartford, Connecticut. It is expected that the 2013 Bonds in definitive form will be available for delivery at The Depository Trust Company in New York, New York on or about July 31, 2013.

PIPER JAFFRAY & CO.

Jefferies **J.P. Morgan** **Wells Fargo Securities**

BofA Merrill Lynch **Barclays** **CastleOak Securities, L.P.** **Edward Jones**
Janney Montgomery Scott **KeyBanc Capital Markets Inc.** **Loop Capital Markets**
M.R. Beal & Company **Morgan Stanley** **Ramirez & Co., Inc.** **Raymond James**
Rice Financial Products Company **Siebert Brandford Shank & Co., L.L.C.** **Stifel, Nicolaus & Company**
U.S. Bancorp Investments, Inc. **William Blair & Company**

July 17, 2013

$223,910,000
UNIVERSITY OF CONNECTICUT

$172,660,000 General Obligation Bonds, 2013 Series A

MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
August 15, 2014	$8,630,000	2.000%	0.180%	914233XA4
August 15, 2015	$4,555,000	3.000%	0.500%	914233XB2
August 15, 2015	$4,080,000	4.000%	0.500%	914233XC0
August 15, 2016	$8,635,000	4.000%	0.890%	914233XD8
August 15, 2017	$8,635,000	4.000%	1.250%	914233XE6
August 15, 2018	$8,635,000	4.000%	1.610%	914233XF3
August 15, 2019	$8,635,000	5.000%	1.920%	914233XG1
August 15, 2020	$8,635,000	5.000%	2.210%	914233XH9
August 15, 2021	$8,635,000	5.000%	2.500%	914233XJ5
August 15, 2022	$8,635,000	5.000%	2.780%	914233XK2
August 15, 2023	$8,635,000	5.000%	2.990%	914233XL0
August 15, 2024†	$8,635,000	5.000%	3.220%	914233XM8
August 15, 2025†	$8,635,000	5.000%	3.390%	914233XN6
August 15, 2026†	$8,635,000	5.000%	3.560%	914233XP1
August 15, 2027†	$8,630,000	5.000%	3.710%	914233XQ9
August 15, 2028†	$8,630,000	5.000%	3.840%	914233XR7
August 15, 2029	$8,630,000	4.000%	4.080%	914233XS5
August 15, 2030†	$8,630,000	5.000%	4.020%	914233XT3
August 15, 2031	$4,980,000	4.125%	4.220%	914233XU0
August 15, 2031†	$3,650,000	5.000%	4.090%	914233XV8
August 15, 2032†	$8,630,000	5.000%	4.150%	914233XW6
August 15, 2033	$8,630,000	4.250%	4.320%	914233XX4

$51,250,000 General Obligation Bonds,
2013 Refunding Series A

MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Yield	CUSIP*
February 15, 2014	$655,000	2.000%	0.220%	914233XY2
February 15, 2015	$2,135,000	4.000%	0.400%	914233XZ9
February 15, 2017	$780,000	2.000%	1.120%	914233YA3
February 15, 2017	$4,015,000	4.000%	1.120%	914233YB1
February 15, 2018	$4,735,000	3.000%	1.470%	914233YC9
February 15, 2019	$4,635,000	5.000%	1.810%	914233YD7
February 15, 2020	$4,625,000	5.000%	2.100%	914233YE5
February 15, 2021	$3,980,000	5.000%	2.400%	914233YF2
February 15, 2022	$8,080,000	5.000%	2.710%	914233YG0
February 15, 2023	$8,720,000	5.000%	2.940%	914233YH8
February 15, 2024††	$8,890,000	5.000%	3.180%	914233YJ4

†Priced to the first optional call date of August 15, 2023, assuming redemption at par.

††Priced to the first optional call date of February 15, 2023, assuming redemption at par.

 CUSIP numbers have been assigned by an independent company not affiliated with the University and are included solely for the convenience of the holders of the 2013 Bonds. The University is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the 2013 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2013 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2013 Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2013 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 2013 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 2013 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 $223,910,000 aggregate principal amount of its 2013 Bonds.

Part I of this Official Statement, including the cover and inside cover page and the Appendices thereto, contains information relating to the 2013 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

$223,910,000
UNIVERSITY OF CONNECTICUT

$172,660,000 General Obligation Bonds, 2013 Series A
$51,250,000 General Obligation Bonds, 2013 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 $172,660,000 General Obligation Bonds, 2013 Series A (the "2013 Series A Bonds") and $51,250,000 General Obligation Bonds, 2013 Refunding Series A (the "2013 Refunding Series A Bonds" and, collectively with the 2013 Series A Bonds, the "2013 Bonds") of the University of Connecticut (the "University"). The 2013 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 Eighteenth Supplemental Indenture dated as of July 1, 2013 (the "Eighteenth Supplemental Indenture"). The Master Indenture and supplements thereto, including the Eighth Supplemental Indenture and the Eighteenth Supplemental Indenture, are collectively referred to herein as the "Indentures." All series of bonds issued under the Master Indenture are herein called the "Bonds" or "General Obligation Bonds." The Indentures were each approved by the Board of Trustees of the University (the "Board") and entered into with U. S. Bank National Association (successor to State Street Bank and Trust Company and Fleet National Bank of Connecticut) of Hartford, Connecticut, as Trustee thereunder.

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

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

The Act provides for a plan of financing UConn 2000 Projects with $4,300,900,000 of general obligation bonds of the University secured by the State Debt Service Commitment. See "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT" below. Certain UConn 2000 Projects have been funded by the issuance of $18 million of State general obligation bonds. The balance of the estimated cost of UConn 2000 Projects which is not to be financed by the University's Bonds secured by the State Debt Service Commitment or the State's previously issued general obligation bonds may be paid with the proceeds of special obligation bonds ("Special Obligation Bonds") of the University, general obligation bonds of the State ("State General Obligation Bonds") or with gifts or other revenue or borrowing resources of the University. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" below. As of the date of delivery of the 2013 Bonds, the University will have outstanding $998,330,000 of its General Obligation Bonds secured by the State Debt Service Commitment, $130,415,000 of its Special Obligation Bonds and $59,023,759 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 2013 Series A Bonds represent the twenty-first series of General Obligation Bonds being issued pursuant to the Act and the Master Indenture (including five series of refunding bonds) and it is the first series of bonds issued pursuant to the Eighteenth Supplemental Indenture. The authorization of bonds not issued under the Seventeenth Supplemental Indenture in the amount of $96,000,000 was carried forward to the Eighteenth Supplemental Indenture. To date, pursuant to the Indentures, $2,078,400,000 of General Obligation Bonds have been authorized to be issued for UConn 2000 projects, of which $1,824,000,000 of General Obligation Bonds have been issued and made available for UConn 2000 Projects, resulting in an unissued balance of $254,400,000 after the issuance of the 2013 Series A Bonds. On June 26, 2013 the University's Board of Trustees approved the Nineteenth Supplemental Indenture authorizing the issuance of General Obligation Bonds in the maximum amount of $204,400,000, which was approved by the Governor on July 11, 2013. Amounts authorized by the Nineteenth Supplemental Indenture have been included in the above amounts for total amount authorized and authorized but unissued General Obligation Bonds. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM."

The 2013 Refunding Series A Bonds represent the twenty-second series of General Obligation Bonds being issued pursuant to the Act and the Master Indenture (and the sixth 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 2013 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 2013 Bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is defined by the Act and the Indentures as the commitment by the State to pay an annual amount for the punctual payment of Special Debt Service Requirements on securities issued as general obligations of the University, as the same shall arise and shall become due and payable. Special Debt Service Requirements include, among other things, the principal on serial Bonds or sinking fund installments on term Bonds (the "Principal Installments") and interest accruing thereon.

As part of the contract of the State with the holders of the Bonds, including the 2013 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 Eighteenth Supplemental Indenture provides for the pledge of and a lien upon the State Debt Service Commitment. The 2013 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 2013 Bonds and, accordingly, is not planning to budget any of the other Assured Revenues for the payment of the Bonds, including the 2013 Bonds. Under the Master Indenture, the University has reserved the right and expects to issue Additional Bonds to finance UConn 2000 Projects secured by the State Debt Service Commitment upon the terms and conditions set forth therein (See Appendix I-B, "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST"). The Act currently limits the maximum amount of Bonds so secured to $4,300,900,000, exclusive of any amounts borrowed to refund Bonds, plus amounts necessary to finance Costs of Issuance on each Series of Bonds.

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

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

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

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

As required by the Act, the Board of Trustees' resolution approving each Supplemental Indenture for the issuance of Bonds must be submitted to the Governor. The Governor may, not later than thirty days after such submission, disapprove the same by notifying the Board of Trustees of such disapproval and the reasons for it. If the Governor does not act within thirty days, the resolution is deemed approved. The resolution approving the issuance of general obligation bonds and the Eighteenth Supplemental Indenture was submitted to the Governor on June 29, 2012 and was approved by the Governor on July 26, 2012. 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 Eighteenth Supplemental Indenture authorized the issuance of general obligation bonds in an amount not to exceed $143,000,000 for Fiscal Year 2012-2013 and carried forward $96,000,000 of bond authorization from the Seventeenth Supplemental Indenture which remained unissued, thus increasing the amount of general obligation bonds authorized by the Eighteenth Supplemental Indenture to $239,000,000. Of this amount, $50,000,000 will remain unissued after the issuance of the 2013 Bonds (in addition to the $204,400,000 authorized and unissued under the Nineteenth Supplemental Indenture).

Pursuant to the Act, the Bonds, including the 2013 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 2013 Bonds. The issuance of the 2013 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 2013 Bonds. The University has no taxing power.

However, pursuant to the Act, the 2013 Bonds, for purposes of the State's statutory debt limit computation, are deemed to be indebtedness of the State. Reference is made to Part III of this Official Statement under the heading STATE DEBT – *Types of Direct General Obligation Debt – UCONN 2000 Financing* wherein the State identifies the financings by the University secured by the State Debt Service Commitment for treatment as direct debt of the State. As noted therein, the Act requires that the State include a certain amount of University securities secured by the State Debt Service Commitment in each Fiscal Year from 1996 to 2024 in the computation of the statutory limitation on indebtedness of the State pursuant to Section 3-21 of the Connecticut General Statutes, as amended.

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

DESCRIPTION OF THE 2013 SERIES A BONDS

In General

The 2013 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 2013 Series A Bonds

The 2013 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 2013 Series A Bonds will be paid semiannually on February 15 and August 15 in each year, commencing on February 15, 2014. Interest will be calculated on the basis of a 360-day year of twelve 30-day months and will be paid to the person in whose name the Bond is registered as of the close of business on the last 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 2013 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 2013 Series A Bonds maturing on or after August 15, 2024 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 August 15, 2023, 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 2013 Series A Bonds, all notices of redemption will be sent only to DTC.

DESCRIPTION OF THE 2013 REFUNDING SERIES A BONDS

In General

The 2013 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 2013 Refunding Series A Bonds

The 2013 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 2013 Refunding Series A Bonds will be paid semiannually on February 15 and August 15 in each year, commencing on February 15, 2014. Interest will be calculated on the basis of a 360-day year of twelve 30-day months and will be paid to the person in whose name the Bond is registered as of the close of business on the last 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 2013 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 2013 Refunding Series A Bonds maturing on February 15, 2024 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, 2023, 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 2013 Refunding Series A Bonds, all notices of redemption will be sent only to DTC.

PLAN OF REFUNDING

The 2013 Refunding Series A Bonds are being issued to refund all or a portion of selected maturities of certain outstanding Bonds including the University of Connecticut General Obligation Bonds, 2004 Series A and 2005 Series A (the "Refunded Bonds") as set forth below.

Refunded Bonds

Bond	Maturity Date	Principal Amount	Coupon	Call Date	Call Price
2004 Series A	01/15/2015	$2,600,000.00	3.500%	01/15/2014	100.00
	01/15/2022	$4,890,000.00	4.200%	01/15/2014	100.00
	01/15/2023	$4,890,000.00	4.250%	01/15/2014	100.00
	01/15/2024	$4,890,000.00	4.300%	01/15/2014	100.00
		$17,270,000.00			
2005 Series A	02/15/2017	$905,000.00	3.900%	02/15/2015	100.00
	02/15/2017	$3,990,000.00	5.000%	02/15/2015	100.00
	02/15/2018	$290,000.00	4.000%	02/15/2015	100.00
	02/15/2018	$4,605,000.00	5.000%	02/15/2015	100.00
	02/15/2019	$435,000.00	4.000%	02/15/2015	100.00
	02/15/2019	$4,460,000.00	5.000%	02/15/2015	100.00
	02/15/2020	$1,595,000.00	4.100%	02/15/2015	100.00
	02/15/2020	$3,300,000.00	5.000%	02/15/2015	100.00
	02/15/2021	$4,245,000.00	5.000%	02/15/2015	100.00
	02/15/2022	$3,945,000.00	5.000%	02/15/2015	100.00
	02/15/2023	$4,580,000.00	5.000%	02/15/2015	100.00
	02/15/2024	$4,755,000.00	5.000%	02/15/2015	100.00
		$37,105,000.00			

Upon delivery of the 2013 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 July 31, 2013, between the Escrow Agent and the University. The Escrow Agent will deposit in an irrevocable trust fund called the Escrow Deposit Fund $58,228,911.08 of the net proceeds of the 2013 Refunding Series A Bonds, which will be used to purchase $58,228,911.08 direct obligations or obligations guaranteed by the United States of America, including State and Local Government Series Securities (the "Government Obligations"), the principal of and interest on which, when due, along with the uninvested cash amounts of $0.00, 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 2013 BONDS

The University expects to apply the proceeds from the sale of the 2013 Bonds as follows:

Sources

Par Amount of the 2013 Series A Bonds	$172,660,000.00
Par Amount of the 2013 Refunding Series A Bonds	51,250,000.00
Net Original Issuance Premium of the 2013 Series A Bonds	17,685,692.75
Net Original Issuance Premium of the 2013 Refunding Series A Bonds	7,374,396.00
Total Sources	**$248,970,088.75**

Uses

Construction Account	$189,000,000.00
Deposit to Redemption Fund	58,228,911.08
Costs of Issuance Account for 2013 Series A Bonds	494,916.14
Costs of Issuance Account for 2013 Refunding Series A Bonds	147,463.91
Underwriters' Discount for 2013 Series A Bonds	850,776.61
Underwriters' Discount for 2013 Refunding Series A Bonds	248,021.01
Total Uses	**$248,970,088.75**

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 2013 Bonds, payment of interest and other payments on the 2013 Bonds to DTC Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the 2013 Bonds, confirmation and transfer of beneficial ownership interests in the 2013 Bonds and other bond-related transactions by and between DTC (as hereinafter defined), the DTC Participants and Beneficial Owners of the 2013 Bonds is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, the University, the State and the Trustee do not and cannot make any representation concerning these matters.

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2013 Bonds. The 2013 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 2013 Series A Bond certificate and one 2013 Refunding Series A Bond certificate will be issued for each maturity of the 2013 Series A Bonds and the 2013 Refunding Series A Bonds, respectively, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013 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 2013 Bonds, except in the event that use of the book-entry system for a series of the 2013 Bonds is discontinued.

To facilitate subsequent transfers, all 2013 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 2013 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 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 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 2013 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013 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 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from or on behalf of the Trustee or the University on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Paying Agent, the University or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments on, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2013 Bonds at any time by giving reasonable notice to the University or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2013 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, 2013 Bond certificates will be printed and delivered to DTC.

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

DTC Practices

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

The University, the State, the Trustee and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2013 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2013 Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the 2013 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The University, the State, the Trustee and the Paying Agent shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2013 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the University (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2013 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 2013 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 2013 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2013 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 2013 Bonds.

Effect of Discontinuance of Book-Entry System. The following procedures shall apply if the book-entry system is discontinued with respect to the 2013 Bonds.

Principal and Interest Payments. Principal of the 2013 Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2013 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 2013 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 2013 Bonds, and, upon presentation of 2013 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 2013 Bonds. Any 2013 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 2013 Bond for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any 2013 Bond shall be surrendered for transfer, the University shall execute and the Trustee shall authenticate and deliver a new 2013 Bond and maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any 2013 Bond during the period 15 days before the mailing of a notice of redemption. The Trustee shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange and may require the payment of any reasonable sum to cover expenses incurred by the Trustee or University in connection with such exchange.

UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM

Introduction

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

UCONN 2000 is to be funded in part by the issuance of $4,300,900,000 of general obligation bonds of the University secured by the State Debt Service Commitment. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT." Of this amount, $1,824,000,000 have been issued to date including the 2013 Series A Bonds.

Certain UConn 2000 Projects have been funded by the issuance of $18 million of State general obligation bonds. The balance of the estimated cost of UConn 2000 Projects which is not to be financed by the University's Bonds secured by the State Debt Service Commitment or the previously issued State's general obligation bonds may be funded by the issuance of the University's Special Obligation Bonds, State General Obligation Bonds or by gifts or other revenue or borrowing resources of the University.

As of the date of delivery of the 2013 Bonds, the University has issued the following General Obligation Bonds, Special Obligation Bonds and Governmental Lease Purchase Agreements pursuant to the UCONN 2000 Act including the 2013 Bonds.

UCONN 2000 BONDS AND LEASES

A. UConn 2000 General Obligation Bonds – Issued Amounts

	Issue Date	Par Amount	(OID)/OIP[1]	Construction Account Deposit
1996 Series A Bonds	2/21/1996	$83,929,715	$(274,931)	$82,606,220
1997 Series A Bonds	4/24/1997	124,392,432	(2,319,590)	121,080,861
1998 Series A Bonds	6/24/1998	99,520,000	634,629	99,280,000
1999 Series A Bonds	4/08/1999	79,735,000	(45,210)	79,032,919
2000 Series A Bonds	3/29/2000	130,850,000	(120,981)	130,000,000
2001 Series A Bonds	4/11/2001	100,000,000	1,141,140	100,000,000
2002 Series A Bonds	4/18/2002	100,000,000	1,706,295	100,000,000
2003 Series A Bonds	3/26/2003	96,210,000	4,623,183	100,000,000
2004 Series A Bonds	1/22/2004	97,845,000	2,816,971	100,000,000
2005 Series A Bonds	3/16/2005	98,110,000	3,004,101	100,000,000
2006 Series A Bonds	3/15/2006	77,145,000	2,612,437	79,000,000
2007 Series A Bonds	4/12/2007	89,355,000	431,004	89,000,000
2009 Series A Bonds	4/16/2009	144,855,000	6,312,563	150,000,000
2010 Series A Bonds	5/25/2010	97,115,000	8,733,758	105,000,000
2011 Series A Bonds	12/8/2011	179,730,000	21,613,069	200,000,000
2013 Series A Bonds	7/31/2013	172,660,000	17,685,693	189,000,000
Total[2]		**$1,771,452,147**	**$68,554,131**	**$1,824,000,000**

	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
2011 Series A REFUNDING Bonds	12/8/2011	31,905,000	5,183,727	36,841,566
2013 Series A REFUNDING Bonds	7/31/2013	51,250,000	7,374,396	58,228,911
Total[2]		**$443,250,000**	**$51,607,453**	**$496,547,562**

B. UConn 2000 Special Obligation Bonds – Issued Amounts

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

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

C. Governmental Lease Purchase Agreement

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

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

The Act

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

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

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

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

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

Special Capital Reserve Fund. The Act permits the issuance of special obligation securities of the University which may be further secured with one or more State supported reserve funds to be known as Special Capital Reserve Funds or a debt service reserve fund. To date, the University has issued six series of Special Obligation Bonds but only one series, its Student Fee Revenue Bonds, 1998 Series A, issued on February 4, 1998, was secured by a Special Capital Reserve Fund, none of which remains outstanding as of the date of this Official Statement. See Appendix I-A under the subsection, "University Finances – Total Bonds And Leases Outstanding." A Special Capital Reserve Fund is not available to secure the 2013 Bonds or any other bonds of the University.

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

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

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

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

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

Comprehensive Plan. Next Generation Connecticut provides that the University shall develop a comprehensive plan to guide Next Generation Connecticut investments. Not later than January 1, 2016 and annually thereafter, the University shall report to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding, commerce and higher education on its progress toward achieving the goals set forth in such plan.

LITIGATION

University

There is no litigation of any nature pending or threatened against the University restraining or enjoining the issue, sale, execution or delivery of the 2013 Series A Bonds or the 2013 Refunding Series A Bonds, or in any way contesting or affecting the validity of the 2013 Series A Bonds or the 2013 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 2013 Series A Bonds or the 2013 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 2013 Series A Bonds or the 2013 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 2013 Series A Bonds or the 2013 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 2013 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2013 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 2013 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 2013 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 2013 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 2013 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, Hawkins Delafield & Wood LLP, Hartford, Connecticut (the "Underwriters' Counsel"). Underwriters' Counsel currently serves as bond counsel to the State in connection with other State bond issues and various other matters. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, Hartford, Connecticut.

TAX MATTERS

Opinion of Bond Counsel – Federal Tax Exemption

In the opinion of Bond Counsel and Co-Bond Counsel (collectively, "Bond Counsel") to the University, under existing law, interest on the 2013 Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University, the Treasurer and others in connection with the 2013 Bonds, and Bond Counsel has assumed compliance by the University and the Treasurer with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the 2013 Bonds from gross income under Section 103 of the Code.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the 2013 Bonds in order that interest on the 2013 Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2013 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2013 Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The University and the Treasurer have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2013 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2013 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2013 Bonds.

Prospective owners of the 2013 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

Interest paid on tax-exempt obligations such as the 2013 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2013 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Original Issue Discount

The initial public offering prices of the 2013 Bonds of certain maturities ("Discount Bond") may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price to the public (excluding bond houses and brokers) of each Discount Bond at which a substantial amount of such maturity is sold will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for such 2013 Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the 2013 Bonds are sold. Under existing law, original issue discount on the 2013 Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the 2013 Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in a Discount Bond, original issue discount treated as having accrued while the owner holds the Bond will be added to the owner's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a 2013 Bond. Accrued original issue discount treated may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

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

Original Issue Premium

Certain of the 2013 Bonds may be offered at prices in excess of their principal amounts (the "Premium Bonds"). An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

State Taxes

In the opinion of Bond Counsel to the University, under existing statutes, interest on the 2013 Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the 2013 Bonds is includable in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on the 2013 Bonds is also excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and interest on the 2013 Bonds is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the 2013 Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such 2013 Bonds.

Owners of the 2013 Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2013 Bonds and the disposition thereof.

General and Post Issuance Events

Tax legislation, administrative actions or court decisions, at either the federal or state level, may adversely affect the tax exempt status of the interest on the 2013 Bonds under federal or state law or otherwise prevent beneficial owners of the 2013 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such tax legislation, administrative actions or court decisions, could affect the market value of the 2013 Bonds and their marketability. This could arise from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2013 Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2013 Bonds may occur. Prospective purchasers of the 2013 Bonds should consult their own tax advisors regarding the impact of any change in law on the 2013 Bonds.

The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions. Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2013 Bonds. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal or state income tax purposes of interest on the 2013 Bonds.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the 2013 Bonds. Prospective owners of the 2013 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 2013 Bonds.

RATINGS

The 2013 Bonds have been rated "Aa3, Stable Outlook" by Moody's Investors Service ("Moody's"), 7 World Trade Center, New York, New York; "AA, Stable Outlook" by Standard & Poor's ("Standard & Poor's"), 55 Water Street, New York, New York and "AA-, Negative Outlook" by Fitch Ratings ("Fitch"), One State Street Plaza, New York, New York. The ratings assigned by Moody's, Standard & Poor's and Fitch express only the view of such rating agencies. The explanation and significance of the ratings can be obtained from Moody's, Standard & Poor's and Fitch, respectively. Such ratings are not intended as a recommendation to buy or own the 2013 Series A Bonds or the 2013 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 2013 Series A Bonds or the 2013 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 2013 Bonds under the Rule, has included an article (the "Continuing Disclosure Article", a summary of which is set forth in Appendix 1-D to this Part I), which article shall constitute the University's written undertaking for the benefit of the beneficial owners of the Bonds and which shall apply to all Bonds of the University under the Master Indenture. In connection with the issuance of the 2013 Bonds, the University will enter into an agreement with the Trustee substantially in the form of the Continuing Disclosure Supplement also attached to Appendix I-D to this Part I. The State as the obligated person under the Rule will enter into an agreement with the Trustee with respect to the Bonds additionally secured by the State Debt Service Commitment (including the 2013 Bonds), for the benefit of the beneficial holders of such Bonds, substantially in the form of the Continuing Disclosure Agreement attached to Appendix I-D-1 to this Part I.

Under this article and supplement with respect to the University, and under this Continuing Disclosure Agreement with respect to the State (such article, supplement and such agreement herein called the "Continuing Disclosure Undertaking"), the University and the State, respectively, agree to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds (only by the University with respect to the University), and (iii) timely notice of a failure to provide the required annual financial information on or before the date specified in the Continuing Disclosure Undertaking. The Underwriters' obligation to purchase the 2013 Bonds shall be conditioned upon their receiving, at or prior to the delivery of the 2013 Bonds, an executed copy of the Continuing Disclosure Undertaking.

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

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

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

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

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all, but not less than all, of the 2013 Series A Bonds from the University at an aggregate purchase price of $189,494,916.14 (representing the aggregate principal amount of the 2013 Series A Bonds plus net original issue premium of $17,685,692.75 and less Underwriters' discount of $850,776.61). The 2013 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 2013 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 2013 Refunding Series A Bonds from the University at an aggregate purchase price of $58,376,374.99 (representing the aggregate principal amount of the 2013 Refunding Series A Bonds plus net original issue premium of $7,374,396.00 and less Underwriters' discount of $248,021.01). The 2013 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 2013 Refunding Series A Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

Public Financial Management, Inc. and First Southwest Company are serving as financial advisors in connection with the issuance of the 2013 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

AMTEC will deliver to the University, on or before the settlement date of the 2013 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 2013 Refunding Series A Bonds are not "arbitrage bonds" under the Code.

FINANCIAL STATEMENTS OF THE UNIVERSITY AND THE STATE

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

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

ADDITIONAL INFORMATION

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

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

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

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

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representation of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the University and the State and the purchasers or holders of any of the 2013 Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2013 Bonds by the University and may not be reproduced or used in whole or in part for any other purpose.

Dated: July 17, 2013

Pursuant to the UCONN 2000 Act, the 2013 Bonds described above have been sold by the Treasurer of the State of Connecticut in conjunction with the University and the inclusion of Part II and Part III has been authorized by the Treasurer of the State of Connecticut.

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

APPENDIX A

UNIVERSITY OF CONNECTICUT
INFORMATION CONCERNING THE UNIVERSITY

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APPENDIX A
UNIVERSITY OF CONNECTICUT

July 17, 2013

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

Board of Trustees

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UNIVERSITY OF CONNECTICUT

INTRODUCTION

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

In addition to the main campus in Storrs ("Storrs"), there are five undergraduate regional campuses (one of which also houses the graduate School of Social Work), a School of Law and a complex of health and educational facilities (sometimes referred to herein as the "University of Connecticut Health Center" or "Health Center"). The Health Center consists of the School of Medicine, the School of Dental Medicine, medical and dental clinics and the John Dempsey Hospital. The Storrs and regional campuses and Health Center comprise 4,298 acres of land and are strategically located throughout the State. The University competes with public and private institutions for students.

As of October 2012, the University had more than 217,000 alumni and 30,256 students (including the Health Center) studying in 14 colleges and schools offering eight undergraduate and 22 graduate and professional degree programs.

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

GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES

Board of Trustees

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

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

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

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

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

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

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

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

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

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

University Administration

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

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

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

Name	Position	Background
Mun Y. Choi	Provost and Executive Vice President for Academic Affairs	Ph.D. Mechanical & Aerospace Engineering, Princeton University, 1992; 18 years in higher education including University of Illinois-Chicago and Drexel University; 5 years as Dean and Professor in the School of Engineering at the University of Connecticut; 7 years as Department Head and Associate Dean for Research at Drexel University.
Richard D. Gray	Executive Vice President for Administration and Chief Financial Officer	B.A., University of Connecticut, M.B.A., University of New Haven; over 30 years in administration, including Executive Director of the Connecticut Health and Educational Facilities Authority (CHEFA) and Deputy Treasurer of the State as well as various positions in public finance, commercial lending, health care financial management and banking.
Frank M. Torti, M.D., M.P.H.	Executive Vice President for Health Affairs and Dean, School of Medicine	M.D., Harvard Medical School, M.P.H. Harvard School of Public Health; active and well-known clinical investigator in urologic oncology; on faculty at Stanford University, Wake Forest University School of Medicine; served as Acting Commissioner of the FDA in 2009.

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

Currently the University is in the process of retaining special counsel through the Attorney General's office. The University is cooperating with a criminal investigation into allegations of sexual misconduct made against one of its faculty members, and has launched its own internal investigations in connection with such conduct. The executive committee of the Board of Trustees has created a special board committee to oversee and direct an independent review of the University's responses to those and related allegations. Special counsel will assist the University in this review, in its cooperation with the criminal investigation, its responsibilities under Title IX and employment-related matters.

Strategic Planning

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

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

student life, an institution with a global perspective that recognizes its special obligation to enhance the quality of life and economic well-being of Connecticut.

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

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

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

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

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

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

6. Streamline administrative functions.

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

8. Foster a sense of partnership with the State.

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

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

To build upon the University's successes and increase its visibility, the University is undertaking a new Academic Planning process. The new Academic Plan must integrate the plans the University has for new STEM (science, technology, engineering and math) research programs. The plan must also address ways to increase faculty scholarship that advance intellectual development, provide students with access to engaging learning outcomes through centers of excellence for graduate and undergraduate education, and expand faculty scholarship while continuing to excel in the arts, social sciences, and humanities. The new academic planning process for the University has already begun with wide faculty representation across schools and departments. The planning process will conclude with the introduction of a new Academic Plan that will be presented to the University Board of Trustees in January 2014.

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 32%, freshman enrollment at the main campus has increased 54% and freshman minority enrollment is up 213% at the main campus. The average SAT score of the freshman class for Fall 2012 was 113 points (excluding the writing component) higher than the entering class of Fall 1996. Since 1995, 1,538 valedictorians and salutatorians have enrolled at all campuses.

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

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

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

- The Honors Program continues to grow in strength and prestige, attracting high-achieving students with small honors seminars, personalized attention, opportunities for research and scholarly work leading to theses, and a strong sense of community. In Fall 2012, approximately 430 new freshmen enrolled in the Honors Program with an average combined score approaching 1400 (excluding the writing component) on the SAT (31 on the ACTs) and with a high school class rank in the top 4%. All Honors students have access to more than 100 undergraduate majors as well as to specially developed Honors Core Curriculum courses, the very popular Honors First Year Seminar, and the Honors Residential Community.

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

Recent Significant Improvements and Achievements

- UConn was ranked 21st among 173 national public universities in the nation by U.S. News & World Report in its America's Best Colleges published in August 2012. For the fourteenth consecutive year, the University was named the top public university in New England.

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

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

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

- The University is a member of *Universitas 21,* an international network of 23 leading research-intensive universities in 13 countries. UConn is only the second U.S. university invited into the network, which comprises some of the world's major institutions of higher education, including the University of Virginia, the University of Nottingham (United Kingdom), Fudan University (China), the University of Queensland (Australia), University College Dublin (Ireland), the University of Amsterdam (The Netherlands), McGill University (Canada), the National University of Singapore, the University of Delhi (India), Technologico de Monterrey (Mexico), and Lund University (Sweden), among others. Participation in the group increases UConn's international visibility and provides world-class international research opportunities for its faculty and students. Founded in 1997, *Universitas 21* provides its membership with unique world-wide collaboration and multilateral alliances for research and education. Its members must have a global focus, be innovative, and be research-led, comprehensive universities.

- Jackson Laboratory's plan to build a state-of-the-art personalized medicine research center on the Health Center's campus was listed among the "Top 10 Breakthrough Victories of 2011" in a recent issue of Site Selection magazine, one of the leading news sources for international corporate and economic development issues. According to the magazine, the annual top 10 list salutes the "best corporate facility projects in the world, judged by investment, high-value and high-volume job creation, creativity in negotiations and incentives, regional economic impact, competition and speed to market." The partnership, called the Jackson Laboratory for Genomic Medicine, includes collaborative research with the Health Center, the University's Storrs campus, Yale University and others. Jackson Laboratory is an independent, nonprofit biomedical research institution and National Cancer Institute-designated Cancer Center based in Bar Harbor, Maine.

- U.S. News and World Report, in its rankings of online graduate programs, ranked the School of Business 8th in M.S. Accounting (14th in Admissions Selectivity, 16th in Student Engagement, 28th in Faculty Credentials and Training, and 53rd in Student Services and Technology). The magazine evaluated business programs in four categories: admissions selectivity, student engagement and accreditation, faculty credentials and training, and student services and technology. U.S. News evaluated a total of 860 online master's programs in business, education, nursing, engineering, and computer information technology.

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

- The Pat and Jim Calhoun Cardiology Center at the Health Center received the Get With The Guidelines®–Heart Failure Gold Quality Achievement Award from the American Heart Association. The recognition signifies that the Health Center has reached an aggressive goal of treating heart failure patients with 85 percent compliance for at least 24 months to core standard levels of care as outlined by the American Heart Association and American College of Cardiology.

- UConn was ranked third in the world in the second year of the Universitas Indonesia's GreenMetric Ranking of World Universities. The review of 178 universities in 42 countries compared university efforts towards campus sustainability and environment friendly university management. The University was ranked fifth in "America's Greenest Colleges" by the Sierra Club in its latest rankings. The national recognition by this leading international environmental advocacy organization highlights what has become a visible and successful internal effort since 2002 to transform how UConn views itself as a steward of the planet. Institutions are ranked based on a variety of criteria, including energy, efficiency, food, transportation, purchasing, and academics. The University has taken many steps to be "green" including: the implementation of a Climate Action Plan, with detailed energy and transportation action items; the establishment of Ecohouse, an environmentally focused living and learning community; trayless dining halls that serve locally-grown food; a new state-of-the-art composting facility; an annual EcoMadness energy and water conservation competition in the dorms; and a private giving initiative through a UConn Foundation Campus Sustainability Fund to support programs to raise environmental awareness and develop conservation-minded students.

- The University was ranked the best value public university in New England and ranked 25th in the best values in public higher education by the *Kiplinger's Personal Finance* magazine. The schools were chosen as "Best Value Colleges" for 2013, selected from a pool of more than 600 public four-year institutions, ranked according to academic quality based on criteria covering academic quality, including admission and retention rates, student-faculty ratios, and four- and six-year graduation rates, as well as on cost and financial aid.

Next Generation Connecticut

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

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

- Hire 259 new faculty (of which 200 will be in STEM);
- Enroll an additional 6,580 undergraduate students;
- Build STEM facilities to house materials science, physics, biology, engineering, cognitive science, genomics, and related disciplines;
- Construct new STEM teaching laboratories;
- Create a premier STEM honors program;
- Upgrade aging infrastructure to accommodate new faculty and students;

- Expand digital media and risk management degree programs and provide student housing in Stamford;
- Relocate UConn's Greater Hartford Campus to downtown Hartford.

While there is a major ten year capital component of this initiative that stretches out the UCONN 2000 program until Fiscal Year 2024, there is also an operating budget component, which is reflected in the University's State appropriation. The commitment to *Next Generation Connecticut* is a shared fiduciary responsibility. State capital and operating funding will be allocated incrementally between Fiscal Year 2015 and Fiscal Year 2024. Additionally, the University will commit significant institutional resources to launch *Next Generation Connecticut* by contributing $235 million in reallocated UCONN 2000 funds for the building program and $149 million in operating funds to support the academic program components.

The total State request for operating funds through Fiscal Year 2024 is $137 million. Public Act 13-184, An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2015, appropriated an additional $15 million of operating funds in Fiscal Year 2015 for this purpose. Future operating funds beyond Fiscal Year 2015 are subject to the annual legislative appropriations approval process. In addition, Public Act 13-233, An Act Concerning Next Generation Connecticut, extended the UCONN 2000 program another six years until Fiscal Year 2024, added $1.551 billion in new bonding, and added a new named project called "Academic and Research Facilities".

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

Status of UCONN 2000 Projects

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

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

Equipment, Library Collections & Telecommunications Completion - Phase II	Completed
Equipment, Library Collections & Telecommunications - Phase III	Continuing
Family Studies (DRM) Renovation	Completed
Farm Buildings Repairs/Replacement	Planning
Fine Arts Phase II	Planning
Floriculture Greenhouse	Completed
Gant Building Renovations	Design and Construction
Gant Plaza Deck	Completed
Gentry Completion	Completed
Gentry Renovation	Completed
Grad Dorm Renovations	Completed
Heating Plant Upgrade[3]	Completed/Planning
Hilltop Dormitory Renovations	Completed
Ice Rink Enclosure	Completed
International House Conversion (a.k.a Museum of Natural History)	Completed
Intramural, Recreational and Intercollegiate Facilities	Completed
Jorgensen Renovation	Construction
Koons Hall Renovation/Addition	Completed
Lakeside Renovation	Completed
Law School Renovations/Improvements	Construction
Litchfield Agricultural Center – Phase I	Completed
Manchester Hall Renovation	Completed
Mansfield Apartments Renovation	Completed
Mansfield Training School Improvements – Phase II	Completed
Mansfield Training School Improvements – Phase III	Design
Monteith Renovation	Completed
Music Drama Addition	Completed
Natural History Museum Completion	Completed
North Campus Renovation[2]	Completed
North Hillside Road Completion	Design
North Superblock Site & Utilities	Completed
Northwest Quadrant Renovation - Phase I	Completed
Northwest Quadrant Renovation - Phase II	Completed
Old Central Warehouse	Planning
Parking Garage-North	Completed
Pedestrian Spinepath	Completed
Pedestrian Walkways	Completed
Psychology Building Renovation/Addition	Construction
Residential Life Facilities	Design and Construction
School of Business	Completed
School of Pharmacy	Completed
School of Pharmacy / Biology Completion	Completed
Shippee/Buckley Renovations[2]	Completed
South Campus Complex[4]	Completed
Stamford Campus Improvements	Planning
Stamford Downtown Relocation – Phase I	Completed
Storrs Hall Addition	Completed
Student Union Addition	Completed
Technology Quadrant-Phase IA	Completed
Technology Quadrant-Phase II	Completed
Torrey Life Science Renovation	Completed
Torrey Renovation Completion and Biology Expansion	Planning
Torrington Campus Improvements	Completed
Towers Renovation[2]	Completed

Underground Steam & Water Upgrade	Completed
Underground Steam & Water Upgrade Completion	Completed
Waring Building Conversion	Completed
Waterbury Downtown Campus	Completed
Waterbury Property Purchase	Completed
West Campus Renovations	Completed
West Hartford Campus Renovations/Improvements	Completed
White Building Renovation	Completed
Wilbur Cross Building Renovation	Completed
Young Building Renovation/Addition	Construction

Health Center

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

B. Special Obligation Student Fee Revenue Bonds

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

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

The Board of Regents for Higher Education

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

Campuses and Physical Plant

General Information. Of the eight campuses, Storrs is the largest campus with 3,407 acres and over 210 major buildings. Additionally, as of Fall 2012, there are more than 130 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 approximately 12,700 graduate and undergraduate students. There are five undergraduate regional campuses strategically located throughout the State in Groton, Stamford, Torrington, Waterbury and West Hartford. The University is planning to relocate the programs currently at its West Hartford regional campus to the City of Hartford and eventually intends to sell the 58 acre West Hartford campus. The West Hartford campus does not have any residential facilities. The specific Hartford site that will house the programs located in West Hartford is a matter currently under investigation and negotiation. In addition to the regional campuses, the University includes the University of Connecticut School of Law, located in West Hartford, and the Health Center, located in Farmington. Collectively these campuses are serving a student body of 30,256 in the 2012-13 academic year. The University is involved in a construction program for UCONN 2000 that is currently projected to cost approximately $4.6 billion for which the proceeds of the 2013 Series A Bonds will be used. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" in this Official Statement and "UNIVERSITY FINANCES – Budget and Budgeting Procedure of the University" in this Appendix A.

Academic Programs and Degrees Conferred

The University offers a broad spectrum of liberal arts and sciences, professional and graduate education degree programs through its 14 colleges and schools, including the School of Dental Medicine, School of Medicine and School of Law. The University confers eight kinds of undergraduate degrees in 102 majors, 17 graduate degrees in 88 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 and Health Promotion; Center for Integrative Geosciences; Center for Nursing Scholarship; 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; Connecticut Center for Economic Analysis; Connecticut Center for Clean Energy Engineering; Connecticut Information Technology Institute; Connecticut Transportation Institute; Institute of Materials Science; Marine Sciences and Technology Center; Neag Center for Gifted Education and Talent Development; Roper Center for Public Opinion Research; 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 449 public universities in the country in research and development spending. The Carnegie Foundation currently classifies the institution with only 108 other public institutions nationwide in the highest category of Research University (Very High Research Activity). To qualify for this classification, universities must annually award at least 20 doctorates and demonstrate high levels of research based on several aggregate and per-capita (full-time faculty) measures, including research and development expenditures, postdoctoral appointees, non-faculty research staff, and doctoral conferrals in humanities, social sciences, STEM (science, technology, engineering, and mathematics) fields, and other fields (e.g., business, education, public policy, social work).

The quality of the University's diverse graduate programs is enhanced by the presence of exceptional graduate students. About 5,800 graduate students matriculated at both the master's and doctoral levels in academic year 2012-13; 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 88 fields of study in the arts and sciences and professional disciplines. These assistantships and fellowships have made it possible for the University to compete for quality graduate students.

Student Enrollment and Admission

Enrollment. Compared to Fall 2011, freshman enrollment decreased by 4.5% in Fall 2012; and undergraduate degree enrollment decreased by 0.8%. Through the *Next Generation Connecticut* initiative, enrollment at the Storrs Campus and the Stamford Campus is expected to grow significantly. See "GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES – *Next Generation Connecticut*" above in this Appendix A.

Total Enrollment Data (Head Count)[1]
Fall 2008 – 2012

	2008	2009	2010	2011	2012
Undergraduates					
Storrs	16,754	16,996	17,331	17,808	17,517
Regional Campuses[2]	4,618	4,500	4,550	4,664	4,784
Total	21,372	21,496	21,881	22,472	22,301
Graduates/Professionals[3]	7,508	7,505	7,623	7,522	7,427
Health Center					
Medicine	331	346	352	355	359
Dental Medicine	172	170	178	176	169
Total	503	516	530	531	528
GRAND TOTAL	**29,383**	**29,517**	**30,034**	**30,525**	**30,256**

[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 2008 - 2012

	Undergraduate				Graduate/Professional	
	Storrs Campus		All Campuses		Total University (excl. Schools of Medicine and Dental Medicine)	
Fall	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**
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%
2010	75.1%	24.9%	79.8%	20.2%	72.1%	27.9%
2011	74.9%	25.1%	79.7%	20.3%	70.5%	29.5%
2012	75.9%	24.1%	80.5%	19.5%	68.4%	31.6%

Schedule of Freshmen Enrollment - All Campuses
Fall 2008 – 2012

Fall	Freshmen Applications	Change in Applications	Accepted	Enrolled	Change in Enrolled	Enrolled as a Percentage of Accepted
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%
2010	23,278	0.0%	15,909	4,580	5.0%	28.8%
2011	28,584	22.8%	17,578	4,622	0.9%	26.3%
2012	31,363	9.7%	18,965	4,415	(4.5%)	23.3%

Admissions. The University of Connecticut is rated as "highly competitive" by Barron's Profiles of American Colleges 2012, 30th Edition. The Scholastic Aptitude Test (SAT) scores for students entering the University consistently exceed the statewide and national SAT score averages.

Average Total SAT Scores*
Fall 2008 - 2012

Fall	Storrs Campus	Regional Campuses	Connecticut Average	National Average
2008	1200	1012	1022	1017
2009	1212	1038	1022	1016
2010	1221	1025	1023	1017
2011	1216	1022	1022	1011
2012	1226	1028	1018	1010

*Excluding the writing component

Tuition and Other Fees (Storrs and Regional Campuses)

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

Tuition. For the academic year 2014, students classified as full-time undergraduate residents of Connecticut will pay tuition of $9,256. Full-time out-of-state undergraduates will pay $28,204 per year. In the 2013 academic year, total tuition revenues are projected at $269.6 million, of which approximately $113 million is expected to be from out-of-state tuition revenues. Undergraduate degree seeking students are projected to account for 86% of tuition revenues in the 2013 academic year.

Mandatory Fees. For academic year 2014, undergraduate students must pay a General University Fee of $1,848 per year. Students also pay $918 per year in other fees, of which $190 is for various student-controlled organizations, $468 is for infrastructure maintenance, $110 is a transit fee, and $150 is a Technology Fee. For academic year 2013, the General University fee is projected to generate $33.3 million of revenue. Commencing in 1998, certain fees have been pledged for the payment of debt service on the University's Special Obligation Bonds. See "UNIVERSITY FINANCES – University Indebtedness" in this Appendix A.

Other Fees. There are numerous optional fees at the University. The primary optional fees for the academic year 2014 are the room ($6,278) and board ($5,196) fee.

Annual Cost of an Undergraduate
In-State Student Enrolled at the University
Academic Years 2010 - 2014

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

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

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

Undergraduate Tuition, Fees, Room and Board
for the University's Aspirant Peers
for Fiscal Year 2012 - 2013

	In-State Student Cost*	Out-of-State Student Cost*
Dartmouth College	$57,996	$57,996
Johns Hopkins University	57,320	57,320
Washington University	57,285	57,285
Northwestern University	57,108	57,108
Duke University	56,473	56,473
Brown University	55,016	55,016
University of Pittsburgh	26,460	36,150
Pennsylvania State University	26,134	38,436
University of Illinois	24,760	38,902
University of Connecticut	**22,742**	**40,574**
Clemson University	20,588	37,514
Purdue University	20,278	39,080
University of Georgia	18,814	37,024
University of Florida	14,456	36,733

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

Student Financial Aid

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

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

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

Tuition Waivers and Graduate Assistantships. The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is required by collective bargaining agreements to waive tuition for dependents of certain employees. The foregone revenue resulting from such waivers in the 2013 academic year is projected at $48.9 million, of which 83% was provided to graduate assistants.

Financial Aid to University Students
for Fiscal Years 2009 - 2013

	2009	2010	2011	2012	2013 Forecast
Scholarships/Grants					
Institutional	$ 49,115,762	$ 61,110,067	$ 67,155,437	$ 75,585,127	$ 80,171,800
State	14,246,342	13,308,799	13,140,457	10,737,667	9,527,941
Federal Funds	13,767,499	20,093,282	28,215,361	26,071,689	27,390,694
Private	23,529,432	23,050,568	25,822,684	26,693,526	27,390,530
Total Scholarships/Grants	$ 100,659,035	$ 117,562,716	$ 134,333,939	$ 139,088,009	$144,480,965
Loans	$ 140,820,168	$ 162,054,038	$ 171,723,395	$ 177,118,329	$171,099,416
Student Employment					
University Student Payroll	$ 15,597,731	$ 16,862,857	$ 18,063,741	$ 18,774,804	$19,100,000
Federal Work Study	1,299,529	1,502,780	1,388,846	1,293,169	1,378,738
Total Student Employment	$ 16,897,260	$ 18,365,637	$ 19,452,587	$ 20,067,973	$20,478,738
Grand Total	**$ 258,376,463**	**$ 297,982,391**	**$ 325,509,921**	**$ 336,274,311**	**$336,059,119**

UNIVERSITY FINANCES

Financial Management

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

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

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

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

Financial Statements of the University

The audited financial statements of the University of Connecticut and the University of Connecticut Health Center (excluding the University of Connecticut Foundation, Inc.) for the Fiscal Year ended June 30, 2012 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 Fiscal Years ended June 30, 2008, 2009, 2010, 2011 and 2012. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix A for the same information for the Health Center.

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	2008	2009	2010	2011	2012
OPERATING REVENUES					
Student tuition and fees[1]	$ 199,720,598	$ 215,641,536	$ 223,765,739	$ 233,881,175	$ 251,016,679
Federal grants and contracts	85,328,534	92,375,974	110,021,873	125,797,636	124,478,400
State and local grants and contracts	25,429,642	27,853,272	26,086,262	27,390,610	22,077,572
Nongovernmental grants and contracts	10,506,027	12,347,917	11,075,416	11,366,745	13,140,769
Sales and services of educational departments	15,280,038	17,216,404	15,203,884	16,160,788	17,348,308
Sales and services of auxiliary enterprises[2]	133,471,934	149,500,934	161,779,750	173,133,156	181,974,163
Other sources	10,907,810	10,681,689	10,854,684	11,808,193	6,228,681
Total operating revenues	$ 480,644,583	$ 525,617,726	$ 558,787,608	$ 599,538,303	$ 616,264,572
OPERATING EXPENSES					
Educational and General					
Instruction	$ 279,086,991	$ 284,036,407	$ 271,938,477	$ 292,202,505	$ 295,684,585
Research	60,345,206	64,028,438	72,285,788	74,481,178	72,760,366
Public service	33,854,891	36,997,632	35,623,219	41,469,821	39,636,015
Academic support	81,513,934	87,046,815	90,592,861	98,392,707	100,141,502
Student services	36,006,579	36,711,365	37,063,394	39,754,920	39,048,072
Institutional support	72,314,553	83,154,603	83,175,410	88,649,673	79,103,130
Operations and maintenance of plant	64,110,720	71,432,217	66,742,254	71,365,159	64,879,625
Depreciation and amortization	100,186,738	90,036,966	90,038,785	90,334,794	88,478,214
Student aid	4,009,588	3,917,207	4,637,480	5,490,504	6,107,357
Auxiliary enterprises	135,061,206	144,375,731	145,413,740	154,516,560	159,310,571
Other operating expenses	16,491,610	30,579,207	24,508,359	19,740,639	11,643,762
Total operating expenses	882,982,016	932,316,588	922,019,767	976,398,460	956,793,199
Operating loss	$ (402,337,433)	$ (406,698,862)	$ (363,232,159)	$ (376,860,157)	$ (340,528,627)
NONOPERATING REVENUES (EXPENSES)					
State appropriation	$ 328,176,623	$ 327,751,422	$ 325,461,758	$ 328,950,858	$ 282,370,218
State debt service commitment for interest	39,525,537	37,843,218	38,557,064	39,978,225	39,755,112
Transfer of reserves to State General Fund	-	-	(8,000,000)	(15,000,000)	-
State match to endowment	-	-	-	-	-
Gifts	24,770,574	21,805,530	18,080,658	21,168,060	24,376,517
Investment income	10,384,021	4,267,674	1,313,379	1,020,058	897,678
Interest expense	(51,246,898)	(48,915,717)	(48,557,957)	(48,823,995)	(47,117,080)
Other nonoperating expenses, net	(2,869,076)	(4,247,111)	(1,956,883)	(297,112)	(1,635,037)
Net nonoperating revenues	348,740,781	338,505,016	324,898,019	326,996,094	298,647,408
Loss before other changes in net assets	$ (53,596,652)	$ (68,193,846)	$ (38,334,140)	$ (49,864,063)	$ (41,881,219)
OTHER CHANGES IN NET ASSETS					
State debt service commitment for principal	$ -	$ 104,910,000	$ 61,714,293	$ -	$ 115,400,000
Capital appropriation	8,000,000	-	-	(479,348)	18,000,000
Capital grants and gifts	6,802,586	3,813,671	2,396,433	1,989,313	2,768,379
Disposal of property and equipment, net	(874,837)	(438,433)	(727,240)	(617,744)	(539,764)
Additions to permanent endowments	56,711	19,703	32,872	50	-
State match to endowment	59,484	-	-	-	-
Capital other	-	-	-	-	-
Net other changes in net assets	$ 14,043,944	$ 108,304,941	$ 63,416,358	$ 892,271	$ 135,628,615
Increase (decrease) in net assets	$ (39,552,708)	$ 40,111,095	$ 25,082,218	$ (48,971,792)	$ 93,747,396
NET ASSETS					
Net assets-beginning of year, adjusted	$ 1,417,649,558	$ 1,379,133,888	$ 1,419,244,983	$ 1,444,327,201	$ 1,395,355,409
Net assets-end of year	$ 1,378,096,850	$ 1,419,244,983	$ 1,444,327,201	$ 1,395,355,409	$ 1,489,102,805

[1] Net of scholarship allowances of $72,915,047, $81,473,702, $95,347,872, $109,105,523 and $111,139,284 respectively.
[2] Net of scholarship allowances of $2,524,596, $2,947,782, $2,990,651, $3,239,628 and $3,029,568 respectively.

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

Budget and Budgeting Procedure of the University

The University submits a biennial operating budget to the Governor and General Assembly through the Secretary of the Office of Policy and Management (the Governor's fiscal office). The operating budget request sets forth a proposed expenditure plan for the amount necessary to meet cost increases while providing a constant level of services. It may also include an amount for new or expanded programs. The operating budget includes various revenue sources including the State appropriation and tuition and fees as well as other revenue sources. The Governor may reduce State agency allotments by not more than 5% unless approved by the Appropriations Committee of the General Assembly, which shall, within ten days, approve or reject such reduction. The University's Board of Trustees annually approves separate Unrestricted Operating Budgets for the University and the Health Center.

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

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

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

University Budget (Storrs and Regional Campuses)

Fiscal Year 2013 Forecast. The University is forecasted to end the year with a loss of $2.8 million. This loss is attributed to multiple factors including a rescission of State support of approximately $15 million, less tuition and fees due to a slight enrollment decrease, less funds transferred from the Foundation to support Athletics, less research activity, and higher fringe benefit rates. Prior year balances will be used to fund this loss.

Fiscal Year 2014 Spending Plan. The Fiscal Year 2014 spending plan (the "Spending Plan") was presented to and approved by the Board of Trustees on June 26, 2013. Due to changes in the State fringe benefit rates and additional course coverage costs for a larger freshman class, a revised Spending Plan will be presented to the Board of Trustees on August 7, 2013. The revised Spending Plan includes $1,126.7 million in expenditures and $1,095.8 million of revenue, yielding a $30.9 million loss. Prior year balances will be used to fund this loss.

Fiscal Year 2014 Revenue. For Fiscal Year 2014, State support is budgeted at a level of $306.6 million (appropriation/allotments $202.1 million; fringe benefits $104.5 million including year-end accounting accruals), an increase of $21.5 million or 7.5% over the Fiscal Year 2013 amount. State support is the largest source of revenue for the University. Tuition is the second largest source of revenue (excluding waivers) and is budgeted at $288.6 million, an increase of $18.3 million or 6.8% over the Fiscal Year 2013 amount. Tuition revenue collections reflect a 6.25% rate increase. Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off-campus MBA, EMBA, etc). Also included in this category is the General University Fee, which supports multiple Auxiliary Enterprise programs. Finally, there are various other fees included in this category such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. The fee collections for Fiscal Year 2014 are budgeted to be $107.6 million, an increase of $4.4 million or 4.3% over the Fiscal Year 2013 amount. Auxiliary Enterprise Revenue is budgeted to be $195.9 million, which is an increase of $9.7 million or 5.2% over the Fiscal Year 2013 amount. Residence halls and rental properties, dining services and athletics generate most of the Auxiliary Enterprise Revenue. With respect to the

Research Fund, the granting agency or donor restricts most of the revenues. Research Fund revenues for Fiscal Year 2014 are budgeted to be $90.5 million, which is a $2.5 million or 2.7% decrease over Fiscal Year 2013.

Fiscal Year 2014 Expenditures/Transfers. Total Fiscal Year 2014 expenditures of $1,126.7 million are budgeted to increase by $79.2 million or 7.6% over the Fiscal Year 2013 amount. The University's Operating Fund is budgeted to increase by 8.6%. Personal services expenditures are expected to reach $462.8 million or $34.3 million more than Fiscal Year 2013 primarily due to the faculty hiring plan. Fringe benefit expenditures are expected to be $203.0 million or $36.9 million more than Fiscal Year 2013. Financial Aid expenditures are budgeted to be $130.8 million, which is an increase of $5.2 million or 4.1% over the Fiscal Year 2013 amount.

In addition to actual results of operations for Fiscal Years 2010-2012, the following schedule reflects the Fiscal Year 2013 forecast and the Fiscal Year 2014 spending plan as approved by the Board of Trustees on June 26, 2013.

Statement of Current Funds Operations (in millions)

	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Forecast	FY14 Budget
Current Funds Revenues:					
Operating Fund					
State Support	$325.4	$ 329.0	$ 282.4	$ 285.1	$ 306.6
Tuition (Net of Discounts)	226.2	246.1	259.9	270.3	288.6
Fees	88.6	92.3	97.0	103.2	107.6
Auxiliary Enterprise Revenue	164.8	176.4	185.0	186.2	195.9
All Other Revenues	102.9	117.1	110.3	106.9	106.6
Total Operating Fund	907.9	960.9	934.6	951.7	$1,005.3
Research Fund	89.7	97.3	97.8	93.0	90.5
Total Current Funds Revenues	**$997.6**	**$1,058.2**	**$1,032.4**	**$1,044.7**	**$1,095.8**
Current Funds Expenditures / Transfers:					
Operating Fund					
Personal Services	$386.9	$ 413.0	$ 414.2	$ 428.5	$462.8
Fringe Benefits	137.5	148.3	151.0	166.1	203.0
Other Expenses	186.1	196.9	188.7	196.2	200.6
Equipment	26.0	17.4	15.5	18.9	19.0
Student Financial Aid	104.8	118.4	121.1	125.6	130.8
Transfers	57.2	49.1	40.6	17.8	19.0
Total Operating Fund	898.5	943.1	931.1	953.1	1,035.2
Research Fund Expenditures	88.1	98.4	97.4	94.4	91.5
Total Current Funds Expenditures / Transfers	**$986.6**	**$1,041.5**	**$1,028.5**	**$1,047.5**	**$1,126.7**
Gain (Loss) Prior to Transfer	**$ 11.0**	**$ 16.7**	**$ 3.9**	**$ (2.8)**	**$ (30.9)**
Use of Prior Year Fund Balance				2.8	30.9
Transfer from Reserves to State General Fund	**(8.0)**	**(15.0)**			
Net Gain (Loss)	**$ 3.0**	**$ 1.7**	**$ 3.9**	**$ 0.0**	**$ 0.0**

State Support of the University – Appropriations

The State develops a biennial budget which includes the University appropriation request. The appropriations are applicable to each specific year and the second year's appropriation is subject to review and adjustment. The University has historically received a substantial percentage of its operating revenue from the State General Fund Appropriation. In the State system of higher education, the University of Connecticut receives more State support than any other State institution of higher education. The annual State appropriation the University receives is in the form of a block grant and is allocated biweekly. The University has independent authority to purchase goods and services, hire, fire and promote administrators, faculty and staff, and plan, design and construct capital projects.

Schedule of State Operating Support and Fringe Benefits to the University for Fiscal Years 2009 – 2014 (in millions)

Fiscal Year	Operating Appropriations[1] and Allotments	Fringe Benefits	Operating Total
2009	$234.1	$93.7	$327.8
2010	$233.0	$92.4	$325.4
2011	$232.7	$96.3	$329.0
2012	$205.6	$76.8	$282.4
2013[2]	$195.4	$89.7	$285.1
2014[3]	$202.1	$104.5	$306.6

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

State Support of the University - Bond Issuance

In addition to appropriating funds for the general operating support of the University, the State has authorized its general obligation bonds to fund capital projects of the University. Certain of those State bonds are categorized as self-liquidating, meaning the University reimburses the State for the principal and interest on such bonds from revenues generated by the University from the operation of the projects funded with the proceeds of the State bonds. As of the date of delivery of the 2013 Bonds, $1,602,295 of self-liquidating bonds remain outstanding. For further discussion of the University's liability to the State with respect to these self-liquidating State general obligation bonds, see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2012."

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

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

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

Grants and Contracts

Revenue from federal, State, local and non-governmental grants and contracts totaled $159.7 million in Fiscal Year 2012, representing 25.9% of total operating revenues reported by the University in the Statement of Revenues, Expenses and Changes in Net Assets for the Fiscal Year ended June 30, 2012, included in this Appendix A. Revenue from federal, State and local governmental grants and contracts, including financial aid and recovery of indirect costs, totaled $146.6 million for this time period, which represented 23.4% of total operating revenues.

Governmental Grants and Contracts
for Fiscal Years 2008 - 2012
(in Millions of Dollars)

Fiscal Year	Amount
2008	$110.8
2009	$120.2
2010	$136.1
2011	$153.2
2012	$146.6

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

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

Gift revenue to the University, both capital and noncapital, is derived from gifts made directly to the University and from the Foundation and Law School Foundation. These spendable funds are provided to the University for educational, cultural, recreational, and research activities. Both the Foundation and the Law School Foundation disburse funds to the University as requests are made, provided the request is in accordance with donor restrictions, if any. These disbursements paid to the University from both Foundations totaled approximately $27.2 million in Fiscal Year 2012 compared to $23.5 million in Fiscal Year 2011. Both Foundations also paid approximately $3.5 million in Fiscal Year 2012 ($3.7 million in Fiscal Year 2011) 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 $10.8 million and $7.2 million in Fiscal Years 2012 and 2011, respectively.

In September 2009, the Foundation publicly launched the $600 million fundraising effort: *Our University. Our Moment. The Campaign for UConn*. The campaign is intended to 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 April 30, 2013, *Our University. Our Moment. The Campaign for UConn.* has recorded approximately $388.6 million in contributions toward the overall campaign goal, including $109.8 million raised for endowment 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 2008 - 2012

	2008 $000's	2009 $000's	2010 $000's	2011 $000's	2012 $000's
Assets					
Endowment assets	$316,737	$244,031	$263,049	$303,625	$301,637
All other assets	80,065	78,111	85,195	92,689	97,018
Total Assets	**$396,802**	**$322,142**	**$348,244**	**$396,314**	**$398,655**
Support and Revenue					
Contributions and educational support	$ 35,978	$ 22,466	$ 28,651	$ 32,102	$ 39,018
Payment from the University	8,586	9,028	9,138	8,472	8,584
Investment income, net	(12,503)	(63,441)	25,359	41,905	2,109
Other revenues	697	610	3,141	697	778
Total Support and Revenue	**$ 32,758**	**($ 31,337)**	**$ 66,289**	**$ 83,176**	**$ 50,489**
Expenditures					
Disbursements to and on behalf of the University	$ 31,339	$ 28,823	$ 23,105	$ 26,382	$ 30,433
Foundation expenses (development, asset mgt, admin)	14,357	14,444	13,666	13,602	14,223
Total Expenditures	**$ 45,696**	**$ 43,267**	**$ 36,771**	**$ 39,984**	**$ 44,656**
Support and Revenues Over/Under Expenditures	**($12,938)**	**($74,604)**	**$ 29,518**	**$ 43,192**	**$ 5,833**

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 2013 Bonds, the University's General Obligation Bonds principal outstanding will be $998,330,000 including the 2013 Bonds.

The University of Connecticut also has issued Special Obligation Bonds pursuant to the Special Obligation Indenture of Trust, dated as of January 1, 1997, between the University, as Issuer, and U.S. Bank N.A., as successor to State Street Bank & Trust Company, as Trustee, as amended (the "Special Obligation Master Indenture"). The Board of Trustees approved the Special Obligation Master Indenture on November 8, 1996. Unlike the UCONN 2000 General Obligation Bonds that are paid from the State's General Fund, debt on the Special Obligation Bonds are paid from certain pledged revenues, including student fees of the University as defined in the Special Obligation Master Indenture. To date, nine projects have been authorized to receive $189,180,000 of the UCONN 2000 Special Obligation Bond proceeds, and some of these projects also were supported by State General Obligation Bonds or other funding. See "GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES – Status of UCONN 2000 Projects" in this Appendix A. As of the date of delivery of the 2013 Bonds, the Special Obligation Bonds principal outstanding will be $130,415,000.

A privately placed Governmental Lease Purchase Agreement (the "Lease"), with Caterpillar Financial Services Corporation, a Delaware Corporation, secured by the University's general obligation was entered into to finance the cogeneration facility portion of the UCONN 2000 Heating Plant Upgrade project. The $81,900,000 original principal amount of the Lease is a UCONN 2000 debt obligation entered into under certain separately negotiated documents and agreements and is not secured by the Master Indenture or the Special Obligation Master Indenture. On December 18, 2003 the University entered into the Lease in the principal amount of $75,000,000 at a nominal interest rate of 4.42% compounded monthly. 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 2013 Bonds, the amount of the Lease outstanding will be $59,023,759.

In addition to UCONN 2000 indebtedness, the University has certain other limited indebtedness; see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2012".

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 2013 Bonds.

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DEBT SERVICE ON GENERAL OBLIGATION BONDS[1] AS OF JULY 31, 2013

FYE June 30	OUTSTANDING GENERAL OBLIGATION BONDS Principal	Interest	Total	THIS ISSUE GENERAL OBLIGATION BONDS Principal	Interest	Subtotal	Total Debt Service
2014	$ 77,750,000	$ 32,836,891	$ 110,586,891	$ 655,000	$ 5,498,892	$ 6,153,892	$ 116,740,783
2015	74,995,000	32,607,721	107,602,721	10,765,000	10,052,400	20,817,400	128,420,121
2016	72,965,000	29,114,071	102,079,071	8,635,000	9,730,775	18,365,775	120,444,846
2017	66,400,000	25,698,891	92,098,891	13,430,000	9,408,150	22,838,150	114,937,041
2018	63,320,000	22,652,141	85,972,141	13,370,000	8,886,550	22,256,550	108,228,691
2019	59,535,000	19,615,791	79,150,791	13,270,000	8,399,100	21,669,100	100,819,891
2020	54,205,000	16,737,736	70,942,736	13,260,000	7,778,775	21,038,775	91,981,511
2021	48,820,000	14,345,786	63,165,786	12,615,000	7,115,775	19,730,775	82,896,561
2022	39,680,000	12,131,168	51,811,168	16,715,000	6,485,025	23,200,025	75,011,193
2023	34,115,000	10,287,328	44,402,328	17,355,000	5,649,275	23,004,275	67,406,603
2024	29,385,000	8,660,534	38,045,534	17,525,000	4,781,525	22,306,525	60,352,059
2025	33,900,000	7,311,895	41,211,895	8,635,000	3,905,275	12,540,275	53,752,170
2026	29,240,000	5,724,224	34,964,224	8,635,000	3,473,525	12,108,525	47,072,749
2027	25,150,000	4,368,426	29,518,426	8,635,000	3,041,775	11,676,775	41,195,201
2028	20,950,000	3,155,495	24,105,495	8,630,000	2,610,150	11,240,150	35,345,645
2029	21,185,000	2,116,140	23,301,140	8,630,000	2,178,650	10,808,650	34,109,790
2030	13,840,000	1,088,378	14,928,378	8,630,000	1,790,300	10,420,300	25,348,678
2031	8,985,000	449,250	9,434,250	8,630,000	1,401,950	10,031,950	19,466,200
2032	-	-	-	8,630,000	992,238	9,622,238	9,622,238
2033	-	-	-	8,630,000	582,525	9,212,525	9,212,525
2034	-	-	-	8,630,000	183,388	8,813,388	8,813,388
Total[2]	$ 774,420,000	$ 248,901,867	$ 1,023,321,867	$ 223,910,000	$ 103,946,017	$ 327,856,017	$ 1,351,177,883

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

The following table sets forth all bonds and capital leases issued by the University under the UCONN 2000 program and outstanding as of the date of delivery of the 2013 Bonds.

Total Bonds And Leases Outstanding
as of July 31, 2013

	Original Par Amount[1]	Amount Outstanding Currently[1]	Dated Date[2]
General Obligation Debt Service Commitment Bonds			
GO DSC 1996 Series A	$ 83,929,715	$ -	January 1, 1996
GO DSC 1997 Series A	124,392,432	-	April 1, 1997
GO DSC 1998 Series A	99,520,000	-	June 1, 1998
GO DSC 1999 Series A	79,735,000	-	March 1, 1999
GO DSC 2000 Series A	130,850,000	-	March 1, 2000
GO DSC 2001 Series A	100,000,000	-	March 15, 2001
GO DSC 2002 Series A	100,000,000	-	April 1, 2002
GO DSC 2003 Series A	96,210,000	-	March 1, 2003
GO DSC 2004 Series A	97,845,000	4,890,000	January 15, 2004
GO DSC 2004 Series A Refunding[3]	216,950,000	120,570,000	January 15, 2004
GO DSC 2005 Series A	98,110,000	18,525,000	February 15, 2005
GO DSC 2006 Series A	77,145,000	50,130,000	March 15, 2006
GO DSC 2006 Series A Refunding[4]	61,020,000	57,780,000	March 15, 2006
GO DSC 2007 Series A	89,355,000	58,800,000	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	115,465,000	April 16, 2009
GO DSC 2010 Series A	97,115,000	82,540,000	May 25, 2010
GO DSC 2010 Series A Refunding[6]	36,095,000	26,410,000	May 25, 2010
GO DSC 2011 Series A	179,730,000	161,755,000	December 8, 2011
GO DSC 2011 Series A Refunding[7]	31,905,000	31,525,000	December 8, 2011
GO DSC 2013 Series A	172,660,000	172,660,000	July 31, 2013
GO DSC 2013 Series A Refunding[8]	51,250,000	51,250,000	July 31, 2013
Total[9,15]	**$2,214,702,147**	**$998,330,000**	
Special Obligation Student Fee Revenue Bonds			
UCONN 2000 SPEC OB 1998-A	$ 33,560,000	$ -	January 1, 1998
UCONN 2000 SPEC OB 2000-A	89,570,000	-	June 1, 2000
UCONN 2000 SPEC OB 2002-A	75,430,000	-	January 15, 2002
UCONN 2000 SPEC OB 2002-A Refunding[10]	96,130,000	-	February 1, 2002
UCONN 2000 SPEC OB 2010-A Refunding[11]	47,545,000	42,435,000	June 16, 2010
UCONN 2000 SPEC OB 2012-A Refunding[12]	87,980,000	87,980,000	December 13, 2012
Total[13, 15]	**$ 430,215,000**	**$ 130,415,000**	
Capital Leases			
Governmental Lease Purchase Agreement	$ 75,000,000	$ 53,964,091	December 18, 2003
Governmental Lease Purchase Agreement	6,900,000	5,059,667	August 15, 2005
Total[14, 15]	**$ 81,900,000**	**$ 59,023,759**	

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

Employee Data

Faculty and Staff. As of October 2012, the University had 4,554 full-time equivalent ("FTE") employees. Full and part-time faculty accounted for 1,399 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 2012, 63% of full-time teaching faculty were tenured, 17% 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 476 FTE graduate student assistants who receive stipends.

Six bargaining units represented approximately 4,128 FTE union members as of October 2012. Approximately 10% of University faculty and staff were non-union employees. The University bargains with two units covering 3,265 FTE employees; the American Association of University Professors (AAUP) and the University of Connecticut Professional Employees Association (UCPEA). Law school faculty, University exempt (management) and certain temporary and part-time employees are not represented by bargaining units. The remaining four unions covering 863 FTE employees bargain directly with the State.

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

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

In addition to the pension benefits, the State provides post retirement health care and life insurance benefits to University employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents' coverage) based on the plan chosen by the employee. In addition, the State pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of State service that the retiree had at the time of retirement. The State is responsible and finances the cost of post retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund; therefore, no liability is recorded in the University's financial statements. For further discussion, see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2012 – Notes to Financial Statements (6. Retirement Plans and Post Employment Benefits)".

Insurance

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

UNIVERSITY OF CONNECTICUT HEALTH CENTER

An organizational unit of the University of Connecticut, the Health Center is a comprehensive State-owned academic Health Center which has the traditional tripartite missions of education, patient care and research facility as well as community service and public health. Its main campus is located in a complex of buildings in suburban Farmington, Connecticut. The Health Center was established in 1961 and is currently comprised of the School of Medicine, the School of Dental Medicine, the John Dempsey Hospital, and related ambulatory clinic facilities, research laboratories, health sciences/medical library and administrative and other support facilities. It operates more than 400 clinical and educational programs throughout Connecticut and is a referral center for persons with certain illnesses requiring complex patient care. The Health Center also provides comprehensive healthcare services for Connecticut's incarcerated inmates through the Correctional Managed Healthcare program. As of Fall 2012, the Health Center had 528 professional students in the Schools of Medicine and Dental Medicine, 331 graduate students in Master's and Doctoral programs, and approximately 720 residents, interns and postdoctoral fellows. It also provides an extensive array of continuing education activities to health professionals throughout the State. The Health Center submits separate operating and capital budgets to the Governor and the General Assembly and receives its appropriation and allotment separate from the University. See "UNIVERSITY FINANCES – Budget and Budgeting Procedure of the University" in this Appendix 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 or their designees).

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

Name	Term Ends	Position	Affiliation/Profession
Francis X. Archambault Jr.	2015	Appointed by Chairperson, Board of Trustees	Retired Emeritus Professor, University of Connecticut
Richard M. Barry	2013*	Member at Large	Chief Credit Officer & Executive Vice President, First Niagara Financial Group
Andy F. Bessette	2013*	Member at Large	EVP & CAO, The Travelers Companies, Inc.
Francisco L. Borges	2013*	Member at Large	Chairman and Managing Partner, Landmark Partners, Inc.
Cheryl A. Chase	2015	Member at Large	EVP, Principal and General Counsel, Chase Enterprises

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

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

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

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

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

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

Residency. The School of Medicine and the School of Dental Medicine each offer residency programs which provide advanced training in preparation for licensure practice and certification within a field of specialization. Approximately 720 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 $84.6 million was generated in Fiscal Year 2012 by the research activities of the various faculties which supplements appropriations from the State.

Student Enrollment and Admission

Enrollment. The Health Center's enrollment in Fall 2012 was 359 in the School of Medicine, 169 in the School of Dental Medicine, and 331 Graduate students. Historically, enrollment at the Health Center has been flat. A key component of the Bioscience Connecticut initiative is to grow enrollment 30%.

Average Total MCAT and DAT Scores
Fall 2008 - 2012

Fall	MCAT	DAT
2008	31.4	19.7
2009	31.4	19.7
2010	31.7	20.3
2011	31.4	20.5
2012	31.7	20.7

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

Passing Rates on National Exams
2008 - 2012

Year	School of Medicine	School of Dental Medicine
2008	96%	100%
2009	99%	100%
2010	97%	91%
2011	96%	100%
2012	100%	100%

Tuition and Other Fees

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

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

Mandatory Fees. For academic year 2014, students will pay a fee of $10,612 for the School of Medicine and $9,699 for the School of Dental Medicine per year. This fee includes payments for commencement, student affairs, a student activity fee and the optional student health fee.

Annual Cost of an In-State Student Enrolled
at the Health Center by School
Academic Years 2010 - 2014

School of Medicine

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

School of Dental Medicine

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

*Includes optional student health fee of $2,388.

Percentage of Enrollment by Residence Status
Fall 2008 - 2012

	School of Medicine		School of Dental Medicine	
Fall	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**
2008	91.6%	8.4%	83.8%	16.2%
2009	91.3%	8.7%	89.4%	10.6%
2010	92.8%	7.2%	84.0%	16.0%
2011	91.0%	9.0%	84.7%	15.3%
2012	92.8%	7.2%	87.1%	12.9%

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 234 licensed beds (224 general acute care beds and 10 nursery beds), and is located in Farmington, a suburb of Hartford. It serves as the primary teaching hospital for the Schools of Medicine and Dental Medicine, and participates in the clinical education of students from other health profession education programs. As the primary teaching hospital, it contains a full range of services, including surgery, medicine, cardiac care, psychiatry, and obstetrics and gynecology. The Hospital is also the focus of specialized programs, including programs dealing with arthritis, lupus, alcoholism, cancer, hemophilia, high-risk pregnancies, dental diseases in the handicapped, and taste and smell deficiencies. The Hospital also provides 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 not pledged towards the repayment of Bonds.

Strategic Plan Initiative

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

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

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

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

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

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

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

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

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

Professional Liability, Insurance and Litigation

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

Insurance. The Health Center operates a statutorily created insurance fund designated the "Medical Malpractice Trust Fund" (the "Fund"). The Fund is a separate trust fund of the Finance Corporation. The Fund is required by State law to be established and operated by the Finance Corporation and to be held by the State Treasurer. The Fund is charged with all payments required to satisfy claims against the Health Center arising from the delivery of health care services. Since the Fund was established in 1987, the Health Center has not maintained private professional liability insurance. The Fund has paid all claims against the Health Center and the State for professional liability since 1987. The Hospital Group has implemented quality assurance, risk assessment and peer review processes to mitigate, identify and evaluate risks. Pursuant to Public Act No. 09-3, the Health Center was required to transfer the sum of $10,000,000 from the Fund to the resources of the General Fund for each of the Fiscal Years ending June 30, 2010 and June 30, 2011. The transfer of these dollars has changed the management of the Fund from an actuarially based funding that maintained the investment balance equal to the actuarially calculated liability to a cash based funding that maintains the investment balance to cover expected current payments for the fiscal year. To the extent that claims for cases exceed current year premium charged by the Health Center, the Health Center may petition the State to make up the difference. However, operational subsidies from the State and/or the Health Center may be affected by the performance of the Health Center's malpractice program. At June 30, 2012, the Health Center Malpractice Trust Fund had actuarial reserves of approximately $20 million and assets of approximately $8.2 million.

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

Employment

The Health Center employed approximately 5,600 employees as of Fall 2012. Health Center employees are State employees. See "Pension and Retirement Systems" in Part III of this Official Statement for information pertaining to the employees of the Health Center. The terms and conditions of employment of almost 4,800 employees as of Fall 2012 are governed by collective bargaining agreements with nine bargaining units. The State bargains with all bargaining units representing Health Center employees except the University Health Professions (the "UHP") and the American Association of University Professors (the "AAUP") which negotiates directly with the Health Center. The remaining seven unions bargain directly with the State. University exempt (management) and certain temporary and part-time employees are not represented by bargaining units.

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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 Fiscal Years ended June 30, 2008, 2009, 2010, 2011 and 2012.

	2008	2009	2010	2011	2012
OPERATING REVENUES					
Student tuition and fees[1]	$ 10,857,096	$ 11,578,853	$ 12,163,266	$ 13,094,899	$ 13,745,839
Patient services[2]	399,252,009	413,226,263	405,660,387	422,093,597	429,546,352
Federal grants and contracts	61,214,230	60,479,262	59,357,473	60,127,578	56,904,299
Nongovernmental grants and contracts	25,787,409	27,784,536	28,673,290	25,884,982	27,689,761
Contract and other operating revenues	50,418,339	52,017,838	64,590,104	71,694,011	93,729,802
Total operating revenues	$ 547,529,083	$ 565,086,752	$ 570,444,520	$ 592,895,067	$ 621,616,053
OPERATING EXPENSES					
Educational and General					
Instruction	$ 109,503,140	$ 115,260,386	$ 126,205,942	$ 129,793,475	$ 129,216,828
Research	60,274,554	59,329,330	59,967,127	58,892,036	63,079,569
Patient services	445,745,818	471,209,020	469,340,490	492,788,311	506,719,790
Academic support	15,686,832	16,110,423	14,469,371	16,355,088	20,199,642
Student services	-	-	-	-	-
Institutional support	62,514,306	59,122,168	55,729,538	58,420,502	53,060,463
Operations and maintenance of plant	23,549,107	27,073,219	26,335,059	27,652,573	28,031,529
Depreciation	28,225,548	29,168,032	28,881,299	30,074,922	30,874,683
Loss on disposal	228,173	280,860	37,593	482,433	7,152
Student aid	417,306	659,089	480,034	415,885	164,722
Total operating expenses	746,144,784	778,212,527	781,446,453	814,875,225	831,354,378
Operating (loss) income	$ (198,615,701)	$ (213,125,775)	$ (211,001,933)	$ (221,980,158)	$ (209,738,325)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	$ 190,742,826	$ 208,531,369	$ 218,483,899	$ 225,268,492	$ 202,996,519
Transfers to State	-	-	(10,000,000)	(10,807,000)	1,312,465
Gifts	2,698,560	981,803	3,945,542	2,553,945	7,435,128
Interest income[3]	6,624,727	5,884,533	162,682	133,823	101,259
Interest on capital asset – related debt	(2,767,549)	(2,574,423)	(2,364,379)	(1,569,831)	(1,094,634)
Net nonoperating revenues	$ 197,298,574	$ 212,823,282	$ 210,227,744	$ 215,579,429	$ 210,750,737
Income before other revenues, expenses, gains or losses	$ (1,317,127)	$ (302,493)	$ (774,189)	$ (6,400,729)	$ 1,012,412
Capital appropriations	(165,790)	40,275,800	35,610,000	169,542	62,500,000
Total other revenues	$ (165,790)	$ 40,275,800	$ 35,610,000	$ 169,542	$ 62,500,000
Increase (decrease) in net assets	$ (1,482,917)	$ 39,973,307	$ 34,835,811	$ (6,231,187)	$ 63,512,412
NET ASSETS					
Net assets-beginning of year	$ 272,514,353	$ 271,031,436	$ 311,004,744	$ 345,840,555	$ 339,609,368
Net assets-end of year	$ 271,031,436	$ 311,004,744	$ 345,840,555	$ 339,609,368	$ 403,121,780

[1] Net of scholarship allowances of $3,779,696, $4,134,654, $4,451,437, $4,733,932 and $4,648,305 respectively.
[2] Net of charity care of $967,138, $840,699, $1,013,714, $912,282 and $543,109 respectively.
[3] Net of investment expense of $79,941, $83,615, $78,000, $91,000 and $16,000 respectively for the primary institution.

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

Budget and Budgeting Procedure of the Health Center

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

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

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

Fiscal Year 2013. The Health Center is forecasted to end Fiscal Year 2013 with a loss of $7.9 million. The forecast is impacted negatively by lower than expected net patient care revenue and a reduction to the general fund appropriation, and higher expenditures for salary, fringe benefit costs and an increase in drug costs. On the positive side, expense savings for outside purchased services and medical/dental house staff are forecasted to be achieved or under budget.

Fiscal Year 2014 Temporary Spending Plan. The Fiscal Year 2014 temporary spending plan was presented to and approved by the Board of Trustees on June 26, 2013. Management needs additional time to formulate a plan for Fiscal Year 2014. In the interim, the Board of Trustees has approved a 60 day temporary spending plan based on annual expenditures of $855.3 million. The Health Center plans on requesting approval of the Fiscal Year 2014 spending plan at the August Board of Trustees meeting.

In addition to actual results of operations for Fiscal Years 2010-2012, the following schedule reflects the Fiscal Year 2013 forecast.

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	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Forecast
Revenues:				
State Support	$168.2	$173.2	$153.4	$172.1
Tuition & Fees	16.7	17.3	17.5	18.3
Gifts, Grants and Contracts	87.0	84.8	93.0	94.6
Interns and Residents	42.8	47.6	53.8	54.9
Net Patient Care	318.3	334.8	350.3	359.2
Correctional Managed Health Care	92.0	91.0	86.9	80.7
Other Income	18.3	18.1	29.4	36.9
Total Revenues	**$743.3**	**$766.8**	**$784.3**	**$816.7**
Expenses:				
Personal Services	$299.8	$311.5	$327.9	$338.1
Fringe Benefits	100.2	108.9	113.4	140.7
Correctional Managed Health Care	92.6	91.6	86.9	80.7
Medical Contractual Support	13.9	16.5	16.4	18.1
Medical/Dental House Staff	39.4	42.3	43.4	40.7
Outside Agency Per Diems	2.2	2.2	2.4	2.1
Drugs/Medical Supplies	63.7	64.2	64.6	65.2
Utilities	14.0	14.5	13.2	11.9
Outside & Other Purchased Services	45.1	40.8	49.4	50.2
Insurance	1.2	6.9	2.5	5.8
Repairs & Maintenance	9.7	10.3	9.1	11.3
Other Expenses	23.4	23.4	23.9	27.5
Depreciation	28.9	29.8	31.5	32.3
Total Expenses	**$734.1**	**$762.9**	**$784.6**	**$824.6**
Operating Gain (Loss)	**9.2**	**3.9**		
Cash Transfer to State	**(10.0)**	**(10.0)**		
Net Gain (Loss)	**$ (0.8)**	**$ (6.1)**	**$ (0.3)**	**$ (7.9)**

State Support of the Health Center – Appropriations

The State develops a biennial budget which includes the Health Center's appropriation request. The appropriations are applicable to each specific year and the second year's appropriation is subject to review and adjustment. The Health Center's State appropriation for the Fiscal Year 2013 is $112.7 million and for Fiscal Year 2014 is $124.5 million. Fiscal Year 2014 reflects appropriation per Public Act 13-184, as amended by Public Act 13-247, which included allocable bottom line savings that required adjustments to agency-specific appropriations.

Grants and Contracts

Revenue from federal, State, local and non-governmental grants and contracts totaled $84.6 million in Fiscal Year 2012, representing 13.6% of total operating revenues reported by the Health Center in the Statement of Revenues, Expenses and Changes in Net Assets for the Fiscal Year ended June 30, 2012, included in this Appendix A.

Governmental Grants and Contracts
for Fiscal Years 2008 - 2012
(in Millions of Dollars)

Fiscal Year	Amount
2008	$87.0
2009	$88.3
2010	$88.1
2011	$86.0
2012	$84.6

Health Center Long Term Liabilities

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

The Health Center is self-insured with respect to medical malpractice risks. The estimated malpractice reserve was $20 million at June 30, 2012, of which it was estimated that $2.7 million could be used in Fiscal Year 2013 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, 2012.

Long-term liability composition and activity for the Fiscal Years ended June 30, 2011 and 2012 were as follows:

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Long-Term Liability
for Years Ended June 30, 2011 and 2012

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

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

Fiscal Year Ending June 30th	Total Long Term Debt
2013	$ 2,915,261
2014	2,014,187
2015	2,014,187
2016	2,014187
2017	2,014,187
Thereafter	14,938,557
Totals	**$25,910,566**

SCHEDULE 1

UNIVERSITY OF CONNECTICUT JUNE 30, 2012
AUDITED FINANCIAL STATEMENTS

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University of Connecticut

Financial Report

For the Year Ended June 30, 2012

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

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

This financial report for the fiscal year ended June 30, 2012 represents the transactions and balances of the University, herein defined as all programs except the Health Center. This includes Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law and the School of Social Work. The University's enrollment in fiscal year 2012 was 29,994 students, taught by 1,330 full-time faculty members and an additional 735 part-time faculty and adjuncts. In total, the University employs 4,510 full and part-time faculty and staff (excluding adjuncts).

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

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

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

The financial condition of the University is closely tied to the State's economic condition. There are significant financial and economic challenges facing the state and the nation. Over the past several years, the University has experienced reductions in the State appropriation in addition to mandatory transfers to the State from the University's unrestricted net assets. Furthermore, decreases in State funding are also anticipated for fiscal year 2013. Despite the reality of declining State support, the University is committed to continuing its high standard of service to its students and the citizens of the State.

The University continues to seek immediate and long-term efficiencies where possible while focusing on three key goals: assuring access to educational excellence, enabling the University to be a key resource for Connecticut's economic growth, and outreach to Connecticut's people. The fiscal year 2012 financial statements reflect enhanced revenues where possible and reduced expenditures through the following actions: a stringent approval process for all hires and rehires, reductions for non-personnel expenditures, and review of procurement contracts for savings opportunities.

The University enjoys strong support across the State, is attracting greater numbers of highly qualified applicants than ever before, and maintains solid national rankings in virtually all relevant areas. Among its many accomplishments, the University continues to be the top public university in New England and is among the top public universities in the nation in the annual *U.S. News and World Report (2012 America's Best Colleges)* rankings. The University is also 25th on *Kiplinger's Personal Finance's* list of 100 Best Values in Public Colleges which ranks schools that combine outstanding education with economic value.

- Undergraduate enrollment is at an all-time high, while the quality and diversity of students choosing the University has shown a documented rise every year since the mid-1990s. Compared to fall of 1995, fall 2011 freshman enrollment at the main campus was up 65%, minority freshman enrollment was up 171%, and since 1996, average SAT scores were up 103 points. 43% of these students ranked in the top 10% of their high school class.
- The University's freshman-to-sophomore retention rate at the main campus is 93% and is substantially higher than the 82% average for 383 colleges and universities in the national Consortium for Student Retention Data Exchange. The 6-year graduation rate is 83% and the average time to graduate is 4.2 years among students completing Bachelor's within six years.
- Approximately 7,640 degrees were conferred in the 2011-12 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 \$122.5 million in fiscal year 2012.
- The endowment for both the University and the Health Center is valued at \$329.1 million and is maintained by the University, The University of Connecticut Foundation, and The University of Connecticut Law School Foundation. The support provided to or on behalf of the University and the Health Center from both foundations totaled \$31.3 million in 2012 for scholarships, faculty, programs and facilities.
- By the end of fiscal year 2012, the UCONN 2000 program has led to the authorization of 108 major projects totaling \$2.1 billion in bond proceeds.

Respectfully Submitted,

Lysa D. Teal

Richard D. Gray
Executive Vice President for Administration
and Chief Financial Officer

Lysa D. Teal
Associate Vice President of Finance
and Budget

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

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, 2012 and 2011, 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 .59 and .61 percent of the assets of the University as of June 30, 2012 and 2011, respectively. The University of Connecticut Law School Foundation, Inc. represented .21 and .34 percent of the combined revenues and other additions for the years ended June 30, 2012 and 2011, respectively. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2012 and 2011, 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 15 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,

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

January 4, 2013
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, 2012, based on currently known facts, decisions, or conditions. It also includes selected comparative information for the years ended June 30, 2011 and 2010, and certain amounts previously reported have been reclassified in order to conform to the current year presentation. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

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

This financial report for the fiscal year ended June 30, 2012 represents the transactions and balances of the University, herein defined as all programs except the Health Center. This includes Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law and the School of Social Work.

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 1990s. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is now responsible for the budgetary allocation of its State appropriation, check-writing authority, human resource control, purchasing authority and, with the advent of UCONN 2000 in 1995, management of capital projects.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing external review. The financial statements contained in this report reflect budget execution results consistent with spending plans and operating and capital budgets approved by the University's Board of Trustees. The Auditors of Public Accounts issue an Independent Auditors' Report on the financial statements of the University. They are responsible for auditing its financial operations and their opinion appears on page 1.

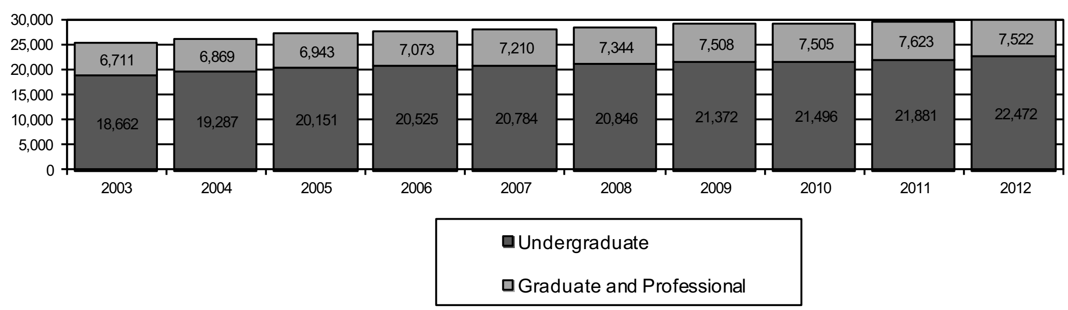
FINANCIAL HIGHLIGHTS AND ECONOMIC OUTLOOK

The University submits a separate biennial operating budget request to the Governor through the Secretary of the Office of Policy and Management (the Governor's fiscal office). The General Assembly appropriates funds upon passage of the annual appropriations bill. In general, the Governor may reduce State agency allotments by not more than 5%, although 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 $340.5 million for the year ended June 30, 2012 (fiscal year 2012) as compared to $376.9 million for the year ended June 30, 2011 (fiscal year 2011), and $363.2 million for the year ended June 30, 2010 (fiscal year 2010). The decrease in operating loss in fiscal year 2012 from fiscal year 2011 was due to an increase in total operating revenues of 2.8%, primarily attributed to an increase in undergraduate enrollment, tuition and fees, and board and room fees. There was also a 2.0% decrease in total operating expenses, as result of cost saving measures implemented during the year. The increase in operating loss in fiscal year 2011 from fiscal year 2010 was due to an increase in total operating expenses of 5.9%, primarily caused by a 6.4% increase in salaries as a result of a 3.3% 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 the State appropriation. The University experienced a loss before other changes in net assets of $41.9 million in fiscal year 2012 as compared to $49.9 million and $38.3 million for fiscal years 2011 and 2010, respectively. Total operating revenues grew $16.7 million in fiscal year 2012 and $40.8 million in fiscal year 2011. At the same time, operating expenses decreased $19.6 million in fiscal year 2012 as compared to an increase in fiscal year 2011 of $54.4 million over fiscal year 2010. Investment income decreased $0.1 million in fiscal year 2012, $0.3 million in fiscal year 2011 and $3.0 million in fiscal year 2010.

Sources of recurring revenues continued to exhibit strength. The University's total enrollment in fiscal year 2003 topped 25,000 students and grew to 29,994 students in fiscal year 2012. These students are taught by 1,330 full-time faculty members (an increase of 26 faculty over the prior year) and an additional 735 part-time faculty and adjuncts. Undergraduate enrollment at the University reached 22,472 students in fiscal year 2012, 2.7% more than fiscal year 2011 (1.8% more students in fiscal year 2011 over 2010). At the same time, an in-state tuition and mandatory fee increase of 2.4% and an out-of-state increase of 2.6% were approved for fiscal year 2012. Graduate and professional enrollment decreased by 1.3% with an in-state tuition and mandatory fee increase of 2.6% and an out-of-state increase of 2.5%. The net increase in overall enrollment, when combined with the tuition and mandatory fee increases, resulted in an increase in tuition and fee revenue, before scholarship allowances, of $19.2 million (5.6%) as compared to a $23.9 million (7.5%) increase in fiscal year 2011. Sales and services of auxiliary enterprises, before scholarship allowances, increased $3.3 million (1.8%), primarily as a result of an overall increase in room and board fees of 2.5% for undergraduate and graduate students and an increase in room occupancy of 1.6% over fiscal year 2011. In fiscal year 2011, sales and services of auxiliary enterprises, before scholarship allowances, increased $11.8 million (6.9%), primarily as a result of an overall increase in room and board fees of 6.5% for undergraduate students and 6.6% for graduate students and an increase in room occupancy of 1.2% over fiscal year 2010. Grant and contract revenues decreased $4.9 million (3.0%) in fiscal year 2012 as compared to an increase of $17.4 million (11.8%) fiscal year 2011 over 2010.

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 and was amended in fiscal years 2008, 2010 and 2011. As amended, it represents a $1.82 billion, 13-year extension of the original UCONN 2000 program (see Note 5), and provided $1.0 billion for facilities improvements at Storrs, the regional campuses, the School of Law and the School of Social Work. It also provided for $775.3 million for improvements at the Health Center. The total estimated cost for the UCONN 2000 program, including Phases I, II and III, is $3.1 billion. 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 2012, the University experienced a reduction of approximately $39.4 million in appropriation and payments for fringe benefits as a result of the State's economic initiatives. In fiscal years 2011 and 2010, the University transferred $15.0 million and $8.0 million, respectively, from unrestricted net assets to the State's General Fund as a result of a deficit mitigation plan implemented by the State. These funds have not been restored to the University's appropriation and further reductions in State support of approximately $15.0 million are anticipated in fiscal year 2013 due to the widening State deficit. In response to these measures, the University continues to seek immediate and long-term efficiencies where possible while focusing on three key goals: assuring access to educational excellence, enabling the University to be a key resource for Connecticut's economic growth, and outreach to Connecticut's people. The fiscal year 2012 financial statements reflect enhanced revenues where possible and reduced expenditures through the following actions: a stringent approval process for all hires and rehires, reductions for non-personnel expenditures, and review of procurement contracts for savings opportunities. Despite the reality of declining State support, the University is committed to continue its high standard of service to its students and the citizens of the State.

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 Statement 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 Statement No. 35 focuses on the University as a whole rather than on accountability by individual fund groups and provides accounting and financial reporting guidelines, enhancing the usefulness and comprehension of financial reports by external users. The adoption of these standards resulted in the conversion from fund accounting statements to statements presented in a single-column format.

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

STATEMENTS OF NET 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 which are recorded at historical cost, net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by the University.

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):

	2012	2011	2010
Current assets	$ 612.3	$ 500.6	$ 584.6
Noncurrent assets			
State debt service commitment	828.8	735.0	804.3
Investments	10.3	10.7	9.8
Property and equipment, net	1,422.8	1,399.3	1,397.5
Other	19.8	19.3	19.5
Total assets	$2,894.0	$2,664.9	$2,815.7
Current liabilities	$ 302.7	$ 268.3	$ 294.5
Noncurrent liabilities			
Long-term debt and bonds payable	1,082.4	978.1	1,058.7
Other	19.8	23.2	18.2
Total liabilities	$1,404.9	$1,269.6	$1,371.4
Invested in capital assets, net	$1,155.6	$1,144.9	$1,131.9
Restricted	162.3	75.0	149.6
Unrestricted	171.2	175.4	162.8
Total net assets	$1,489.1	$1,395.3	$1,444.3

The total assets increased $229.1 million in fiscal year 2012 over 2011 as compared to a decrease of $150.8 million in fiscal year 2011 over 2010. The increase in fiscal year 2012 was primarily attributed to the net effect of the following increases and decreases: a $9.7 million decrease ($9.5 million increase in fiscal year 2011) in cash and cash equivalents, a $8.0 million increase in due from State of Connecticut ($0.5 million decrease in fiscal year 2011), a $106.8 million increase in deposit with bond trustee ($92.6 million decrease in fiscal year 2011), a $101.0 million increase in the State debt service commitment ($73.6 million decrease in fiscal year 2011), and a net increase of $23.5 million to property and equipment ($1.7 million in fiscal year 2011).

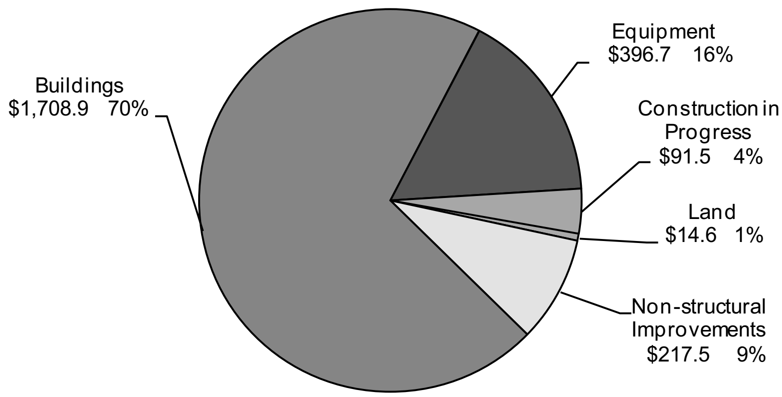
The total liabilities for fiscal year 2012 increased $135.3 million ($101.8 million decrease in fiscal year 2011) primarily due to newly acquired debt through the sale of general obligation bonds and bond refundings of $236.3 million ($0 in fiscal year 2011), which was offset by the retirement and refundings of debt on existing bonds and loans of $126.1 million in fiscal year 2012 ($84.5 million in fiscal year 2011), a decrease in wages payable of $15.3 million ($5.5 million increase in fiscal year 2011), and an increase in due to affiliate of $41.5 million in fiscal year 2012 ($24.0 million decrease in fiscal year 2011). The combination of the increase in total assets of $229.1 million ($150.8 million decrease for fiscal year 2011) and total liabilities of $135.3 million ($101.8 million decrease for fiscal year 2011) yields an increase in total net assets of $93.8 million ($49.0 million decrease in fiscal year 2011).

Capital and Debt Activities

During fiscal year 2012, the University recorded additions to property and equipment totaling $112.7 million ($93.1 million and $75.7 million in fiscal years 2011 and 2010, respectively) of which $83.2 million related to buildings and construction in progress ($69.2 million and $51.8 million in fiscal years 2011 and 2010, 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 $1.82 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:

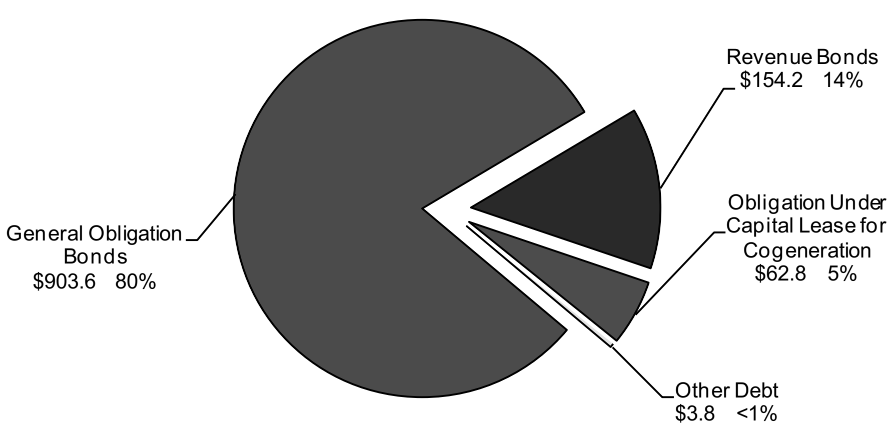
TOTAL PROPERTY AND EQUIPMENT AT COST AT JUNE 30, 2012
($ in Millions) Total $2,429.2



In fiscal year 2012, the University issued UCONN 2000 general obligation bonds with a face value of $179.7 million ($0 in fiscal year 2011) of which $62.5 million was committed to the Health Center for its UCONN 2000 projects (see Note 5). The State has made a commitment to fund the University for all principal and interest payments due on UCONN 2000 general obligation debt, 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. Subsequent to the year ended June 30, 2012, the University issued $88.0 million in special obligation student fee revenue bonds, with a closing date of December 13, 2012, to refund outstanding balances of previously issued bonds (see Note 5).

The following chart illustrates the categories of debt as of June 30, 2012, exclusive of premiums, discounts and debt differences due to refunding:

CATEGORIES OF DEBT AT JUNE 30, 2012
($ in Millions) Total $1,124.4

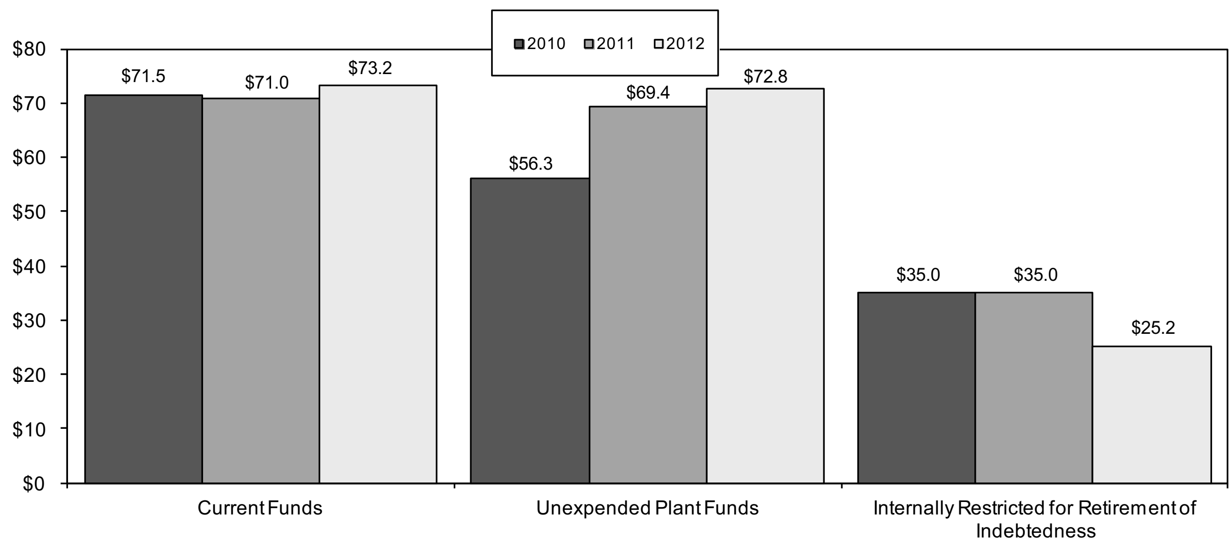


See Notes 4 and 5 of the financial statements for further information on capital and debt activities.

Net Assets

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, represents 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 Statement No. 35 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:

UNRESTRICTED NET ASSETS ($ in Millions)



For the most part 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

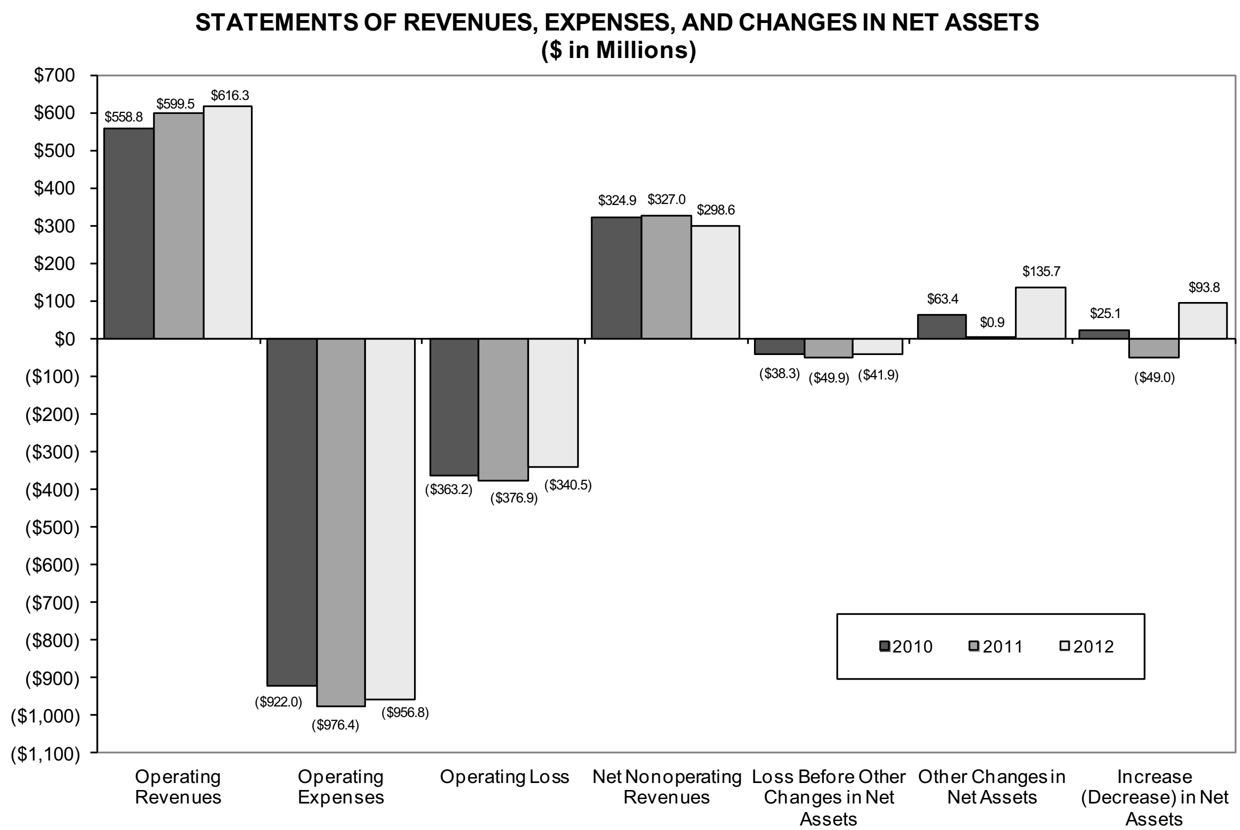
Revenues and expenses are classified as operating, nonoperating, or other changes in net assets according to definitions prescribed by GASB. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include State appropriation for general operations, State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

In fiscal year 2012, the University determined that certain activities should be classified as an auxiliary enterprise, instead of as a component of institutional support. To enhance comparability, the amounts presented for the previous years were changed to reflect the reclassification of revenues from other sources to sales and services of auxiliary enterprises, and expenses from institutional support to auxiliary enterprises. For fiscal years 2011 and 2010, the total reclassification of revenues were $5.4 million and $5.1 million, respectively, and expenses were $3.9 million and $3.7 million, respectively. These changes have no effect on operating loss or net assets for the years ended June 30, 2011 and 2010.

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

	2012	2011	2010
Operating revenues	$ 616.3	$ 599.5	$ 558.8
Operating expenses	956.8	976.4	922.0
Operating loss	(340.5)	(376.9)	(363.2)
Net nonoperating revenues	298.6	327.0	324.9
Loss before other changes in net assets	(41.9)	(49.9)	(38.3)
Net other changes in net assets	135.7	0.9	63.4
Increase (decrease) in net assets	$ 93.8	$ (49.0)	$ 25.1

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 in 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 and amortization 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 appropriation and State debt service commitment for interest. Such revenues are provided by the State to the University without the State directly receiving commensurate goods and services in exchange for those revenues. Nonoperating revenues (expenses) also include transfers to State General Fund, noncapital gifts, investment income, interest expense, and other expenses not considered 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 allocation, capital grants and gifts, the disposal of property and equipment, and additions to permanent endowments. The Statements of Revenues, Expenses, and Changes in Net Assets reflect an increase in the net assets of $93.8 million in fiscal year 2012, a decrease of $49.0 million in fiscal year 2011, and an increase of $25.1 million in fiscal year 2010.

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

	2012	2011	2010
Operating revenues:			
Student tuition and fees, net	$ 251.0	$ 233.9	$ 223.8
Grants and contracts	159.7	164.5	147.2
Sales and services of educational departments	17.4	16.2	15.2
Sales and services of auxiliary enterprises, net	182.0	178.5	166.9
Other sources	6.2	6.4	5.7
Total operating revenues	616.3	599.5	558.8
Nonoperating revenues:			
State appropriation	282.4	329.0	325.5
State debt service commitment for interest	39.8	40.0	38.5
Gifts	24.3	21.1	18.1
Investment income	0.9	1.0	1.3
Total nonoperating revenues	347.4	391.1	383.4
Other changes in net assets:			
State debt service commitment for principal	115.4	-	61.7
Capital allocation	18.0	-	-
Capital grants and gifts and additions to permanent endowments	2.8	2.0	2.4
Total other changes in net assets	136.2	2.0	64.1
Total revenues	$ 1,099.9	$ 992.6	$ 1,006.3

Revenue highlights, for fiscal years 2012 and 2011 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 7.3% in fiscal year 2012 (4.5% in fiscal year 2011) and 5.6% before scholarship allowances (7.5% in fiscal year 2011). The increase in fiscal year 2012 was due in part to a 2.7% (1.8% in fiscal year 2011) increase in undergraduate enrollment at the University and an increase of 2.4% (5.4% in fiscal year 2011) for undergraduate in-state tuition and mandatory fees charged, and 2.6% (5.5% in fiscal year 2011) for out-of-state tuition and mandatory fees.

- Total grants and contracts decreased $4.9 million (3.0%) in fiscal year 2012 ($17.4 million or 11.8% increase in fiscal year 2011) primarily due to a decrease in federal and state financial aid.

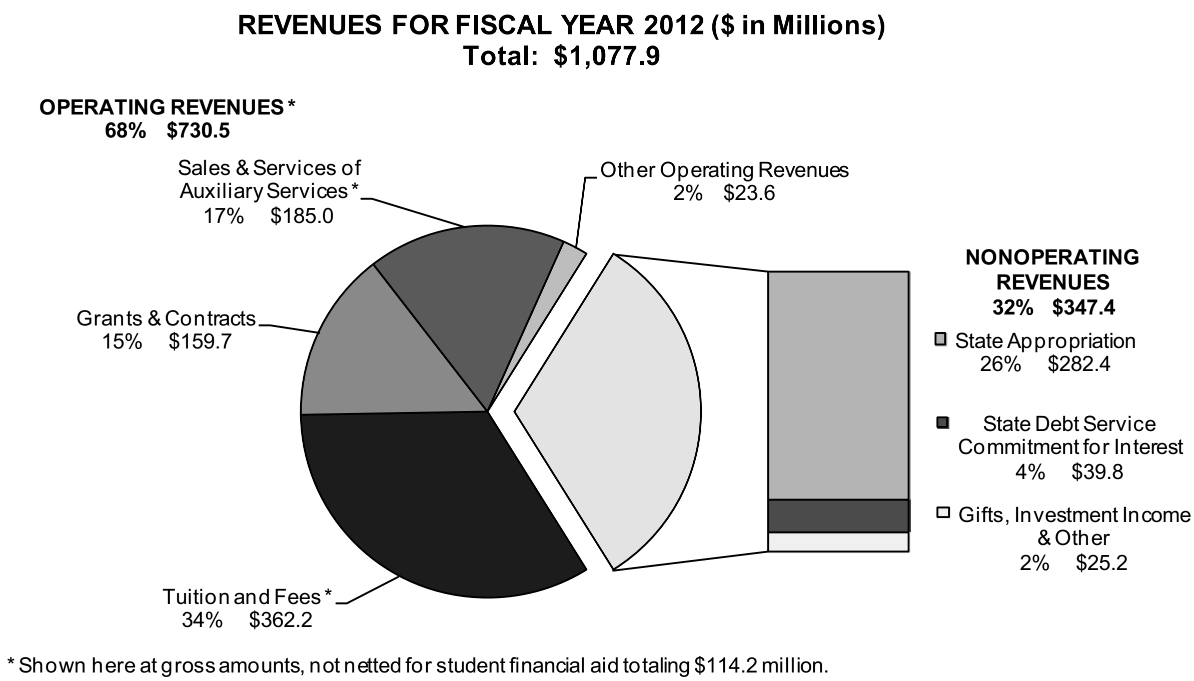
- Sales and services of auxiliary enterprises, net of scholarship allowances, increased approximately 2.0% and 7.0% during fiscal years 2012 and 2011, respectively. The increase in fiscal year 2012 resulted from an increase in fees charged for both room and board of 2.5% for undergraduate and graduate students and an increase in room occupancy of 1.6% over fiscal year 2011. The increase in fiscal year 2011 resulted from an increase in fees charged for both room and board of 6.5% for undergraduate students and 6.6% for graduate students and an increase in room occupancy of 1.2% over fiscal year 2010.

- The largest source of revenue, State appropriation including fringe benefits, decreased $46.6 million in fiscal year 2012 compared to an increase of $3.5 million in fiscal year 2011. 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 $115.4 million in fiscal year 2012. There were no general obligation bonds issued in fiscal year 2011. In fiscal year 2012, included in other changes in net assets, the State allocated $18.0 million for design and development costs of the Technology Park on the Storrs campus (see Note 12).

- Gift revenue, both capital and noncapital, is derived from gifts made directly to the University and from the Foundation and 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 $22.9 million in fiscal year 2012 compared to $19.4 million in fiscal year 2011. On a combined basis, both Foundations also paid approximately $3.1 million in fiscal year 2012 ($3.5 million in fiscal year 2011) to third parties on behalf of the University. This amount is not reflected in the University's financial statements. Total nonoperating gifts and capital grants and gifts revenue to the University from all sources amounted to $27.1 million and $23.2 million in fiscal years 2012 and 2011, respectively.

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



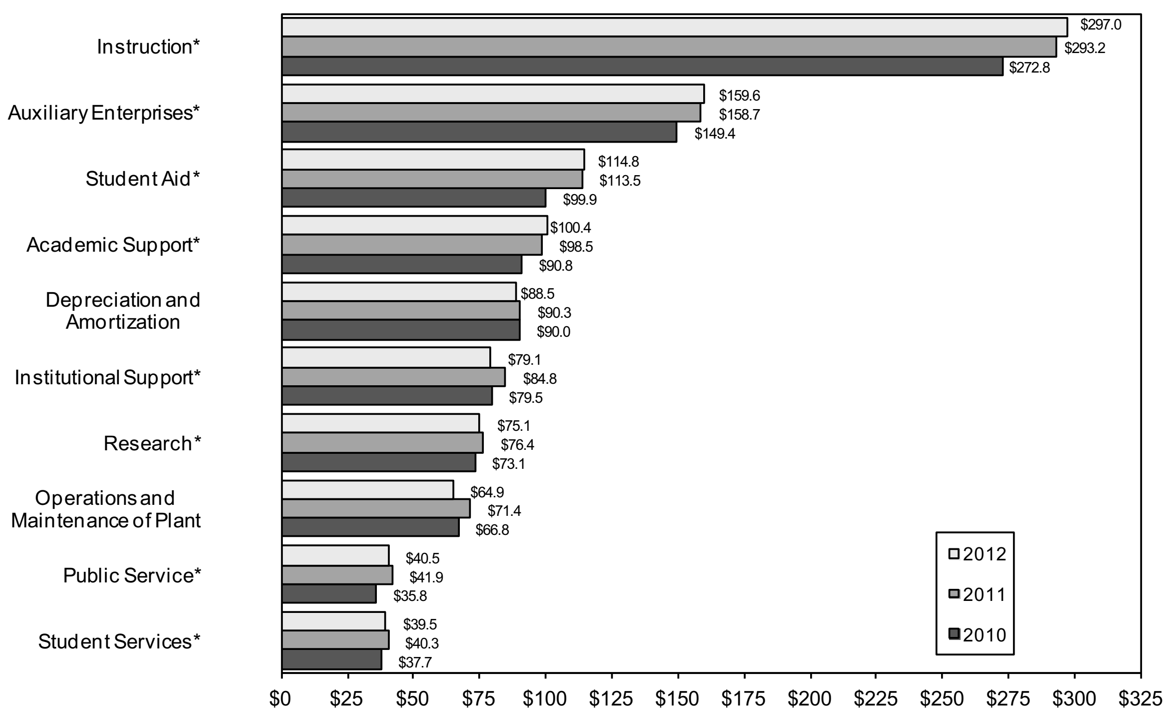
Expenses

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

	2012	2011	2010
Operating expenses:			
Instruction	$ 295.7	$ 292.2	$ 271.9
Research	72.8	74.5	72.3
Operations and maintenance of plant	64.9	71.4	66.8
Auxiliary enterprises	159.3	158.4	149.1
Depreciation and amortization	88.5	90.3	90.0
Other	275.6	289.6	271.9
Total operating expenses	956.8	976.4	922.0
Nonoperating expenses:			
Interest expense	47.1	48.8	48.6
Transfers to State General Fund	-	15.0	8.0
Other nonoperating expense, net	1.7	0.3	2.0
Total nonoperating expenses	48.8	64.1	58.6
Other changes in net assets:			
Capital allocation	-	0.5	-
Disposal of property and equipment, net	0.5	0.6	0.7
Total other changes in net assets	0.5	1.1	0.7
Total expenses	$ 1,006.1	$ 1,041.6	$ 981.3

Operating expenses 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 expenses of the University. It does not include other operating expenses:

EXPENSES BY FUNCTIONAL CLASSIFICATION
($ in Millions)



* Shown here at gross amounts, not netted for financial aid totaling $114.2 million.

Total operating expenses were $956.8 million and $976.4 million in fiscal years 2012 and 2011, respectively, netted for student financial aid totaling $114.2 million and $112.3 million, respectively. Natural classification includes salaries, fringe benefits, utilities, and supplies and other expenses (see Note 14 for operating expenses classified by natural classification).

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 $3.5 million (1.2%) primarily due to an increase of approximately 31 full-time equivalent faculty and staff due to the University's strategic faculty hiring plan which was offset by a 4.5% decrease in supplies and other expenses. In fiscal year 2011, instruction increased $20.3 million (7.5%) primarily due to an increase of approximately 41 full-time equivalent faculty and staff, due to the strategic faculty hiring plan during fiscal year 2011, and an average compensation increase for the bargaining units of approximately 5%. In addition, there was a 15.1% net increase in supplies, commodities and other expenses.

- In fiscal year 2012, research expenses decreased $1.7 million or 2.3% ($2.2 million or 3.0% increase in fiscal year 2011). These expenses are related primarily to sponsored research revenues and are affected by the timing of salaries and the purchase of supplies and commodities that can be charged to grants.

- In fiscal year 2012, institutional support experienced a decrease of $5.6 million or 6.7%. This resulted from a 6.4% decrease (4.6% increase in fiscal 2011) in the number of full-time equivalent staff. In addition, there was a 15.8% net decrease in supplies and other expenses. In fiscal year 2011, institutional support experienced a slight increase over 2010 in contractual services related to the revenue enhancement and cost savings review performed by an outside consulting firm.

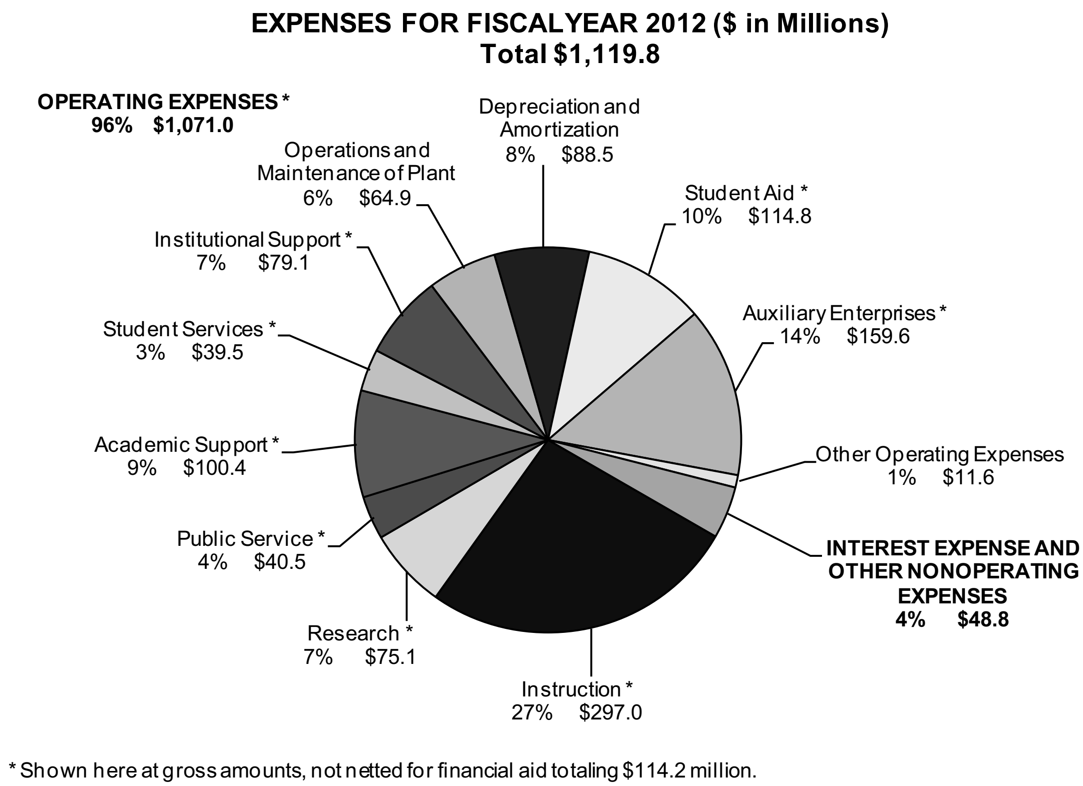
- Operations and maintenance of plant decreased $6.5 million or 9.1% in fiscal year 2012 as compared to a $4.6 million or 6.9% increase in fiscal year 2011. This is primarily attributed to a decrease in natural gas rates of approximately 8.6% in fiscal year 2012 (11.6% in fiscal year 2011). Natural gas consumption, the primary energy source that fuels the Cogeneration plant, decreased 9.5% in fiscal year 2012 (0.5% in fiscal year 2011), mainly due to an unusually mild winter. In fiscal year 2012, the University also experienced a decrease in electricity consumption of 6.2% (10.0% increase in fiscal year 2011). Electricity rates, including distribution and demand charges, decreased approximately 9.7% in fiscal year 2012 and increased 3.6% in fiscal year 2011. Concurrently, supplies and other expenses related to general maintenance and repairs decreased 7.7% (18.1% increase in fiscal year 2011).

- Fiscal year 2012 depreciation expense was lower than fiscal year 2011, mainly due to changes in the capitalization policy in fiscal year 2011 that impacted the capitalization threshold for equipment.

- Auxiliary enterprises expenses increased $0.9 million or 0.6% in fiscal year 2012 (6.3% in fiscal year 2011), primarily due to the hiring of 19 full-time equivalent staff offset by a 18.7% decrease in utilities (8.0% in fiscal year 2011).

- For the fiscal years 2012 and 2011, $3.2 million and $2.5 million, respectively, were expensed 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. In fiscal year 2011, the University expensed $3.9 million in other operating expenses due to a cancelled software implementation project in which costs capitalized to date had no realizable value as of June 30, 2011. In addition, $2.7 million was expensed in other operating expenses to correct structural deficiencies related to the Agricultural Biotechnology Laboratory and Advanced Technology Laboratory buildings in fiscal year 2011. For fiscal year 2010, the University expensed an additional $3.3 million in other operating expenses for a project to correct structural deficiencies related to the construction of the Law School Library building. These expenses did not increase the value of the building or extend its useful life (see Note 4). The remaining amounts in other operating expenses include costs not capitalized under University policy such as repairs, project management fees, capital project studies, and mold, lead and asbestos removal projects. These expenses totaled $8.4 million in fiscal year 2012 as compared to $10.7 million in fiscal year 2011.

The pie chart below illustrates operating expenses by function, not netted for financial aid, and also includes other operating expenses. A significant portion of student aid is reflected as an allowance against tuition and fees revenue and sales and services of auxiliary enterprises on the Statements of Revenues, Expenses, and Changes in Net 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 and amortization 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, transfers to State General Fund, gifts and other nonoperating revenues and expenses; cash flows from capital financing activities that reflect the cash received and used by the University for financing, principally capital in nature, capital grants and gifts, and State debt service commitments for principal and interest; cash flows from investing activities showing the purchases, proceeds and interest received from investing activities; and a reconciliation of operating loss reflected on the Statements of Revenues, Expenses, and Changes in Net 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):

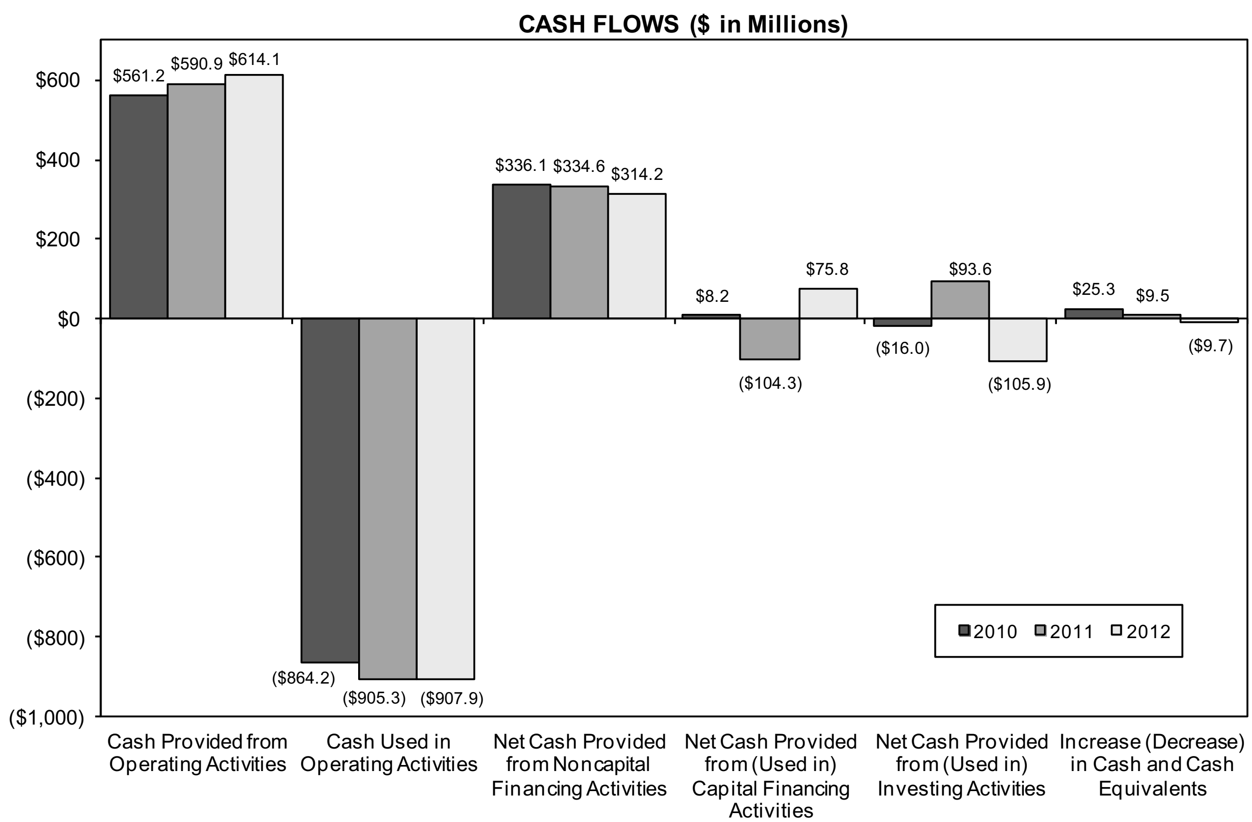
	2012	2011	2010
Cash provided from operating activities	$ 614.1	$ 590.9	$ 561.2
Cash used in operating activities	(907.9)	(905.3)	(864.2)
Net cash used in operating activities	(293.8)	(314.4)	(303.0)
Net cash provided from noncapital financing activities	314.2	334.6	336.1
Net cash provided from (used in) capital financing activities	75.8	(104.3)	8.2
Net cash provided from (used in) investing activities	(105.9)	93.6	(16.0)
Net increase (decrease) in cash and cash equivalents	$ (9.7)	$ 9.5	$ 25.3

Net cash used in operating activities was $293.8 million and $314.4 million in fiscal years 2012 and 2011, respectively, and is consistent with the operating loss discussed earlier after adding back depreciation and amortization, a noncash expense. GASB requires that cash flows from noncapital financing activities include State appropriation and noncapital gifts. Cash flows from these activities totaled $314.2 million in fiscal year 2012 ($334.6 million in fiscal year 2011), a $20.4 million decrease from fiscal year 2011 ($1.5 million from fiscal year 2010).

Cash flows provided by capital financing activities was $75.8 million in fiscal year 2012 and $104.3 million used in fiscal year 2011. The major difference between fiscal years 2012 and 2011 was an increase in proceeds from bonds of $200.0 million in fiscal year 2012 ($105.0 million decrease in fiscal year 2011) and an increase in the amount of purchases of property and equipment of $20.0 million ($10.8 million in 2011).

Net cash used in investing activities was $105.9 million in fiscal year 2012 and $93.6 million provided in fiscal year 2011. The major difference between fiscal years 2012 and 2011 is that $200.0 million in bond proceeds were received in fiscal year 2012 ($0 in fiscal year 2011) which were invested in the deposit with bond trustee.

Total cash and cash equivalents decreased $9.7 million in fiscal year 2012 and increased $9.5 million in fiscal year 2011 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:



FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT
STATEMENTS OF NET ASSETS
As of June 30, 2012 and 2011

($ in thousands)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 265,374	$ 275,129
Accounts receivable, net	33,217	34,033
Student loans receivable, net	1,744	1,864
Due from State of Connecticut	52,346	44,319
State debt service commitment	90,600	83,409
Inventories	4,198	3,857
Deposit with bond trustee	160,524	53,730
Deferred charges	785	787
Prepaid expenses	3,515	3,503
Total Current Assets	612,303	500,631
Noncurrent Assets		
Cash and cash equivalents	1,420	1,356
Investments	10,303	10,686
Student loans receivable, net	10,494	10,481
State debt service commitment	828,795	735,015
Property and equipment, net	1,422,789	1,399,263
Deferred charges	7,923	7,481
Total Noncurrent Assets	2,281,724	2,164,282
Total Assets	$ 2,894,027	$ 2,664,913
LIABILITIES		
Current Liabilities		
Accounts payable	$ 25,867	$ 27,691
Deferred income	24,809	24,777
Deposits held for others	2,887	2,362
Wages payable	40,326	55,635
Compensated absences	24,266	21,771
Due to State of Connecticut	14,570	16,984
Due to affiliate (see Note 5)	48,300	6,823
Current portion of long-term debt and bonds payable	88,372	80,589
Other current liabilities	33,360	31,653
Total Current Liabilities	302,757	268,285
Noncurrent Liabilities		
Compensated absences	8,740	12,696
Long-term debt and bonds payable	1,082,351	978,061
Refundable for federal loan program	11,076	10,516
Total Noncurrent Liabilities	1,102,167	1,001,273
Total Liabilities	$ 1,404,924	$ 1,269,558
NET ASSETS		
Invested in capital assets, net of related debt	$ 1,155,616	$ 1,144,923
Restricted nonexpendable	11,574	11,892
Restricted expendable		
Research, instruction, scholarships and other	19,536	17,915
Loans	2,425	2,818
Capital projects	121,015	35,204
Debt service	7,737	7,229
Unrestricted (see Note 1)	171,200	175,374
Total Net Assets	$ 1,489,103	$ 1,395,355

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, 2012 and 2011

($ in thousands)

	2012	2011
OPERATING REVENUES		
Student tuition and fees (Net of scholarship allowances of $111,139 for 2012 and $109,106 for 2011. See Note 1.)	$ 251,017	$ 233,881
Federal grants and contracts	124,478	125,798
State and local grants and contracts	22,078	27,390
Nongovernmental grants and contracts	13,141	11,367
Sales and services of educational departments	17,348	16,161
Sales and services of auxiliary enterprises (Net of scholarship allowances of $3,030 for 2012 and $3,240 for 2011. See Note 1.)	181,974	178,494
Other sources	6,229	6,447
Total Operating Revenues	616,265	599,538
OPERATING EXPENSES		
Educational and general		
Instruction	295,684	292,203
Research	72,761	74,481
Public service	39,636	41,470
Academic support	100,142	98,393
Student services	39,048	39,755
Institutional support	79,103	84,744
Operations and maintenance of plant	64,880	71,365
Depreciation and amortization	88,478	90,335
Student aid	6,107	5,490
Auxiliary enterprises	159,310	158,422
Other operating expenses	11,644	19,740
Total Operating Expenses	956,793	976,398
Operating Loss	(340,528)	(376,860)
NONOPERATING REVENUES (EXPENSES)		
State appropriation	282,370	328,951
State debt service commitment for interest	39,755	39,978
Transfers to State General Fund	-	(15,000)
Gifts	24,377	21,168
Investment income	898	1,020
Interest expense	(47,117)	(48,824)
Other nonoperating expenses, net	(1,635)	(297)
Net Nonoperating Revenues	298,648	326,996
Loss Before Other Changes in Net Assets	(41,880)	(49,864)
OTHER CHANGES IN NET ASSETS		
State debt service commitment for principal	115,400	-
Capital allocation	18,000	(479)
Capital grants and gifts	2,768	1,989
Disposal of property and equipment, net	(540)	(618)
Net Other Changes in Net Assets	135,628	892
Increase (Decrease) in Net Assets	93,748	(48,972)
NET ASSETS		
Net Assets-beginning of year	1,395,355	1,444,327
Net Assets-end of year	$ 1,489,103	$ 1,395,355

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

UNIVERSITY OF CONNECTICUT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

($ in thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 248,473	$ 226,289
Grants and contracts	156,152	161,603
Sales and services of auxiliary enterprises	183,996	179,086
Sales and services of educational departments	17,382	15,692
Payments to suppliers and others	(247,396)	(274,777)
Payments to employees	(491,073)	(463,911)
Payments for benefits	(167,506)	(164,449)
Loans issued to students	(1,965)	(2,167)
Collection of loans to students	2,071	2,077
Other receipts, net	6,059	6,156
Net Cash Used in Operating Activities	(293,807)	(314,401)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation	289,771	329,095
Transfers to State General Fund	-	(15,000)
Gifts	24,529	21,071
Other nonoperating expenses, net	(94)	(558)
Net Cash Provided from Noncapital Financing Activities	314,206	334,608
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from bonds	200,000	-
State debt service commitment	116,684	113,530
Purchases of property and equipment	(105,885)	(85,897)
Proceeds from sale of property and equipment	182	396
Principal paid on debt and bonds payable	(88,139)	(82,367)
Interest paid on debt and bonds payable	(48,628)	(51,160)
Capital allocation	151	(10)
Capital grants and gifts	1,441	1,140
Net Cash Provided from (Used in) Capital Financing Activities	75,806	(104,368)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	(54)	(18)
Interest on investments	952	1,043
Deposit with bond trustee	(106,794)	92,593
Net Cash Provided from (Used in) Investing Activities	(105,896)	93,618
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,691)	9,457
BEGINNING CASH AND CASH EQUIVALENTS	276,485	267,028
ENDING CASH AND CASH EQUIVALENTS	$ 266,794	$ 276,485

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, 2012 and 2011

($ in thousands)

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$ (340,528)	$ (376,860)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation and amortization expense	88,478	90,335
Property and equipment	(4,995)	1,045
In-kind donations	96	176
In-kind worker's compensation	2,337	-
Obligations under capital leases	1,840	-
Changes in Assets and Liabilities:		
Receivables, net	514	(3,889)
Inventories	(341)	(514)
Prepaid expenses	(12)	(244)
Accounts payable, wages payable and compensated absences	(19,061)	6,638
Deferred income	32	(2,412)
Deferred charges	46	39
Deposits	525	(58)
Due from State of Connecticut	(2,329)	(895)
Due to affiliate	(21,075)	(25,723)
Due from related agencies	-	157
Other liabilities	(1)	(3,202)
Loans to students	667	1,006
Net Cash Used in Operating Activities	$ (293,807)	$ (314,401)

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, 2012 and 2011

($ in thousands)

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	$ 1,428	$ 1,026
Pledges receivable, net of allowance	392	248
Other receivable	49	51
Prepaid expenses	23	34
Total Current Assets	1,892	1,359
Noncurrent Assets		
Pledges receivable, net of allowance	148	138
Investments	14,990	14,872
Property and equipment, net of accumulated depreciation of $127 for 2012 and $117 for 2011	8	12
Total Noncurrent Assets	15,146	15,022
Total Assets	$ 17,038	$ 16,381
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ -	$ 5
Total Liabilities	-	5
NET ASSETS		
Unrestricted	1,216	1,243
Temporarily restricted	2,500	2,578
Permanently restricted	13,322	12,555
Total Net Assets	17,038	16,376
Total Liabilities and Net Assets	$ 17,038	$ 16,381

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2012 and 2011

($ in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
REVENUES AND SUPPORT					
Contributions and grants	$ 440	$ 296	$ 1,044	$ 1,780	$ 1,196
Interest and dividends	23	414	-	437	411
Net realized and unrealized gains	1	42	-	43	1,755
Net assets released from restrictions	830	(830)	-	-	-
Write off of pledges receivable	277	-	(277)	-	-
Total Revenues and Support	1,571	(78)	767	2,260	3,362
EXPENSES					
Program Expenses					
Scholarships and awards	195	-	-	195	184
Student support and faculty support	609	-	-	609	646
Alumni and graduate relations	98	-	-	98	123
Total Program Expenses	902	-	-	902	953
Support Expenses					
Management and general	568	-	-	568	581
Fundraising	128	-	-	128	88
Total Support Expenses	696	-	-	696	669
Total Expenses	1,598	-	-	1,598	1,622
Changes in Net Assets	(27)	(78)	767	662	1,740
Net Assets-beginning of year	1,243	2,578	12,555	16,376	14,636
Net Assets-end of year	$ 1,216	$ 2,500	$ 13,322	$ 17,038	$ 16,376

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, 2012 and 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut is a comprehensive institution of higher education, which includes the University of Connecticut Health Center (Health Center). Although governed by a single Board of Trustees, the University of Connecticut and its Health Center maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and appropriations from the State of Connecticut (State). The Health Center also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. This financial report for the fiscal years ended June 30, 2012 and 2011 represents the transactions and balances of the University of Connecticut (University), herein defined as all programs except the Health Center.

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

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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 separately audited, producing their own financial statements. Displaying the Foundation’s financial statements as a component unit of either the University or the Health Center would distort its actual contribution or economic benefit to that entity, and therefore, the Foundation is not included as a component unit in the accompanying financial statements.

Financial Statement Presentation

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

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 Statement 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 amortization, and reduced by outstanding principal balances of bonds (net of State debt service commitment) and notes that are attributable to the acquisition, construction, or improvement of those assets.

- **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; however, they are subject to internal designations. 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. For the most part all unrestricted net assets are internally designated to support academic and research programs, capital projects, retirement of indebtedness, and auxiliary enterprise activities.

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

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.

Certain reclassifications were made to the Statement of Net Assets for the year ended June 30, 2011, to reflect changes in the classification between current and noncurrent liabilities. Additionally, in fiscal year 2012, the University determined that certain activities should be classified as an auxiliary enterprise, instead of as a component of institutional support. To enhance comparability, the amounts presented for the previous year were changed to reflect the reclassification of revenues from other sources to sales and services of auxiliary enterprises, and expenses from institutional support to auxiliary enterprises. For fiscal year 2011, the total reclassification of revenues and expenses were $5.4 million and $3.9 million, respectively. These changes have no effect on operating loss or net assets for the year ended June 30, 2011.

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.

New Accounting Standards

The University's financial statements and notes for fiscal years 2012 and 2011 as presented herein include the provisions of the following GASB pronouncements:

The University adopted GASB Statement No. 59, *Financial Instruments Omnibus*, as of July 1, 2010. This statement provides additional guidance on existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. There was no significant impact on the financial statements as a result of this adoption.

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

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

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

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

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

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

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

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

Property and Equipment (see Note 4)
Property and equipment are reported at cost at date of acquisition or fair value at date of donation as in the case of gifts. Property and equipment that are exchanged for other assets are recorded based on the fair value of the asset given up or the fair value of the asset received, whichever value is most clearly evident. Renovations that significantly increase the value or useful life of an asset are capitalized. Routine repairs and maintenance, and certain library materials, are charged to operating expenses in the year incurred. Building components and non-structural improvements have estimated useful lives of 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years.

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

Compensated Absences (see Note 7)
Employee vacation, holiday, compensatory, and sick leave are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statements of Net 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 of the University, principal payments due on bonds (net of unamortized premiums, discounts, and debt differences), loans and capital leases with a maturity of more than one year, and governmental advances for revolving loan programs that would be returned to the federal government upon cessation of the student loan program.

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

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

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

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

- **Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions.
- **Temporarily Restricted Net Assets:** Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Law School Foundation and/or passage of time. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- **Permanently Restricted Net Assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Law School Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Investments are reported at fair value based upon quoted market prices. Certain amounts reported in 2011 have been reclassified in order to conform to the current year presentations.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The University’s total cash and cash equivalents balance was $266.8 million and $276.5 million as of June 30, 2012 and 2011, respectively, and included the following (amounts in thousands):

	2012	2011
Cash maintained by State of Connecticut Treasurer	$ 244,342	$ 246,766
Invested in State of Connecticut Short-Term Investment Fund	16,953	16,491
Invested in State of Connecticut Short-Term Investment Fund - Endowments	1,420	1,356
Invested in Short-Term Corporate Notes	2,639	2,504
Deposits with Financial Institutions and Other	1,440	9,368
Total cash and cash equivalents	266,794	276,485
Less: current balance	265,374	275,129
Total noncurrent balance	$ 1,420	$ 1,356

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

Short-Term Investment Fund (STIF) is a money market investment pool in which the State, municipal entities, and 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 University's cash management investment policy permits the University to invest in STIF, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts. Cash and cash equivalents include amounts of $17.0 million and $1.4 million invested in STIF, which had a Standard and Poor’s rating of AAAm during fiscal year 2012. The $2.6 million invested in Short-Term Corporate Notes during fiscal year 2012 includes repurchase agreements held with a financial institution and is collateralized by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, both of which had an AA+ Standard and Poor’s rating.

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

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

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

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

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

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

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

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

The endowments invested with the Foundation are subject to risk due to the uncollateralized nature of most of its investments. Certain investments of the Foundation include external investment pools. The bond mutual funds had average credit quality of Aa1/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). The University endowment's foreign publicly traded equities totaled $1.3 million and $1.6 million and private capital investments totaled approximately $1.9 million and $1.8 million at June 30, 2012 and 2011, respectively.

The University also holds a partnership interest in Campus Associates Limited Partnership (see Note 12). The cost basis was used to estimate fair market value for this investment because the fair value was not readily available as of June 30, 2012 and 2011. As a result, the estimated fair value may differ from the value that would have been assigned had a ready market for such an investment existed; however, it is unlikely that such differences would be material.

The cost and fair value of the University's investments including those managed by the Foundation at June 30, 2012 and 2011 were (amounts in thousands):

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Endowments:				
Foundation Managed	$ 9,550	$ 10,153	$ 9,496	$ 10,536
Other:				
Campus Associates Limited Partnership Interest	150	150	150	150
Total Investments	$ 9,700	$ 10,303	$ 9,646	$ 10,686

Certain other funds are held in trust for investment by outside trustees. The University is designated as the income beneficiary and the funds are not under the direct control of the University. Accordingly, the assets of these funds are not included in the financial statements. The fair value of these funds was $12.0 million and $12.6 million as of June 30, 2012 and 2011, 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, 2012 and 2011 was $486,000 and $433,000, respectively.

3. ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable at June 30, 2012 and 2011 consisted of the following (amounts in thousands):

	2012	2011
Grants and contracts	$ 22,477	$ 21,338
Student and general	16,180	17,655
Investment income	79	133
Allowance for doubtful accounts	(5,519)	(5,093)
Total accounts receivable, net	$ 33,217	$ 34,033

The University participated in the U.S. Department of Education Federal Direct Lending program during fiscal years 2012 and 2011 and distributed student loans through this program of $162.0 million and $157.0 million, respectively. These distributions and related funding are not reflected as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements. The excess of direct loans distributed over funding received from the U.S. Department of Education as of June 30, 2012 and 2011 was $93,000 and $10,000, respectively, and these amounts were included as receivables under grants and contracts.

Student loans receivable are substantially comprised of amounts owed from students under the Federal Perkins Loan Program and was reported separately from accounts receivable on the Statements of Net Assets, net of an allowance for doubtful accounts of $1.1 million at June 30, 2012 and 2011.

4. PROPERTY AND EQUIPMENT

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

Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the respective assets. Building components and non-structural improvements have estimated useful lives of 2 years to 60 years. Equipment has estimated useful lives of 3 years to 30 years. Library materials have an estimated useful life of 15 years. The value of library materials, before depreciation, was $80.1 million and $79.4 million at June 30, 2012 and 2011, 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 $53.4 million and $52.8 million at June 30, 2012 and 2011, respectively. Capitalized software has an estimated life of 3 years to 5 years. The value of capitalized software, before amortization, was $25.1 million and $16.4 million at June 30, 2012 and 2011, respectively. Library materials, historical collections and art, and capitalized software are all included in equipment in the schedule of Changes in Property and Equipment.

On July 1, 2010, the University increased the capitalization threshold for equipment from $1,000 to $5,000. Equipment previously capitalized under the $5,000 threshold will be written-off when it becomes fully depreciated. For the years ended June 30, 2012 and 2011, a total of $13.9 million and $42.9 million, respectively, of fully depreciated equipment falling under the new threshold is included in equipment retirements.

For the year ended June 30, 2011, a total of $2.7 million 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 Agricultural Biotechnology Laboratory and Advanced Technology Laboratory buildings. These expenses will not increase the value of the buildings or extend its useful life. While the University is pursuing remedies from the original 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.

For the years ended June 30, 2012 and 2011, a total of $3.2 million and $2.5 million, respectively, were 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, 2012 and 2011, an accrual for estimated expenses to complete these projects totaling $8.8 million and $12.1 million, respectively, was 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.

For the year ended June 30, 2011, a total of $3.9 million was expensed in other operating expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets for costs related to the implementation of certain software. The project was cancelled subsequent to June 30, 2011, and it was determined that costs capitalized to date had no realizable value as of June 30, 2011.

The following table describes the changes in property and equipment for the years ended June 30, 2012 and 2011 (amounts in thousands):

Changes in Property and Equipment for the Year Ended June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Transfers and other	Balance June 30, 2012
Property and equipment:					
Land	$ 14,676	$ -	$ (19)	$ -	$ 14,657
Non-structural improvements	205,766	3,450	-	8,351	217,567
Buildings	1,643,933	16,065	(1,844)	50,734	1,708,888
Equipment	396,841	26,088	(26,267)	-	396,662
Construction in progress	83,433	67,123	-	(59,085)	91,471
Total property and equipment	2,344,649	112,726	(28,130)	-	2,429,245
Less accumulated depreciation and amortization:					
Non-structural improvements	99,318	7,761	-	-	107,079
Buildings	619,902	55,450	(1,574)	-	673,778
Equipment	226,166	25,267	(25,834)	-	225,599
Total accumulated depreciation and amortization	945,386	88,478	(27,408)	-	1,006,456
Property and equipment, net:					
Land	14,676	-	(19)	-	14,657
Non-structural improvements	106,448	(4,311)	-	8,351	110,488
Buildings	1,024,031	(39,385)	(270)	50,734	1,035,110
Equipment	170,675	821	(433)	-	171,063
Construction in progress	83,433	67,123	-	(59,085)	91,471
Property and equipment, net:	$ 1,399,263	$ 24,248	$ (722)	$ -	$ 1,422,789

Changes in Property and Equipment for the Year Ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Transfers and other	Balance June 30, 2011
Property and equipment:					
Land	$ 14,826	$ -	$ (150)	$ -	$ 14,676
Non-structural improvements	196,282	5,371	(188)	4,301	205,766
Buildings	1,618,618	15,318	(1,507)	11,504	1,643,933
Equipment	428,736	18,485	(50,380)	-	396,841
Construction in progress	45,330	53,908	-	(15,805)	83,433
Total property and equipment	2,303,792	93,082	(52,225)	-	2,344,649
Less accumulated depreciation and amortization:					
Non-structural improvements	91,805	7,701	(188)	-	99,318
Buildings	565,315	55,611	(1,024)	-	619,902
Equipment	249,143	27,023	(50,000)	-	226,166
Total accumulated depreciation and amortization	906,263	90,335	(51,212)	-	945,386
Property and equipment, net:					
Land	14,826	-	(150)	-	14,676
Non-structural improvements	104,477	(2,330)	-	4,301	106,448
Buildings	1,053,303	(40,293)	(483)	11,504	1,024,031
Equipment	179,593	(8,538)	(380)	-	170,675
Construction in progress	45,330	53,908	-	(15,805)	83,433
Property and equipment, net:	$ 1,397,529	$ 2,747	$ (1,013)	$ -	$ 1,399,263

5. LONG-TERM DEBT PAYABLE

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

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3 of the May 9 Special Session, An Act Concerning 21st Century UConn (Act). The new Act authorized additional projects for the University and the Health Center for what is called Phase III of UCONN 2000 at an estimated cost of $1,348.4 million of which $1,300 million is to be financed by bonds of the University. This Act amended Public Act No. 95-230 and extended the UCONN 2000 financing program that was scheduled to end in 2005, for an additional 10 years to June 30, 2015. The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a $25.0 million reallocation from existing UCONN 2000 Health Center allocations, and a $207.0 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018. In fiscal year 2011, the General Assembly enacted and the Governor signed Public Act No. 11-75, An Act Concerning the University of Connecticut Health Center, which increased the authorized project costs for the Health Center under Phase III by $262.9 million. The Act, as amended, authorized projects under Phase III at a total estimated cost of $1,818.3 million, of which $1,769.9 million is to be financed by bonds of the University and $48.4 million is to be financed by the issuance of special obligation bonds of the University, from gifts, other revenue or borrowing resources of the University, or through the deferring of projects or achieved savings. Total project costs estimated under Phase III are $775.3 million for the Health Center and $1,043.0 million for the University.

The total estimated cost for the UCONN 2000 program, including Phases I, II and III, is $3,068.3 million.

The table below lists general obligation bonds issued to finance UCONN 2000 projects as of June 30, 2012 (amounts in thousands). Please refer to the subsequent detailed schedules for outstanding balances.

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

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

In fiscal year 2012, the University recorded $179.7 million as State debt service commitment for principal together with part of the original issue premium, which resulted in total proceeds of $200.0 million for the 2011 Series A bonds. The proceeds included $62.5 million to finance projects for the Health Center for fiscal year 2012. As bonds are issued, the amount of the commitment for the Health Center is reflected as an offset to the revenue for the University. In fiscal year 2012, this offset to finance projects for the Health Center resulted in net revenue of $115.4 million, recorded in the Other Changes in Net Assets section of the Statements of Revenues, Expenses, and Changes in Net Assets in the accompanying financial statements. A corresponding liability is recorded in due to affiliate in the Statements of Net Assets for the unspent portion of the bonds due to the Health Center ($48.9 million and $6.8 million at June 30, 2012 and 2011, respectively). Also, for the years ended June 30, 2012 and 2011, nonoperating revenues include the State debt service commitment for interest on general obligation bonds of $39.8 million and $40.0 million, respectively. A portion of interest on general obligation bonds is associated with Health Center projects.

In addition to the 2011 Series A bonds, during fiscal year 2012, the University issued the 2011 Refunding Series A bonds to refund portions of the previously issued Series A General Obligation Bonds in advance of maturity. The difference between the carrying value of the defeased debt and its reacquisition price (refunding bonds) is amortized over the remaining life of the debt, and the reduction of the face value of the bonds in the amount of $1.8 million is reflected as an expense in fiscal year 2012 on the Statement of Revenues, Expenses, and Changes in Net Assets under State debt service commitment for principal. The refunding reduced the general obligation debt service payments in future years by approximately $1.9 million and resulted in an economic gain (the present value of the savings) of approximately $1.7 million.

The following table reflects the change in debt as a result of this Series A 2011 refunding (amounts in thousands):

2003 Series A	$ 11,135
2004 Series A	22,600
Total defeased debt	33,735
Total refunding bonds	31,905
Decrease in bonds as a result of refunding	$ 1,830

In fiscal year 2011, there were no general obligation bonds issued or refunded.

The University may also issue special obligation bonds, also called student fee revenue bonds, which are backed by certain pledged revenues of the University. In 1998, 2000 and 2002, the University issued $33.6 million, $89.6 million and $75.4 million of special obligation bonds, respectively, to fund new construction of dormitories, apartments, a parking garage, and the renovations of several dormitories. The 2000 special obligation bonds were refunded in advance of maturity in fiscal year 2002 with the issuance of $96.1 million in refunding bonds. The 1998 and a portion of the 2002 special obligation bonds were refunded in advance of maturity in fiscal year 2010 with the issuance of $47.5 million refunding bonds. Similar to general obligation bond refundings, the proceeds from special obligation or student fee revenue bond refundings are deposited into certain escrow accounts to meet all obligations of the refunded maturities. In fiscal years 2012 and 2011, there were no special obligation bonds issued or refunded.

The special obligation bonds are secured by certain pledged revenues, as defined in the indenture, including gross and net revenue amounts. The total gross and net pledged revenues from tuition and fees, auxiliary, investment and other revenues of the University were approximately $75.4 million and $73.2 million in fiscal years 2012 and 2011, respectively. Gross pledged revenues include the infrastructure maintenance fee and the general university fee plus investment income on the bond accounts held by the Trustee Bank, prior to any payments, deductions, offsets, or provisions. Net pledged revenues include the residential life room fee, student apartment rentals, Greek housing fee, the board (dining) fee, and the parking and transportation fees, after providing for the cost of maintaining, repairing, insuring, and operating the facilities for which the fees are imposed. In addition to securing revenue bonds, the gross and net pledged revenues available are pledged toward certain other debt. The University has covenanted to collect in each fiscal year, fees representing pledged revenues so that the sum of gross and net revenue amounts is no less than 1.25 times the debt service requirements in such fiscal year for the special obligation bonds.

The total principal and interest remaining to be paid on all special obligation bonds as of June 30, 2012 and 2011 was $231.5 million and $244.2 million, respectively. The total amount paid by pledged revenues were $5.1 million for the principal and $7.6 million for the interest of this debt in both fiscal years 2012 and 2011.

Subsequent to the year ended June 30, 2012, the University issued $88.0 million of special obligation student fee revenue bonds, 2012 Refunding Series A, to refund $106.0 million of the 2002 Series A Bonds and 2002 Refunding Series A bonds previously issued. The sale of this issue concluded in November 2012, with the closing date of December 13, 2012.

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

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

During fiscal year 2009, the University purchased a unit in Campus Associates Limited Partnership for $50,000 and the loan related to this purchase was retired during fiscal year 2011.

Long-term debt activity, including refunding of debt, for the years ended June 30, 2012 and 2011 was as follows (amounts in thousands):

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

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

Long-term Debt Activity for the Year Ended June 30, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Current portion
General obligation bonds	$ 877,492	$ -	$ (73,182)	$ 804,310	$ 69,295
Revenue bonds	164,375	-	(5,085)	159,290	5,120
Self liquidating bonds	3,793	-	(840)	2,953	781
Installment loans	241	-	(91)	150	89
Obligation under capital lease for Cogeneration	69,267	-	(3,169)	66,098	3,314
Campus Associates Limited Partnership loan	12	-	(12)	-	-
Total long-term debt	1,115,180	-	(82,379)	1,032,801	78,599
Premiums/discounts/debt difference due to refunding	27,956	-	(2,107)	25,849	1,990
Total long-term debt, net	$ 1,143,136	$ -	$ (84,486)	$ 1,058,650	$ 80,589

Long-term debt outstanding at June 30, 2012 and 2011 consisted of the following (amounts in thousands):

Type of debt and issue date	Type of issue	Principal payable	Maturity dates through fiscal year	Interest rate*	Balance	
Bonds:					**2012**	**2011**
GO 2002 Series A	original	annually	2012	4.3%	$ -	$ 5,000
GO 2003 Series A	original	annually	2013	3.2-4.4%	4,735	20,595
GO 2004 Series A	original	various	2024	3.0-5.0%	27,055	54,550
GO 2004 Ref. Series A	refund	annually	2020	3.9-5.0%	149,730	174,080
GO 2005 Series A	original	annually	2025	3.625-3.7%	60,530	65,430
GO 2006 Series A	original	annually	2026	4.0-5.0%	53,990	57,850
GO 2006 Ref. Series A	refund	annually	2020	3.2-5.0%	59,555	59,555
GO 2007 Series A	original	annually	2027	3.6-5.0%	63,005	68,275
GO 2007 Ref. Series A	refund	various	2022	5.0%	46,030	46,030
GO 2009 Series A	original	annually	2029	3.0-5.0%	122,815	130,165
GO 2010 Series A	original	annually	2030	3.0-5.0%	87,400	92,260
GO 2010 Ref. Series A	refund	annually	2021	2.0-5.0%	26,435	30,520
GO 2011 Series A	original	annually	2031	3.515-5.0%	170,745	-
GO 2011 Ref. Series A	refund	various	2023	2.0-5.0%	31,525	-
Total general obligation bonds					903,550	804,310
Rev 2002 Series A	original	various	2030	4.758-5.0%	32,430	34,425
Rev 2002 Ref. Series A	refund	annually	2030	4.5-5.25%	76,230	78,410
Rev 2010 Ref. Series A	refund	annually	2028	3.0-5.0%	45,510	46,455
Total revenue bonds					154,170	159,290
March 1993	original	annually	2012	5.5%	-	65
October 1993	refund	various	2012	6.0%	-	206
June 2001	refund	annually	2016	4.4 -5.5%	301	377
November 2001	refund	annually	2014	5.0-5.125%	592	883
August 2002	refund	various	2016	3.75-5.25%	552	552
April 2005	refund	various	2017	4.37-5.25%	275	275
December 2007	refund	annually	2015	5.0%	451	595
Total self liquidating bonds					2,171	2,953
Total bonds					1,059,891	966,553
Loans and other debt:						
Installment loans		various	various	1.01-1.959%	1,727	150
Obligation under capital lease for Cogeneration		monthly	2026	4.42-5.09%	62,785	66,098
Total loans and other					64,512	66,248
Total bonds, loans and installment purchases					1,124,403	1,032,801
Premiums/discounts/debt difference due to refunding					46,320	25,849
Total bonds, loans and installment purchases, net					1,170,723	1,058,650
Less: current portion, net					88,372	80,589
Total noncurrent portion, net					$ 1,082,351	$ 978,061

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

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

	General obligation bonds			Long-term debt other than general obligation bonds			Total obligations		
Year(s)	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$ 74,755	$ 41,998	$ 116,753	$ 10,147	$ 10,184	$ 20,331	$ 84,902	$ 52,182	$ 137,084
2014	77,750	38,502	116,252	10,440	9,751	20,191	88,190	48,253	136,443
2015	77,595	35,145	112,740	10,877	9,267	20,144	88,472	44,412	132,884
2016	72,965	31,561	104,526	11,227	8,750	19,977	84,192	40,311	124,503
2017	71,295	28,146	99,441	11,480	8,227	19,707	82,775	36,373	119,148
2018-2022	293,325	94,183	387,508	63,584	32,818	96,402	356,909	127,001	483,910
2023-2027	170,905	37,686	208,591	69,928	16,855	86,783	240,833	54,541	295,374
2028-2032	64,960	6,809	71,769	33,170	2,804	35,974	98,130	9,613	107,743
Total	$ 903,550	$ 314,030	$ 1,217,580	$ 220,853	$ 98,656	$ 319,509	$ 1,124,403	$ 412,686	$ 1,537,089

6. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

All eligible employees participate in essentially one of three retirement plans. The State Employees' Retirement System (SERS), a single-employer defined-benefit pension plan, is administered by the State and covers approximately 40% of the University's eligible employees. Plan benefits and contribution requirements of plan members and the University are described in Section 5-152 to 5-192 of the General Statutes. The State is statutorily responsible for the pension benefits of University employees who participate in this plan; therefore, no liability for pension benefits is recorded in the University's financial statements. The State is required to contribute at an actuarially determined rate, which may be reduced by an act of the State legislature. The plan does not issue stand-alone financial reports. Information on the plan is publicly available in the State of Connecticut's Comprehensive Annual Financial Report.

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

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

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

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

With respect to the University's Department of Dining Services (DDS), of its approximately 520 full-time employees, 73 participate in either the State Employees' Retirement System or ARP, while 447 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, DDS contributed $590,000 and $575,000 to the plan for the years ended June 30, 2012 and 2011, respectively.

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

7. COMPENSATED ABSENCES AND WAGES PAYABLE

Compensated absences are recorded in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability for compensated absences is classified as current and noncurrent based on the amount estimated to be paid to eligible employees in one year and beyond one year, respectively. Compensated absences include accrued unused vacation, holiday, compensatory and sick leave balances for employees. As of June 30, 2012 and 2011 compensated absences totaled $33.0 million and $34.5 million, respectively. During fiscal year 2009, the State offered a Retirement Incentive Plan (RIP) to University employees. According to the terms of the RIP, unused vacation and sick leave will be paid in three equal payments on July 1 of each year, beginning July 1, 2012. Included in the noncurrent compensated absences liability as of June 30, 2012 and 2011, were $1.7 million and $2.4 million, respectively, for accrued vacation and sick leave for University employees that participated in RIP. The following table shows activity for compensated absences for the fiscal years ended June 30 (amounts in thousands):

	2012	2011
Beginning balance, July 1st	$ 34,467	$ 31,187
Additions, net	1,250	5,378
Deductions (separations only)	(2,711)	(2,098)
Ending balance, June 30th	$ 33,006	$ 34,467

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

8. COMMITMENTS

On June 30, 2012, the University had outstanding commitments in excess of $500,000 each, which totaled $120.1 million, and included $115.2 million of commitments related to capital projects. Of this amount, commitments totaling $36.6 million related to UCONN 2000 capital projects that are administered by the University for the Health Center. The commitments on behalf of the Health Center are included in the due to affiliate (see Note 5). A portion of the total amount of outstanding commitments was also included in accounts payable on the Statement of Net Assets as of June 30, 2012. In addition to the amount for capital outlay, commitments were also related to instruction, research, institutional support, and auxiliary enterprises. Of these commitments, the University expects approximately $1.1 million to be reimbursed by federal grants.

9. LEASES

Operating Leases

The University leases equipment and building space which expire at various dates. Future minimum rental payments at June 30, 2012 under non-cancelable operating leases, that exceeded $500,000 each, were as follows (amounts in thousands):

Fiscal Year	Payments
2013	$ 1,518
2014	1,564
2015	1,635
2016	1,311
2017	477
Thereafter	1,465
Total	$ 7,970

Expenses related to operating lease commitments in excess of $500,000 each were approximately $1.0 million and $814,000 for the fiscal years ended June 30, 2012 and 2011, respectively.

Capital Leases

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 $75.0 million and included construction of a building, engineering, design and installation of certain equipment at the Storrs campus. The lease was amended in August 2005 as a result of an increase in the total anticipated cost to $81.9 million. With the amendment, monthly payments of $471,000 increased to $517,000. Payments began January 2006 and the lease matures 20 years from commencement with interest at a nominal rate of 4.42% on the first $75.0 million and 5.09% for the last $6.9 million of advances. Amounts advanced by the lessor include capitalized interest during construction, and are reflected as long-term debt in the accompanying financial statements. At the completion of the lease term, the University has an option to purchase the project assets for one dollar. The historical cost and accumulated depreciation of the Cogeneration facility were $82.6 million and $21.6 million, respectively, as of June 30, 2012.

The University leases equipment assets with an historical cost and accumulated depreciation of $2.2 million and $280,000, respectively, as of June 30, 2012.

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

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, 2012 and 2011 deferred income was as follows (amounts in thousands):

	2012	2011
Certain restricted research grants	$ 8,363	$ 10,768
Tuition and fees and auxiliary enterprises	13,619	10,133
Athletic ticket sales and commitments	2,827	3,876
Total deferred income	$ 24,809	$ 24,777

A portion of current deferred charges totaling $741,000 and $697,000 and noncurrent deferred charges totaling $7.9 million and $7.5 million at June 30, 2012 and 2011, respectively, represented the cost of issuance on certain bond issuances which is amortized over the terms of the respective bond issues (see Note 5).

11. TUITION WAIVERS AND GRADUATE ASSISTANTSHIPS

The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is also required by collective bargaining agreements to waive tuition for certain employees and their dependents. The University has included the portion of waived tuition related to employees and their dependents as a fringe benefit cost and the same amount as tuition revenue in the Statements of Revenues, Expenses and Changes in Net Assets. This increased tuition and fee revenues and operating expenses by $5.2 million and $4.6 million for the fiscal years ended June 30, 2012 and 2011, respectively. The total amount of waivers not reflected in the accompanying financial statements were $43.6 million and $42.4 million in fiscal years 2012 and 2011, respectively. In fiscal years 2012 and 2011, approximately 93% were provided to graduate assistants and, of these amounts, $1.1 million and $404,000, respectively, were charged back to grants for reimbursement.

12. RELATED PARTY TRANSACTIONS

The Foundation

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

The following transactions occurred between the University and the Foundation as of and for the years ended June 30, 2012 and 2011 (amounts in thousands):

	2012	2011
Amount paid to the Foundation for its guaranteed contractual services	$ 7,120	$ 7,120
Reimbursements from the Foundation for operating expenses	$ 331	$ 212
Accrued capital and noncapital gifts and grants revenue from the Foundation	$ 22,335	$ 18,923
Amount receivable from the Foundation*	$ 2,885	$ 5,589

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

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

The State

The State supports the University's mission primarily via two mechanisms: State appropriation and the provision of payments for fringe benefits. State appropriation represents amounts appropriated to the University from the State's General Fund. Payments for fringe benefits were made by the State for reimbursements related to salaries expensed from the General Fund. The transactions for the years ended June 30, 2012 and 2011 were as follows (amounts in thousands):

	2012	2011
Amount of General Fund appropriation received from the State	$ 205,586	$ 232,656
Amount of payments for fringe benefits received from the State	86,522	96,439
Decrease of General Fund payroll included in receivable from the State	(9,738)	(144)
Total appropriation and payments for fringe benefits from the State	$ 282,370	$ 328,951

Due to the State's deficit mitigation plan that was enacted in fiscal year 2010, the University transferred $15.0 million from the University's unrestricted net assets to the State's General Fund in fiscal year 2011. There were no transfers issued in fiscal year 2012; however, the University experienced a reduction of approximately $39.4 million in appropriation and payments for fringe benefits as a result of the State's economic initiatives. For fiscal year 2013, the University anticipates a reduction of approximately $15.0 million in appropriation and payments for fringe benefits from the State in response to the widening State deficit.

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. On August 26, 2011, the State Bond Commission authorized the issuance of $18.0 million in State General Obligation Bonds to finance the initial design and development costs of the Technology Park on the Storrs campus. These bonds are an obligation of the State; therefore, they are not recorded as a liability in the accompanying financial statements. The total amount of $18.0 million allotted by the State was recorded as a capital allocation in other changes in net assets in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2012. Of this amount, approximately $200,000 was expended and capitalized with the remaining unspent portion of $17.8 million included under due from the State of Connecticut in the accompanying Statement of Net Assets for the year ended June 30, 2012. The total cost of the project is estimated to be approximately $172.5 million.

Health Center and Office of Technology Commercialization

The Office of Technology Commercialization (OTC) was established as a university-wide function consisting of the following divisions: the Center for Science and Technology Commercialization, the Research and Development Corporation, and the Technology Incubation Program. For the current and prior fiscal years, the funding for these divisions was consolidated into the Health Center's budget, a part of which was reimbursed by the University in accordance with an annual memorandum of agreement for the transfer of funds. The aggregate total contributed by the University to fund the OTC in fiscal years 2012 and 2011 was $952,000 and $1.0 million, respectively. Of these amounts, $326,000 and $431,000, respectively, represented expenses paid by the University associated with OTC functions based on the Storrs campus.

During fiscal year 2012, the Office of Economic Development (OED) was established to ensure the successful economic development outcomes for the Technology Park and Bioscience Connecticut initiative along with coordinating all of the University's economic development activities. The OED consists of divisions formally under the OTC with the addition of the U.S. Economic Development Administration Program. Beginning in fiscal year 2013, the funding for these divisions will be consolidated into the University's budget which, in part, will be reimbursed by the Health Center in accordance with an annual memorandum of agreement.

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

University of Connecticut Alumni Association

The University and the University of Connecticut Alumni Association (Association), a Connecticut non-stock corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code have an agreement that recognizes the benefits of a coordinated approach to alumni relationship building and defines the responsibilities of the parties. During the years ended June 30, 2012 and 2011, the University directed support to the Association in the amount of $1.1 million and $1.0 million, respectively. The amounts supported by the University consist primarily of payroll and other operating expenses which facilitate the alumni programs and services for the benefit of the University. The Association also agreed to reimburse the University for certain operating expenses incurred on the Association's behalf. The amounts owed to the University related to these expenses from the Association as of June 30, 2012 and 2011 were $14,000 and $44,000, respectively, which were included in accounts receivable, net, in the accompanying Statements of Net Assets.

Additionally, the Association manages the University's license plate program that has been established through the Department of Motor Vehicles. All revenue received by the University from the license plate program is disbursed to the Association to fund scholarships and to further support alumni outreach efforts. There was approximately $1,400 payable to the Association for the license plate program as of June 30, 2012 and no amounts were due as of June 30, 2011.

Campus Associates Limited Partnership

The University entered into a 50-year land lease with Campus Associates Limited Partnership (Campus Associates) on February 1, 2000. The limited partnership was formed for the purpose of managing the Nathan Hale Inn, a hotel located on campus. The lease provided for base rents of $5,000 for the first five years and $25,000 for the sixth year. For the seventh year and every year thereafter, base rent is adjusted by the increase in the Consumer Price Index. In exchange for a rent concession amounting to $100,000 in total for five years, the University received two limited partnership units. On June 15, 2009, the University purchased a third unit in the limited partnership paying $50,000 for the limited partnership interest (see Note 2). Under the land lease agreement, Campus Associates is responsible for certain costs which include real estate taxes, charges for public utilities, and other services. The amounts owed by Campus Associates for these costs as of June 30, 2012 and 2011, were $104,000 and $206,000, respectively, which were included in accounts receivable, net, in the accompanying Statements of Net Assets.

Mansfield Downtown Partnership, Incorporated

The Mansfield Downtown Partnership, Incorporated (MDP) is a not-for-profit corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and is comprised of the Town of Mansfield (Mansfield), the University, and individual business members and residents. MDP is responsible for organizing the enhancement and revitalization of three of Mansfield's commercial areas: Storrs Center, King Hill Road and the Four Corners. In accordance with its governing by-laws, members are required to submit annual dues, as determined by the board of directors, in lieu of financial support. In fiscal years 2012 and 2011, the University paid $125,000 each year in annual membership dues to MDP.

In connection with the Storrs Center project, the University entered into an agreement with the master developer of the project to sell 18.80 acres of land for approximately $101,000 per acre which is to be divided up in phases. In fiscal years 2012 and 2011, the University conveyed 1.80 acres and 3.96 acres, respectively, to the master developer as well as 5.09 acres subsequent to June 30, 2012, which were sold at the stated price per acre. Related to the respective land sales in fiscal years 2012 and 2011, the University conveyed 4.04 acres and 2.71 acres, respectively, that were in turn, transferred to Mansfield at no cost for the provision of public improvements. In a separate transaction, the University also transferred 24.2 acres of land subject to a conservation restriction to Mansfield for consideration of one dollar in fiscal year 2012. Further land transactions are expected as the Storrs Center project continues to progress. Moreover, the University has agreed to provide water and sewer services, which will be billed in accordance with the University's standard billing practices.

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

13. CONTINGENCIES

The University is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of the majority of these matters will not have a material effect on the University's financial statements. However, there are a small number of outstanding matters of potential individual significance. With respect to these matters, certain claimants seek an aggregate of approximately $30.0 million. The State expects these matters to be resolved for less than that amount. The amounts pertaining to the other remaining claims are still unknown at this time.

The University also participates in a number of federal programs subject to financial and compliance audits. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time; however, the University does not expect these amounts, if any, to be material to the financial statements.

14. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The table below details the University's operating expenses by natural classification for the years ended June 30, 2012 and 2011 (amounts in thousands):

For the fiscal year ended June 30, 2012:

	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	Total
Instruction	$ 200,293	$ 66,054	$ 29,337	$ -	$ -	$ 295,684
Research	40,489	9,263	23,009	-	-	72,761
Public services	23,706	7,227	8,703	-	-	39,636
Academic support	55,353	21,881	22,908	-	-	100,142
Student services	24,632	9,396	4,889	131	-	39,048
Institutional support	42,792	20,569	15,669	73	-	79,103
Operations and maintenance	18,786	11,706	20,301	14,087	-	64,880
Depreciation and amortization	-	-	-	-	88,478	88,478
Student aid	361	1	5,745	-	-	6,107
Auxiliary enterprises	67,919	26,632	57,366	7,393	-	159,310
Other operating expenses	54	36	11,554	-	-	11,644
	$ 474,385	$ 172,765	$ 199,481	$ 21,684	$ 88,478	$ 956,793

For the fiscal year ended June 30, 2011:

	Salaries and wages	Fringe benefits	Supplies and other expenses	Utilities	Depreciation and amortization	Total
Instruction	$ 198,436	$ 63,054	$ 30,713	$ -	$ -	$ 292,203
Research	40,519	8,831	25,131	-	-	74,481
Public services	25,028	7,985	8,457	-	-	41,470
Academic support	52,439	20,459	25,495	-	-	98,393
Student services	24,526	9,361	5,708	160	-	39,755
Institutional support	45,045	21,004	18,608	87	-	84,744
Operations and maintenance	20,089	12,122	21,993	17,161	-	71,365
Depreciation and amortization	-	-	-	-	90,335	90,335
Student aid	366	1	5,123	-	-	5,490
Auxiliary enterprises	66,018	25,230	58,076	9,098	-	158,422
Other operating expenses	259	86	19,395	-	-	19,740
	$ 472,725	$ 168,133	$ 218,699	$ 26,506	$ 90,335	$ 976,398

TRUSTEES AND FINANCIAL OFFICERS
As of June 30, 2012

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UNIVERSITY OF CONNECTICUT
1881

SCHEDULE 2

UNIVERSITY OF CONNECTICUT HEALTH CENTER JUNE 30, 2012
AUDITED FINANCIAL STATEMENTS

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University of Connecticut Health Center

Financial Report

For the Year Ended June 30, 2012

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, University Dentists, the University of Connecticut Finance Corporation and Correctional Managed Healthcare (CMHC). Established in 1961, the Health Center pursues its mission of providing outstanding health care education in an environment of exemplary patient care, research and public service. With approximately 4,900 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 37 buildings totaling over 2.2 million square feet.

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

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

Each year at UConn, about 360 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, 1,459 men and women have received the D.M.D. degree; 3,061 the M.D. degree.

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

Research Programs

Since the Health Center's inception, high-quality research programs have been part of the institution's fabric. This history has enabled the Health Center to recruit distinguished researchers with expertise in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell physiology, toxicology, and endocrinology, among other fields. The Alcohol Research Center is one of only 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 $84.9 million in FY 12.

Health Care Services

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

While the hospital and faculty practice continue to have strong volume, the challenges of the health care marketplace (recruitment, malpractice reserves and low reimbursement) continue to take their toll. John Dempsey Hospital's financial health is also directly affected by its small size, bed distribution (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

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Board of 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, 2012 and 2011, 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 18 and 19 percent of the assets of the Health Center as of June 30, 2012 and 2011, respectively and 31 and 34 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, 2012 and 2011, 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 9 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,

Robert M. Ward
Auditor of Public Accounts

John C. Geragosian
Auditor of Public Accounts

February 1, 2013
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, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

The financial statements presented here represent the transactions and balances of the Health Center only. The Health Center offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. The Health Center's component parts are the School of Medicine, School of Dental Medicine, UConn Medical Group, the University of Connecticut Finance Corporation, Correctional Managed Healthcare (CMHC), and University Dentists ("Primary Institution") and John Dempsey Hospital (the "Hospital"). The Health Center's enrollment in fiscal year 2012 was 355 in the School of Medicine, 176 in the School of Dental Medicine, and 331 Graduate students, taught by over 500 faculty members. The Health Center in total employs approximately 4,900 FTE's. John Dempsey Hospital (JDH) has 184 staffed acute care beds. In fiscal year 2012, adjusted patient days (a measure of total hospital volume) were 99,000, up 6.5% from comparable prior year adjusted patient days. During 2012, UConn Medical Group (UMG) had over 537,000 unique patient visits.

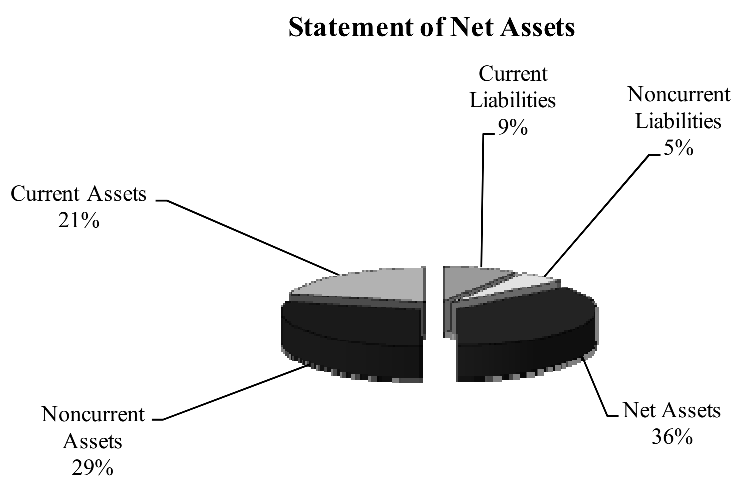
The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview and analysis of those statements. It is designed to assist readers in understanding the accompanying 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, 2012, 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, 2012, 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, 2012, consisted of assets of $562 million and liabilities of $158.9 million. Net assets, which represent the residual interest in the Health Center's assets after liabilities are deducted, increased $63.5 million during fiscal year 2012 to $403.1 million.



The increase in net assets is attributable to Capital Appropriations which exceeded the net of operating losses and nonoperating revenues including State Appropriations. Expenses associated with Capital Appropriations will be borne in the future through increase depreciation expenses.

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, 2012, 2011, and 2010 as follows:

	(in millions) 2012	2011	2010
Total operating revenue	$ 621.6	$ 592.9	$ 570.4
Total operating expenses	831.3	814.9	781.4
Operating (loss)	(209.7)	(222.0)	(211.0)
Other changes in net assets	273.2	215.8	245.8
Increase/(Decrease) in net assets	$ 63.5	$ (6.2)	$ 34.8

The financial statements contained herein show an operating loss of $209.7 million for the year ending June 30, 2012 (fiscal year 2012). 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 gain before capital appropriations of $1 million in fiscal year 2012.

Some sources of recurring operating and nonoperating revenues increased in 2012, including tuition and fees revenue, patient service revenues and contract revenues. These categories are expected to have slight increases in 2013. State support, not including state funded capital appropriations, decreased 9.9% in fiscal 2012. The decrease was expected and included a decrease to the Health Center's block grant as well as decreases in certain payroll and benefit costs borne by the State. Some future decline in State support is expected due to the State's overall fiscal concerns.

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 deteriorated during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the Health Center's assets, liabilities and net assets at June 30, 2012, 2011, and 2010 is as follows:

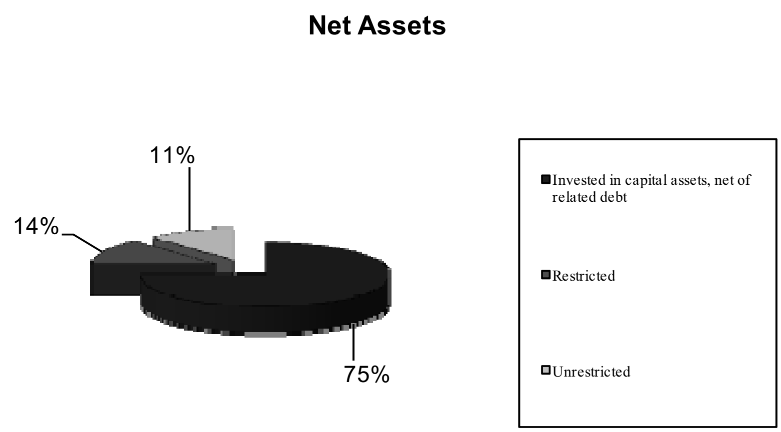
	(in millions) 2012	2011	2010
Current assets	$ 237.1	$ 207.6	$ 230.5
Noncurrent assets:			
Capital assets, net	320.1	298.3	277.1
Other	4.8	8.7	12.4
Total assets	562.0	514.6	520.0
Current liabilities	99.1	113.5	117.1
Noncurrent liabilities	59.8	61.5	57.1
Total liabilities	158.9	175.0	174.2
Net assets	$ 403.1	$ 339.6	$ 345.8

The total assets of the Health Center increased by $47.4 million, or 9.2%, over the prior year. The increase was primarily due to increases in Due from Affiliates and Property, Plant, and Equipment which are a result of Capital Appropriations.

Total liabilities decreased by $16.1 million or 9.2% from 2011. The primary driver of the decrease was a decrease in payroll and fringe benefit accruals based on the timing of payroll dates. These decreases were offset by increases of $2.1 million in accrued compensated absences and $5.5 in Accounts Payable. The increase in Accounts Payable is attributed to return of normal operational balances. In the prior year, many Accounts Payable balances were liquidated in advance of the Health Center's financial system conversion, on July 1, 2012.

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 $403.1 million at June 30, 2012, 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, 2012, 2011 and 2010 are as follows:

	(in millions) 2012	2011	2010
Operating revenues			
Patient Services	$ 429.5	$ 422.1	$ 405.7
Grants and Contracts	84.6	86.0	88.0
Other	107.5	84.8	76.7
Total operating revenue	621.6	592.9	570.4
Operating expenses			
Patient services	506.7	492.8	469.3
Instruction	129.2	129.8	126.2
Other	195.5	192.3	185.9
Total operating expenses	831.4	814.9	781.4
Operating (loss)	(209.8)	(222.0)	(211.0)
Net nonoperating revenues	210.8	215.6	210.2
Total other revenues	62.5	0.2	35.6
Inc/(Dec) in net assets	$ 63.5	$ (6.2)	$ 34.8

Revenue highlights for the year ending June 30, 2012, 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 $7.4 million or 1.8% over prior year. Prior to eliminations the increase for John Dempsey Hospital was $9.2 million. Increases in John Dempsey Hospital reflect strategic rate increases and ongoing shifts in patient and payer mix throughout the Hospital's lines of service. Prior to eliminations the decrease in University Medical Group net revenues was $2.9 million. The Correctional Managed Health Care program revenues declined by $600,000 reflected continued decreased operational costs for the program. More detailed information about the Health Center's patient revenue is presented in note 4 of the financial statements.

- The state appropriation (including in-kind fringe benefits), which is included in nonoperating revenues, totaled $203 million. This represents a 9.9% decrease over the prior year and includes decreases in appropriations and 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 61.0% of total operating expenses. It increased to $506.7 million or 2.8% over the prior year. The increase is attributable to increases in patient volume and salary and fringe costs for John Dempsey Hospital.

STATEMENTS OF CASH FLOWS

The statements of cash flows provide additional information about the Health Center's financial results by reporting the major sources and uses of cash. A summary of the statements of cash flows for the years ended June 30, 2012, 2011, and 2010 is as follows:

		(in millions)	
	2012	**2011**	**2010**
Cash received from operations	$ 583.9	$ 604.8	$ 579.8
Cash expended for operations	(683.0)	(692.4)	(661.2)
Net cash used in operating activities	(99.1)	(87.6)	(81.4)
Net cash provided by investing activities	0.8	1.0	4.0
Net cash provided by noncapital financing activities	117.1	135.2	132.8
Net cash used in capital and related financing activities	(33.7)	(52.5)	(28.9)
Net (decrease)/increase in cash and cash equivalents	(14.9)	(3.9)	26.5
Cash and cash equivalents, beginning of the year	99.7	103.6	77.1
Cash and cash equivalents, end of the year	$ 84.8	$ 99.7	$ 103.6

CAPITAL AND DEBT ACTIVITIES

During fiscal year 2012 the Health Center again participated in the UCONN 2000 program. This is the third phase of the program also known as 21st Century UConn, which provides $1.8 billion for improvements to facilities at the University and the Health Center. The Health Center is scheduled to receive $775.3 million over the life of this program. During fiscal year 2012, the Health Center received $62.5 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 fiscal year 2011 and therefore no associated revenue were recorded. The Health Center did record $170,000 related to capital appropriations during 2011.

At June 30, 2012, the Health Center had plant and equipment, net of accumulated depreciation, of $320.1 million. The Health Center's fiscal 2013 capital budget allows for spending of approximately $124.2 million, including $88.1 million from projects funded through UCONN 2000 Bond Funds, and $36.1 million from other Health Center sources.

Debt activity during fiscal year 2012 included 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 2013 OUTLOOK

As we look forward to fiscal year 2013, the Health Center's main concerns are maintaining outstanding research, education and clinical care while readying for changes resulting from the state's Bioscience Connecticut initiative, national healthcare reform, and changes resulting from the weakening financial positions of both Federal and State governments.

On July 8, 2011, the State passed Public Act 11-75 An Act Concerning the University of Connecticut Health Center (Bioscience Connecticut). The bill formalized and amended plans established by the State to establish the UConn Health Network. The new act still calls for partnership with area hospitals aimed at creating jobs and improving access to quality health care in the state. The centerpiece of the partnership remains a new patient care tower and renovations to John Dempsey Hospital at the Health Center. The plan will also include increased classroom and lab space for more medical and dental students aimed at alleviating an expected shortage of doctors and dentists in the state. Bioscience Connecticut involves 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 $661 million and includes $592 million in borrowing, $338 million of previously approved. The Health Center is required to contribute $69 million raised through operations or philanthropy. Features of the Bioscience Connecticut include:

1. Encouraging Job Growth Through Clinical Collaboration: Local and state-wide health care organizations will collaborate on clinical and translational sciences to achieve breakthrough successes and drive the bioscience industry in the State thereby creating long term jobs.

2. Neonatal Intensive Care Unit: In September of 2011, Connecticut Children's Medical Center assumed management of the NICU at John Dempsey Hospital creating on the of the largest neonatal care units in the country. Patients continue to be treated at the Health Center but are now under the bed license of CCMC. This provides improved accessibility, efficiency, and continuity of care. It also furthers efforts to attract the highest quality pediatricians, neonatologists, obstetricians, and other clinical health care professionals to the greater Hartford area.

3. 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.

4. 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.

5. 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 serve to address the impending shortage of primary care providers in Connecticut.

6. Health Disparities Institute: It will promote enhanced healthcare research, training and delivery to minority communities.

7. 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.

CONTACTING THE HEALTH CENTER'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT HEALTH CENTER
STATEMENTS OF NET ASSETS
As of June 30, 2012 and 2011

($ in thousands)	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 84,404	$ 96,175
Patient receivables, net	41,110	42,659
Contract and other receivables	33,744	25,823
Due from Affiliates	48,300	6,823
Due from State of Connecticut	5,126	9,477
Due from Department of Correction	9,591	7,932
Inventories	10,040	10,050
Prepaid expenses	4,754	8,682
Total current assets	237,069	207,621
Noncurrent Assets		
Restricted cash and cash equivalents	384	3,510
Other assets	615	639
Assets limited as to use	3,643	4,370
Due from State of Connecticut	158	191
Capital assets, net	320,137	298,293
Total noncurrent assets	324,937	307,003
Total assets	$ 562,006	$ 514,624
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 36,054	$ 30,556
Due to State of Connecticut	5,183	5,421
Accrued salaries	17,945	32,828
Compensated absences	19,758	17,962
Due to third party payors	6,741	9,416
Deferred revenue	8,887	12,115
Malpractice reserve	2,742	2,953
Long-term debt - current portion	1,833	2,261
Total current liabilities	99,143	113,512
Noncurrent Liabilities		
Malpractice reserve	17,215	17,486
Compensated absences	26,191	25,848
Long-term debt	16,335	18,168
Total noncurrent liabilities	59,741	61,502
Total liabilities	$ 158,884	$ 175,014
NET ASSETS		
Invested in capital assets, net of related debt	$ 301,969	$ 277,865
Restricted for		
Nonexpendable		
Scholarships	61	61
Expendable		
Research	3,436	4,047
Loans	1,081	875
Capital projects	51,287	5,758
Unrestricted	45,288	51,004
Total net assets	$ 403,122	$ 339,610

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, 2012 and 2011

($ in thousands)	2012	2011
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $4,648 and $4,734, respectively)	$ 13,746	$ 13,095
Patient services (net of charity care of $543 and $912, respectively)	429,546	422,094
Federal grants and contracts	56,904	60,127
Nonfederal grants and contracts	27,690	25,885
Contract and other operating revenues	93,730	71,694
Total operating revenues	621,616	592,895
OPERATING EXPENSES		
Educational and General		
Instruction	129,217	129,793
Research	63,080	58,892
Patient services	506,720	492,788
Academic support	20,200	16,355
Institutional support	53,059	58,421
Operations and maintenance of plant	28,031	27,653
Depreciation	30,875	30,075
Loss on disposal	7	482
Student aid	165	416
Total operating expenses	831,354	814,875
Operating loss	(209,738)	(221,980)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	202,997	225,268
Transfer from/(to) State and outside programs	1,312	(10,807)
Gifts	7,435	2,554
Investment income (net of investment expense of $16 and $91, respectively)	101	134
Interest on capital asset - related debt	(1,095)	(1,570)
Net nonoperating revenues	210,750	215,579
Loss before other revenues, expenses, gains or losses	1,012	(6,401)
Capital appropriations	62,500	170
Total other revenues	62,500	170
Increase/(Decrease) in net assets	63,512	(6,231)
NET ASSETS		
Net assets-beginning of year	339,610	345,841
Net assets-end of year	$ 403,122	$ 339,610

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, 2012 and 2011

($ in thousands)	2012	2011
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 426,761	$ 429,952
Cash received from tuition and fees	13,718	13,095
Cash received from grants, contracts and other revenue	143,438	161,770
Cash paid to employees for personal services and fringe benefits	(435,051)	(439,159)
Cash paid for other than personal services	(247,981)	(253,330)
Net cash used in operating activities	(99,115)	(87,672)
Cash flows from investing activities:		
Net change in malpractice, advances and bond trust funds	727	888
Interest received	101	128
Net cash provided by investing activities	828	1,016
Cash flows from noncapital financing activities:		
State appropriations	109,670	132,667
Gifts	7,435	2,554
Net cash provided by noncapital financing activities	117,105	135,221
Cash flows from capital and related financing activities:		
Additions to property and equipment	(52,726)	(51,738)
Transfer from/(to) State and outside programs	1,312	(10,000)
Capital appropriations	21,055	24,377
Interest paid	(1,095)	(1,570)
Net repayment, proceeds of long-term debt	(2,261)	(13,595)
Net cash used in capital and related financing activities	(33,715)	(52,526)
Net (decrease) in cash and cash equivalents	(14,897)	(3,961)
Cash and cash equivalents at beginning of year	99,685	103,646
Cash and cash equivalents at end of year	$ 84,788	$ 99,685

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, 2012 and 2011

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

($ in thousands)	2012	2011
Operating loss	$ (209,738)	$ (221,980)
Adjustments to reconcile operating income to net cash		
Used in operating activities:		
Depreciation and loss on disposal	30,882	30,557
Personal services and fringe benefits in-kind from State	93,875	91,806
Changes in assets and liabilities:		
Patients receivables, net	1,550	(380)
Contract and other receivables	(7,921)	1,547
Due from DOC	(1,659)	(298)
Inventories	10	(476)
Third party payors	(2,675)	6,582
Prepaid expenses	3,928	(2,219)
Other assets	24	134
Accounts payable and accrued liabilities	5,498	(4,627)
Due to State of Connecticut	3,565	577
Accrued salaries	(14,882)	3,671
Compensated absences	2,138	2,794
Deferred revenue	(3,228)	2,516
Malpractice reserve	(482)	2,124
Net cash used in operating activities	$ (99,115)	$ (87,672)

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, 2012 and 2011

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, 2012 and 2011, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group, University of Connecticut Health Center Finance Corporation, Correctional Managed Healthcare (CMHC) and University Dentists (the "Primary Institution") and John Dempsey Hospital (the "Hospital"). The Health Center offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. There is also an affiliated entity that supports the mission of the Health Center: The University of Connecticut Foundation Inc. (the "Foundation"). The Foundation raises funds to promote, encourage, and assist education and research at the University, including its Health Center.

Basis of Presentation

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

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

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

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

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

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

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

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

Use of Estimates

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

Proprietary Fund Accounting

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

Basis of Presentation

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

Operating and Non-operating revenues:

The Health Center breaks out revenues between operating and non-operating based on the nature of the transaction as being either an exchange or non-exchange transaction. Exchange transactions principally include services provided by the Health Center to the community. Non-exchange transactions include State Appropriations, Gifts, 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 payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Investments and Investment Income

The State of Connecticut has established various funds to account for the operations of the Health Center. These funds include the University Health Center Operating Fund (Fund 12018), the University Health Center Research Foundation Fund (Fund 12023), the University Health Center Hospital Fund (Fund 21002) and the John Dempsey Hospital Malpractice Trust Fund (Fund 35015). Grants and contracts for research and related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Trust Fund accounts for assets set aside 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, 2012, and 2011, these costs are included in the statements of revenues, expenses and changes in net assets.

Reclassification
Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 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 $84,788,149 and $99,685,097, as of June 30, 2012 and 2011, respectively and included the following:

	2012	2011
Cash maintained by State of Connecticut Treasurer	$ 38,135,011	$ 54,751,928
Invested in State of Connecticut Short-Term Investment Fund	43,651,644	43,163,497
Deposits with Financial Institutions and Other	2,999,994	1,768,172
Currency (Change Funds)	1,500	1,500
Total cash and cash equivalents	84,788,149	99,685,097
Less: current balance	84,403,920	96,174,656
Total noncurrent balance	$ 384,229	$ 3,510,441

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 $43,651,644 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 2012.

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 $2,542,979 and $2,540,604 as of June 30, 2012 and 2011, 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, 2012 and 2011 was $4,058 and $6,221, 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 2012 and 2011, the Hospital provided charity care services of $543,109 and $912,282, respectively. The cost basis of these services was $279,796 and $480,274, respectively. All related expenses are included in operating expenses.

4. NET PATIENT SERVICE REVENUE

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

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

Patient service revenue for the Health Center is as follows:

	2012		2011	
John Dempsey Hospital				
Gross patient services revenue	$ 547,510,368		$ 543,303,930	
Less allowances	268,524,698		275,186,908	
Less bad debts	5,464,999		3,784,188	
Net patient service revenue		273,520,671		264,332,834
UConn Medical Group				
Gross patient services revenue	187,975,136		192,852,692	
Less allowances	115,756,890		117,702,401	
Less bad debts	1,425,903		1,433,349	
Net patient service revenue		70,792,343		73,716,942
Correctional Managed Health Care		90,406,437		91,026,502
All other		4,576,470		4,514,989
Total net patient service revenue per business unit		439,295,921		433,591,267
Eliminations		(9,749,569)		(11,497,670)
Total net patient service revenue	$	429,546,352	$	422,093,597

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

5. CAPITAL ASSETS

Capital assets at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Land	$ 12,270,408	$ 12,270,408
Construction in Progress	77,527,324	49,120,164
Buildings	404,413,210	404,444,843
Equipment	264,139,022	239,966,516
Capital leases	13,776,275	13,776,275
	772,126,239	719,578,206
Less accumulated depreciation	451,989,058	421,285,145
Capital assets, net	$ 320,137,181	$ 298,293,061

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 $786,677 and $668,311 at June 30, 2012 and 2011, respectively. Plant and equipment activity and related information on accumulated depreciation for the Health Center for the years ended June 30, 2012 and 2011 was as follows:

	2011	Additions	Deletions	2012
Property and equipment:				
Land	$ 12,270,408	$ -	$ -	$ 12,270,408
Construction in Progress	49,120,164	30,070,578	(1,663,418)	77,527,324
Buildings	393,819,608	15,263	(46,901)	393,787,970
Improvements other than buildings	10,625,235	5	-	10,625,240
Equipment	239,966,516	24,350,428	(177,922)	264,139,022
Capital leases	13,776,275	-	-	13,776,275
Total property and equipment	719,578,206	54,436,274	(1,888,241)	772,126,239
Less accumulated depreciation:				
Buildings	223,880,473	11,797,382	-	235,677,855
Improvements other than buildings	7,470,313	48,078	-	7,518,391
Equipment	177,566,715	18,590,169	(170,770)	195,986,114
Capital Leases	12,367,644	439,054	-	12,806,698
Total accumulated depreciation	421,285,145	30,874,683	(170,770)	451,989,058
Net property and equipment:				
Land	12,270,408	-	-	12,270,408
Construction in Progress	49,120,164	30,070,578	(1,663,418)	77,527,324
Buildings	169,939,135	(11,782,119)	(46,901)	158,110,115
Improvements other than buildings	3,154,922	(48,073)	-	3,106,849
Equipment	62,399,801	5,760,259	(7,152)	68,152,908
Capital leases	1,408,631	(439,054)	-	969,577
Total capital assets, net	$ 298,293,061	$ 23,561,591	$ (1,717,471)	$ 320,137,181

	2010	Additions	Deletions	2011
Property and equipment:				
Land	$ 8,423,594	$ 3,846,814	$ -	$ 12,270,408
Construction in Progress	73,977,330	31,658,725	(56,515,891)	49,120,164
Buildings	348,655,473	45,164,135	-	393,819,608
Improvements other than buildings	10,593,592	31,643	-	10,625,235
Equipment	224,050,267	27,552,506	(11,636,257)	239,966,516
Capital leases	13,776,275	-	-	13,776,275
Total property and equipment	679,476,531	108,253,823	(68,152,148)	719,578,206
Less accumulated depreciation:				
Buildings	211,924,422	11,956,051	-	223,880,473
Improvements other than buildings	7,395,080	75,233	-	7,470,313
Equipment	171,757,027	16,963,512	(11,153,824)	177,566,715
Capital leases	11,287,518	1,080,126	-	12,367,644
Total accumulated depreciation	402,364,047	30,074,922	(11,153,824)	421,285,145
Net property and equipment:				
Land	8,423,594	3,846,814	-	12,270,408
Construction in Progress	73,977,330	31,658,725	(56,515,891)	49,120,164
Buildings	136,731,051	33,208,084	-	169,939,135
Improvements other than buildings	3,198,512	(43,590)	-	3,154,922
Equipment	52,293,240	10,588,994	(482,433)	62,399,801
Capital leases	2,488,757	(1,080,126)	-	1,408,631
Total capital assets, net	$ 277,112,484	$ 78,178,901	$ (56,998,324)	$ 298,293,061

Construction in progress at June 30, 2012 and 2011, 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

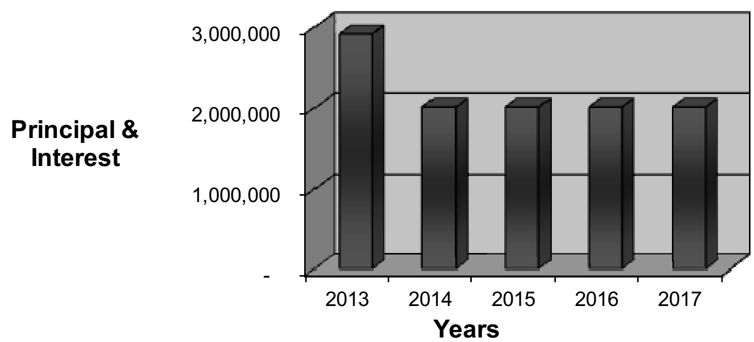
Long-term liability activity for the years ended June 30, 2012 and 2011 was as follows:

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

		June 30, 2010 Balance	Additions	Reductions	June 30, 2011 Balance		Amounts due within 1 year
Long-Term debt:							
Loans payable John Dempsey Hospital	$	2,075,991	-	830,398	1,245,593	$	830,396
Lease Agreements John Dempsey Hospital		2,318,364	-	1,231,750	1,086,614		614,731
Mortgage Agreements Primary Institution		29,629,891	-	11,533,046	18,096,845		815,937
Total Long-Term Debt		34,024,246	-	13,595,194	20,429,052		2,261,064
Malpractice reserve		18,315,000	5,209,761	3,085,761	20,439,000		2,953,000
Compensated absences		41,017,248	24,583,606	21,790,045	43,810,809		17,962,432
Total Long - Term Liabilities	$	93,356,494	29,793,367	38,471,000	84,678,861	$	23,176,496

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

Long-Term Debt Requirement



Year		Long-Term Debt
2013	$	2,915,261
2014		2,014,187
2015		2,014,187
2016		2,014,187
2017		2,014,187
Thereafter		14,938,557
Totals	$	25,910,566

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

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

During fiscal year 2010, the State of Connecticut passed Public Act No. 09-3, *AN ACT CONCERNING EXPENDITURES AND REVENUE FOR THE BIENNIUM ENDING JUNE 30, 2011*, (Public Act) . Sec. 74. of the 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 Public Act also states "the amount of funding necessary to protect the Health Center for malpractice shall be determined and approved by the Board of Trustees of the University of Connecticut." Since the State effectively removed control and responsibility for maintaining and managing the malpractice fund from the Hospital, the Fund was transferred from the Hospital to the Primary Institution.

To the extent that claims for cases exceed current year premium charged by the Health Center, the Health Center may petition the State to make up the difference. However, operational subsidies from the State and/or the Health Center may be affected by the performance of the Health Center's malpractice program. At June 30, 2012, the Health Center Malpractice Trust Fund had actuarial reserves of approximately $20 million and assets of approximately $8.2 million. In fiscal year 2011, the Health Center transferred the second $10 million installment to the State of Connecticut's General Fund, accounting for the majority of the reduction in Malpractice reserves.

8. RESIDENCY TRAINING PROGRAM

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

9. BOND FINANCED ALLOTMENTS

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

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

In fiscal year 2012, the University recorded total revenue of $179,730,000 as State debt service commitment for principal for the 2012 Series A bonds which includes $62,500,000 to finance projects for the Health Center. In fiscal year 2011, there were no additional bonds issued. As noted above, Phase III includes a commitment to fund projects totaling $775,530,000 for the Health Center. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. The University therefore acts as custodian of the funds for the Health Center. A corresponding receivable is recorded for the unspent portion of the bonds ($48,299,850 at June 30, 2012) 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, 2012, the Health Center had individual outstanding commitments exceeding $300,000 in amount, totaling $16,918,995. A portion of this amount was included in the June 30, 2012 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 $46,363,399 during the 2012-2013 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll, related fringe benefits, and certain program expenses for interns and residents participating in the School of Medicine Residency Training Program. These costs are to be funded by participating hospitals, which will remit payments to the Health Center, in accordance with an established rate schedule, for services provided.

The Health Center leases various building space under operating lease commitments, which expire at various dates through fiscal year 2021. Expenses related to these leases were $3,759,000 and $3,875,000 for the years ended June 30, 2012 and 2011, respectively. Future minimum rental payments at June 30, 2012 under non-cancelable operating leases are approximately as follows:

Year		Payments
2013	$	3,295,479
2014		2,454,023
2015		1,990,156
2016		2,026,389
2017		2,019,499
Thereafter		6,480,802
Total	$	18,266,348

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, 2012:

Amount paid to the Foundation	$	1,495,098
Amount received from the Foundation for personal services and operating expenses	$	13,727
Amount received from the Foundation from endowments and gifts	$	1,818,469

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	$	630,960
Funds Paid to the University of Connecticut	$	4,411,189

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, 2012, the amounts of these benefits recognized were as follows:

Amount of General Fund Appropriations from State of Connecticut	$	108,459,578
In Kind Fringe Benefits:		
Recognized through CMHC		36,084,078
Received elsewhere in Primary Institution		58,452,863
Total In Kind Fringe Benefits received from State of Connecticut:	$	94,536,941
Total Appropriations and In Kind benefits received from State of Connecticut	$	202,996,519

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, 2012 and 2011, the Hospital and UMG had the following draws and availability under the State statute as follows:

	2012		2011	
	John Dempsey Hospital	University Medical Group	John Dempsey Hospital	University Medical Group
Amount Drawn under Hypothecation	$ 6,698,130	1,023,801	$ -	1,417,881
Remaining amounts available under Hypothecation	$ 23,543,904	8,338,357	$ 27,849,397	8,444,112

16. Operating Expenses by Object

The table below details the Health Center's operating expenses by object for the years ended June 30, 2012 and 2011.

Operating Expenses by object for the Years Ended June 30, 2012 and 2011:

	2012	2011
Salaries and Wages	$ 391,890,345	$ 377,149,315
Fringe Benefits	128,612,942	162,683,939
Supplies and Other Expenses	266,784,711	229,952,091
Utilities	13,191,697	14,532,525
Depreciation and Amortization	30,874,683	30,557,355
Total	$ 831,354,378	$ 814,875,225

SUPPLEMENTAL INFORMATION

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET ASSETS
As of June 30, 2012

($ in thousands)	2012 Primary Institution	2012 John Dempsey Hospital	2012 Eliminations	2012 Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 91,102	$ -	$ (6,698)	$ 84,404
Patient receivables, net	9,579	31,531	-	41,110
Contract and other receivables	31,673	2,071	-	33,744
Due from Affiliates	48,300	-	-	48,300
Due from State of Connecticut	5,126	-	-	5,126
Due from Primary Institution	-	12,521	(12,521)	-
Due from Department of Correction	9,591	-	-	9,591
Inventories	2,453	7,587	-	10,040
Prepaid expenses	1,231	3,523	-	4,754
Total current assets	199,055	57,233	(19,219)	237,069
Noncurrent Assets				
Restricted cash and cash equivalents	384	-	-	384
Other assets	16	599	-	615
Assets limited as to use	3,643	-	-	3,643
Due from State of Connecticut	158	-	-	158
Capital assets, net	262,219	57,918	-	320,137
Total noncurrent assets	266,420	58,517	-	324,937
Total assets	$ 465,475	$ 115,750	$ (19,219)	$ 562,006
LIABILITIES				
Current Liabilities				
Cash overdraft	$ -	$ 6,698	$ (6,698)	$ -
Accounts payable and accrued liabilities	24,420	11,634	-	36,054
Due to State of Connecticut	2,449	2,734	-	5,183
Accrued salaries	13,382	4,563	-	17,945
Compensated absences	13,547	6,211	-	19,758
Due to John Dempsey Hospital	12,521	-	(12,521)	-
Due to third party payors	-	6,741	-	6,741
Deferred revenue	8,887	-	-	8,887
Malpractice reserve	2,742	-	-	2,742
Long-term debt - current portion	946	887	-	1,833
Total current liabilities	78,894	39,468	(19,219)	99,143
Noncurrent Liabilities				
Malpractice reserve	17,215	-	-	17,215
Compensated absences	17,950	8,241	-	26,191
Long-term debt	16,335	-	-	16,335
Total noncurrent liabilities	51,500	8,241	-	59,741
Total liabilities	$ 130,394	$ 47,709	$ (19,219)	$ 158,884
NET ASSETS				
Invested in capital assets, net of related debt	$ 244,938	$ 57,031	$ -	$ 301,969
Restricted for				-
Nonexpendable				-
Scholarships	61	-	-	61
Expendable				-
Research	3,436	-	-	3,436
Loans	1,081	-	-	1,081
Capital projects	51,287	-	-	51,287
Unrestricted	34,278	11,010	-	45,288
Total net assets	$ 335,081	$ 68,041	$ -	$ 403,122

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF NET ASSETS
As of June 30, 2011

($ in thousands)	2011 Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 94,857	$ 1,318	$ -	$ 96,175
Patient receivables, net	12,147	30,512	-	42,659
Contract and other receivables	25,392	431	-	25,823
Due from Affiliates	6,823	-	-	6,823
Due from State of Connecticut	9,477	-	-	9,477
Due from Primary Institution	-	13,000	(13,000)	-
Due from Department of Correction	7,932	-	-	7,932
Inventories	2,702	7,348	-	10,050
Prepaid expenses	5,047	3,635	-	8,682
Total current assets	164,377	56,244	(13,000)	207,621
Noncurrent Assets				
Restricted cash and cash equivalents	3,250	260	-	3,510
Other assets	16	623	-	639
Assets limited as to use	4,370	-	-	4,370
Due from State of Connecticut	191	-	-	191
Capital assets, net	243,215	55,078	-	298,293
Total noncurrent assets	251,042	55,961	-	307,003
Total assets	$ 415,419	$ 112,205	$ (13,000)	$ 514,624
LIABILITIES				
Current Liabilities				
Cash overdraft	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	21,796	8,760	-	30,556
Due to State of Connecticut	2,159	3,262	-	5,421
Accrued salaries	25,715	7,113	-	32,828
Compensated absences	12,515	5,447	-	17,962
Due to John Dempsey Hospital	13,000	-	(13,000)	-
Due to third party payors	-	9,416	-	9,416
Deferred revenue	12,115	-	-	12,115
Malpractice reserve	2,953	-	-	2,953
Long-term debt - current portion	816	1,445	-	2,261
Total current liabilities	91,069	35,443	(13,000)	113,512
Noncurrent Liabilities				
Malpractice reserve	17,486	-	-	17,486
Compensated absences	18,010	7,838	-	25,848
Long-term debt	17,281	887	-	18,168
Total noncurrent liabilities	52,777	8,725	-	61,502
Total liabilities	$ 143,846	$ 44,168	$ (13,000)	$ 175,014
NET ASSETS				
Invested in capital assets, net of related debt	$ 225,118	$ 52,747	$ -	$ 277,865
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	3,920	127	-	4,047
Loans	875	-	-	875
Capital projects	5,758	-	-	5,758
Unrestricted	35,841	15,163	-	51,004
Total net assets	$ 271,573	$ 68,037	$ -	$ 339,610

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

($ in thousands)	2012 Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 13,718	$ 28	$ 13,746	$ -	$ 13,746
Patient services, net	165,775	273,521	439,296	(9,750)	429,546
Federal grants and contracts	56,904	-	56,904	-	56,904
Nonfederal grants and contracts	27,690	-	27,690	-	27,690
Contract and other operating revenues	102,024	15,861	117,885	(24,155)	93,730
Total operating revenues	366,111	289,410	655,521	(33,905)	621,616
OPERATING EXPENSES					
Educational and General					
Instruction	146,701	-	146,701	(17,484)	129,217
Research	63,080	-	63,080	-	63,080
Patient services	234,208	288,933	523,141	(16,421)	506,720
Academic support	20,200	-	20,200	-	20,200
Institutional support	53,059	-	53,059	-	53,059
Operations and maintenance of plant	28,031	-	28,031	-	28,031
Depreciation	21,903	8,972	30,875	-	30,875
Loss on disposal	7	-	7	-	7
Student aid	165	-	165	-	165
Total operating expenses	567,354	297,905	865,259	(33,905)	831,354
Operating loss	(201,243)	(8,495)	(209,738)	-	(209,738)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	202,997	-	202,997	-	202,997
Transfer from/(to) State and outside programs	1,312	-	1,312	-	1,312
Gifts	6,935	500	7,435	-	7,435
Hospital transfer	(8,063)	8,063	-	-	-
Investment income, net	101	-	101	-	101
Interest on capital asset - related debt	(1,031)	(64)	(1,095)	-	(1,095)
Net nonoperating revenues	202,251	8,499	210,750	-	210,750
Loss before other revenues, expenses, gains or losses	1,008	4	1,012	-	1,012
Capital appropriations	62,500	-	62,500	-	62,500
Total other revenues	62,500	-	62,500	-	62,500
Increase/(Decrease) in net assets	63,508	4	63,512	-	63,512
NET ASSETS					
Net assets-beginning of year	271,573	68,037	339,610	-	339,610
Net assets-end of year	$ 335,081	$ 68,041	$ 403,122	$ -	$ 403,122

UNIVERSITY OF CONNECTICUT HEALTH CENTER
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

($ in thousands)	2011 Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 13,095	$ -	$ 13,095	$ -	$ 13,095
Patient services, net	169,258	264,333	433,591	(11,498)	422,093
Federal grants and contracts	60,128	-	60,128	-	60,128
Nonfederal grants and contracts	25,885	-	25,885	-	25,885
Contract and other operating revenues	91,119	1,955	93,074	(21,380)	71,694
Total operating revenues	359,485	266,288	625,773	(32,878)	592,895
OPERATING EXPENSES					
Educational and General					
Instruction	146,095	-	146,095	(16,302)	129,793
Research	58,892	-	58,892	-	58,892
Patient services	235,944	273,420	509,364	(16,576)	492,788
Academic support	16,355	-	16,355	-	16,355
Institutional support	58,421	-	58,421	-	58,421
Operations and maintenance of plant	27,653	-	27,653	-	27,653
Depreciation	20,776	9,299	30,075	-	30,075
Loss on disposal	282	200	482	-	482
Student aid	416	-	416	-	416
Total operating expenses	564,834	282,919	847,753	(32,878)	814,875
Operating loss	(205,349)	(16,631)	(221,980)	-	(221,980)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	211,768	13,500	225,268	-	225,268
Transfers to State	(10,807)	-	(10,807)	-	(10,807)
Gifts	2,051	503	2,554	-	2,554
Hospital transfer	(5,407)	5,407	-	-	-
Investment income, net	134	-	134	-	134
Interest on capital asset - related debt	(1,420)	(150)	(1,570)	-	(1,570)
Net nonoperating revenues	196,319	19,260	215,579	-	215,579
Loss before other revenues, expenses, gains or losses	(9,030)	2,629	(6,401)	-	(6,401)
Capital appropriations	170	-	170	-	170
Total other revenues	170	-	170	-	170
Increase (decrease) in net assets	(8,860)	2,629	(6,231)	-	(6,231)
NET ASSETS					
Net assets-beginning of year	280,433	65,408	345,841	-	345,841
Net assets-end of year	$ 271,573	$ 68,037	$ 339,610	$ -	$ 339,610

DIRECTORS AND FINANCIAL OFFICERS
June 30, 2012

BOARD OF DIRECTORS

FINANCIAL OFFICERS

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

TRUSTEES
As of June 30, 2012

UNIVERSITY OF CONNECTICUT
HEALTH CENTER

APPENDIX I-B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST

This section is a brief summary of the General Obligation Master Indenture of Trust (the "Master Indenture"). The summary does not purport to be complete. Reference is made to the Master Indenture for a full and complete statement of the provisions thereof.

Authority for the Master Indenture. [Section 201]. The Master Indenture is made and entered into by virtue of and pursuant to the provisions of the Act.

Authorization for Issuance of Bonds and Obligation of University. [Section 202]. In order to provide sufficient funds for the UConn 2000 Infrastructure Improvement Program, Bonds of the University are authorized to be issued without limitation as to amount except as therein provided or as may be limited by law.

The Bonds issued under the Master Indenture shall be general obligations of the University for the payment of which, in accordance with their terms, the full faith and credit of the University are thereby pledged and are payable out of any revenues or other assets, receipts, funds or moneys of the University, subject only to any agreements permitted by the Act and the Master Indenture with the holders of particular notes or bonds pledging any particular revenues, assets, receipts, funds or moneys. All Bonds issued thereunder shall be additionally secured and entitled to the benefit of the continuing pledge of and lien on the Trust Estate created by the Master Indenture and the covenants of the University and the State contained therein to secure the full and final payment of the principal, or Redemption Price, if applicable, thereof and the interest thereon. Bonds issued thereunder shall not be deemed to constitute a debt or liability of the State or any municipality thereof or a pledge of the faith and credit of the State or of any such municipality and the Bonds, Notes, Swaps, Obligations of the University under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Termination Payments or other similar obligations of or payments made by the University issued or incurred shall not constitute a debt or liability issued or guaranteed by or otherwise of the State, except the amount required by the Act to be so included. All Bonds shall be payable solely from the resources of the University described in and pursuant to the Master Indenture and the Supplemental Indenture under which they are issued.

Pledge Effected by Master Indenture. [Section 601]. The Trust Estate is pledged pursuant to the Master Indenture to secure the payment of the principal or Redemption Price, if any, and the interest on the Bonds (including the Sinking Fund Installments for the retirement thereof). In accordance with the Act, and pursuant to each Supplemental Indenture authorizing Bonds to be additionally secured by the State Debt Service Commitment, the amount of the State Debt Service Commitment in each fiscal year shall be pledged for the punctual payment of the Special Debt Service Requirements on such Bonds as the same arise and shall become due and payable.[1]

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[1] Pursuant to the Eighteenth Supplemental Indenture, the 2013 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 $239,000,000 for the UConn Projects as set forth therein, plus the amount of the Costs of Issuance.

Pursuant to the Eighth Supplemental Indenture, the 2013 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

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[2] Pursuant to the Eighteenth Supplemental Indenture, the University covenants that it will not take any action or fail to take any action that would cause the 2013 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 2013 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 2013 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:

July 31, 2013

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 $172,660,000 General Obligation Bonds, 2013 Series A (the "2013 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 2013 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 Eighteenth Supplemental Indenture (the "Eighteenth 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 2013 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 2013 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 2013 Series A Bonds and with all other such bonds theretofore issued under the Master Indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Master Indenture, in accordance with its terms.

We have examined the law and such other materials as we have deemed necessary in order to render this opinion. We have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the University and the Treasurer and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents.

We are of the opinion that:

1. Under the Constitution and laws of the State, the University exists as a body politic and corporate and an instrumentality and agency of the State, performing an essential public function with good right and lawful authority, among other things, to carry out the UConn 2000 Infrastructure Improvement Program and to provide funds therefor by the execution of the Indentures and the issuance and sale of bonds, including the 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Series A Bonds do not constitute a debt or liability of the State of Connecticut or any municipality or other political subdivision thereof or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut (except to the extent set forth in the Act), do not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation and are payable solely from the funds provided therefor pursuant to the Indentures and the Act. The University has no taxing power.

7. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met on and subsequent to the delivery of the 2013 Series A Bonds in order that interest on the 2013 Series A Bonds be not included in gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to the use and expenditure of

gross proceeds of the 2013 Series A Bonds, restrictions on the investment of 2013 Series A Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2013 Series A Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the University and the Treasurer will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the University and the Treasurer covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 7, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) continuing compliance by the University and the Treasurer with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

Under existing law, interest on the 2013 Series A Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University and the Treasurer and others in connection with the 2013 Series A Bonds, and we have assumed compliance by the University and the Treasurer with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

8. Under existing statutes, interest on the 2013 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 2013 Series A Bonds is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Except as stated in paragraphs 7 and 8 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the 2013 Series A Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the 2013 Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2013 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 2013 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:

July 31, 2013

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 $51,250,000 General Obligation Bonds, 2013 Refunding Series A (the "2013 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 2013 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 2013 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 2013 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 2013 Refunding Series A Bonds and with all other such bonds theretofore issued under the Master Indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Master Indenture, in accordance with its terms.

We have examined the law and such other materials as we have deemed necessary in order to render this opinion. We have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the University and the Treasurer and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents.

We are of the opinion that:

1. Under the Constitution and laws of the State, the University exists as a body politic and corporate and an instrumentality and agency of the State, performing an essential public function with good right and lawful authority, among other things, to carry out the UConn 2000 Infrastructure Improvement Program and to provide funds therefor by the execution of the Indentures and the issuance and sale of bonds, including the 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Refunding Series A Bonds do not constitute a debt or liability of the State of Connecticut or any municipality or other political subdivision thereof or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut (except to the extent set forth in the Act), do not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation and are payable solely from the funds provided therefor pursuant to the Indentures and the Act. The University has no taxing power.

7. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met on and subsequent to the delivery of the 2013 Refunding Series A Bonds in order that interest on the 2013 Refunding Series A Bonds be not included in gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to the use and expenditure of gross proceeds of the 2013 Refunding Series A Bonds, restrictions on the investment

of 2013 Refunding Series A Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2013 Refunding Series A Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the University and the Treasurer will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the University and the Treasurer covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 7, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) continuing compliance by the University and the Treasurer with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

Under existing law, interest on the 2013 Refunding Series A Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University and the Treasurer and others in connection with the 2013 Refunding Series A Bonds, and we have assumed compliance by the University and the Treasurer with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

8. Under existing statutes, interest on the 2013 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 2013 Refunding Series A Bonds is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Except as stated in paragraphs 7 and 8 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the 2013 Refunding Series A Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the 2013 Refunding Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2013 Refunding Series A Bonds may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Very truly yours,

APPENDIX I-D

FORM OF CONTINUING DISCLOSURE UNDERTAKING
THE UNIVERSITY - ARTICLE XV OF MASTER INDENTURE

Submission of Annual Financial Information Statements. [Section 1502]. While any Bonds are Outstanding, the University shall provide to the Trustee, when completed, Annual Financial Information beginning on or after January 1, 1996 which Annual Financial Information is expected to be completed within 180 days of the end of the fiscal year (the "Submission Date"). The Trustee shall provide to each NRMSIR and the SID, if any, such Annual Financial Information within 4 business days following the Submission Date or, if received subsequent to such Submission Date, within 3 business days of its receipt by Trustee. The State has also undertaken to provide an Annual Financial Information Statement to the MSRB or other information repository as part of the State's written undertaking to comply with the Rule.

Submission of Audited Financial Statements. [Section 1503]. (A) The University shall submit to the Trustee Audited Financial Statements for each Fiscal Year beginning on or after January 1, 1996, when and if available (but not later than the Submission Date). If the University's Audited Financial Statements are not available by the Submission Date, the University shall provide to the Trustee, by the Submission Date, Unaudited Financial Statements in lieu thereof and, when available, Audited Financial Statements, which Audited Financial Statements the Trustee shall provide to each NRMSIR and SID, if any, within 3 business days of its receipt.

(B) For purposes of the Audited Financial Statements required to be submitted by or on behalf of the State, as an obligated person with respect to the Bonds within the meaning of the Rule, reference is made to the Audited Financial Statements submitted or to be submitted by or on behalf of the State to the MSRB or other information repository as the case may be, as part of the State's written undertaking to comply with the Rule.

Listed Event Notices. [Section 1504]. (A) If a Listed Event occurs while any Bonds are Outstanding, the University shall provide a Listed Event Notice to the Trustee in a timely manner, and the Trustee shall promptly provide to the SID, if any, and either to the MSRB or each NRMSIR, such Listed Event Notice. Trustee shall further advise the University, should the Trustee, in the course of its duties, identify an event which would require the University to provide a Listed Event Notice. However, failure to advise by Trustee shall not be considered a breach.

Notification by Trustee of Failure by the University to File Annual Financial Information. [Section 1505]. (A) The University shall provide to the Trustee notice of any failure of the University to provide the Annual Financial Information by the required date, while any Bonds are Outstanding. Upon receipt of such notice, the Trustee shall provide notice of such failure to the SID, if any, and either to the MSRB or each NRMSIR.

(B) The Trustee shall provide to the SID, if any, and either to the MSRB or each NRMSIR, notice of any failure to provide Annual Financial Information on or before the Report Date (whether caused by failure of the University to provide such information to the Trustee by the Submission Date or for any other reason). For the purposes of determining whether information received by the University is Annual Financial Information, the Trustee shall be entitled conclusively to rely on the University's written representation.

Additional Information. [Section 1506]. (A) Nothing in Article XV of the Indenture shall prevent the University from disseminating any other information in addition to that required thereby. If the University should so disseminate or include any such additional information, the University shall have no obligation under Article XV of the Indenture to update, provide or include such additional information in any future materials disseminated pursuant to Article XV of the Indenture or otherwise. The University may direct the Trustee to provide any such additional information to the SID, if any, and either to the MSRB or each NRMSIR.

Reference to Other Documents. [Section 1507]. It shall be sufficient for purposes of Section 1502 of the Indenture if the University provides Annual Financial Information by specific reference to documents previously (i) provided to each NRMSIR and the SID, if any, or (ii) filed with the SEC. If such a document is an Official Statement, it must also be available from the MSRB.

Disclaimer by the University. [Section 1508]. The University shall be under no obligation to the Holders, the Trustee or any other party to review or otherwise pass upon the Annual Financial Information or the Audited Financial Statements of the State, and the University's obligations hereunder shall be limited solely to the undertakings set forth in Article XV of the Indenture. The University shall be under no obligation to review, pass upon, update, provide or include or continue to include in its Official Statement any additional information regarding the State provided to the MSRB, each NRMSIR or the SID, if any, other than that information required to be submitted as part of the State's undertaking pursuant to paragraph (b)(5) of the Rule.

Transmission of Information and Notices. [Section 1509]. Subject to the limitations stated in the Indenture, the University and the Trustee shall employ such methods of information and notice transmission requested or recommended by the designated recipients of the information and notices required to be delivered pursuant to the provisions of Article XV of the Indenture.

Change in Fiscal Year, Submission Date and Report Date. [Section 1510]. The University may adjust the Submission Date and the Report Date if the University changes its Fiscal Year by providing written notice to the Trustee, which notice shall be promptly delivered to each NRMSIR and the SID, if any; provided, however, that the new Submission Date shall be no more than 180 days after the end of such new Fiscal Year and the new Report Date shall be no more than 4 Business Days following the new Submission Date, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

Termination. [Section 1511]. (A) The University's and the Trustee's obligations under Article XV of the Indenture shall terminate immediately once Bonds are no longer Outstanding.

(B) The provisions of Article XV of the Indenture shall be null and void in the event that the University delivers to the Trustee a Counsel's Opinion stating that those portions of the Rule which require the provisions of Article XV of the Indenture, do not or no longer apply. The Trustee shall, upon receipt of such opinion, promptly provide copies thereof to each NRMSIR and the SID, if any.

(C) The obligations of the University relating to the State as an obligated person may be terminated if the State is no longer an "obligated person" as defined in the Rule. Such termination shall be effective upon the provision of notice by the University to the Trustee, upon receipt of which the Trustee shall notify the SID, if any, and to the MSRB or each NRMSIR.

Amendment. [Section 1512]. (A) Article XV of the Indenture may be amended, by written agreement of the parties, without the consent of the Holders of the Bonds (except to the extent required below under clause (3)(ii)), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or in interpretations thereof, or a change in the identity, nature or status of the University or the type of business conducted thereby; (2) Article XV of the Indenture, as so amended would have complied with the requirements of the Rule as of the date of the Indenture, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (3) either (i) the University shall have delivered to the Trustee a Counsel's Opinion which states that the amendment does not materially impair the interests of the Holders of the Bonds, or (ii) the Holders of the Bonds consent to the amendment to Article XV of the Indenture pursuant to the same procedures as are required for amendments to the Indenture pursuant to Section 901 of the Indenture. In the event the University delivers to the Trustee a Counsel's Opinion pursuant to sub-paragraph (3)(i), the Trustee shall promptly deliver copies of such opinion and amendment to each NRMSIR and the SID, if any.

(B) In addition to subsection (A) above, Article XV may be amended and any provision of Article XV may be waived, by written agreement of the parties, without the consent of the Holders of the Bonds, if all the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued; and (2) the University shall have delivered to the Trustee a Counsel's Opinion stating that performance by the University and Trustee under Article XV as so amended or giving effect to such waiver will not result in a violation of the Rule. The Trustee shall deliver copies of such Opinion and amendment to each NRMSIR and the SID, if any.

(C) In the event of any amendment respecting the type of operating data or financial information contained in the University's Annual Financial Information, the University shall, in accordance with the Rule or any interpretation thereof by the SEC, provide in the first Annual Financial Information provided thereafter a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) In the event of any amendment specifying the accounting principles, for the year in which the change is made, the University shall present a comparison. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the difference and the impact of the change. In the event of any such change in accounting principles, the University shall deliver notice of such change to the Trustee and the Trustee shall deliver notice of such change to the Trustee and the Trustee shall deliver such notice to the SID, if any, and either to the MSRB or each NRMSIR.

Benefit; Third-Party Beneficiaries; Enforcement. [Section 1513]. (A) The provisions of Article XV of the Indenture shall inure solely to the benefit of the Holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of Article XV of the Indenture.

(B) Except as provided in this subsection, the provisions of Article XV of the Indenture shall create no rights in any person or entity. The obligations of the University to comply with the provisions of Article XV of the Indenture shall be enforceable (i) in the case of enforcement of obligations to provide Audited Financial Statements, Annual Financial Information, operating data and notice, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds, or (ii), in the case or challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The Holders' and Trustee's rights to enforce the provisions of Article XV of the Indenture shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the University's obligations under

Article XV of the Indenture. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (A) of this Section, beneficial owners shall be deemed to be Holders of Bonds for purposes of this subsection (B). Without limiting the generality of the foregoing and except as otherwise provided in the Indenture, neither the commencement nor the successful completion of an action to compel performance under Article XV of the Indenture shall entitle the Trustee or any other person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

(C) Any failure by the University or the Trustee to perform in accordance with Article XV of the Indenture shall not constitute a default or an Event of Default under the Indenture or any Supplemental Indenture, and the rights and remedies provided by the Indenture or any Supplemental Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(D) Article XV of the Indenture shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of Article XV of the Indenture shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent Article XV of the Indenture addresses matters of federal securities laws, including the Rule, Article XV of the Indenture shall be construed in accordance with such federal securities laws and official interpretations thereof.

Duties, Immunities and Liabilities of Trustee. [Section 1514]. The Trustee shall have only such duties under Article XV of the Indenture as are specifically set forth therein, and the University agrees to indemnify and save the Trustee, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under Section 1514 of the Indenture excluding liabilities due to the Trustee's gross negligence or willful misconduct. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Indenture. The obligations of the University under Section 1514 of the Indenture shall survive resignation or removal of the Trustee and payment of the Bonds.

Duties, Immunities and Liabilities of Officials. [Section 1515]. Pursuant to Public Act 95-270, the University shall protect and save harmless any official or former official of the University from financial loss and expense, including legal fees and costs, if any, arising out of any claim, demand, suit or judgment by reason of alleged negligence on the part of such official, while acting in the discharge of his or her official duties in providing secondary market disclosure information pursuant to Article XV of the Indenture or performing any other duties set forth in the Indenture. Nothing in Article XV of the Indenture shall be construed to preclude the defense of governmental immunity to any such claim, demand or suit. For purposes of Section 1514 of the Indenture, "official" means any person elected or appointed to office or employed by the University. The University may insure against liability imposed by this provision through any insurance company of another state authorized to write such insurance in the states or may elect to Act as self-insurer of such liability. This Section shall not apply to cases of willful and wanton fraud.

FORM OF SUPPLEMENTAL CONTINUING DISCLOSURE UNDERTAKING

THIS SUPPLEMENTAL CONTINUING DISCLOSURE UNDERTAKING (this "Undertaking"), is being executed and delivered by University of Connecticut (herein the "Issuer") and U.S. Bank National Association, as Trustee (the "Trustee") in connection with the execution and delivery of its Series 2013 Bonds (as hereinafter defined).

WHEREAS, the Issuer has heretofore undertaken to provide pursuant to Article XV ("Article XV") of its General Obligation Master Indenture of Trust dated as of November 1, 1995 (as supplemented and amended, the "Indenture"), and in satisfaction of Rule 15c2-12 under the Securities Exchange Act of 1934 (as amended, the "Rule"), certain secondary market information with respect to bonds issued pursuant to the Indenture (the "Article XV Continuing Disclosure Undertaking"); and

WHEREAS, the Rule was amended, effective November 30, 2010.

NOW THEREFORE, the Issuer hereby undertakes to supplement the Article XV Continuing Disclosure Undertaking with respect to its General Obligation Bonds, 2013 Series A and its General Obligation Bonds, 2013 Refunding Series A (collectively, the "Bonds"), to provide event disclosure in accordance with the Rule in a timely manner not in excess of ten business days after the occurrence of any of the following events (each, a "Notice Event"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on the debt service reserves reflecting financial difficulties;

(4) unscheduled draws on the credit enhancements reflecting financial difficulties;

(5) substitution of the credit or liquidity providers or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2013 Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to rights of the Bond holders, if material;

(8) Bond calls, if material, and tender offers;

(9) Bond defeasance;

(10) release, substitution or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the University or the State*;

(13) the consummation of a merger, consolidation, or acquisition involving the University or the State or the sale of all or substantially all of the assets of the University or the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

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* For the purposes of the event identified in this clause, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the University or the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University or the State.

Dated: July 31, 2013

UNIVERSITY OF CONNECTICUT

By: ______________________________
Name: ____________________________
Title: ____________________________

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: ______________________________
Name: ____________________________
Title: ____________________________

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (the "State") will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data and (ii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of the 31st day of July, 2013 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $172,660,000 University of Connecticut General Obligation Bonds, 2013 Series A, dated July 31, 2013 and $51,250,000 University of Connecticut General Obligation Bonds, 2013 Refunding Series A, dated July 31, 2013 (collectively, "the 2013 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 July 17, 2013 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, 2013) as follows:

(i) Financial statements of the State's general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, internal service funds and trust and agency (fiduciary) funds and the general long-term debt account group for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash method of accounting as described in Part III to the Final Official Statement, under the caption **FINANCIAL PROCEDURES - Accounting Procedures)**. As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule described below (with references to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports:

1. Until such time as the State's only method of presenting its financial statements is substantially in accordance with generally accepted accounting principles ("GAAP"):

   a. General Fund - Summary of Operating Results - Budgetary (Modified Cash) Basis (for most recent fiscal year) (See Table 2 and Appendices III-D-6 and III-D-7).

   b. General Fund - Summary of Operating Results - Budgetary (Modified Cash) Basis vs. GAAP Basis (for most recent fiscal year) (See Table 3).

   c. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash) Basis (as of the end of the most recent fiscal year) (See Table 4 and Appendices III-D-4 and III-D-5).

   d. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash) Basis vs. GAAP Basis (as of the end of the most recent fiscal year) (See Table 5).

2. Statutory Debt Limit (as of end of most recent fiscal year or a later date) (See Table 7).

3. Direct General Obligation Indebtedness - Principal Amount Outstanding (as of end of most recent fiscal year or a later date) (See Table 8).

4. Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 10).

5. Outstanding Long-Term Direct General Obligation Debt (as of end of most recent fiscal year) (See Table 11).

6. Authorized But Unissued Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 12).

7. Statutory General Obligation Bond Authorizations and Reductions (for recent fiscal years, if any legislative action) (See Table 13).

8. Special Capital Reserve Fund Debt (as of end of most recent fiscal year or a later date) (See Table 16).

9. Funding status of the State Employees' Retirement Fund and the Teachers' Retirement Fund.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The State's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. **Material Events**.

(Not applicable to State).

Section 4. **Notice of Failure to Provide Annual Financial Information**.

The State agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. **Use of Agents**.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. **Termination**.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. **Enforcement**.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Section 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

Section 8. **Miscellaneous**.

(a) All documents provided by the State to a Repository pursuant to the State's undertakings set forth in Sections 2 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The State and the Trustee shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 51% of the aggregate principal amount of the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By:____________________________________
Denise L. Nappier
Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:____________________________________
Authorized Officer

APPENDIX I-E

DEFINITIONS OF CERTAIN TERMS OF THE INDENTURES

Definitions. [Section 101]. The following terms shall have the following meanings for all purposes of the Master Indenture and the supplements thereto, including the Eighth Supplemental Indenture and the Eighteenth Supplemental Indenture, except as otherwise defined:

"2013 Series A Bonds" means the Bonds authorized by, and issued in one or more series, pursuant to Article II of the Eighteenth Supplemental Indenture.

"2013 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 2013 Series A Bonds and the 2013 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 2013 Refunding Series A Bonds (secured by the State Debt Service Commitment).

"Eighteenth Supplemental Indenture" means the Eighteenth Supplemental Indenture dated as of July 1, 2013, as amended, authorizing the 2013 Series A Bonds (secured by the State Debt Service Commitment).

“Event of Default” shall have the meaning given to such terms in Article XII of the Master Indenture.

“Fiduciary” or **“Fiduciaries”** means the Trustee, any Paying Agent, or either or both of them, as may be appropriate.

“Fiscal Year” shall mean a twelve-month period commencing on the first day of July of any year.

“GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board (“GASB”).

“General Obligation Bonds” shall mean the bonds of the University issued under the Master Indenture.

“Indenture” or **“Master Indenture”** means the General Obligation Master Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms and provisions thereof.

“Information Services” means Financial Information, Inc. Kenny Information Services “Daily Called Bond Service,” Moody’s Investors Service “Municipal and Government,” Standard & Poor’s “Called Bond Record,” and Fitch Investors Service, Inc., any NRMSIR, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the State may designate in writing to the Trustee.

“Initial Bonds” shall mean the initial general obligation bonds issued under the Master Indenture pursuant to the Act and the First Supplemental Indenture.

“Interest Payment Date” shall mean each date on which interest is payable on General Obligation Bonds under the Master Indenture or the applicable Dedication Instrument, or, if such date is not a Business Day, the immediately succeeding Business Day.

“Interest Requirement” means, as of the date of computation with respect to a Calendar Year, an amount equivalent to the aggregate maximum amount coming due during such Calendar Year on any Interest Payment Date, of (i) interest which may be payable on Outstanding Bonds and (ii) Swap Payments, provided that interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate, and further provided that if the University shall have entered into one or more Swaps with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the University under such Swap; if the University shall have entered into one or more Swaps with respect to a Bond or Note that is not a Variable Interest Rate Bond or Note which calls for a Variable Interest Rate Swap Payment by the University then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as a Variable Interest Rate Bond or Note bearing interest for such period at the Variable Interest Rate payable by the University under such Swap.

“Investment Obligations” shall mean and includes any of the following:

(i) Direct obligations of or obligations guaranteed by the United States of America;

(ii) Any bond, debenture, note, participation or other similar obligation issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers' Home Administration and Export-Import Bank;

(iii) Any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by a Federal Agency backed by the full faith and credit of the United States of America other than as provided in (i) hereof;

(iv) Any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State or obligation which may be purchased with proceeds of general obligation bonds of the State under Section 3-20 of the General Statutes as then in effect;

(v) Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or Project Notes issued by Public Housing Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vi) Direct and general obligations of or obligations guaranteed by the State of Connecticut, to the payment of the principal of and interest on which the full faith and credit of the State is pledged;

(vii) Deposits in interest-bearing time or demand deposits or certificates of deposit secured by (a) obligations described in (i) hereof or (b) obligations described in (v) hereof, or (c) obligations described in (iv) hereof;

(viii) Deposits in interest-bearing time or demand deposits or certificates of deposit secured by obligations described in (ii), (iii) or (iv) hereof;

(ix) Participation certificates for the combined investment pool administered by the State Treasurer pursuant to No. 236 of the Public Acts of 1971; and

(x) the Tax Exempt Proceeds Fund, established by the Treasurer pursuant to Section 3-24a of the General Statutes, as amended.

"Listed Event" means any of the following events, if material, with respect to any Bonds under the Master Indenture:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) Modifications to rights of security holders;

(viii) Redemption by the University of any Outstanding Bonds other than by mandatory sinking fund installments;

(ix) Defeasance;

(x) Release, substitution, or sale of property securing repayment of the securities; and

(xi) Rating changes.

"Listed Event Notice" means notice of a Listed Event required to be provided pursuant to Section 1504 of the Master Indenture.

"Maturity Amount" shall mean with respect to a capital appreciation bond its accreted value on its maturity date, being the amount to be paid on a capital appreciation bond at maturity.

"Minimum State Operating Provision" means the commitment of the State to appropriate, annually, an amount for the University for operations after receiving a request from the University therefor and consideration of other amounts available to the University for its operations which amount so appropriated shall be consistent with the University continuing to operate in furtherance and pursuant to the provisions of section 2 of article eighth of the Constitution of the State and applicable law as an institution dedicated to the excellence in higher education, including the operation of the components of UConn 2000 at Storrs and elsewhere in the State pursuant to section 5 of the Act; provided, however, nothing in section 1 to 25, inclusive, of the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous fiscal year so long as the appropriation act provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor entity.

"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 2013 Series A Bonds and the 2013 Refunding Series A Bonds.

"Principal" or **"principal"** means (1) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), provided, however, when used in connection with (a) the authorization and issuance of Bonds and (b) the order of priority of payments of Bonds after a default under Article XI of the Master Indenture, "Principal" or "principal" means the Original Principal Amount of a Capital Appreciation Bond (being the initial public offering price of such Bond and the difference between the Accreted Value and the Original Principal Amount being deemed interest), and provided further, however, that when used in connection with determining whether the Bondholders of the requisite principal amount of Outstanding Bonds have given any required consent, notice, waiver, request, demand, authorization, direction or notice, "Principal" or "principal" means the Accreted Value, and (2) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

"Principal Amount" means the outstanding principal of a Current Interest Bond and, in the case of a capital appreciation bond, its accreted value.

"Principal Installment" for any Calendar Year, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, the principal amount of Bonds of said Series which mature in such Year, reduced by the aggregate principal amount of such Bonds which would be retired before such Year by reason of the payment and application of Sinking Fund Installments payable before such Year for the retirement of such Bonds, plus the unsatisfied balance (determined as provided in the Master Indenture) of the Sinking Fund Installments, if any, due during such Year for the Bonds of such Series.

"Principal Installment Date" means each date on which Principal and Sinking Fund Installments, if any, is payable on the Bonds as provided in or pursuant to the Master Indenture (or, if such date is not a Business Day, the immediately succeeding Business Day).

"Project" means, in accordance with the Act, any structure designed for use as a dormitory or other housing facility, dining facility, student union, academic building, administrative facility, library, classroom, building, research facility, faculty facility, office facility, athletic facility, health care facility, laboratory, maintenance, storage or utility facility or other building or structure useful for instruction in a program of education provided by the university; or any multipurpose structure designed to combine two or more of the functions performed by the types of structures enumerated in this subsection, including improvements, reconstruction, replacements, additions and equipment acquired in connection with a project or in connection with operation of any facilities of the University existing on the effective date of the Act, including all real and personal property, lands, improvements, driveways, roads, approaches, pedestrian access roads, parking lots, parking facilities, rights-of-way, utilities, easements and other interests in land, machinery and equipment, and all appurtenances and facilities either on, above or under the ground that are used or usable in any Project, including landscaping, site preparation, furniture, machinery, equipment and other similar items useful the operation of a particular facility or structure in the manner for which its use is intended, but does not include items that are customarily under applicable accounting principles considered as a current operating charge, unless the category and maximum amount thereof is specifically included by a determination of the Board of Trustees in the financing transaction proceedings and by percentage or otherwise as may be limited pursuant to such proceedings in order to preserve the excludability of the interest on the securities issued therefor from federal taxation under the applicable provisions of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States as from time to time amended.

"Project Revenues" means revenues received from projects existing on the effective date of the Act, from Project or Projects under construction or from a combination of projects existing on the effective date of this Act and Projects, the acquisition, construction or accomplishment of which, the University has entered into a binding commitment, anticipated by the Board of Trustees to produce annual revenues in an amount not less than the anticipated annual cost of operation, maintenance and repair of any such Project or Projects, and annual debt service payments on any financing transaction proceedings under which Revenue Bonds have been issued for the Project or Projects during the term effected under the Act, as determined by the Board of Trustees.

"Record Date" means the close of business on the fifteenth day preceding an Interest Payment Date, or if such day shall not be a Business Day, the immediately preceding Business Day.

"Redemption Fund" means such fund of the University established by Section 602 of the Master Indenture.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Master Indenture.

"Refunding Bond" means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Section 205 of the Master Indenture.

"Renewal and Replacement Fund" means such account established by Section 602 of the Master Indenture.

"Renewal and Replacement Fund Requirement" means that amount necessary for the University to meet the extraordinary renewal and replacement expenses of Projects financed by the University under the UConn 2000 Infrastructure Improvement Program and other facilities forming part of the physical university plant so as to permit the University to operate and maintain the physical university plant in sound operating condition and in conformity with Section 909(B) of the Master Indenture, as determined in each Operating Budget or otherwise.

"Revenue Bond" means special obligation securities issued by the University pursuant to the Act.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of the Master Indenture, including any official interpretations thereof issued either before or after such date which are applicable to the Master Indenture.

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

"Securities Depositories" means The Depository Trust Company, Midwest Securities Trust Company, Philadelphia Depository Trust Company, or successors or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other depositories as the University may designate to the Trustee.

"Series of Bonds" or **"Bonds of a Series"** or words of similar meaning, means the Series of Bonds authorized by the Master Indenture and a Supplemental Indenture.

"SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. (As of the date hereof, there is no SID.)

"Sinking Fund Installment" means, for any Calendar Year as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the Master Indenture or a Supplemental Indenture to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the University by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

"Special Debt Service Requirements" means for any period, and with respect to the Bonds, subject to the Master Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum of (A) the Principal Installments and interest accruing and coming due during such period, (B) the amounts, if any, required, with respect to interest rate fluctuations on variable rate debt, or with respect to securities not secured by the State Debt Service Commitment during such period to establish or maintain reserves, sinking funds or other funds or accounts at the respective levels required to be established or maintained therein in accordance with the proceedings authorizing the issuance of securities, (C) annual expenses of issuance and administration with respect to securities, (D) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to authority granted under the proceedings authorizing the issuance of securities, (E) net amounts owing under interest rate agreements authorized and effective under section 10 of the Act, (F) arbitrage rebate requirements pursuant to subsection (b) of section 17 of the Act on securities secured by the State Debt Service Commitment and (G) any other annual costs or expenses necessary or proper to be paid in connection with the securities, including, without limitation, the annual cost of any Bond Facility, issued by a financial institution pursuant to an agreement approved in the financing transaction proceedings.

"Special Eligible Gift" means a gift to the University of cash or assets which may be reduced to cash by the University which the donor has specifically designated as a donation for use by the University in furtherance of UConn 2000 or which explicitly or implicitly by the terms thereof the University may use for UConn 2000 and which the University determines to so use therefor pursuant to subsection (a) of Section 9 of the Act.

"State" means State of Connecticut and for purposes of the rule, means the State of Connecticut, an obligated person with respect to the Bonds within the meaning of the Rule, acting by and through the Office of the State Treasurer.

"State Bonds" means general obligation bonds of the State issued or to be issued by the State for the purpose of financing capital improvements for the infrastructure of the University.

"State Debt Service Commitment" means with respect to the Bonds issued as general obligations of the University pursuant to subsection (c) of Section 7 of the Act for the UConn 2000 Infrastructure Improvement Program and additionally secured by this State Debt Service Commitment under the Master Indenture and any Supplemental Indenture, an annual amount, commencing in the State Fiscal Year ending June 30, 1996, and any Fiscal Year thereafter for any Special Debt Service Requirements when due and payable.

"Submission Date" shall have the meaning ascribed to it in Section 1502 of the Master Indenture.

"Supplemental Indenture" means any series or supplemental indenture entered into by the Trustee and the University pursuant to and in compliance with the provisions of Article X or Article XI of the Master Indenture providing for the issuance of Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X or Article XI of the Master Indenture amending or supplementing the provisions of the Master Indenture as originally executed or as theretofore amended or supplemented.

"Swap" shall have the meaning given in Section 101 of the Master Indenture.

"Swap Facility" means an insurance policy, surety bond, letter of credit or other credit enhancement with respect to a Swap or any similar facility entered into for the same or similar purposes and may include Investment Obligations properly pledged to the University hereunder pursuant to the Swap Facility or by the Swap Provider, in each case sufficient to maintain any existing rating of the University's Bonds. Payments by the University under a Swap Facility related to a Swap shall be deemed Swap Payments under the Master Indenture and shall not be deemed Reimbursement Obligations and payments to the University under a Swap Facility related to a Swap shall be deemed Swap receipts. Payment by the University under a Swap Facility applicable to any fees, expenses or similar other charges or obligations under the Master Indenture shall be a Cost of Issuance or an operation expense, as applicable.

"Swap Payment" means the net amount required to be paid by the University under a Swap that is applicable to the interest rate exchange effected thereunder, but not any (a) fees, expenses or similar other charges or obligations thereunder (which shall be Costs of Issuance or operation expense, as applicable) or (b) an Termination Payment or other payments by the University on account of termination of the Swap.

"Swap Provider" means a financial institution whose long term debt obligations, or whose obligations under a Swap are fully covered by a Swap Facility whose long term debt obligations are (i) rated at least as high by at least two nationally recognized rating agencies as the greater of (a) the University's Bonds additionally secured by the State Debt Service Commitment and (b) the State's general obligation bonds or (ii) secured by a pledge of Investment Obligations in amounts sufficient to achieve the ratings described in (i) the Master Indenture or (ii) meeting the requirements of Section 908.2 of the Master Indenture.

"Swap Receipt" means the net amount required to be paid to the University under a Swap, but shall not include any Termination Receipt.

"Tax Regulatory Agreement" means a tax regulatory agreement, including any supplements and amendments thereto, of the University, signed by an Authorized Officer and by the Treasurer, to be delivered in connection with the issuance of any Bonds under the Master Indenture and setting forth the expectations, certifications and representations concerning the use of the proceeds of such Bonds and other matters relating to compliance with the Code and consistent with the covenant of the University pursuant to Section 910 of the Master Indenture.

"Termination Payment" means with respect to a Swap an amount required to be paid by the University to the Swap Provider or related Swap Facility as a result of the termination of the Swap or required to be paid by the University into a collateral account as security for any termination provided that any payment by the University on account of termination of a Swap shall be subject to amortization over several fiscal years to be determined and approved by the Treasurer in the Swap.

"Termination Receipt" means with respect to a Swap an amount required to be paid by the Swap Provider or related Swap Facility as a result of the termination of the Swap.

"Treasurer" means the Treasurer of the State or the Deputy Treasurer.

"Trust Estate" means all of the funds, securities, property, rights, privileges and interests granted, bargained, sold, conveyed, pledged and assigned unto the Trustee in the Granting Clauses of the Master Indenture securing the payment of the principal or redemption price, if any, of and interest on the Bonds according to their terms and all other amounts due in connection therewith and the performance and observance by the University of all the covenants expressed or implied therein and in Bonds.

"Trustee" means U. S. Bank National Association, as successor to Fleet National Bank of Connecticut, and any successor trust company or bank having the powers of a trust company within or without the State succeeding a prior trust company or bank as trustee, appointed pursuant to Section 810 of the Master Indenture.

"UConn 2000 Infrastructure Improvement Program" means the promotion, planning, designing, developing, encouraging, assisting, acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of any UConn 2000 Project and assisting directly or indirectly in the financing of the cost thereof pursuant to the Act including the program of the University pursuant to which it issues bonds under the Master Indenture.

"UConn 2000 Phase I Project" means any Project which is identified and referenced in section 5 of the Act as a phase I project, as same may be revised, deleted or added in accordance with the Act and the Master Indenture.

"UConn 2000 Phase II Project" means any Project which is identified and referenced in section 5 of the Act as a phase II project, as same may be revised, deleted or added in accordance with the Act and the Master Indenture.

"UConn 2000 Phase III Project" means any Project which is identified and referenced in Section 10a-109e of the Act as a phase III project, as the same may be revised, deleted or added in accordance with the Act and the Indenture.

"UConn 2000 Project" means any UConn 2000 Phase I Project, UConn 2000 Phase II Project and UConn 2000 Phase III Project which the Board of Trustees by resolution authorizes to finance with Bonds under the Indenture provided such resolution is submitted to the Governor and has not been disapproved by the Governor within thirty (30) days of its submission.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

"Underwriters" means the initial purchasers of the 2013 Series A Bonds and the 2013 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

July 17, 2013

The Annual Information Statement of the State of Connecticut (the "State"), dated February 28, 2013, appears in this Official Statement as **Part III** and contains information through February 28, 2013. The State expects to provide an updating Information Supplement from time to time in the future, which will appear in this location as Part II of future Official Statements or Reoffering Circulars of the State.

This Information Supplement updates certain information in the February 28, 2013 Annual Information Statement through July 17, 2013. 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**.

FINANCIAL PROCEDURES

Page III-9. The following information supplements the information under the caption ***Unappropriated Surplus – Budget Reserve Fund*** under the heading **Financial Controls**:

Public Act No. 13-184, passed by the General Assembly and signed into law by the Governor, provides for the transfer of up to $220.8 million of the Fiscal Year 2013 projected surplus to be used in the upcoming 2014-2015 biennium.

Page III-9. The first sentence in the second paragraph under the caption ***Unappropriated Surplus – Budget Reserve Fund*** under the heading **Financial Controls** is deleted.

Page III-12. The second paragraph under the caption ***Transition to GAAP*** under the heading **Accounting Procedures** is deleted and the third paragraph is revised as follows:

Commencing June 30, 2014, the Comptroller, in the Comptroller's sole discretion, may initiate a process intended to result in the implementation of Generally Accepted Accounting Principles (GAAP) with respect to the preparation and maintenance of the biennial budget and the annual financial statements of the State now prepared on a modified cash basis. Beginning July 1, 2013, the Comptroller shall establish an opening combined balance sheet for all appropriated funds on the basis of GAAP. This combined balance sheet shall reflect as a deferred charge the aggregate of the accrued and unpaid expenses, liabilities, and other adjustments for the purposes of GAAP as of July 1, 2013. Such deferred charge shall be amortized in equal increments in each fiscal year of each biennial budget commencing with the fiscal year ended June 30, 2016, and for the next succeeding twelve fiscal years. Beginning in Fiscal Year 2013, the Comptroller's annual report shall be submitted to the Governor by September 30th and prepared in accordance with GAAP.

STATE GENERAL FUND

Page III-27. The following information supplements the information under the heading **Fiscal Year 2013 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 on May 20, 2013 for the General Fund for Fiscal Year 2013, as of the period ending April 30, 2013, General Fund revenues were estimated at $19,220.1 million, General Fund expenditures and adjustments (including net appropriations continued and estimated lapses) were estimated at $19,007.8 million and the General Fund for Fiscal Year 2013 was estimated to have a surplus of $212.3 million under a budgetary basis and $164.8 million when adjusted for estimated accruals under a GAAP-based budgeting scenario. Such GAAP basis surplus reflects the additional GAAP surplus for Fiscal Year 2013 and does not reflect the total accumulated unreserved fund balance. In the monthly estimates provided by the Office of Policy and Management on June 20, 2013 for the General Fund for Fiscal Year 2013, as of the period ending May 31, 2013, General Fund revenues were estimated at $19,278.0 million, General Fund expenditures and adjustments (including net appropriations continued and estimated lapses) were estimated at $19,041.4 million and the General Fund for Fiscal Year 2013 was estimated to have a surplus of $236.6 million under a budgetary basis and $189.1 million when adjusted for estimated accruals under a GAAP-based budgeting scenario. The next monthly report of the Office of Policy and Management is expected on July 20, 2013 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 monthly report of the Comptroller dated June 1, 2013 for Fiscal Year 2013 as of the period ending April 30, 2013, the Comptroller projected a surplus of $212.3 million in the General Fund on a budgetary basis. In the monthly report of the Comptroller dated July 1, 2013 for Fiscal Year 2013 as of the period ending May 31, 2013, the Comptroller was in agreement with the Office of Policy and Management and projected a surplus of $236.6 million in the General Fund under a budgetary basis and a surplus of $189.1 million when adjusted for estimated accruals under a GAAP-based budgeting scenario. The next monthly report of the Comptroller is expected on August 1, 2013.

On June 25, 2013, the Office of Fiscal Analysis projected a surplus in the General Fund of $279.9 million for Fiscal Year 2013 on a budgetary basis.

The General Assembly passed and the Governor signed into law, Public Act No. 13-184 which contains appropriations for Fiscal Years 2014 and 2015. That act provides for the transfer of up to $220.8 million of the Fiscal Year 2013 projected surplus described above for use in the upcoming biennium, as discussed above. In addition, other legislation adopted requires that any remaining unappropriated surplus be deposited into the Budget Reserve Fund. The current balance in the Budget Reserve Fund is $93.5 million.

The above projections are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by the Office of Policy and Management, the Comptroller, other State agencies or other State action will not reflect changes in the estimated or final result of Fiscal Year 2013 operations of the General Fund.

Page III-28. The following information supplements the information under the caption *Consensus Revenue Estimates* under the heading **Fiscal Year 2013 Operations**:

Pursuant to Section 2-36c of the Connecticut General Statutes, the Office of Policy and Management and the legislature's Office of Fiscal Analysis issued on April 30, 2013, a consensus revision of their previous estimate of the revenue estimates for the current fiscal year and the next three ensuing fiscal years. The General Fund revenue estimates for fiscal years ending June 30 of 2013, 2014, 2015 and 2016 were $19,220.1 million, $19,396.5 million, $20,544.2 million and $21,452.3 million, respectively. This estimate represents an increase of $240.6 million in Fiscal Year 2013 from the previous estimates issued on January 15, 2013 and a reduction of $254.8 million, $229.4 million and $238.4 million in Fiscal Years 2014, 2015 and 2016, respectively, from the previous estimates issued on January 15, 2013. 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. The next consensus revenue estimates are expected on November 15, 2013.

Page III-29. The following information is added after the information under the heading **Governor's Recommended Budget for Fiscal Years 2014 and 2015:**

Adopted Budget for Fiscal Years 2014 and 2015.

On June 3, 2013, the General Assembly passed Public Act No. 13-184, An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2015. The Governor signed the bill into law on June 18, 2013. Additional legislation was also passed by the General Assembly and signed into law by the Governor related to the budget. These acts made General Fund appropriations of $17,188.8 million in Fiscal Year 2014 and $17,497.6 million in Fiscal Year 2015. The budget projects General Fund revenues of $17,192.4 million in Fiscal Year 2014 and $17,499.8 million in Fiscal Year 2015, resulting in a projected surplus of $3.6 million in Fiscal Year 2014 and $2.2 million in Fiscal Year 2015.

The adopted budget made two significant changes in the manner in which the State appropriates for Medicaid expenditures within the Connecticut Department of Social Services ("DSS") and in the Connecticut Department of Mental Health and Addiction Services. The first change was undertaken as part of the upcoming implementation of the federal Affordable Care Act related to the increase in income eligibility under Medicaid from 53% of the federal poverty level to 133% of the federal poverty level referred to as Medicaid expansion. The expansion of Medicaid will be off-budget and funded entirely from federal revenue. The second change net-budgeted the Medicaid account in DSS. Previously, the State appropriated Medicaid expenditures on a gross basis within DSS, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State will commence net budgeting Medicaid expenditures within DSS, resulting in only the State's share of payments to private Medicaid providers being appropriated. These changes reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and by $3,204.9 million in Fiscal Year 2015 compared to current services. The budget also includes expenditure adjustments to reflect the conversion from a cash basis of accounting to an accrual basis of accounting as part of the planned conversion to GAAP-based budgeting.

The adopted budget includes $564.6 million in revenue enhancements in Fiscal Year 2014 and $160.5 million in Fiscal Year 2015. The significant revenue changes include: 1) the extension of certain tax measures that were anticipated to expire which include the twenty percent corporate surcharge, the tax on electric generators for one additional quarter, and certain limits on the use of tax credits under the insurance premiums tax, anticipated to raise $88.9 million in Fiscal Year 2014 and $101.0 million in Fiscal Year 2015; 2) the elimination of certain revenue intercepts that are targeted toward municipal aid as part of the overall reconfiguration of such aid, anticipated to increase revenue by $92.4 million in Fiscal Year 2014 and $97.9 million in Fiscal Year 2015; 3) transfers from other sources totaling $451.5 million in Fiscal Year 2014 and $176.4 million in Fiscal Year 2015. The largest transfer over the biennium includes the use of the Fiscal Year 2013 surplus projected, at the time the budget was adopted, at $220.8 million. The transfers further include the funding of the Mashantucket Pequot Fund grant to towns, which reduces transfers from the General Fund by $146.4 million over the biennium. Other transfers include $109.7 million over the biennium from the Special Transportation Fund and up to $35 million related to the State's assumption of certain responsibilities and corresponding reserves of the Connecticut Resource Recovery Authority. All other revenue changes represent a net $68.2 million reduction in Fiscal Year 2014 and a $214.8 million reduction in Fiscal Year 2015, primarily from the loss of matching federal funds due to proposed expenditure changes outlined below.

Prior to adopted policy changes, the current services budget for Fiscal Year 2014 would have increased by $1,929.0 million above estimated expenditures in the prior fiscal year. Current services expenditures for Fiscal Year 2015 would have increased by an additional $1,017.7 million above the level in Fiscal Year 2014. The largest drivers of these increases were related to the implementation of the federal

Affordable Care Act and pension costs. The adopted budget appropriates $3,746.0 million less than the current services level in Fiscal Year 2014 and $4,456.9 million less than the current services level in Fiscal Year 2015. The most significant factor contributing to the decrease in appropriations is the net budgeting of Medicaid payments discussed above. Other significant reductions contained in the adopted budget include: 1) reduction in expenditures of $196.0 million in each year of the biennium from restructuring the 2009 Economic Recovery Notes by the extension of their maturity for two additional years; 2) the phase down of disproportionate share payments to hospitals totaling $120.8 million in Fiscal Year 2014 and $255.1 million in Fiscal Year 2015; 3) various savings initiatives in the Medicaid program totaling $247.9 million in Fiscal Year 2014 and $371.7 million in Fiscal Year 2015; and 4) the extension of the cap on municipal aid grants totaling $102.8 million in Fiscal Year 2014 and $114.6 million in Fiscal Year 2015.

Section 2-33a of the Connecticut General Statutes sets out the State's expenditure cap. The adopted budget would be $9.4 million below the expenditure cap for Fiscal Year 2014 and $166.3 million below the expenditure cap for Fiscal Year 2015.

The adopted budget also includes a net increase in general obligation bond authorizations totaling $1,619.5 million in Fiscal Year 2014 and $1,581.0 million in Fiscal Year 2015. The budget also includes $380.4 million in additional clean water revenue bond authorizations in Fiscal Year 2014 and $332.0 million in Fiscal Year 2015 and special transportation obligation bond authorizations of $706.7 million in Fiscal Year 2014 and $588.8 million in Fiscal Year 2015. For the University of Connecticut, general obligation bond authorizations of $198.0 million will take effect in Fiscal Year 2014 and $208.5 million will take effect in Fiscal Year 2015. For the Connecticut State University System, $95.0 million general obligation bond authorizations of the State will take effect in each of Fiscal Years 2014 and 2015. For the Connecticut Bioscience Collaboration Program, general obligation bond authorizations of $59.7 million will take effect in Fiscal Year 2014 and $19.7 million will take effect in Fiscal Year 2015. The adopted budget proposes a $1.5 billion expansion to the existing UConn 2000 bond authorization, which would extend the UConn capital program through Fiscal Year 2024. This will increase the UConn 2000 bond authorization by $6.4 million in Fiscal Year 2014 and by $107 million in Fiscal Year 2015. As discussed above, the adopted budget restructures the outstanding 2009 Economic Recovery Notes by extending their maturity for two additional years.

In addition, the budget partially addresses the State's cumulative GAAP deficit reflected on its financial statements as the unassigned fund balance in the General Fund estimated to be approximately $1.1 billion at June 30, 2013 through the issuance of general obligation bonds in an aggregate principal amount sufficient to general net proceeds of no more than $750 million and that mature no later than June 30, 2028. The act provides that there shall be deemed appropriated from the General Fund of the State in each fiscal year from and including Fiscal Year 2016 through Fiscal Year 2028, to be distributed over such fiscal years, an amount equal to the difference between the accumulated deficit of the State in the General Fund determined using GAAP and the amount of bonds authorized for the purpose of eliminating the accumulated General Fund GAAP deficit. Additionally, the act requires the State to covenant with the bond holders that the State shall not diminish such appropriation until such bonds are fully met and discharged, subject to certain exceptions.

See **Appendix III-E** of this **Part II** for more information regarding the adopted budget for Fiscal Years 2014 and 2015.

STATE DEBT

Page III-39, TABLE 7 is revised as follows:

TABLE 7

Statutory Debt Limit
As of July 1, 2013

Total General Fund Tax Receipts	$14,334,000,000	
Multiplier	1.6	
Debt Limit		$22,934,400,000
Outstanding Debt[(a)]	$10,882,585,930	
Guaranteed Debt[(b)]	$ 830,065,000	
Authorized Debt[(c)]	$ 7,262,596,972	
Total Subject to Debt Limit		$18,975,247,902
Less Debt Retirement Funds[(d)]	$ 4,588,741	
Aggregate Net Debt		$18,970,659,161
Debt Incurring Margin		$ 3,963,740,839

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes General Obligation Notes (Economic Recovery 2009 Series A), Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, short-term revenue anticipation notes, CRDA Bonds, CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds, and lease financings other than the Middletown Courthouse and the Juvenile Training School.

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt.** Includes only guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds.

(c) Includes guarantee for UConn 2000 Bonds authorized but unissued under cap for Fiscal Year 2014.

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

SOURCE: State Treasurer's Office

Page III-43, TABLE 8 is revised as follows:

TABLE 8

Direct General Obligation Indebtedness[a]
Principal Amount Outstanding as of July 1, 2013
(In Thousands)

General Obligation Bonds	$ 11,376,895
Pension Obligation Bonds	2,342,034
UConn 2000 Bonds	828,795
Other [b]	219,605
Long Term General Obligation Debt Total	14,767,328
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	14,767,328
Deduct:	
University Auxiliary Services[c]	4,589
Net Direct General Obligation Debt	$14,762,740

(a) The table does not include refunded bonds for which escrow funds and investments are sufficient to pay all debt service. The table also does not include limited or contingent liabilities of the State or obligations of the State to towns for participation in the construction and alteration of school buildings. See **OTHER FUNDS, DEBT AND LIABILITIES**.

(b) "Other" includes lease financings, tax incremental financings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. Does not include CRDA Bonds or CHEFA Child Care Facilities Bonds. See **OTHER FUNDS, DEBT AND LIABILITIES – Other Debt Service and Contractual Commitments.**

(c) 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

Page III-46, TABLE 10 is revised as follows:

TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)] As of July 1, 2013

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b,c)]	Total Debt Service
2014	$ 1,218,370,017	$ 669,168,514	$ 1,887,538,531
2015	1,197,626,365	625,813,698	1,823,440,063
2016	1,172,575,061	574,807,373	1,747,382,434
2017	928,734,988	524,136,580	1,452,871,568
2018	920,732,299	485,232,063	1,405,964,361
2019	870,491,471	441,710,412	1,312,201,883
2020	793,980,614	404,157,275	1,198,137,889
2021	774,246,206	366,127,393	1,140,373,599
2022	758,824,111	380,460,115	1,139,284,226
2023	772,376,122	356,218,438	1,128,594,560
2024	689,109,066	348,375,590	1,037,484,657
2025	628,667,437	299,927,192	928,594,629
2026-2033	3,963,085,000	1,723,217,864	5,686,302,864
Totals	$ 14,688,818,757	$ 7,199,352,506	$ 21,888,171,264

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($14,688,818,757), plus accreted interest ($73,920,858), total the amount of such long-term debt ($14,762,739,615) 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 2014-2025.

(c) Some of the State's direct debt pays interest at variable rates. The interest on such debt is calculated based on the following assumed average rates:

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
1997	$ 100,000,000	$ 10,000,000	2014	4.25%
2005*	300,000,000	280,000,000	2016-2023	4.50
2005*	15,620,000	15,620,000	2016	3.99
2005*	20,000,000	20,000,000	2017	5.07
2005*	20,000,000	20,000,000	2020	5.20
2011	337,620,000	269,485,000	2014-2018	3.50
2011	75,000,000	75,000,000	2016, 2019	3.50
2012	212,400,000	188,800,000	2014-2020	3.50
2012	219,865,000	219,865,000	2014-2024	3.50
2013	244,570,000	244,570,000	2014-2025	3.50
Totals	$1,545,075,000	$1,343,340,000		

* Assumed average interest rate based on interest rate swap agreement(s), including projected basis risk.

SOURCE: State Treasurer's Office

Page III-39, TABLE 11 is revised as follows:

TABLE 11

Outstanding Long-Term Direct General Obligation Debt
As of June 30
(In Thousands)

Fiscal Year	Gross Debt	Net Debt
2003	$ 9,513,380[(a)]	$ 9,463,962[(a)]
2004	9,940,945[(b)]	9,895,717[(b)]
2005	10,168,006[(c)]	10,121,035[(c)]
2006	10,403,634[(d)]	10,361,226[(d)]
2007	10,615,810	10,580,359
2008	13,076,942[(e)]	13,042,524[(e)]
2009	13,945,108[(f)]	13,921,725[(f)]
2010	15,004,732[(g)]	14,987,088[(g)]
2011	14,574,791[(h)]	14,561,944[(h)]
2012	14,557,051[(i)]	14,548,591[(i)]
2013	14,646,101[(j)]	14,641,513[(j)]

(a) Includes $219,235,000 Economic Recovery Notes.
(b) Includes $273,215,000 Economic Recovery Notes.
(c) Includes $209,560,000 Economic Recovery Notes.
(d) Includes $146,090,000 Economic Recovery Notes.
(e) Includes $2,278,382,011 Pension Obligation Bonds.
(f) Includes $2,289,598,815 Pension Obligation Bonds.
(g) Includes $2,301,522,318 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(h) Includes $2,314,197,063 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(i) Includes $2,327,670,401 Pension Obligation Bonds and $747,935,000 Economic Recovery Notes.
(j) Includes $2,341,992,670 Pension Obligation Bonds and $573,365,000 Economic Recovery Notes.

SOURCE: State Treasurer's Office

Page III-48, TABLE 12 is revised as follows:

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of July 1, 2013
(In Thousands)

	State Direct Debt[(a)]	Pension Obligation Bonds[(b)]	UCONN 2000[(c)]	Tax Increment[(d)]	Total
Bond Acts in Effect	$31,814,470	$2,276,578	$2,042,192	$52,750	$36,185,990
Amount Authorized	27,426,478	2,276,578	2,042,192	52,750	31,797,998
Amount Issued	24,993,848	2,276,578	1,598,792	49,155	28,918,373
Authorized but Unissued	2,432,630	0	443,400	3,595	2,879,625
Available for Authorization	4,387,992	0	0	0	4,387,992

(a) Includes CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. Also includes authorization and allocation for GAAP Deficit Bonds in an aggregate principal amount sufficient to generate net proceeds of not more than $750 million. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds, General Obligation Notes (Economic Recovery 2009 Series A) and lease financings.

(b) The amount available does not include additional amounts that may exceed the cap to finance issuance costs and capitalized interest.

(c) Includes bonds that may be issued under the cap in effect on the date of the table. The amount available for authorization does not include additional amounts that may exceed the cap to finance reserve funds, issuance costs and capitalized interest. The amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.

(d) The amount of tax increment bonds authorized is based on the amount authorized by the State Bond Commission, since there is no statutory amount of authorization.

SOURCE: State Treasurer's Office; Office of Policy and Management

Page *III-39, Table 7; page III-43, Table 8; Page III-46, Table 10; Page III-48, Table 12.* The following information supplements the information included in such pages and tables as further revised in this **PART II**:

The State intends to issue $200,000,000 General Obligation Bonds (2013 Series C) on or about August 7, 2013.

Page III-49, TABLE 13 is revised as follows:

TABLE 13

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

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
New Authorizations	1,246.1	1,296.5	1,290.4	1,388.7	$1,965.0	1,564.5	1,195.4	1,147.2	1,724.8	2,708.3	1,993.6	2,026.1
Reductions	0.0	(200.3)	(41.3)	0.0	(206.9)	0.0	(140.5)	(474.6)	(10.8)	(25.3)	(12.0)	--
Net New Authorizations	1,246.1	1,096.2	1,249.1	1,388.7	1,758.1	1,564.5	1,054.9	672.6	1,714.0	2,651.0	1,981.6	2,026.1

(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Does not include GAAP Deficit Bonds authorized in Fiscal Year 2014 in an aggregate principal amount sufficient to generate net proceeds of not more than $750 million. Includes amount for UConn 2000 available under the cap for Fiscal Years 2004 through 2015, as amended, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Amounts are listed in the fiscal year that the bond authorizations become effective. Does not include any authorizations which take effect after Fiscal Year 2015. **See Table 14**.

SOURCE: Office of Policy and Management

OTHER FUNDS, DEBT AND LIABILITIES

Page III-52. The following information supplements the information under the heading **Transportation Fund and Debt** and **Table 15**:

The General Assembly passed and the Governor signed into law, special transportation obligation bond authorizations of $706.7 million in Fiscal Year 2014 and $588.8 million in Fiscal Year 2015.

Page III-54. The following information supplements the information under the caption ***Clean Water Fund*** under the heading **Other Special Revenue Funds and Debt**:

The General Assembly passed and the Governor signed into law, $380.4 million in additional clean water revenue bond authorizations in Fiscal Year 2014 and $332.0 million in Fiscal Year 2015.

Page III-58. The third sentence under the caption ***Connecticut Housing Finance Authority ("CHFA")*** under the heading **Other Special Revenue Funds and Debt** is revised to read as follows:

The enabling act authorizes CHFA to make or purchase construction and permanent mortgage loans that are guaranteed or insured by the United States of America or any agency or instrumentality thereof, by the Federal Home Loan Mortgage Corporation, by a private mortgage insurance company or the State or the Authority itself without limitation as to amount and to make or purchase mortgage loans not so insured or guaranteed in an aggregate amount not to exceed $2.25 billion.

Page III-59. The following information supplements the information under the caption ***Connecticut Higher Education Supplemental Loan Authority*** under the heading **Other Debt Service and Contractual Commitments**:

In April 2013, CHESLA issued $25,000,000 State Connecticut Higher Education Supplemental Loan Authority Revenue Bonds, 2013 Series A.

Page III-62. The following information supplements the information under the caption ***School Construction Grant Commitments*** under the heading **Other Debt Service and Contractual Commitments**:

As of June 30, 2013, the Commissioner estimates that current grant obligations under the program for school construction projects approved during the 1997 legislative session and thereafter are approximately $2,792 million, which includes approximately $8,944 million in grants approved as of such date less payments already made of $6,152 million. As of June 30, 2013, under the pre-1997 grant program, the State is obligated to various cities, towns and regional school districts for approximately $140 million in aggregate principal installment payments and $17 million in aggregate interest subsidies, for a total of $157 million.

PENSION AND RETIREMENT SYSTEMS

Page III-64. The following information supplements the information contained under the heading **State Employees' Retirement Fund**:

As of May 31, 2013, the market value of the State Employees' Retirement Fund's investment assets was $9,431.4 million, including cash in custody and certain receivables. 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.

The November 2010 actuarial valuation determined an employer contribution requirement of $1,045.0 million for fiscal year ending June 30, 2013, based on a projected unit credit actuarial cost method and level percent-of-payroll contribution, which contribution is sufficient to meet GASB standards. An interim actuarial valuation dated February 8, 2012 was prepared determining an employer contribution requirement of $1,059.7 million for fiscal year ending June 30, 2013 based on the same assumptions and methods. Based on projections by the Office of Policy and Management, it is anticipated that the State's contribution to the fund for fiscal year ending June 30, 2013 together with grant reimbursements from Federal and other funds will be sufficient to meet the balance of the annual contribution requirement as determined in the February 8, 2012 interim valuation.

The adopted budget passed by the General Assembly and signed into law by the Governor for the Fiscal Year 2014-2015 biennium contains appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirements for such biennium as determined in the November 2012 actuarial valuation.

Page III-73. The following information supplements the information contained under the caption ***October 2012 Actuarial Valuation*** under the heading **Teachers' Retirement Fund**:

As of May 31, 2013, the market value of the Teachers' Retirement Fund's investment assets was $14,919.6 million. 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.

The State's contribution to the Teachers' Retirement Fund was sufficient to meet the annual contribution requirement for the system for Fiscal Year 2013 as determined in the November 2010 actuarial valuation.

The adopted budget passed by the General Assembly and signed into law by the Governor for the Fiscal Year 2014-2015 biennium contains appropriations sufficient to fully fund the employer contribution requirements for such biennium as determined in the October 2012 actuarial valuation.

Page III-79. The last sentence under the caption ***Social Security – State Employees*** under the heading **Social Security and Other Post-Employment Benefits** is deleted and replaced with the following:

Of this amount, $218.5 million has been appropriated and allotted from the General Fund and $17.9 million has been appropriated and contributed from the Special Transportation Fund.

Page III-79. The following information supplements the information contained under the caption ***Other Post-Employment Benefits – State Employees*** under the heading **Social Security and Other Post-Employment Benefits**:

The State received updated GASB Statement No. 45 disclosure exhibits for Fiscal Year 2012 dated April 12, 2013 to reflect the following assumption changes: 1) the per capita costs for the self-funded medical and drug plans were recalculated based on actual paid retiree claims experienced for the period July 1, 2010 through June 30, 2012; 2) the health care cost trend rates were reduced based on recent experience and anticipated future changes; 3) anticipated savings due to the State's new prescription drug contract terms scheduled to be implemented in June 2013 were taken into account; and 4) the early retiree premiums were readjusted. All other assumptions, methodology and plan provisions were as indicated in the May 16, 2012 OPEB valuation report. As a result of these changes, the State's annual required contribution for OPEB, annual OPEB cost, OPEB actuarial accrued liability and the OPEB unfunded actuarial accrued liability were each reduced. The April 12, 2013 report determined 1) the amount of the State's annual required contribution for fiscal year ending June 30, 2012 to be $1.222 billion; 2) the annual OPEB cost for fiscal year ending June 30, 2012 to be $1.273 billion; 3) the OPEB actuarial accrued liability as of June 30, 2011 to be $16.275 billion; and 4) the OPEB unfunded actuarial accrued liability as of June 30, 2011 to be $16.226 billion.

Page III-79. The last sentence of the third paragraph under the caption ***Other Post-Employment Benefits – State Employees*** under the heading **Social Security and Other Post-Employment Benefits** is deleted and replaced with the following:

The State has appropriated and allotted $604.4 million for eligible employees' and $614.1 million for retirees' health care costs in fiscal year ending June 30, 2013.

LITIGATION

Page III-85. The fifth paragraph under the caption ***Sheff v. O'Neill*** is deleted and the sixth paragraph is revised to read as follows:

The 2008 Stipulation requires that the State meet 80% of demand for reduced racially isolated school settings by end of year 5 (June 2013). The State met 72% of demand for year 4. Because the State fell short of the 80% goal by more than 1%, it may be deemed a material breach which may result in court action. However, under the Stipulation, notwithstanding a failure to meet the 80% demand standard, there is no material breach if a minimum of 41% of Hartford-resident minority students are in a reduced-isolation setting by the end of Year 5. The current figures indicate that just under 37% of Hartford resident minority students are in reduced isolation settings. Per the Stipulation, the parties were permitted to enter into negotiations beginning in September 2012 to extend the Stipulation one year to June 2014 in order to permit further progress towards benchmarks. In May 2013, an agreement to extend the Stipulation was entered into by the parties. Under the extension of the Stipulation, additional funds will be spent on opening additional settings for students, including adding a further Open Choice incentive payment for districts where four percent (4%) or more enrollment consists of out-of-district students. At this time, the parties have initiated negotiations of the Phase III Settlement Agreement that would require approval by the General Assembly in the next legislative session.

Page III-85. The following information updates the information under the caption ***State Employees Bargaining Agent Coalition v. Rowland***:

By order dated May 31, 2013, the Second Circuit sustained the appeal directing that summary judgment enter in plaintiff's favor on the official capacity claims and remanding for entry of appropriate equitable relief. In addition, the remand order requires that the individual capacity claims against the former Governor and Secretary of the Office of Policy and Management proceed through discovery and eventually trial. The Attorney General has publicly announced his intention to seek review by the United States Supreme Court. A petition for writ of certiorari is due 90 days from the date of the Second Circuit's ruling. A motion to stay the Second Circuit's mandate pending filing and disposition of the certiorari petition has been filed and remains pending.

Page III-85. The following information updates the information under the caption ***State of Connecticut v. Philip Morris, Inc., et al.***:

The parties reached a settlement approved by the arbitrators which settlement could be challenged in one or more state courts.

Page III-86. The following information updates the information under the caption ***Juan F. v. Malloy:***

Rather than wait until the Department is in compliance with all 22 outcome measures, by agreement of the parties, the Court Monitor has begun the process of pre-certifying the outcome measures for compliance through a case review process. To date, 10 of the 22 measures have been pre-certified by the Monitor, meaning the Department is in compliance with those 10 measures. The parties and the Court Monitor are meeting regularly to continue the pre-certification of the remaining measures, to determine which measures are needed to comply with the Exit Plan and working towards the goal of ending the federal court oversight.

Page III-87. The following information updates the information under the sub-caption ***Schaghticoke Tribal Nation*** under the caption ***Indian Tribes:***

The land claims are no longer stayed given the resolution of the federal recognition matter.

Page III-87. The last sentence under the sub-caption ***Eastern Pequot Tribe*** under the caption ***Indian Tribes*** is revised to read as follows***:***

In April 2012, the Federal Government filed a motion to dismiss the appeal and the district court granted the motion to dismiss on March 31, 2013.

Page III-88. The following information updates the information under the caption ***State of Connecticut Office of Protection and Advocacy for Persons with Disabilities v. the State of Connecticut, et al.***:

The parties continue to make substantial progress towards a negotiated resolution.

Page III-88. The last sentence under the caption ***Connecticut Association of Health Care Facilities v. Rell*** is deleted and replaced with the following:

The Second Circuit dismissed the appeal by summary order dated March 28, 2013. A writ of certiorari was due no later than June 26, 2013, but none was filed.

Page III-88. The last sentence under the caption ***Paul Shafer and Joshua Harder v. Bremby*** is deleted and replaced with the following:

In May 2013, the court held a hearing to take evidence on the preliminary and permanent injunctions reserving an additional hearing for evidence on remedies until after a determination of liability. The court has not yet issued its decisions and has indicated that it will hold an additional hearing on remedies if it concludes that a permanent injunction should issue.

Page III-89. The last sentence under the caption ***Briggs v. Bremby*** is deleted and replaced with the following:

The State filed its notice of appeal on January 4, 2013, but the Court of Appeals dismissed the State's appeal as premature. In May 2013, the district court issued a preliminary injunction that included a grant of class certification of applicants who have sought food stamps whose application was not timely processed as required by federal law. The preliminary injunction requires defendants to monitor and evaluate applications that are not timely processed and to grant SNAP eligibility to those applicants whose applications are not timely processed due the defendants' "fault". The order also requires defendants to meet increasing compliance with federal timeliness deadlines over the next year starting in August 2013 (70% compliance) until it reaches 97% compliance in May 2014. Defendants have filed a motion for reconsideration seeking clarification of the order and amendment of its provisions that are not compliant with the applicable federal regulations. Defendants will consider an appeal after resolution of the motion for reconsideration.

APPENDIX B

Page III-B-6. The following information supplements the information in **TABLE B-6:**

On June 6, 2013, the United States Department of Commerce, Bureau of Economic Analysis published revised Gross State Product information for calendar years 2009 through 2011 and presented advance statistics for 2012 Gross State Product information. Following is the revised information:

TABLE B-6

Gross State Product
(In Millions of 2005 Chained Dollars*)

Calendar Year	Connecticut $	Connecticut Percent Growth	New England $	New England Percent Growth	United States $	United States Percent Growth
2009	195,237	(3.6)	686,034	(2.6)	12,592,668	(3.3)
2010	197,613	1.2	704,983	2.8	12,897,088	2.4
2011	197,452	(0.1)	712,290	1.0	13,108,318	1.6
2012	197,207	(0.1)	721,137	1.2	13,430,576	2.5

* 2005 chained dollar series are calculated as the product of the chain-type quantity index and the 2005 current-dollar value of the corresponding series, divided by 100. Figures for the United States are in billions of dollars and represent Gross Domestic Product.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Page III-B-17. The information under Calendar Year 2012 in **TABLE B-18** is replaced with the following:

TABLE B-18
Unemployment Rate

Calendar Year	Unemployment Rate Connecticut	Unemployment Rate New England	Unemployment Rate United States
2012[(a)]	8.3%	7.2%	8.1%

(a) On a preliminary basis, Connecticut's average unemployment rate for May 2013 was 8.0% compared to the national average of 7.6% for the same period. No assurances can be provided that such rates will not change.

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

GENERAL FUND REVENUES AND EXPENDITURES
FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2012
ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2013
PROPOSED BIENNIAL BUDGET FOR FISCAL YEARS 2014 AND 2015

(In Millions)

	Final Financial Results Fiscal Year 2012[c]	Revised Adopted Budget Fiscal Year 2013[e]	Estimated Budget Fiscal Year 2013[f]	Adopted Budget Fiscal Year 2014[i]	Adopted Budget Fiscal Year 2015[i]
Revenues					
Taxes					
Personal Income Tax	$ 8,310.8	$ 8,554.3	$8,663.9	$8,808.8	$9,399.8
Sales & Use	3,830.1	4,045.9	3,856.6	4,044.0	4,164.8
Corporation	716.5	793.0	727.0	723.5	749.3
Public Service	250.4	275.2	278.7	279.3	284.4
Inheritance & Estate	191.7	166.2	436.0	172.9	179.8
Insurance Companies	237.6	234.4	260.0	271.2	277.6
Cigarettes	421.0	411.1	402.1	390.4	379.5
Real Estate Conveyance	107.5	100.3	105.3	143.8	150.8
Oil Companies	146.1	182.6	167.8	37.4 [j]	36.1[j]
Electric Generation Tax	69.5	71.0	70.6	17.5[k]	--
Alcoholic Beverages	60.6	59.3	59.3	59.8	60.2
Admissions and Dues	34.4	39.6	36.6	37.0	37.3
Health Provider Tax	516.9	530.7	500.0	512.0	514.5
Miscellaneous	19.9	20.1	20.0	19.9	20.2
Total Taxes	$14,913.1	$15,483.8	$ 15,583.9	$15,517.5	$16,254.3
Less Refunds of Taxes	(995.0)	(950.6)	(1,024.8)	(1,073.5)	(1,115.6)
Less Earned Income Tax	(110.2)	(116.5)	(115.5)	(104.5)	(121.0)
Less R&D Credit Exchange	(3.6)	(8.5)	(4.0)	(5.5)	(6.2)
Net Taxes	$13,804.4	$14,408.2	$14,439.6	$14,334.0	$15,011.5
Other Revenues					
Transfers- Special Revenues	313.8	305.1	301.2	313.9	338.4
Indian Gaming Payments	344.6	336.2	297.7	285.3	280.4
Licenses, Permits, Fees	283.4	258.8	267.8	300.9	274.1
Sales of Commodities & Services	35.0	34.8	36.8	38.2	39.4
Rents, Fines & Escheats	123.4	107.7	136.5	114.1	116.0
Investment Income	1.0	2.8	0.5	1.3	1.6
Miscellaneous	192.0	162.9	170.4	169.1	170.9
Less Refunds of Payments	(85.4)	(50.0)	(76.7)	(69.8)	(71.3)
Total Other Revenue	1,207.8	$ 1,158.3	$ 1,134.2	$ 1,153.0	$ 1,149.5
Other Sources					
Federal Grants	3,607.2	3,629.0	$ 3,729.2	$ 1,312.7[l]	$ 1,227.9[l]
Transfers to the Resources of the General Fund	--	--	--	--	--
Transfers from Tobacco Settlement Funds	96.1	93.1	93.1	107.0	106.0
Transfers to Other Funds[a]	(153.8)	(145.5)	(118.1)	285.7[h]	4.9 [h]
Total Other Sources	$ 3,549.5	$ 3,576.7	$ 3,704.2	$1,705.4	$1,338.8
Total Budgeted Revenue[b]	$18,561.6	$19,143.2	$19,278.0	$17,192.4	$17,499.8

	Final Financial Results Fiscal Year 2012[c]	Revised Adopted Budget Fiscal Year 2013[e]	Estimated Budget Fiscal Year 2013[f]	Adopted Budget Fiscal Year 2014[i]	Adopted Budget Fiscal Year 2015[i]
`					
Appropriations /Expenditures					
Legislative	$ 67.5	$ 76.2	$ 76.2	$ 81.2	$ 85.2
General Government	608.9	614.9	616.1	616.7	628.1
Regulation & Protection	261.5	243.5	257.3	271.1	270.3
Conservation & Development	139.3	137.1	137.1	229.0[m]	237.2[m]
Health & Hospitals	1,782.7	1,837.7	1,850.2	1,835.4	1,827.6
Human Services	5,834.6	5,834.2	5,920.7	3,381.3[l]	3,054.5[l]
Education, Libraries & Museums	4,245.9	4,380.6	4,380.6	4,709.5	5,004.7
Corrections	1,472.7	1,450.8	1,473.9	1,481.9	1,516.8
Judicial	546.5	543.2	543.2	577.1	601.3
Non- Functional					
Debt Service	1,813.4	1,870.9	1,870.9	1,719.8[n]	1,850.4[n]
Miscellaneous	1,938.7	2,267.3	2,272.2	2,458.4	2,580.0
Subtotal	$ 18,711.7	$ 19,256.4	$19,398.4	$17,361.4	$17,656.1
Other Reductions and Lapses	--	(116.3)	(357.0)[g]	(172.6)	(158.5)
Net Appropriations/ Expenditures	$ 18,711.7	$ 19,140.1	$19,041.4	$17,188.7	$17,497.6
Surplus (or Deficit) from Operations	(150.1)	3.1	236.6	3.6	2.2
Miscellaneous Adjustments	6.5	--	--	--	--
Reserve for GAAP	--	--	--	--	--
Statutory Transfer from Restricted Purposes	--	--	--	--	--
Balance[b]	$ (143.5)[d]	$ 3.1	$ 236.6[h]	$ 3.6	$ 2.2

NOTE: Columns may not add due to rounding.

(a) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amounts for Fiscal Years 2012 through 2015 include transfers of 61.8 million in each year to the Mashantucket Pequot Fund for grants to towns, and $81.6 million in Fiscal Year 2012 and $102.7 million in Fiscal Year 2013 to the Special Transportation Fund. The transfers for Fiscal Year 2014 include: $190.8 million from the Fiscal Year 2013 surplus, $76.5 million transfer from the Special Transportation Fund and $80.2 from other sources. The transfers for Fiscal Year 2015 include: $30.0 million from the Fiscal Year 2013 surplus, $2.1 million transfer to the Special Transportation Fund and $38.8 from other sources.

(b) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received. Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus shall be transferred by the State Treasurer to the Budget Reserve Fund.

(c) Per the Comptroller's audited financial results dated December 31, 2012 for the fiscal year ending June 30, 2012 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.

(d) The Fiscal Year 2012 deficit was eliminated through the release of budget reserve funds.

(e) Per Public Act No. 12-104 as amended by Public Act No. 12-1 of the June Special Session.

(f) Estimates reflect the June 20, 2013 Office of Policy and Management's letter to the State Comptroller for the General Fund Fiscal Year 2013 (as of the period ending May 31, 2013).

(g) Fiscal Year 2013 includes $170.4 million for the November 2012 allotment rescissions, $221.5 million for the December 19, 2012 deficit mitigation plan and $166.8 million in projected lapses.

(h) Section 58 of Public Act No. 13-184 transfers up to a total of $220.8 million of the Fiscal Year 2013 surplus for use in Fiscal Years 2014 and 2015.

(i) Per Public Act No. 13-184 as amended by various implementer legislation.

(j) Section 87 of Public Act No. 13-184 increases the transfer of Oil Companies Tax to the Special Transportation by $158.0 million in Fiscal Year 2014 and $152.3 million in Fiscal Year 2015.

(k) Section 76 of Public Act No. 13-184 extends the expiration of the Electric Generators Tax by one additional calendar quarter.

(l) Pursuant to Public Act No. 13-184, beginning with Fiscal Year 2014, Medicaid related accounts within the Department of Social Services will be appropriated on a net basis that takes into account any federal reimbursement received for such expenditures. This change reduces both revenues and appropriations by an equal amount totaling $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015.

(m) Public Act No. 13-184 establishes a new Department of Housing and transfers certain existing functions from other agencies within the state.

(n) Sections 90 and 91 of Public Act No. 13-184 extend the maturity of the 2009 Economic Recovery Notes from Fiscal Year 2016 to Fiscal Year 2018.

NOTE: The information in **Appendix III-E** of this **Part III** contains projections and no assurances can be given that subsequent projections or adjustments will not result in changes in the items of revenue and expenditure and in the final result of the operations of the General Fund. Changes may also occur as the result of legislative action adjusting the budget or taking other actions which impact revenues or expenditures.

PART III
ANNUAL INFORMATION STATEMENT
STATE OF CONNECTICUT

FEBRUARY 28, 2013

This Annual Information Statement of the State of Connecticut (the "State") contains information through February 28, 2013. For information about the State after February 28, 2013, 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 State's fiscal year begins on July 1 and ends on June 30. References to "Fiscal Year" throughout this Annual Information Statement refer to the referenced fiscal year ending June 30. For example, Fiscal Year 2012 refers to the fiscal year ending June 30, 2012.

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	Dannel P. Malloy
Lieutenant Governor	Nancy S. Wyman
Secretary of the State	Denise W. Merrill
* Treasurer	Denise L. Nappier
* Comptroller	Kevin P. Lembo
* Attorney General	George C. Jepsen

Executive Branch Officers

* Secretary of the Office of Policy and Management	Benjamin Barnes
* Acting Commissioner of Construction Services	Donald J. DeFronzo
Commissioner of Transportation	James P. Redeker

Legislative Branch Officers

President Pro Tempore of the Senate	Sen. Donald E. Williams, Jr.
Speaker of the House of Representatives	Rep. J. Brendan Sharkey
* Co-chairpersons of the Joint Standing Committee on Finance, Revenue and Bonding	Sen. John W. Fonfara Rep. Patricia M. Widlitz
* Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding	Sen. L. Scott Frantz Rep. Sean J. Williams
Auditors of Public Accounts	John C. Geragosian Robert M. Ward

[*] Denotes member of the State Bond Commission

PART III
February 28, 2013

ANNUAL INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

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INTRODUCTION

This Annual Information Statement of the State of Connecticut (the "State") contains certain information 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 Annual Information Statement in its entirety.

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, and other debt service and contractual commitments. Certain additional information regarding these other funds, debt and liabilities of the State is included in **Appendix III-C** to this Annual Information Statement.

Pension and Retirement Systems describes the major pension and retirement systems of the State. Additional information regarding these systems is included in **Appendix III-C** to this Annual Information Statement.

Litigation comprises a summary of pending legal actions in which the fiscal impact of an adverse decision may not be determined at this time and the Attorney General is unable to opine that a final judgment against the State in such suits would not materially adversely affect the State's financial position.

Appendices III-A through III-E to this Annual Information Statement contain detailed information relating to the information summarized in the Annual Information Statement and should be read in their entirety with the other information contained therein.

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 four 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 on a per capita basis, and gross state product (the market value of all final goods and services produced by labor and property located within the State), which demonstrated slower growth in the early 2000s, but expanded at a healthy pace in 2004. Since then, Connecticut’s annual growth in gross state product has often performed better than the New England region, but mostly slower than the Nation. Connecticut’s nonagricultural employment reached a high in March of 2008 with 1,712,700 persons employed, but began declining with the onset of the recession falling to 1,625,400 jobs by November 2012.

A detailed summary of economic resources including population information and services, and economic performance indicators, including personal income, gross state product and employment in the State is included as **Appendix III-B** to this Annual Information Statement.

FINANCIAL PROCEDURES

The State of Connecticut has in place a number of constitutional provisions, statutes, regulations, and administrative policies and procedures that bear on fiscal management and accountability. These include provisions that limit debt and expenditures. They also lay out a sequence for planning future budgets by both the executive and legislative branch, the development and adoption of a biennial budget, and monitoring of the State's financial position against the current budget. Taken as a whole, the State believes these provisions provide sound fiscal management and accountability. These provisions include the following elements, each of which are explained in the text that follows:

Budget Discipline

Balanced Budget Requirement

The State Constitution provides that the General Assembly may not authorize General Fund expenditures in excess of General Fund revenues. See **The Budgetary Process – *Balanced Budget Requirement*** below.

Biennial Budget

The budget covers a two year period and the power to propose, enact, and implement such budget rests with the Governor and General Assembly. See **The Budgetary Process – *Biennium Budget*** below.

Budget Reserve Fund

By statute, any General Fund surplus is directed to the Budget Reserve Fund until such fund equals 10% of annual expenditures, unless otherwise directed by law. Currently, prior to any deposit to the Budget Reserve Fund, certain portions of the surplus are directed towards debt retirement and other long-term obligations and reserves of the State. See **Financial Controls – *Unappropriated Surplus – Budget Reserve Fund*** below.

Spending Controls

Spending Cap and Controls

The General Assembly is prohibited from increasing expenditures from year to year by a percentage exceeding the greater of the percentage increase in personal income or the percentage increase in inflation, with certain exceptions. The legislative and executive branch each have other tools to control spending, including the appropriations process, encumbrance requirements, agency expenditure plans, and authority to reduce allotments. See **The Budgetary Process** and **Financial Controls** below.

Debt Limit

By statute, the State may not authorize general obligation debt in excess of a multiple of 1.6 of General Fund tax receipts, subject to statutory exceptions. The Treasurer certifies as to the debt limit in connection with each authorization of debt by the General Assembly and the State Bond Commission. See **STATE DEBT – State Direct General Obligation Debt – *Statutory Debt Limit***.

Line Item Veto

Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. See **The Budgetary Process – *Line Item Veto*** below.

Rescission Authority and Deficit Mitigation

The Governor is required to propose mitigation plans should projections indicate a General Fund deficit greater than 1%. The Governor is authorized to reduce allotments and may make further reductions with legislative backing. See **Financial Controls – *Governor's Role*** below.

Regular Revenue Forecasting and Monitoring of Fiscal Progress; Multiple-Year Planning Tools

These include monthly reports from the Comptroller and the Office of Policy and Management ("OPM") within the executive branch, and periodic reports from other governmental entities, including the legislature's Office of Fiscal Analysis. See **The Budgetary Process – *Consensus Revenue Estimates*, The Budgetary Process –** ***Fiscal Accountability Report***, and **Financial Controls – *Comptroller's Role*** below.

Transition to GAAP

Legislation was passed in 2011 directing a transition from the use of a modified cash basis of accounting to the application of Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board. See **Accounting Procedures – *Transition to GAAP*** below.

The Budgetary Process

Balanced Budget Requirement. In November 1992 electors approved an amendment to the State Constitution providing that the amount of general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year. This amendment also provides a framework for a cap on budget expenditures. The General Assembly is precluded from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage 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 shall contain the Governor's budget message, and the Governor's program for meeting the expenditure needs of the State as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated basis for the fiscal year in progress and the fiscal years to which the budget relates. If a budget deficit or surplus is projected, the Governor will recommend the manner in which the deficit will be met or surplus used. The budget document also includes the Governor's recommended appropriations from the General Fund and all special and agency funds. Appropriations are set forth for meeting the cost of each major function and program. An accounting of federal funds and recommendations for the capital program are also included. In addition, based on the consensus revenues described below under ***Consensus Revenue Estimates***, the budget document consists of drafts of appropriations and revenue bills to carry out the Governor's budget recommendations. Finally, the budget document contains the Governor's recommendations concerning the State's economy and analysis of the impact on the economy of the proposed spending and revenue programs.

Preparation of the Budget. Formulation of the budget document commences with the preparation of estimates of expenditure requirements for each fiscal year of the next biennium by the administrative head of each budgeted agency. These estimates are submitted on or before September 1 of each even-numbered year to 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 legislature's 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.

Consensus Revenue Estimates. OPM and the legislature's Office of Fiscal Analysis are required by statute to issue consensus revenue estimates each year by November 10. The estimates must cover a five-year period that includes the current biennium and the three following fiscal years. It also requires the two offices, by January 15 and April 30 each year, to issue either (1) a consensus revision of their previous estimate or (2) a statement that no revision is needed. If the two agencies cannot arrive at a consensus estimate, they must issue separate ones. In such a case, the Comptroller must issue the consensus estimate based upon the separate estimates. The Comptroller's estimate must equal one of the separate estimates or fall between the two.

Fiscal Accountability Report. By November fifteenth annually, the Secretary of OPM and the Director of the 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 OPM and the Director of the legislative Office of Fiscal Analysis to consider the submitted reports.

Financial Controls

Expenditures. The financial control procedures utilized by the State in the expenditure of State funds are described below and may be generally summarized as follows: initially, the legislature appropriates funds for a particular purpose; such funds must then be allotted for such purpose by the Governor; and thereafter such funds are encumbered by the Comptroller upon the request of the responsible State agency. Once this appropriation, allotment and encumbrance procedure (which may be modified as described below) has been completed, State funds are paid by the Treasurer 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. If the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one per cent of the total of General Fund appropriations, the Governor is required within thirty days to file a report with the joint standing committees of the General Assembly on appropriations and on finance, revenue and bonding. The report shall include a plan that the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities or any budgeted agency of the legislative or judicial branch, except that the Governor may propose an aggregate allotment reduction of a specified amount for the legislative or judicial branch.

Comptroller's Role. 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. OPM provides estimates to the Comptroller by the twentieth day of each month of the revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report.

Treasurer's Role. 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 into the succeeding fiscal year to permit liquidation of obligations of the prior fiscal year in the case of programs that 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 – Budget Reserve Fund. The State Constitution provides that any resulting unappropriated surplus shall be used to fund a budget reserve fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. The General Statutes provide that the Treasurer shall transfer any unappropriated surplus in the General Fund to a budget reserve fund, unless otherwise directed by law. When the amount in the budget reserve fund in any fiscal year equals 10% of the net General Fund appropriations, no further transfers shall be made by the Treasurer.

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. Notwithstanding the above, legislation is passed from time to time that assigns different uses to such surpluses. As of June 30, 2012, $93.5 million was deposited in the budget reserve fund. By statute, the Treasurer is directed to transfer, upon the written request of the Secretary of OPM, up to $15.0 million from the budget reserve fund to the General Fund to be used as revenue for the fiscal year ended June 30, 2013.

As part of the State's transition to Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board ("GAAP"), and notwithstanding the above, legislation passed in 2011 requires that certain amounts of unappropriated surplus be reserved to address the GAAP deficit, all as further discussed below in **Accounting Procedures – *Transition to GAAP***.

Revenues. The Treasurer superintends the collection and receipt of all taxes and revenues belonging to the State, and is authorized to deposit the same in any qualified public depository as defined by statute. Each State department, institution, board, commission or other State agency and any official or employee thereof that receives any money for revenue of the State must, within 24 hours of its receipt or within seven days of receipt for amounts less than $500, account for and pay the same to the Treasurer or, with the approval of the Treasurer and the Comptroller, deposit the same in an account in a qualified public depository in the name of the State or in the name of the public official as such official. The Treasurer is authorized to make exceptions to the limitations on amounts and timing of payments or deposits or reporting of receipts provided the Treasurer files a written statement of such exception with the Comptroller and the State's Auditors of Public Accounts. Any public official who deposits funds or moneys in an account in the name of the State or in such official's name must submit a list of all such accounts as of the preceding June 30 to the Treasurer and the Comptroller not later than September 1 of each year.

Accounting Procedures

Financial statements 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 GAAP and does not prepare GAAP statements on an interim basis. However, since 1988 the State has issued comprehensive annual financial reports in accordance with the guidelines established by the Governmental Accounting Standards Board. These reports include audited annual financial statements prepared in accordance with GAAP.

As specifically permitted by statute or decision of the Comptroller, the only present modifications from the cash basis in recording revenues under the modified cash method are: (1) the accrual of sales and use taxes to be received for the calendar quarter ending at the close of such fiscal year as estimated by the Secretary of OPM; (2) the accrual of cigarette tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (3) the accrual of alcoholic beverage tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (4) the accrual of motor fuels tax revenue and motor carrier road tax revenue on all fuel sold or used prior to the end of such fiscal year and received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (5) the accrual of utility company tax revenue and tax revenue on gross earnings from the sale of petroleum products which is received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (6) pursuant to the Comptroller's constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111, the accrual of corporation business tax revenue received by the Department of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (7) the accrual of income tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (8) the accrual of nursing home provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (9) the accrual of payments received from any Indian tribe, pursuant to a memorandum of understanding, received by the Treasurer no later than the last day of July immediately following the end of such fiscal year; (10) the accrual of real estate conveyance tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (11) the recording as grants receivable of certain amounts of restricted grants for which the State has the contractual right to be reimbursed by the federal government or other parties; (12) the accrual of electric generator tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (13) the accrual of hospital provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (14) the accrual of intermediate care use fee received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; and (15) the accrual of the amount of the outstanding balances required to be paid to the State for bottle deposits pursuant to Section 22a-

245a of the General Statutes, and that is received by the State no later than five business days after the last day of July immediately following the end of such fiscal year.

Expenditures are recorded on a cash basis in the fiscal year in which they are made. Such expenditures are so recorded by the Comptroller when the Comptroller draws and serves a warrant on the Treasurer. Those instances in which warrants are drawn at the close of a fiscal year can, because of required processing time, result in disbursements made after the beginning of the following fiscal year. Certain appropriations that have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations.

The modified cash basis of accounting used for statutory financial reporting and the modified accrual basis used for GAAP financial reporting are different and, as a result, often produce varying financial results, primarily because of differences in the recognition of revenues and expenditures. For example, for statutory reporting purposes, the State's bi-weekly payroll expenditures are recognized in the fiscal year in which employees are paid, while for GAAP purposes they are recognized in the fiscal year in which the services are performed, resulting in GAAP accrual of expenditures for work performed through June 30 but not paid until the following fiscal year. Similarly, the modified accrual basis used for GAAP financial reporting recognizes additional federal and other grant moneys as revenues that are not so recognized in the modified cash basis of accounting.

The 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 and the Second Injury Fund for the prior fiscal year. The Treasurer is also required to submit a monthly report to certain legislative members and the Office of Fiscal Analysis which includes among other items, a weekly list of the State's cash balance, a year to date total of authorized but unissued bonds, debt instruments or commercial paper of the State, and the amounts in the State's common cash pool.

The state uses an Enterprise Resource Planning, (ERP) system called Core-CT to address its automated financial accounting and human resources needs. This statewide system uses PeopleSoft technology to manage financial transaction activities ranging from contracting and purchasing to payment and reporting. The state's financial applications are fully integrated with human resources, providing a single comprehensive management and reporting system. Core-CT is currently the book of record for all of the Comptroller's monthly and annual financial reports and provides formatted reports to all state agencies. Core-CT also provides a data warehouse used to develop custom reporting. Core-CT is fully implemented and stabilized with updates done on a routine basis.

The audited legal accounting basis (modified cash) financial statements and the audited financial statements of the State prepared in accordance with GAAP for the fiscal year ending June 30, 2012 appear in **Parts III-C** and **III-D**.

Transition to GAAP

Legislation was passed in 2011 directed towards facilitating a transition from a modified cash basis of accounting to GAAP. This legislation requires that the budget, commencing with the fiscal year ending June 30, 2014, be prepared on a GAAP basis. Commencing with the fiscal year ending June 30, 2014, the Secretary of OPM must initiate a process intended to result in the implementation of the use of GAAP with respect to the preparation of the biennial budget. This transition includes changing the meaning of a deficit as it relates to the requirement that the Governor's budget includes recommendations to the General Assembly regarding the manner in which any deficit shall be met. Commencing in the fiscal year ending June 30, 2014, the Governor shall account for the projected amount necessary to extinguish any unreserved negative balance for the prior year as reported in the most recently audited comprehensive annual financial report issued by the Comptroller prior to the start of the biennium in the budget document transmitted to the General Assembly.

To address the GAAP deficit expected to exist when the transition to GAAP occurs in fiscal year ending June 30, 2014 and notwithstanding the requirements set forth above in ***Unappropriated Surplus – Budget Reserve Fund*** with respect to the application of any unappropriated surplus, after the accounts for the fiscal year ending June 30, 2012 were closed, if the Comptroller determined that an unappropriated surplus existed in the General Fund, the Comptroller should have reserved an amount, not to exceed $75 million for the fiscal year ending June 30, 2012, before any other reserve required by any provision of the General Statutes was determined. However, there was no such unappropriated surplus for fiscal year ending June 30, 2012. Similarly, after the accounts for fiscal year ending June 30, 2013 are closed, if the Comptroller determines that an unappropriated surplus exists in the General Fund, the Comptroller shall reserve an amount not to exceed $50 million before any other reserve required by any provision of the General Statutes is determined. The reserved amounts are to be applied to any net increase in the unreserved negative General Fund balance beyond the amount reported by the Comptroller as of June 30, 2011. Further, after the accounts for the fiscal year ending June 30, 2014 and each fiscal year thereafter are closed, if the Comptroller determines that an unappropriated surplus exists in the General Fund, the Comptroller shall reserve an amount equal to the increment of the deferred charge determined by the Comptroller for such fiscal year, before any other reserve required by any provision of the General Statutes is determined.

Commencing June 30, 2014, the Comptroller, in the Comptroller's sole discretion, may initiate a process intended to result in the implementation of GAAP with respect to the preparation and maintenance of the biennial budget and the annual financial statements of the State now prepared on a modified cash basis. Beginning July 1, 2013, the Comptroller shall establish an opening combined balance sheet for all appropriated funds on the basis of GAAP. This combined balance sheet shall reflect as a deferred charge the aggregate of the accrued and unpaid expenses, liabilities, and other adjustments for the purposes of GAAP as of July 1, 2013. Such deferred charge shall be amortized in equal increments over a 15 year period commencing with the fiscal year ended June 30, 2014. Beginning in fiscal year 2013, the Comptroller's annual report shall be submitted to the Governor by September 30th and prepared in accordance with GAAP.

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, subject to certain conditions, including in certain circumstances the approval of the Investment Advisory Council, in a variety of investments including but not limited to 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; corporate bonds; savings accounts; bank acceptances; bonds in which savings banks may legally invest; certificates evidencing ownership of an undivided interest in a pool of mortgage loans, each secured by a first lien mortgage on real property located in the State; Federal Home Loan Mortgage Corporation pass-through certificates; Federal National Mortgage Association securities backed by mortgage loans, each secured by a first lien mortgage on real property located in the State; loans to mortgage lenders chartered under State law; participation certificates of certain other State funds; and other investments. The Treasurer is required to report by December 31 annually to the Governor and the Investment Advisory Council as to the activities of the Office of the Treasurer for the preceding fiscal year.

Cash Management. The cash management system and the investment by the Treasurer of State monies, other than monies invested on a longer-term basis, including pension and certain trust funds, are based on the concept of available cash. Available cash consists of the State's common cash pool and funds invested in certain accounts in the Short-Term Investment Fund ("STIF"), including proceeds of various State bonding programs and miscellaneous other STIF accounts. The common cash pool is comprised of the operating cash of most State funds, including the General Fund and the Budget Reserve Fund. It is the State's practice, pursuant to a longstanding and established policy, to permit temporary inter-fund transfers to the common cash pool as needed to address mismatches in the timing of receipts and disbursements. This cash management policy provides flexibility for expenditures to occur when they are needed, without the need to resort to short-term financing mechanisms that would impose additional costs on the State. Cash transferred pursuant to these temporary inter-fund transfers is returned as cash pool balances allow. The State's available cash varies from day to day. Although total available cash is lower than recent years, the average week-ending balances of available cash for Fiscal Year 2012 exceeded $1.5 billion.

In addition, the Treasurer has in the past established, and may in the future establish, lines of credit and other short-term financing mechanisms to secure the availability of cash. In 2009 the Treasurer arranged with a group of banks a 364-day revolving credit facility in the amount of $580 million. This was never drawn upon nor extended beyond its 364-day term. In 2012, the Treasurer arranged for a similar 364-day revolving credit facility with a single bank in the amount of $300 million, which the State has not drawn upon. See **State Debt** – ***Certain Short-Term Borrowings***

On a daily basis, the Treasurer calculates expected cash receipts and disbursements, necessary bank balances, and amounts available for investment. The Treasurer is required to submit a monthly report to certain legislative members and the Office of Fiscal Analysis which includes among other items, a weekly list of the State's cash balance, a year to date total of authorized but unissued bonds, debt instruments or commercial paper of the State, and the amounts in the State's common cash fund.

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 that vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements to amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution. STIF is rated "AAAm" by Standard & Poor's.

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 Section 3-24k of the Connecticut General Statutes. In addition, investments are made in individual securities pursuant to Section 3-31a of the Connecticut General Statutes. Allowable investments under Section 3-31a of the Connecticut General Statutes include United States government and agency obligations, shares or interests in an investment company or investment trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements collateralized by such obligations, certificates of deposit, commercial paper, savings accounts, and bank acceptances. The Treasurer has adopted guidelines for investments made under Section 3-31a of the Connecticut General Statutes, which specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $900 million.

Investment and Payment of Bond Proceeds. Proceeds of bonds are accounted for in various general obligation bond funds. Generally, all invested assets of the bond funds are invested in STIF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor, respectively. Payment of State bond-funded grants and loans are processed through an Automated Clearing House. Assets of the bond funds may from time to time be transferred temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, transfer of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an expenditure is charged to the bond funds. In no case does the transfer of bond fund assets to the common cash pool alter the timing or the extent of expenditures for the purposes for which the bonds were issued.

Investment Advisory Council. Trust fund investments by the Treasurer are reviewed by the Investment Advisory Council, comprised of the Treasurer and the Secretary of OPM as ex officio members, five members of the public with experience in investment matters, three representatives of the teachers' union and two representatives of the State employees' unions. The Treasurer, with the approval of the Council, adopts an Investment Policy Statement for trust funds. Under certain limited circumstances, all private equity or real estate investments require approval of the Investment Advisory Council. The Governor may direct the Treasurer to change any investments when in the judgment of the Council such action is in the best interest of the State. At the close of each fiscal year a report is submitted to the Governor on the value of all security investments of the State.

Investment of Pension Funds. Twelve investment funds serve as the investment medium for the various pension, retirement and trust funds of which the Treasurer is the trustee. They are the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Inflation Linked Bond Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Private Investment Fund, the Real Estate Fund, the Liquidity Investment Fund, the Commercial Mortgage Fund, and the Alternative Investment Fund. The pension, retirement and trust funds acquire units, in varying proportions depending on the investment policies of the funds, in one or more of the twelve investment funds. By statute no more than 60% of any of the State's trust funds may be invested in common stock and if market fluctuations cause this limit to be exceeded, after six months no more than 65% of the State's trust funds may remain invested in common stock. Other than these limits, the statutes of the State permit investment in securities under the "Prudent Investor" rule. See also **PENSION AND RETIREMENT SYSTEMS** herein.

STATE GENERAL FUND

The State finances most of its operations through its General Fund. 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 currently accounted for on a modified cash basis of accounting (the "budgetary-basis"), which differs from generally accepted accounting principles ("GAAP"). The State is not presently required to prepare GAAP financial statements, although it has prepared such statements annually since 1988. Legislation was passed in 2011 directed towards facilitating a transition from a budgetary-basis of accounting to GAAP. For an explanation of the differences between the budgetary-basis and GAAP based accounting and a discussion of the transition to GAAP, see **FINANCIAL PROCEDURES — Accounting Procedures** herein.

GAAP based audited financial statements for all civil list funds of the State for the fiscal year ending June 30, 2012 are included as **Appendix III-C** to this Annual Information Statement. Budgetary-basis audited financial statements for the General Fund audited for the fiscal years ending June 30, 2008 through June 30, 2012 are included in **Appendix III-D** to this Annual Information Statement. The adopted budget and final financial budgetary-basis results for the fiscal year ending June 30, 2012, the revised adopted budget and estimated (as of January 31, 2013) budget for the fiscal year ending June 30, 2013, and the Governor's proposed budget for fiscal years ending June 30, 2014 and June 30, 2015 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.

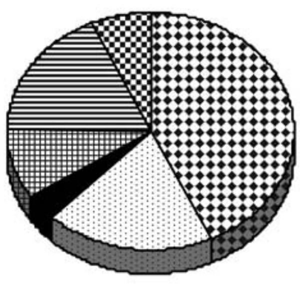
Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a 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.

Fiscal Year 2012 and 2013 Adopted Revenues. General Fund revenues as forecasted at the adoption of the revised budgets for the fiscal years ending June 30, 2012 and June 30, 2013 ("Adopted Revenues") are reflected in **Appendix III-E** to this Annual Information Statement. The State, as of the forecast date, expected to derive approximately 74.6 percent and 75.8 percent, respectively, of its General Fund revenues from taxes during Fiscal Year 2012 and Fiscal Year 2013. The adopted budget and the final financial budgetary-basis results for the fiscal year ending June 30, 2012, the revised adopted budget and the estimated (as of January 31, 2013) budgetary basis results for the fiscal year ending June 30, 2013, and the Governor's proposed budget for fiscal years ending June 30, 2014 and June 30, 2015 are included in **Appendix III-E** to this Annual Information Statement.

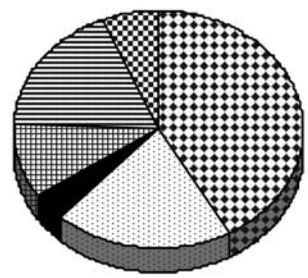
General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. Miscellaneous fees, receipts, transfers and unrestricted Federal grants account for most of the other General Fund revenue. A summary of anticipated General Fund revenue sources based on the Adopted Revenues, for the fiscal years ending June 30, 2012 and June 30, 2013, are set forth below:

Adopted General Fund Revenues (In Millions)

Adopted Revenues
Fiscal Year 2012
$18,788.6[(a)]



Adopted Revenues
Fiscal Year 2013
$19,143.0[(a)]



	Fiscal Year 2012			Fiscal Year 2013	
Personal Income Tax	$ 8,660.8	43.1%	Personal Income Tax	$ 8,554.3	41.9%
Sales and Use Tax	3,789.0	18.8%	Sales and Use Tax	4,045.9	19.8%
Corporate Business Tax	707.7	3.5%	Corporate Business Tax	793.0	3.9%
Other Taxes[(b)]	2,000.8	9.9%	Other Taxes[(b)]	2,090.5	10.2%
Unrestricted Federal Grants	3,589.7	17.9%	Unrestricted Federal Grants	3,629.0	17.8%
Other Non-Tax Revenues[(c)]	1,360.9	6.8%	Other Non-Tax Revenues[(c)]	1,301.4	6.4%

Note: Totals may not add to 100% due to rounding.

(a) The pie charts reflect the total of the listed tax and revenue amounts of $20,108.9 million for Fiscal Year 2012 and $20,414.1 million for Fiscal Year 2013 and do not reflect tax refunds, R&D Credit Exchange and transfers to other funds of $1,320.3 million for Fiscal Year 2012 and $1,271.1 million for Fiscal Year 2013. See **Appendix III-E** for anticipated adjustments to adopted tax revenues.

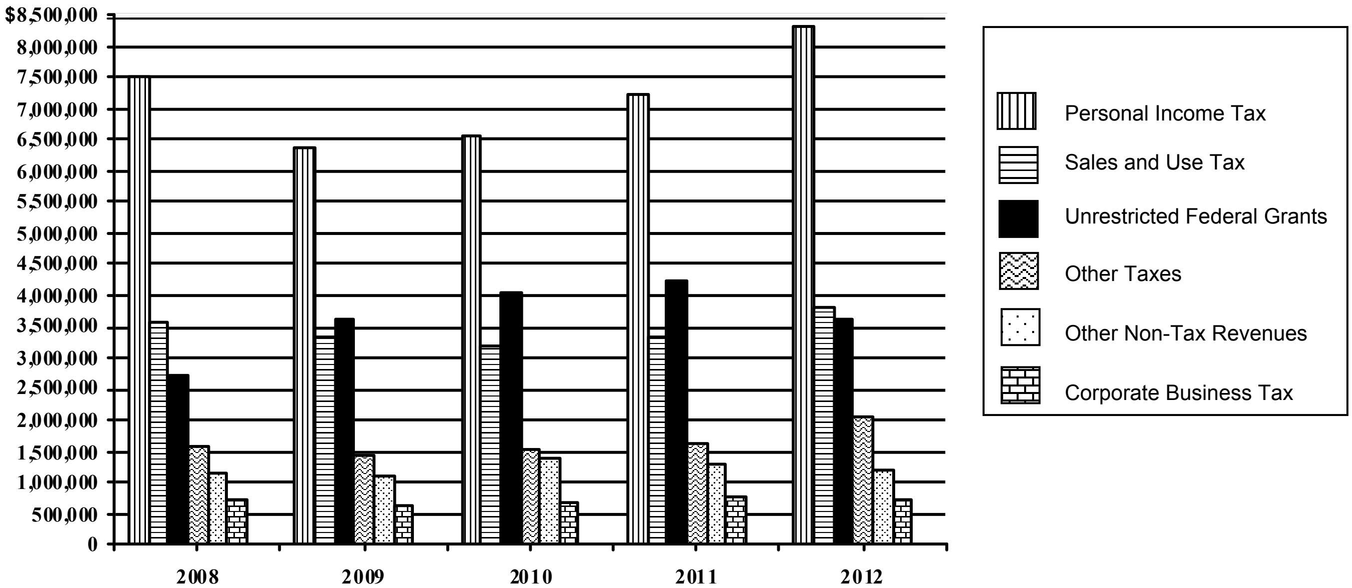
(b) Other taxes are comprised of inheritance and estate taxes, taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on oil companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers, electric generation and other miscellaneous taxes. See **Appendix III-E**.

(c) Other non-tax revenues are comprised of special revenue transfers, Indian gaming payments, licenses, permits and fees, sales of commodities and services, rents, fines and escheats, investment income, other miscellaneous revenues and designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund. See **Appendix III-E**.

SOURCE: Public Act No. 11-6, as amended by Public Act No. 11-61 and Public Act No. 11-1 of the June Special Session.

Historical General Fund Revenues. Actual General Fund revenues for the fiscal years ending June 30, 2008 through 2012 are set forth in **Appendix III-D** to this Annual Information Statement. A summary of the composition of General Fund gross revenues for the last five fiscal years is illustrated below:

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



	2008	2009	2010	2011	2012
Taxes:					
Personal Income Tax........................	$ 7,512,688	$ 6,385,856	$ 6,586,099	$ 7,246,431	$ 8,310,820
Sales Tax	3,582,317	3,318,752	3,203,988	3,353,230	3,830,117
Corporate Business Tax	733,942[(d)]	615,921	667,132	794,473	716,522
Other Taxes[(b)]	1,558,511	1,448,448	1,507,283	1,619,985	2,055,644
Subtotal.......................................	13,387,458	11,768,977	11,964,502	13,014,119	14,913,103
R & D Credit Exchange……….	(11,363)	(8,428)	(8,937)	(8,598)	(3,563)
Refunds of Taxes.............................	(852,184)	(1,052,286)	(1,061,433)	(956,054)	(1,105,171)
Total Net Taxes..........................	$ 12,523,911	$ 10,708,263	$ 10,894,132	$12,049,467	$13,804,369
Other Revenue:					
Federal Grants					
(Unrestricted)	$ 2,701,603	$ 3,619,490	$ 4,066,314	$ 4,235,178	$ 3,607,163
Other Non-Tax Revenues[(c)].............	1,164,272	1,105,217	1,363,385	1,273,290	1,207,800
Transfers to Other Funds..................	(86,300)	(86,300)	(61,800)	(61,800)	(61,800)
Transfers from Other Funds.............	115,300	354,131[(e)]	1,426,498[(f)]	211,319	4,101
Total Other Revenues..................	$ 3,894,875	$ 4,992,538	$ 6,794,397	$ 5,657,987	$ 4,757,264
Total Revenues...........................	$16,418,786	$15,700,801	$17,688,529	$17,707,454[(g)]	$18,561,633

(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 healthcare providers, electric generation and other miscellaneous taxes.

(c) Other non-tax revenues are comprised of special revenue transfers, Indian gaming payments, licenses, permits and fees, sales of commodities and services, rents, fines and escheats, investment income and other miscellaneous revenues less refunds of payments.

(d) 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.

(e) For Fiscal Year 2009, $179.4 million of reserved fund balance within the General Fund was released for Fiscal Year 2009 operations and was posted under the "Transfer from Other Funds" category.

(f) Includes numerous transfers from other funds of the State, the largest of which is $1,278.5 million from the Budget Reserve Fund.

(g) Totals do not include the release of the Reserved Fund Balance in the amount of $449,868,589.

SOURCE: 2008, 2009, 2010, 2011 and 2012 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 6.7% on Connecticut taxable income. Depending on federal income tax filing status, the taxable year and Connecticut adjusted gross income, personal exemptions are available to taxpayers, ranging from $12,000 to $24,000, with the lower end of the range increasing annually to $15,000 by taxable year 2015 for certain taxpayers. In addition, tax credits ranging from 1% to 75% of a taxpayer's Connecticut tax liability are also available depending upon federal income tax filing status, the taxable year and Connecticut adjusted gross income. Such exemptions and tax credits are phased out at 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 most recently revised for tax year 2011. Under this revised structure, the top rate increases to 6.7% with a rate of 3% applicable to taxable income up to certain amounts. The first $20,000 of taxable income for a joint filer and the first $10,000 of taxable income for a single filer is taxed at the 3% rate, under the revised rate structure effective income year 2011, the lower rates are fully phased out for joint filers earning over $700,000. In addition, an income tax credit for property taxes paid of $500 per filer for tax years beginning on or after January 1, 2006, was decreased to $300 per filer for tax years beginning on or after January 1, 2011. Taxpayers also are subject to a Connecticut minimum tax based on their liability, if any, for payment of the federal alternative minimum tax.

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 6.35%. A separate rate of 15% is charged on the occupancy of hotel rooms. Various exemptions from the Sales and Use Taxes are provided, based on the nature, use or price of the property or services involved or the identity of the purchaser. Tax returns and accompanying payments with respect to 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 that 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, which does business, owns or leases property or maintains an office within the State. Certain financial services companies and domestic insurance companies are exempt from this tax. 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 computing the Corporation Business Tax is a tax measured by the net income of a taxpayer (the "Income-Base Tax"). Net income means federal gross income with limited variations less certain deductions, most of which correspond to the deductions allowed under the Internal Revenue Code of 1986, as amended from time to time. The Income-Base Tax is 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 corporation business tax surcharge of 10% for income years 2009, 2010 and 2011 for businesses with over $100 million in federal adjusted gross income. For income year 2012 and 2013, a corporation business tax surcharge of 20% 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. Beginning with taxable years starting January 1, 2013, this tax will be due biennially.

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 healthcare providers, electric generation, 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 2012 were made for the purposes of providing medical assistance payments to low income individuals and temporary assistance to needy families. The State also receives certain restricted federal grants that are not reflected in annual appropriations but that nonetheless are accounted for in the General Fund. The American Recovery and Reinvestment Act ("ARRA") provided 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

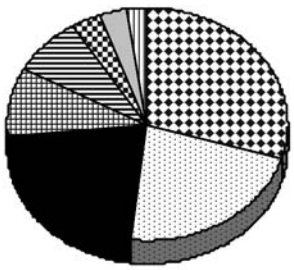
Appropriated and Historical Expenditures

Fiscal Year 2012 and 2013 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.

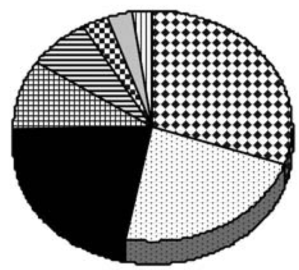
The adopted budget and final financial budgetary-basis results for the fiscal year ending June 30, 2012 and the revised adopted and estimated (as of January 31, 2013) budget for the fiscal year ending June 30, 2013 are included as **Appendix III-E** to this Annual Information Statement. A summary of appropriated General Fund expenditures for the fiscal years ending June 30, 2012 and June 30, 2013 is set forth below.

Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures
Fiscal Year 2012
$18,707.7[(a)]



Appropriated Expenditures
Fiscal Year 2013
$19,140.1[(a)]



Fiscal Year 2012		
Human Services	$ 5,785.9	29.7%
Education, Libraries and Museums	4,321.8	22.2%
Non-Functional	4,182.2	21.5%
Health and Hospitals	1,886.2	9.7%
Corrections	1,576.5	8.1%
General Government	655.9	3.4%
Judicial	576.1	3.0%
Other Expenditures[(b)]	501.0	2.6%

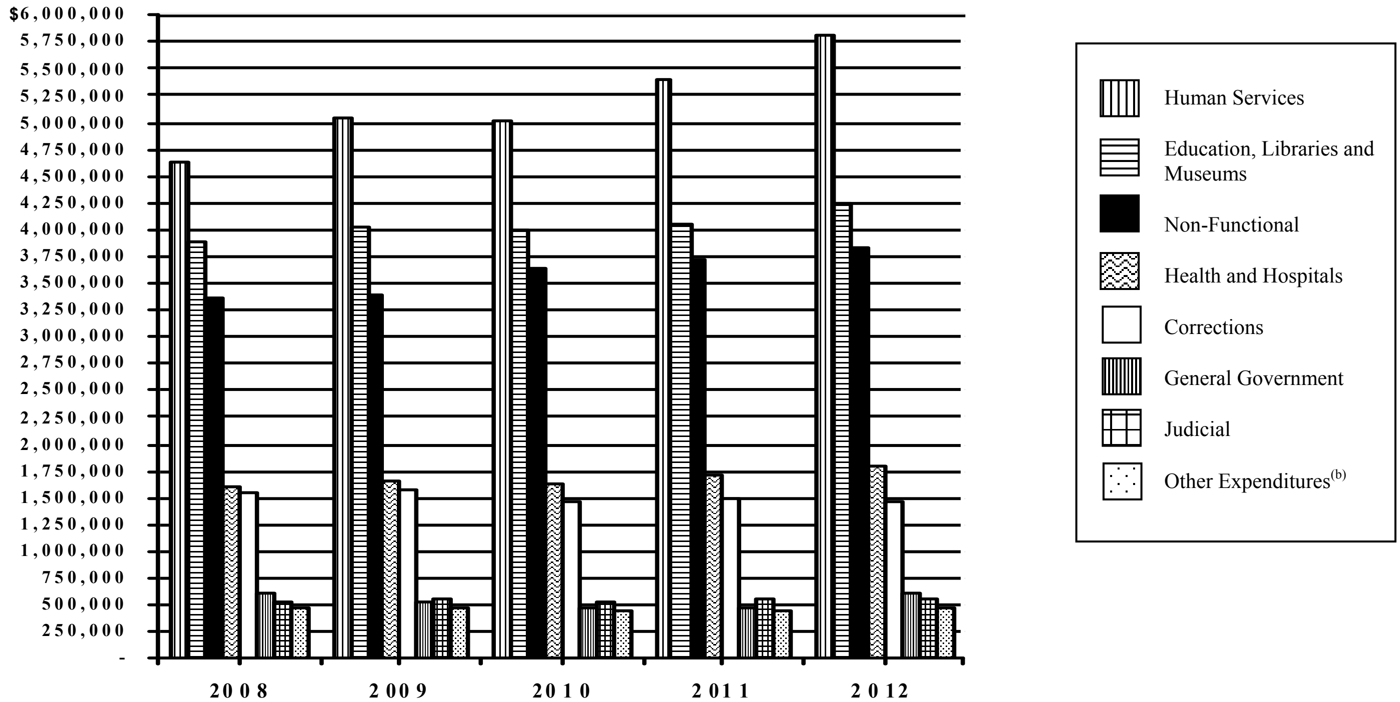
Fiscal Year 2013		
Human Services	$ 5,834.2	30.3%
Education, Libraries and Museums	4,380.6	22.7%
Non-Functional	4,138.2	21.5%
Health and Hospitals	1,837.7	9.5%
Corrections	1,450.8	7.5%
General Government	614.9	3.2%
Judicial	543.2	2.8%
Other Expenditures[(b)]	456.8	2.4%

(a) The pie charts reflect the total listed expenditures of $19,485.6 million for Fiscal Year 2012 and $19,256.4 million for Fiscal Year 2013, and do not reflect adjustments for unallocated lapses of $777.9 million for Fiscal Year 2012 and $116.3 million for Fiscal Year 2013. See **Appendix III-E** for anticipated adjustments to appropriated expenditures.

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

SOURCE: Public Act No. 11-6, as amended by Public Act No. 11-61 and Public Act No. 11-1 of the June Special Session.

Historical General Fund Expenditures. Actual General Fund expenditures for the fiscal years ending June 30, 2008 through 2012 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)

	2008	2009	2010	2011	2012
Human Services	$ 4,629,658	$ 5,041,515	$ 5,012,333	$ 5,387,535	$ 5,817,369
Education, Libraries and Museums	3,892,796	4,019,381	3,990,199	4,060,467	4,235,428
Non-Functional	3,356,538	3,399,404	3,633,977	3,709,293	3,841,292
Health and Hospitals	1,606,711	1,662,540	1,624,827	1,715,670	1,792,435
Corrections	1,549,792	1,577,167	1,475,769	1,484,364	1,472,685
General Government	602,849	520,115	486,318	476,090	609,239
Judicial	515,738	543,078	524,043	559,912	545,650
Other Expenditures[(b)]	473,365	471,655	460,655	451,793	467,536
Totals	$ 16,627,447	$ 17,234,855	$ 17,208,021	$ 17,845,124	$ 18,781,634

(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: 2008, 2009, 2010, 2011 and 2012 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. The majority of State expenditures for Education, Libraries and Museums is allocated to the Department of Education, the largest share of which consists of payments to local governments. The remaining consists of expenditures for higher education (including the University of Connecticut, the Board of Regents and Financial & Academic Affairs for Higher Education), the Teachers' Retirement Board and the State Library.

Non-Functional. Non-Functional State expenditures consist of debt service payments, State employee fringe benefit accounts and other miscellaneous appropriations.

Health and Hospitals. State expenditures for Health and Hospitals are allocated primarily for programs and services provided by the State Departments of Public Health, Developmental Services, and Mental Health and Addiction Services.

Corrections. Appropriations to the State Department of Correction and the Department of Children and Families comprise the largest portion of State expenditures for Corrections.

General Government. State expenditures for General Government may be classified into three categories: executive, financial administration and legal, the largest of which is expenditures for financial administration. Such expenditures are primarily for salaries and other miscellaneous expenses of various State departments.

Judicial. Judicial expenditures are comprised of salaries, expenses and payments for special programs of the Judicial Department and the Public Defender Services Commission.

Regulation and Protection. State expenditures for Regulation and Protection consist primarily of appropriations for the Department of Public Safety for salaries, equipment, training and other services and expenses. Other agencies and programs for which appropriations are made include the Police Officer Standards and Training Council, the Board of Firearms Permit Examiners, the Military Department, the Commission on Fire Prevention and Control, the Department of Consumer Protection, the Department of Labor, the Commission on Human Rights and Opportunities, the Office of Protection and Advocacy for Persons with Disabilities, and the Office of the Child Advocate.

Conservation and Development. State expenditures for Conservation and Development fall into three general categories: agriculture; development of historical sites, commerce and industry; and environment.

Legislative. Legislative expenditures are comprised primarily of salaries, equipment and other expenses necessary for Legislative Management and the Auditors of Public Accounts.

Expenditures by Type

General Fund appropriations and the 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 63.2% of total General Fund appropriations under the adopted budget for Fiscal Year 2013. Costs of State administration consist of three major appropriation account types:

personal services, equipment, and other expenses. These expenditures are used directly to operate the facilities and programs of State agencies and include such items as salaries, wages, pension and other benefits for State employees; utility and fuel costs; food; institutional and office supplies; equipment; rent for office space and other facilities; and other current expenses. Appropriations for costs of State administration represent approximately 36.8% of all General Fund appropriations under the revised adopted budget for Fiscal Year 2013.

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[1,4]
Fixed Charges - General Fund
Summarized by Function of Government and Expenditure Category
Including Major Expenditure Items
(In Thousands of Dollars)

	Fiscal Year 2011 (Actual)		Fiscal Year 2012 (Unaudited)		Fiscal Year 2013 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
LEGISLATIVE						
Total – Legislative	526	0	521	0	575	0
GENERAL GOVERNMENT						
Tax Relief for Elderly Renters	23,555	0	23,596	0	25,260	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	47,895	47,895	0	0	0	0
Reimbursement to Towns for Loss of Taxes on State Property[3]	0	0	73,519	73,519	73,642	73,642
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property[3]	0	0	115,432	115,432	115,432	115,432
Undesignated	18,186	17,580	16,230	15,557	72,965	71,840
Total – General Government	110,142	85,981	249,283	225,014	307,804	281,419
REGULATION AND PROTECTION						
Total - Regulation and Protection	870	0	1,089	0	1,180	0

	Fiscal Year 2011 (Actual)		Fiscal Year 2012 (Unaudited)		Fiscal Year 2013 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
CONSERVATION AND DEVELOPMENT						
Total - Conservation and Development	28,776	13,180	28,292	12,861	26,256	9,582
HEALTH AND HOSPITALS						
Employment Opportunities and Day Services (Dept. of Developmental Services)	161,334	0	181,277	0	200,341	0
Community Residential Services (Dept. of Developmental Services)	405,083	0	419,447	0	437,859	0
Grants for Substance Abuse Services	25,268	0	24,898	0	24,930	0
Grants for Mental Health Services	79,615	0	83,764	0	76,476	0
Undesignated	47,708	14,516	46,734	14,499	59,118	16,402
Total - Health and Hospitals	719,008	14,516	756,119	14,499	798,724	16,402
HUMAN SERVICES						
Medicaid	4,465,884	0	4,714,306	0	4,697,969	0
Old Age Assistance	35,523	0	36,570	0	36,418	0
Aid to the Disabled	61,169	0	60,170	0	60,649	0
Temporary Assistance to Families – TANF	117,217	0	110,078	0	113,187	0
Connecticut Pharmaceutical Assistance Contract to the Elderly	5,976	0	298	0	310	0
Medicaid - Disproportionate Share - Mental Health	105,935	0	105,935	0	108,935	0
Connecticut Home Care Program	47,402	0	47,609	0	47,316	0
Child Care Services - TANF/CCDBG	98,516	0	100,086	0	104,441	0
Housing/Homeless Services	46,507	0	51,187	0	57,595	0
Disproportionate Share - Medical Emergency Assistance	51,725	0	268,487	0	268,487	0
DSH - Urban Hospitals in Distressed Municipalities	31,550	0	0	0	0	0
State Administered General Assistance	(2,233)	0	14,784	0	14,723	0
Undesignated	65,511	6,587	46,086	863	48,329	919
Total - Human Services	5,130,682	6,587	5,555,596	863	5,558,358	919
EDUCATION, LIBRARIES AND MUSEUMS						
Charter Schools	52,768	0	56,926	0	0	0
Adult Education	19,565	19,565	20,002	20,002	21,026	21,026
Transportation of School Children	28,740	28,740	25,785	25,785	24,885	24,885
Education Equalization Grants	1,889,023	1,889,023	1,889,229	1,889,229	2,007,594	2,007,594
Priority School Districts	115,656	115,656	0	0	0	0
Excess Cost - Student Based	139,811	139,811	139,829	139,829	139,806	139,806
Magnet Schools	183,330	183,330	206,742	206,742	242,362	242,362

	Fiscal Year 2011 (Actual)		Fiscal Year 2012 (Unaudited)		Fiscal Year 2013 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
Connecticut Independent College Student Grant	23,414	0	18,072	0	16,158	0
Connecticut Aid for Public College Students	30,208	0	29,808	0	25,500	0
Teachers' Retirement Contributions	581,593	0	757,246	0	787,536	0
Undesignated	89,269	53,406	243,099	174,369	236,601	181,760
Total – Education	3,153,377	2,429,531	3,386,738	2,455,956	3,501,467	2,617,432
CORRECTIONS						
Community Support Services (Dept. of Correction)	39,830	0	40,370	0	40,573	0
Board and Care for Children – Adoption	84,380	0	86,744	0	89,642	0
Board and Care for Children – Foster	10,459	0	107,146	0	113,300	0
Board and Care for Children – Residential	181,129	0	169,013	0	177,010	0
Community KidCare	23,573	0	22,764	0	23,676	0
Undesignated	91,848	0	91,142	0	99,657	0
Total – Corrections	525,219	0	517,180	0	543,857	0
NON FUNCTIONAL						
Debt Service (Including UConn 2000 and CHEFA Day Care Security and Teachers' Retirement Pension Obligation Bonds)[2]	1,629,672	0	1,813,450	0	2,207,519	0
Grants to General Hospitals	0	0	0	0	0	0
Reimbursement to Towns for Loss of Taxes on State Property[3]	73,519	73,519	0	0	0	0
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property[3]	115,432	115,432	0	0	0	0
Undesignated	435	0	0	0	121,387	0
Total - Non Functional	1,819,058	188,951	1,813,450	0	2,328,905	0
Total – Fixed Charges	11,487,658	2,738,746	12,308,268	2,709,193	13,067,125	2,925,755

1 Table 1 includes actual fixed charge expenditures for Fiscal Year 2011, unaudited fixed charge expenditures for Fiscal Year 2012, and appropriated fixed charge expenditures for Fiscal Year 2013.

2 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.

3 In Fiscal Year 2012 Reimbursements to Towns for Loss of Taxes were moved from Nonfunctional to General Government (OPM).

4 In Fiscal Year 2012, Vocational Services, Employment Opportunities and Independent Living Centers moved from the Department of Social Services to the Bureau of Rehabilitative Services; Commission on Tourism was merged into the Department of Economic and Community Development; and Commission on Fire Prevention and Control was merged into the Department of Emergency Services and Public Protection.

SOURCE: Office of Policy and Management

Budget for Fiscal Years 2012 and 2013

On May 3, 2011, the General Assembly passed Public Act No. 11-6, An Act Concerning The Budget For The Biennium Ending June 30, 2013. The Governor signed the bill into law on May 4, 2011. This act made general fund appropriations of $18,350.3 million in Fiscal Year 2012 and $18,781.8 million in Fiscal Year 2013. The budget was projected to result in a surplus of $369.3 million in Fiscal Year 2012 and $634.8 million in Fiscal Year 2013. The budget included anticipated savings of $1.0 billion annually from state employee concessions.

Numerous revenue enhancements were included in Public Act No. 11-6 including, increasing the number of tax brackets for the personal income tax with a maximum rate of 6.7%. The sales tax was raised from 6.0% to 6.35% and numerous exemptions were eliminated including the previous exemption for clothing and footwear under $50. A 20% surcharge was imposed on the corporation tax for income years 2012 and 2013. Other miscellaneous taxes were increased as well including the tax on cigarettes and alcoholic beverages. Additional revenue of $1.5 billion is estimated from these tax increases in Fiscal Year 2012 and $1.3 billion in Fiscal Year 2013. An expanded health provider tax was also implemented which when combined with the additional reimbursements from the federal government, were estimated to total over $600 million annually.

The adopted budget was $1.0 million below the spending cap in Fiscal Year 2012 and $278.4 million below in Fiscal Year 2013. After the passage of budget implementers and other acts, the final adopted budget had a projected surplus of $80.9 million in Fiscal Year 2012 and $488.5 million in Fiscal Year 2013.

While the biennial budget included anticipated savings of $1.0 billion annually from State employee concessions, the State initially failed to achieve an agreement with State employees for sufficient State employee concessions. Without an agreement, the Governor called for a special legislative session that was held on June 30, 2011 for purposes of addressing the unattained labor related savings in the adopted Fiscal Year 2012-2013 biennial budget. The General Assembly passed and the Governor signed into law Public Act No. 11-1, which provided the Governor with enhanced rescission authority through September 30, 2011, and allotment holdback authority to effectuate savings in the budget equivalent to the unattained labor related savings. The act required the Governor to submit a plan, which he did, by July 15, 2011 to the General Assembly detailing these revised savings. On August 18, 2011, the Governor reached an agreement with the state employee unions that achieved the requisite number of votes and the number of bargaining groups required to ratify the agreement with the administration. Pursuant to Public Act No. 11-1 the agreement was deemed approved as of August 22, 2011. The estimated savings resulting from the agreement and the additional savings recommended by the Governor were estimated to result in a balanced budget for the Fiscal Year 2012-2013 biennial budget.

A special session of the General Assembly was held on October 26, 2011 for purposes of promoting economic development and job creation in the State. The General Assembly passed, and the Governor signed into law, two pieces of legislation toward achieving those goals. Public Act No. 11-1 of the October 20, 2011 Special Session, An Act Promoting Economic Growth And Job Creation In the State, authorized an additional $231 million in general obligation bonds for Fiscal Year 2012, $345 million for Fiscal Year 2013, and $25 million each year in Fiscal Years 2014, 2015 and 2016. It also authorized $50 million for additional special tax obligation bonds for the Fix-it-first Bridges program in Fiscal Year 2012. The act modified certain tax credits offered by the State that are expected to result in a revenue loss of $8.5 million in Fiscal Year 2012 and $40.3 million in Fiscal Year 2013. Public Act No. 11-2, An Act Establishing The Connecticut Bioscience Collaboration Program, authorized $290.7 million in general obligation bonds in varying amounts from Fiscal Year 2012 through Fiscal Year 2021 for purposes of establishing a research facility in Farmington in proximity to the University of Connecticut's Health Center.

See **Appendix III-E** of this Annual Information Statement for more information regarding the Budget for Fiscal Years 2012 and 2013.

Fiscal Year 2012 Operations

Pursuant to the Comptroller's audited budgetary based financial report provided on December 31, 2012, as of June 30, 2012, General Fund revenues were $18,561.6 million, General Fund expenditures and net miscellaneous adjustments were $18,705.1 million and the General Fund deficit for Fiscal Year 2012 was $143.5 million.

The audited results for the final Fiscal Year 2012 operations of the General Fund have been outlined in **Appendix III-D** to this Annual Information Statement.

Fiscal Year 2013 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 8, 2012 the Governor submitted a status report to the General Assembly including detailed projections of expenditures and revenues and proposed midterm budget adjustments for Fiscal Year 2013.

The General Assembly passed, and the Governor signed into law, Public Act No. 12-104 and Public Act No. 12-1 of the June Special Session which made mid-term budget revisions for Fiscal Year 2013. Based upon the then most recent consensus revenue estimate issued on April 30, 2012 by the Office of Policy and Management and the General Assembly's Office of Fiscal Analysis, revenues were anticipated to be $19,143.2 million, expenditures were anticipated to be $19,140.1 million, and the revised budget was estimated to result in a General Fund surplus of $3.1 million for Fiscal Year 2013 and would be $142.3 million below the expenditure cap.

The revised Fiscal Year 2013 budget included policy changes that were projected to result in $75.4 million in additional revenue above the consensus revenue forecast. The more significant changes included: (i) a $70.1 million reduction in the General Fund transfer to the Transportation Fund for Fiscal Year 2013, (ii) a $26.0 million reduction in expected federal revenue collections due primarily to expenditure changes made to federally reimbursable programs, and (iii) $5.2 million in additional revenue due to the expansion of alcoholic beverage sales to Sunday and certain holidays. The revised budget included additional appropriations of $187.5 million compared to the originally adopted budget for Fiscal Year 2013. The more significant changes included: (i) a $93.8 million increase to local education funding, the largest component of which is a $50 million increase to the Education Cost Sharing formula, and (ii) an $85.3 million increase to the State Employees Retirement System.

The revised Fiscal Year 2013 budget included an increase of $601.3 million in general obligation bond authorizations to take effect in Fiscal Year 2013. The adjustments emphasized investments in State facilities, housing, and education. The General Assembly passed legislation which was signed by the Governor necessary to implement certain aspects of the revised budget at a special session held on June 12, 2012, more fully discussed below. The mid term budget adjustments have been reflected in **Appendix III-E** to this Annual Information Statement.

Fiscal Year 2013 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 on October 19, 2012, November 20, 2012, December 20, 2012 and January 18, 2013 for the General Fund for Fiscal Year 2013, as of the periods ending September 30, 2012, October 31, 2012, November 30, 2012 and December 31, 2012, respectively, under a budgetary basis, the General Fund was estimated to have a deficit of $60.1 million, $365.0 million, $252.0

million and $64.4 million respectively. In the monthly estimates provided by the Office of Policy and Management on February 20, 2013 for the General Fund for Fiscal Year 2013, as of the period ending January 31, 2013, General Fund revenues were estimated at $18,979.5 million, General Fund expenditures and adjustments (including net appropriations continued and estimated lapses) were estimated at $19,035.2 million and the General Fund for Fiscal Year 2013 was estimated to have a deficit of $55.7 million under a budgetary basis and $103.2 million under a GAAP basis. Such GAAP basis deficit reflects the additional GAAP deficit for Fiscal Year 2013 and does not reflect the total accumulated unreserved fund balance. The Office of Policy and Management indicated that their estimate does not reflect the impact of federal sequestration scheduled for March 1, 2013, which would result in reductions to federal spending and defense and nondefense programs resulting in little immediate State budgetary impact, but which could have a significant effect on revenues going forward. The next monthly report of the Office of Policy and Management is expected on March 20, 2013 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 monthly report of the Comptroller dated November 1, 2012, December 3, 2012, and January 2, 2013 for the General Fund for Fiscal Year 2013 as of the periods ending September 30, 2012, October 31, 2012 and November 30, 2012, respectively, under a budgetary basis, the General Fund was estimated to have a deficit of $60.1 million, $415 million, and $40.0 million, respectively. In the monthly report of the Comptroller dated February 1, 2013 for Fiscal Year 2013 as of the period ending December 31, 2012, the Comptroller projected a General Fund deficit of $140.0 million on a budgetary basis. In accordance with Public Act No. 11-48, if a General Fund surplus develops during Fiscal Year 2013, up to $50 million will be applied to the GAAP deficit with any remaining balance used toward the payment of a portion of the State's outstanding Economic Recovery Notes (Series 2009). The next monthly report of the Comptroller is expected on March 1, 2013 for the period ending January 31, 2013, 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.

On January 25, 2013, the Office of Fiscal Analysis projected a deficit in the General Fund of $138.6 million for Fiscal Year 2013 on a budgetary basis. The report indicates that the figures do not include the setting aside of funds for GAAP, since State law requires this reserve only if available surplus exists.

The above projections are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by the Office of Policy and Management, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2013 operations of the General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2013 operations of the General Fund. The Office of Policy and Management's February 20, 2013 estimate for the Fiscal Year 2013 operations of the General Fund has been outlined in **Appendix III-E** to this Annual Information Statement.

Consensus Revenue Estimates. On November 9, 2012, the Office of Policy and Management and the General Assembly's Office of Fiscal Analysis issued their consensus revenue estimates covering fiscal years ending June 30 of 2013, 2014, 2015 and 2016. The General Fund revenue estimates for fiscal years ending June 30 of 2013, 2014, 2015 and 2016 were $19,015.1 million, $19,723.6 million, $21,032.3 million and $22,136.6 million, respectively. These consensus revenue estimates were used as the revenue basis for the fiscal accountability reports of the Office of Policy and Management and the General Assembly's Office of Fiscal Analysis issued on November 15, 2012, which estimated the General Fund's ending balance for each of the four fiscal years ending June 30, 2016 based on current services and other assumptions (discussed below). On January 15, 2013, the Office of Policy and Management and the General Assembly's Office of Fiscal Analysis issued a consensus revision of their previous consensus revenue estimates. The revised General Fund revenue estimates for fiscal years ending June 30 of 2013, 2014, 2015 and 2016 were $18,979.5 million, $19,655.3 million, $20,773.6 million and $21,690.7 million, respectively. These represent reductions from the previous estimates of $35.6 million, $68.3 million, $258.7 million, and $445.9 million, respectively. The projections in the consensus revenue estimates and the fiscal accountability report are only estimates and no assurance can be given that future events will materialize as estimated or that subsequent estimates, adjustments or audits or State actions will not result in changes to the final results for the fiscal years reported. The next consensus revenue estimates are expected on April 30, 2013.

Fiscal Accountability Report. The Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis, on November 15, 2012 each submitted a fiscal accountability report for the current fiscal year and the next ensuing three fiscal years. The Office of Fiscal Analysis projected, on a budgetary basis, a General Fund deficit of $320.7 for fiscal year ending June 30, 2013, and General Fund deficits for fiscal years ending June 30 of 2014, 2015 and 2016 of $1,138.1 million, $1,016.4 million, and $934.1 million, respectively. The Office of Policy and Management in its report projected, on a budgetary basis, a General Fund deficit of $365.0 million for fiscal year ending June 30, 2013, and General Fund deficits for fiscal years ending June 30 of 2014, 2015, and 2016 of $1,080.0 million, $858.6 million, and $807.1 million, respectively**.** The projections in each report were based on current services and certain other assumptions. The Office of Policy and Management projected these current services estimates to exceed the State's expenditure cap by $1,242.0 million, $1,814.8 million, and $2,238.1 million in fiscal years ending June 30 of 2014, 2015, and 2016, respectively. The Office of Fiscal Analysis similarly projected these current services estimates to exceed the State's expenditure cap by $1,361.9 million, $2,014.7 million, and $2,406.2 million in fiscal years ending June 30 of 2014, 2015, and 2016, respectively. Thus, significant expenditure reductions will be needed to remain below the expenditure cap. Factoring in only those total expenditures allowed by the expenditure cap, as opposed to expenditures based on the costs of continuing current operations in accordance with current law, the Office of Policy and Management projected, on a budgetary basis, for fiscal years ending June 30 of 2014, 2015, and 2016 General Fund surpluses of $100.0 million, $829.4 million, and $1,275.2 million, respectively. As a result, the figures included in these reports do not represent a projection of the actual financial results that might be expected, but instead serve as planning tools. 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 $1.5 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 State will not indicate changes in the final result of such fiscal years. Specifically, the Office of Policy and Management noted that until the United States Congress acts on the federal budget, final current State fiscal year and future funding levels for many of the State's federally funded discretionary and entitlement programs are unknown. In addition, the State has a balanced budget requirement and an expenditure cap as discussed at ***Page III-6*** under the heading **The Budgetary Process –** ***Balanced Budget Requirement.*** As such, budgets adopted for the future fiscal years will need to comply with those requirements. As a result, the figures included in these reports do not represent a projection of the actual financial results that might be expected, but instead serve as planning tools.

Governor's Recommended Budget for Fiscal Years 2014 and 2015

On February 6, 2013, the Governor presented to the General Assembly his proposed budget for Fiscal Years 2014 and 2015. This proposal closed a current services gap of $1.3 billion in Fiscal Year 2014 and $1.2 billion in Fiscal Year 2015. This was achieved primarily by proposed revenue measures of $0.6 billion and expenditure cuts of $1.9 billion over the biennium. Under the Governor's proposed budget for the General Fund, (i) for Fiscal Year 2014, revenues are projected to be $20,117.3 million and appropriations total $20,110.6 million, resulting in a projected surplus of $6.7 million and (ii) for Fiscal Year 2015, revenues are projected to be $20,896.6 million and appropriations total $20,888.5 million, resulting in a projected surplus of $8.1 million. This represents a growth of 5.6% and 3.9% in each year of the biennium respectively. This budget proposal includes expenditure adjustments to reflect the conversion from a cash basis of accounting to an accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP).

The Governor's budget proposal includes $462.0 million in revenue enhancements in Fiscal Year 2014 and $123.0 million in Fiscal Year 2015. The significant revenue changes include: 1) the extension of certain tax measures that were anticipated to expire including the twenty percent corporate surcharge, the tax on electric generators, and certain limits on the use of tax credits under the insurance premiums tax, anticipated to raise $139.4 million and $169.0 million in each year of the biennium respectively; 2) the elimination of certain revenue intercepts targeted toward municipal aid as part of the overall reconfiguration of such aid, anticipated to increase revenue by $222.0 million and $227.5 million in each year of the biennium respectively; 3) transfers from other sources totaling $202.2 million and $17.5 million in each year of the biennium respectively, including an anticipated one-time $80 million from an auctioning of the right to provide electricity to consumers currently on a standard offer pricing plan, a one-time $60 million from the Special Transportation Fund and $30 million related to the State's assumption of certain responsibilities and corresponding reserves of the Connecticut Resource Recovery Authority; 4) a phased-in restoration of the clothing exemption under the sales and use tax for items less than $25 in value in Fiscal Year 2015, rising to less than $50 in Fiscal Year 2016, anticipated to reduce revenue by $55.5 million and $143.3 million in each year of the biennium respectively; and 5) other revenue changes resulting in a net reduction of $101.6 million and $235.5 million in each year of the biennium respectively, primarily resulting from the loss of matching federal funds due to proposed expenditure changes outlined below.

Prior to recommended policy changes, compared to estimated expenditures in the prior fiscal year, the current services portion of the Governor's proposed budget increased by $1,892.9 million in Fiscal Year 2014 and by $1,017.7 million in Fiscal Year 2015. The largest drivers of these increases were related to the implementation of the federal Affordable Care Act and pension costs. The Governor's proposed budget assumes $826.2 million in expenditure reductions from current services in Fiscal Year 2014 and $1,065.9 million in expenditure reductions in Fiscal Year 2015 resulting from 1) savings of $150 million in each year of the biennium from the extension of the maturity of the 2009 Economic Recovery Notes; 2) phasing down disproportionate share payments to hospitals totaling $120.8 million and $255.1 million in each year of the biennium respectively; 3) various savings initiatives in the Medicaid program totaling $215.5 million and $282.0 million in each year of the biennium respectively; and 4) an extension of the cap on municipal aid grants totaling $102.8 million and $114.6 million in each year of the biennium respectively.

Article XXVIII of the Amendments to the Constitution of the State of Connecticut and Section 2-33a of the Connecticut General Statutes prohibit the General Assembly from increasing expenditures from year to year by a percentage exceeding the greater of the percentage increase in personal income or the percentage increase in inflation, with certain exceptions. The Governor's budget proposal assumes the passage of legislation that would amend the definitions of the State's expenditure cap in two ways. First, the Governor proposes that the annual required contribution for the unfunded past service liability of the Teachers' Retirement System and the State Employees Retirement System be treated similar to debt service payments under the expenditure cap, which are exempt. Second, the Governor proposes that all new one-hundred percent federally funded programs be treated similar to federal mandates under the expenditure cap, which are also exempt. A three-fifths majority in each house of the General Assembly is required to implement such policies under Article XXVIII of the Amendment to the Constitution. With those proposed modifications, the Governor's budget proposal would be $1.4 million below the expenditure cap for Fiscal Year 2014 and $91.0 million below the expenditure cap for Fiscal Year 2015.

The Governor's proposed budget also includes a net increase in general obligation bond authorizations of $1,500.1 million in Fiscal Year 2014 and $1,607.7 million in Fiscal Year 2015. The Governor's recommendations also include $380.4 million and $332.0 million in additional clean water revenue bond authorizations in each year of the biennium respectively and special transportation obligation bond authorizations of $706.5 million and $588.8 million in each year of the biennium respectively. For the University of Connecticut, general obligation bond authorizations of $198.0 million will take effect in Fiscal Year 2014 and $208.5 million will take effect in Fiscal Year 2015. For the Connecticut State University System, $95.0 million general obligation bond authorizations of the State will take effect in each of Fiscal Year 2014 and Fiscal Year 2015. For the Connecticut Bioscience Collaboration Program, general obligation bond authorizations of $59.7 million will take effect in Fiscal Year 2014 and $19.7 million will take effect in Fiscal Year 2015. The Governor's budget proposes a $1.5 billion expansion to the existing UConn 2000 bond authorization which would extend their capital program though Fiscal Year 2024. This will increase the UConn 2000 bond authorization by $6.4 million in Fiscal Year 2014 and by $107 million in Fiscal Year 2015. In addition, the Governor's budget would partially fund the State's cumulative GAAP deficit of approximately $1.2 billion through the issuance of $750 million in General Obligation bonds that would mature within fifteen years from the date of issuance.

Deliberations on the Governor's budget recommendations are expected to continue throughout the legislative session with a scheduled adjournment date of June 5, 2013.

See **Appendix III-E** of this Annual Information Statement for more information regarding the Governor's Proposed Budget for Fiscal Years 2014 and 2015.

State Economic Initiatives

The General Assembly has enacted formal programs targeted at encouraging economic growth within the State. Below is a summary of certain of these programs, including several new initiatives.

First Five. Legislation passed in 2011 allowed the State's existing incentive and tax credit programs to be combined and augmented in order to create incentive packages for the first five companies that promise to either create not less than 200 new jobs within two years or invest not less than $25 million and create not less than 200 new jobs within five years. Eight companies including Cigna, ESPN, NBC Sports and Bridgewater Associates have agreed to participate in this program, pledging to create over 1,050 combined jobs in Connecticut in return for $132.45 million in forgivable loans, grants, and tax credits from the State and potential further tax credits depending on expenditure levels of certain of the companies. After securing these commitments, legislation was passed to expand the program to allow incentives to be bundled in this manner for up to 15 companies.

Bioscience Connecticut. Legislation passed in 2011 to expand the University of Connecticut Health Center ("Health Center") by making programmatic changes, providing State funding for expansion (including the construction of a new patient tower and renovation of existing facilities), and setting the framework for strengthening research capabilities in the State, including at the Health Center. Later in 2011, the State passed legislation to expand this initiative into an effort to promote the expansion of the bioscience industries in the State. The State reached an agreement to collaborate with Jackson Laboratory, the University of Connecticut, and Yale University for the construction of a new research laboratory on the Health Center campus with a particular focus on personalized medicine. The State is providing $290.7 million in support for this project over ten years, with $145 million in the form of a secured, forgivable construction loan; $46.7 million in the form of a secured, forgivable equipment loan; and $99 million in research partnership funding. These funds are to be provided through the issuance of general obligation bonds over the next ten years. The Jackson Laboratory project is expected to generate short-term construction jobs in addition to 6,800 permanent jobs over the next 20 years. No assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments, legislative actions, or other events will not indicate changes in the final results of this initiative.

Economic and Manufacturing Assistance Act. Since 1990, the Economic and Manufacturing Assistance Act program has been one of the State's primary economic development incentive tools. The program provides incentive-driven direct loans for projects with strong economic development potential. The loan funds may be used for the planning of a municipal development project or business development project; the acquisition of real property, machinery or equipment; the construction of site and infrastructure improvements relating to a municipal development or business development project; the construction, renovation and demolition of buildings; relocation expenses for the purpose of assisting an eligible business to locate, construct, renovate or acquire a facility; or such other reasonable expenses necessary or appropriate for the initiation, implementation and completion of the project, including administrative expenses and business support services such as labor training, day care, energy conservation, and pollution control and recycling.

Small Business Assistance Revolving Loan Program. Legislation passed in 2010 provides for loans and lines of credit for businesses with less than 100 employees. The program provides financing of up to $500,000 per business at 4% interest for up to ten years and is capped at $15 million of such loans and lines of credit outstanding at any time.

Small Business Express Program. Legislation passed in 2011 created a program to support the retention and growth of small businesses with 50 or fewer employees through a streamlined process that provides financial assistance in the form of revolving loans, job creation incentives, and matching grants. Loans are available from the revolving loan fund for a maximum of $100,000 per loan to assist small businesses with capital and operational needs. Job creation incentive loans of up to $250,000 per loan are also available to assist small businesses to spur growth, and payments on these loans may be deferred or forgiven if certain prescribed job creation goals are attained. A matching grant component provides grants up to $100,000 per grant to small businesses for training, working capital, acquisition of machinery and equipment, construction or leasehold improvements, relocation within the State, or other authorized expenses so long as the small business matches any funds awarded to it under this program.

Subsidized Training and Employment Program. Legislation passed in 2011 provides for job creation incentives to employers to expand opportunities for unemployed workers. Under the program, small businesses and manufacturers with less than 50 full-time workers may receive wage and training subsidies of up to $12,500 per newly-hired person over six months if they hire an unemployed worker who meets the program eligibility requirements.

Business Tax Credits. The State offers many business tax credits for firms conducting certain activities. Tax credits are offered for investments in human and fixed capital, research and development expenditures, expenditures related to film production and investment, and for job creation, among others.

General Fund Budget History

Table 2 summarizes the results of operation of the General Fund on a budgetary-basis. Summaries of actual revenues and expenditures on the budgetary (modified cash) basis for the Fiscal Years 2008 through 2012 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

	2008	**2009**	**2010**	**2011**	**2012**
Total General Fund Revenues[(a)]	$16,418.8	$15,700.8	$17,688.5	$17,707.5	$18,561.6
Net Appropriations/Expenditures[(b)]	16,319.4	16,648.4	17,238.6	17,470.6	18,705.1
Operating Surplus/(Deficit)	$ 99.4[(c)]	$ (947.6)[(d)]	$ 449.9[(e)]	$ 236.9[(f)]	$ (143.5)[(g)]

(a) Does not include Restricted Accounts and Federal and Other Grants. See **Appendix III-D-6**.

(b) Does not include expenditures for Restricted Accounts and Federal and Other Grants. Includes Amounts Reserved for Prior Year Appropriations Less Appropriations Carried Forward and Other Adjustments. See **Appendix III-D**.

(c) The entire surplus balance of $99.4 million was reserved for spending in Fiscal Year 2009.

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

(e) The entire surplus balance of $449.9 million was reserved for Fiscal Year 2011, $140.0 million for spending and the remaining $309.9 million to reduce the amount of economic recovery revenue bonds to be issued. The State has since repealed the authorization to issue economic recovery revenue bonds.

(f) In accordance with State statute and accounting procedures, this amount was deposited to the budget reserve fund.

(g) The Fiscal Year 2012 deficit was eliminated through the release of budget reserve funds.

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 2012 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

	2008	2009	2010	2011	2012
Modified Cash Basis Operating Surplus/(Deficit)	$ --	$ (947.6)	$ 449.9	$ 236.9	$ --
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	63.5	284.0	(113.1)	(103.3)	(178.1)
Other Receivables	(302.0)	101.4	(42.6)	85.2	(117.2)
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	60.3	(601.6)	(160.9)	(100.4)	590.2
Salaries and Fringe Benefits Payable	(14.0)	56.6	(7.8)	4.4	131.3
Increase (decrease) in Continuing Appropriations	(327.0)	(415.3)	32.7	79.5	(70.6)
Reclassification of equity adjustments	99.4	--	--	--	--
Proceeds of Recovery Notes	--	--	947.5	--	--
Transfer of restricted resources	--	--	(1,278.5)	(103.2)	--
Transfer of prior year surplus	--	(179.4)	--	(449.9)	(143.5)
GAAP Based Operating Surplus/(Deficit)	$(419.8)	$ (1,701.9)	$ (172.8)	$ (350.8)	$212.1

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

	2008	2009	2010	2011	2012
Operating Surplus/(Deficit)	$ 99.4	$ (947.6)	$ 449.9	$ 236.9	$ (143.5)
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	0.0	0.0	0.0	0.0	0.0
Transfers from Budget Reserve Fund	--	--	--	--	143.5
Reserve for Fiscal Year 2011 Operations	--	--	140.0	--	--
Reserve to reduce economic recovery revenue bonds[(a)]	--	--	309.9	--	--
Reserve for Fiscal Year 2009 Operations	99.4	--	--	--	--
Reserve for Subsequent Fiscal Year Operations	--	--	--	236.9[(b)]	--
Total Transfers/Reserves	99.4	(947.6)	449.9	236.9	143.5
Unreserved Fund Balance					
Surplus/(deficit)	$ 0.0	$ (947.6)	$ 0.0	$ 0.0	$ 0.0

(a) The State has since repealed the authorization to issue economic recovery revenue bonds.
(b) In accordance with State statute and accounting procedures, this amount was deposited to the budget reserve fund.

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

	2008	2009	2010	2011	2012
Unreserved Fund Balance (Deficit)					
Modified Cash Basis	$ 0.0	$ (947.6)	$ 0.0	$ 0.0	$ 0.0
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(380.7)	(364.1)	(377.4)	(525.3)	(328.1)
Eliminate Corporation Accrual	(3.6)	(11.2)	(12.6)	(5.4)	(4.4)
Additional Taxes Receivable	6.1	4.1	3.8	4.2	3.7
Net Increase (Decrease) Taxes	(378.2)	(371.2)	(386.2)	(526.5)	(328.8)
Net Accounts Receivable	237.6	199.6	218.0	307.9	299.9
Federal and Other Grants Receivable[(a)]	474.5	758.5	645.4	542.1	364.0
Due From Other Funds	20.3	27.1	24.8	19.6	19.0
Total Additional Assets	$ 354.2	$ 614.0	$ 502.0	$ 343.1	$ 354.1
Additional Liabilities					
Salaries and Fringe Payable	(299.1)	(242.5)	(250.3)	(245.9)	(114.6)
Accounts Payable—Department of Social Services	(508.0)	(585.0)	(573.0)	(711.9)	(588.8)
Accounts Payable—Trade & Other	(473.2)	(891.0)	(1,131.2)	(844.1)	(543.7)
Payable to Federal Government	(121.1)	(146.1)	(124.5)	(186.9)	(176.6)
Due to Other Funds	(102.0)	(105.2)	(102.0)	(103.2)	(76.4)
Total Additional Liabilities	$(1,503.4)	$(1,969.8)	$(2,181.0)	$(2,092.0)	$(1,500.1)
Unreserved Fund Balance (Deficit)					
GAAP Basis	$(1,149.2)	$ (2,303.4)	$(1,679.0)	$(1,748.9)	$(1,146.0)

(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

	2008	2009	2010	2011	2012
Reserved:					
Petty Cash	$ 1.0	$ 1.0	$ 1.0	$ --	$ --
Budget Reserve	1,381.7	1,381.7	103.2	--	93.4
Loans & Advances to Other Funds	9.7	9.8	15.0	22.5	26.6
Restricted Purposes	179.4	--	449.9	236.9	--
Inventories	25.3	24.3	13.9	13.6	13.6
Continuing Appropriations	455.4	87.1	113.2	178.6	100.0
Debt Service	--	--	--	--	--
Total	2,052.5	1,503.9	696.2	451.6	233.6
Unreserved:	(1,149.2)	(2,303.4)	(1,679.0)	(1,748.9)	(1,146.0)
Total Fund Balance	$ 903.3	$ (799.5)	$ (982.8)	$(1,297.3)	$ (912.4)

SOURCE: Comptroller's Office

STATE DEBT

Constitutional Provisions

The State has no constitutional limit on its power to issue obligations or incur debt, except that it only may borrow 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 that are maintained outside the State's General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds that are maintained outside the State's General Fund. In addition, the State provides annual appropriation support for, or is contingently liable on, the debt of certain State quasi-public agencies and political subdivisions. See **OTHER FUNDS, DEBT AND LIABILITIES** for information concerning debt and contingent liabilities on debt other than direct general obligation debt.

State Direct General Obligation Debt

General

Statutory Authorization and Security Provisions. In general, the State issues general obligation bonds pursuant to specific 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 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 principal and interest on such bonds 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 that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted the principal amount of revenue anticipation notes having a maturity of one year or less, refunded indebtedness, bond anticipation notes, borrowings payable solely from the revenues of a particular project, the balances of debt retirement funds associated with indebtedness subject to the debt limit as certified by the Treasurer, the amount of federal grants certified by the Secretary of OPM as receivable to meet the principal of certain indebtedness, all authorized and issued indebtedness to fund any budget deficit of the State for any fiscal year ending on or before June 30, 2009, all authorized debt to fund the Connecticut Development Authority's tax increment bond program, any indebtedness represented by agreements entered into pursuant to certain provisions of the General Statutes, provided the indebtedness in connection with which such agreements were entered into shall be included in such aggregate amount of indebtedness, any indebtedness issued for the purpose of meeting cash flow needs, and any indebtedness issued for the purpose of covering emergency needs in times of natural disaster. For purposes of the debt limit statute, all bonds and notes issued or guaranteed by the State and payable from General Fund tax receipts are counted against the limit, except for the exclusions or deductions described above, and certain other debt specifically excluded by statute. In addition, the amount of authorized but unissued debt for the UConn 2000 program is limited to the amount permitted to be issued under the cap. See ***Types of Direct General Obligation Debt — UConn 2000 Financing Program.***

Under the General Statutes, the Treasurer is required to compute the aggregate amount of indebtedness as of January 1 and July 1 each year and to certify the results of such computation to the Governor and the General Assembly. If the aggregate amount of indebtedness reaches 90% of the statutory debt limit, the Governor shall review each bond act for which no bonds, notes or other evidences of indebtedness have been issued, and recommend to the General Assembly priorities for repealing authorizations for remaining projects.

The total tax receipts for the fiscal year beginning July 1, 2012 as last estimated by the General Assembly's joint standing committee on finance, revenue and bonding, the calculation of the debt limit, the aggregate amount of outstanding debt and of authorized but unissued debt subject to such limit, and the debt incurring margin, all as of February 1, 2013, are described in the following table.

TABLE 7

Statutory Debt Limit
As of February 1, 2013

Total General Fund Tax Receipts	$14,408,165,000	
Multiplier	1.6	
Debt Limit		$23,053,064,000
Outstanding Debt[(a)]	$10,913,975,115	
Guaranteed Debt[(b)]	$ 870,765,000	
Authorized Debt[(c)]	$ 4,908,990,139	
Total Subject to Debt Limit		$16,693,730,254
Less Debt Retirement Funds[(d)]	$ 8,460,052	
Aggregate Net Debt		$16,685,270,202
Debt Incurring Margin		$ 6,367,793,798

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes General Obligation Notes (Economic Recovery 2009 Series A), Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, short-term revenue anticipation notes, CRDA Bonds, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds and lease financings other than the Middletown Courthouse and the Juvenile Training School.

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt.** Includes only guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds.

(c) Includes guarantee for UConn 2000 Bonds authorized but unissued under cap for fiscal year 2012-13.

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

SOURCE: State Treasurer's Office

State Bond Commission. The general obligation bond procedure act establishes the State Bond Commission (the "Commission") and empowers it to authorize the issuance of general obligation bonds for purposes and in amounts and subject to other limits established by the legislature in a bond act. The Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management ("OPM"), the Commissioner of Construction Services, and the Co-Chairpersons and Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of OPM serves as secretary to the Commission.

Subject to satisfaction of certain conditions, the Commission may authorize the issuance of general obligation bonds by the approving vote of at least a majority of the Commission, upon a finding that such authorization will be in the best interest of the State. Upon authorization, the principal amount of bonds so authorized is deemed 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.

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 $2,277 million of such bonds, and $2,336 million (reflecting the accreted value) of such bonds are outstanding as of February 1, 2013. The public act also requires the State to appropriate annually the actuarially-determined annual required contribution to the Teachers' Retirement Fund, while the bonds are outstanding. The bonds are general obligations of the State, but do not count against the State's debt limit.

UConn 2000 Financing Program. In 1995 the General Assembly established the University of Connecticut as a separate corporate entity and instrumentality of the State empowered to issue bonds and construct certain infrastructure improvements at the University of Connecticut. The infrastructure improvement program is known as UCONN 2000, and estimated costs of the program initially totaled $1,250 million to be financed over a ten-year period. The General Assembly extended the UConn 2000 financing program several times and it now runs through June 30, 2018, with total estimated project costs of $3,068 million. The University is authorized to borrow money to finance and refinance the UConn 2000 projects, including $394.4 million for new construction and renovations at the University of Connecticut Health Center, including improvements to John Dempsey Hospital. 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.

Financing of the UConn 2000 program contemplates $2,731.9 million general obligation bonds of the University secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. Under the enabling legislation, appropriations of all amounts of the State's debt service commitment are made out of the resources of the State's General Fund and the Treasurer is obligated to make such payments. For this reason, all general obligation borrowings by the University are treated as part of the State's general obligation debt. The amount of the University's bonds secured by the State's debt service commitment is capped for each fiscal year, but any amount not used may be carried forward to future fiscal years. 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 cost of the UConn 2000 projects not financed by the

University's bonds secured by the State's debt service commitment will be financed by the State's general obligation bonds or special obligation bonds of the University, or from gifts or other revenue or borrowing resources of the University.

The total amount of University bonds and State general obligation bonds authorized by the enabling legislation is approximately $336.4 million less than the estimated 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.

In addition, the general Assembly may also authorize capital improvements outside the UConn 2000 program, and in 2011 authorized the construction of a new $203 million ambulatory care center at the University of Connecticut Health Center. This is being financed through a lease financing through the University of Connecticut Health Center Finance Corporation.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities and an energy facility at a juvenile training school, each based upon State rental payments under a lease purchase agreement between the State and the project developer. The State has treated this method of lease financing as general obligation debt. However, the State has entered into other leasing arrangements for the development of government facilities that are not treated as general obligation debt, most often in circumstances where the lease is a standard lease or the State is not a participant in the securitization of rental payments under the lease.

Tax Increment Financing. In 1992 the General Assembly authorized the Connecticut Development Authority ("CDA") to issue tax increment bonds for certain types of economic development projects. Under the program the amount of such bonds that may be issued is limited so that the debt service on the bonds may not exceed the estimated increases in the sales tax and the admissions, cabaret and dues taxes generated by the project and allocated by the CDA for debt service on the bonds. Under the General Statutes, debt service on the bonds is required to be paid from such tax receipts (whether or not the actual tax receipts equal or exceed the estimated amount) and is deemed appropriated from the General Fund. The State has classified such tax increment bonds as general obligation debt. No such tax increment bonds may be issued without the approval of the State Bond Commission.

Supportive Housing Financing. In 2005 the General Assembly directed the Connecticut Housing Finance Authority ("CHFA") in conjunction with other state agencies to develop a collaborative plan to create affordable housing and support services for specified eligible persons and families up to a specified number of units. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in support of the program and the 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. As of February 1, 2013, $73.65 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance will be excluded from the State's debt limit.

Emergency Mortgage Assistance Program. In 2008 the General Assembly authorized CHFA to issue up to $50 million of bonds to fund an Emergency Mortgage Assistance Program and required the Treasurer and OPM to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and similar bond-related expenses. As of February 1, 2013, the entire $50 million had been issued, of which $48.04 million was outstanding. Any provision in the contract providing for the payment of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance will be excluded from the State's debt limit.

Economic Recovery Notes. In 2009 the General Assembly authorized the Treasurer to issue notes to fund the State's budget deficit for 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. In December 2009, the State issued $915,795,000 of such Economic Recovery Notes. As of February 1, 2013, $573.37 million of such Economic Recovery Notes remain outstanding.

Certain Short-Term Borrowings. The General Statutes authorize the Treasurer, subject to the approval of the Governor, to borrow such funds, from time to time, as may be necessary, and to issue obligations of the State therefor, which shall be redeemed by the Treasurer whenever, in the opinion of the Treasurer, there are funds in the treasury available for such purpose, or not later than two years from the date of issuance, whichever is earlier. The State has established programs of temporary note issuances and credit facilities from time to time to cover periodic cash flow requirements. No temporary notes are outstanding and none have been issued since 1991. On December 3, 2012, pursuant to the Treasurer's request, the Governor provided his approval for the borrowings from time to time by the Treasurer on behalf of the State on such terms and in such amounts in the aggregate not to exceed $550 million as the Treasurer shall determine in accordance with Section 3-16 of the Connecticut General Statutes. Pursuant to such approval, the Treasurer has arranged a $300 million 364-day revolving credit facility, which may be drawn upon if needed. As of February 1, 2013, no funds had been drawn under the facility.

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 a refunding is in the best interests of the State and that the State reasonably expects to achieve net debt service savings as a result of such refunding. Certain of the State's general obligation bonds have been issued as capital appreciation bonds. Capital appreciation bonds are issued at a deep discount and interest on the bonds is compounded semi-annually and only paid at maturity. For purposes of the State's debt tables, the interest that has accrued on capital appreciation bonds up to the date of the table is added to the principal amount of the State's outstanding debt Pursuant to State statute, accrued interest on UConn 2000 capital appreciation bonds is excluded from the calculation of the statutory debt limit.

Derivatives. The Treasurer, with the authorization of the State Bond Commission, has the power to enter into reimbursement and similar agreements in connection with liquidity or credit facilities and to pledge the full faith and credit of the State or other collateral to secure the State's payment obligations under any such agreement. The Treasurer, with the authorization of the 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 19 – Derivative Financial Instruments**.

Swap Agreements

Bond Issue	Notional Amount	Termination Date	Fixed Rate Paid by State
2005 Series A	$140,000,000	March 1, 2023*	3.392
2005 Series A	$140,000,000	March 1, 2023*	3.401
2005 Series B	$ 15,620,000	June 1, 2016	3.99
2005 Series B	$ 20,000,000	June 1, 2017	5.07
2005 Series B	$ 20,000,000	June 1, 2020	5.20

* Starting in 2015 the State has the option to terminate the then remaining portion of these swap agreements without making a termination payment.

Debt Statement

The following table shows all direct general obligation indebtedness (including the accreted value of capital appreciation bonds) as of February 1, 2013 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, 2013
(In Thousands)

General Obligation Bonds	$ 11,412,970
Pension Obligation Bonds	2,335,959
UConn 2000 Bonds	869,495
Other [(b)]	216,555
Long Term General Obligation Debt Total	14,834,979
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	14,834,979
Deduct:	
University Auxiliary Services[(c)]	8,460
Net Direct General Obligation Debt	$14,826,519

(a) The table does not include refunded bonds for which escrow funds and investments are sufficient to pay all debt service. The table also does not include limited or contingent liabilities of the State or obligations of the State to towns for participation in the construction and alteration of school buildings. See **OTHER FUNDS, DEBT AND LIABILITIES**.

(b) "Other" includes lease financings, tax incremental financings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. Does not include CRDA Bonds or CHEFA Child Care Facilities Bonds. See **OTHER FUNDS, DEBT AND LIABILITIES – Other Debt Service and Contractual Commitments.**

(c) 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

	2008	2009	2010	2011	2012
Gross Direct Debt[(a)]	$13,076,942	$13,945,108	$15,004,732	$14,574,791	$14,557,051
Net Direct Debt[(a)]	$13,042,524	$13,921,725	$14,987,088	$14,561,944	$14,548,591
Ratio of Debt to Personal Income[(b)]					
Gross Direct Debt	6.47%	7.42%	7.58%	7.04%	7.03%
Net Direct Debt	6.46%	7.41%	7.57%	7.03%	7.03%
Ratio of Debt to Estimated Full Value of Equalized Grand List[(c)]					
Gross Direct Debt	2.29%	2.37%	2.74%	2.71%	2.81%
Net Direct Debt	2.28%	2.36%	2.74%	2.71%	2.81%
Per Capita Debt[(d)]					
Gross Direct Debt	$3,688	$3,915	$4,195	$4,063	$4,055
Net Direct Debt	$3,678	$3,908	$4,190	$4,060	$4,053

(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. 2010 figures include $2,301,522,318 Pension Obligation Bonds and $915,795,000 Economy Recovery Notes. 2011 figures include $2,314,197,063 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes. 2012 figures include $2,327,670,401 Pension Obligation Bonds and $747,935,000 Economic Recovery Notes.

(b) See **Appendix III-B, Table B-2**. Personal Income: 2008 — $202 billion, 2009 — $188 billion; 2010 — $198 billion, and 2011 — $207 billion. The 2012 ratio uses 2011 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2006 — $571.7 billion; 2007 – $589.4 billion, 2008 — $547.4 billion; 2009 — $537.2; and 2010 — $517.8 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2008 ratio uses 2006 data; 2009 ratio uses 2007 data; 2010 ratio uses 2008 data; 2011 ratio uses 2009 data; and 2012 ratio uses 2010 data.

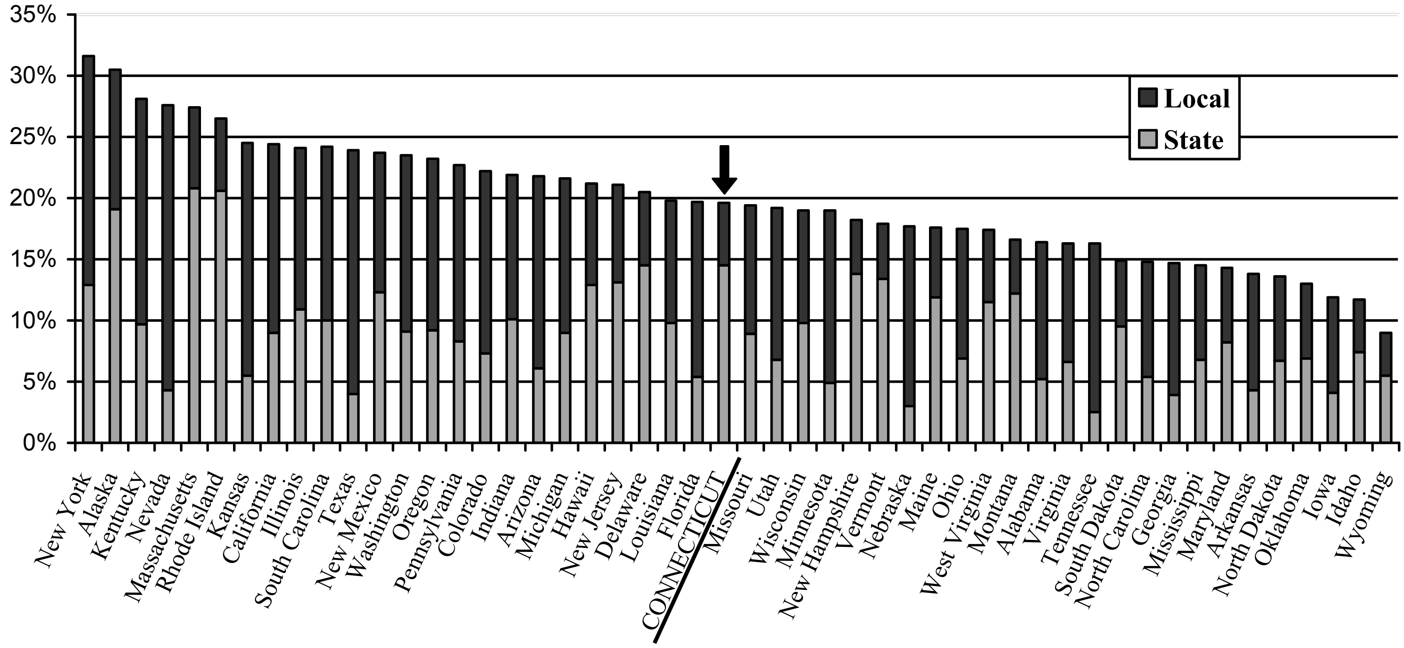
(d) See **Appendix III-B, Table B-1**. State population in thousands: 2008 — 3,546; 2009 — 3,562; 2010 — 3,577; 2011 — 3,587; and 2012 — 3,590.

Aggregate State and Local Debt

The following chart sets forth the per capita aggregate debt level of each state, including debt issued at both the state and local levels, compared to per capita personal income within the state. As the chart shows, the State of Connecticut is 25th among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the sixth lowest ratio of per capita local debt to per capita personal income and fifth lowest ratio of local debt to aggregate debt. This is due in part to the State's practice of financing school construction primarily at the state level and the absence of county-level government in the State.

TABLE 9a[(a)(b)]

Combined State and Local Debt Compared to State Personal Income



(a) The percentages along the vertical axis are calculated by dividing per capita aggregate debt over per capita personal income. Population figures used in the underlying calculations are the population estimates as of July 1, 2012 from the U.S. Census Bureau, Population Division. State and local debt figures used in the underlying calculations are from the U.S. Census Bureau, 2010 Annual Surveys of State and Local Finances. Per capita income figures used in the underlying calculations are from the Bureau of Economic Analysis, which used data from 2011.

(b) The Census Bureau state and local debt figures include debt obligations of all dependent agencies of the state and local government, respectively, including agencies, boards, commissions, or other organizations, regardless of the responsibility for debt service. This differs from the components of debt in other places within this Annual Information Statement.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau

Debt Service Schedule

The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of February 1, 2013. Although not specifically reflected as a result of combining all outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years. The exceptions include thirty-year Rental Housing Term Bonds and certain other bonds with maturities of less than twenty years where required by statute or in instances where the expected period of usefulness of the project or purpose financed does not warrant a maturity of twenty years.

TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)] As of February 1, 2013

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b,c)]	Total Debt Service
2013	$ 468,188,893	$ 328,955,052	$ 797,143,945
2014	1,198,370,017	673,244,735	1,871,614,752
2015	1,177,626,365	611,619,811	1,789,246,176
2016	1,152,575,061	561,326,516	1,713,901,577
2017	908,734,988	511,397,860	1,420,132,848
2018	900,732,299	473,207,217	1,373,939,516
2019	850,491,471	430,389,906	1,280,881,377
2020	753,980,614	393,712,724	1,147,693,338
2021	754,246,206	356,943,086	1,111,189,292
2022	738,824,111	371,980,228	1,110,804,340
2023	752,376,122	348,382,992	1,100,759,114
2024	669,109,066	341,179,807	1,010,288,873
2025-2033	4,431,752,437	1,084,732,127	5,516,484,564
Totals	$ 14,757,007,650	$ 6,487,072,061	$ 21,244,079,711

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($14,757,007,650), plus accreted interest ($77,970,981), total the amount of such long-term debt ($14,834,978,631) 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 2013-2025.

(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	$ 20,000,000	2011-2014	4.25%
2003	77,700,000	8,900,000	2010-2013	5.50
2005*	300,000,000	280,000,000	2016-2023	4.50
2005*	15,620,000	15,620,000	2016	3.99
2005*	20,000,000	20,000,000	2017	5.07
2005*	20,000,000	20,000,000	2020	5.20
2011	337,620,000	298,085,000	2012-2018	3.50
2011	75,000,000	75,000,000	2016, 2019	3.50
2012	212,400,000	212,400,000	2013-2020	3.50
2012	219,865,000	219,865,000	2013-2024	3.50
Totals	$1,378,205,000	$1,169,870,000		

* Assumed average interest rate based on interest rate swap agreement(s), including projected basis risk.

SOURCE: State Treasurer's Office

Outstanding Long-Term Direct General Obligation Debt

The following table and graph sets forth the total long-term direct general obligation debt outstanding and the net long-term direct general obligation debt outstanding at the end of each of the last ten fiscal years. Net debt excludes bonds that are considered self-liquidating. See **Table 8.**

TABLE 11

Outstanding Long-Term Direct General Obligation Debt
As of June 30
(In Thousands)

Fiscal Year	Gross Debt	Net Debt
2003	$ 9,513,380[(a)]	$ 9,463,962[(a)]
2004	9,940,945[(b)]	9,895,717[(b)]
2005	10,168,006[(c)]	10,121,035[(c)]
2006	10,403,634[(d)]	10,361,226[(d)]
2007	10,615,810	10,580,359
2008	13,076,942[(e)]	13,042,524[(e)]
2009	13,945,108[(f)]	13,921,725[(f)]
2010	15,004,732[(g)]	14,987,088[(g)]
2011	14,574,791[(h)]	14,561,944[(h)]
2012	14,557,051[(i)]	14,548,591[(i)]

(a) Includes $219,235,000 Economic Recovery Notes.
(b) Includes $273,215,000 Economic Recovery Notes.
(c) Includes $209,560,000 Economic Recovery Notes.
(d) Includes $146,090,000 Economic Recovery Notes.
(e) Includes $2,278,382,011 Pension Obligation Bonds.
(f) Includes $2,289,598,815 Pension Obligation Bonds.
(g) Includes $2,301,522,318 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(h) Includes $2,314,197,063 Pension Obligation Bonds and $915,795,000 Economic Recovery Notes.
(i) Includes $2,327,670,401 Pension Obligation Bonds and $747,935,000 Economic Recovery Notes.

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, 2013, 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, 2013.

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of February 1, 2013
(In Thousands)

	State Direct Debt[(a)]	Pension Obligation Bonds[(b)]	UCONN 2000[(c)]	Tax Increment[(d)]	Total
Bond Acts in Effect	$29,265,263	$2,276,578	$1,837,792	$52,750	$33,432,383
Amount Authorized	26,282,571	2,276,578	1,837,792	52,750	30,449,691
Amount Issued	24,593,848	2,276,578	1,598,792	49,155	28,518,373
Authorized but Unissued	1,688,723	0	239,000	3,595	1,931,318
Available for Authorization	2,982,692	0	0	0	2,982,692

(a) Includes CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, and excludes CRDA Bonds, CHEFA Child Care Facilities Bonds, General Obligation Notes (Economic Recovery 2009 Series A) and lease financings.

(b) The amount available does not include additional amounts which may exceed the cap to finance issuance costs and capitalized interest.

(c) Includes bonds that may be issued under the cap in effect on the date of the table. The amount available for authorization does not include additional amounts that may exceed the cap to finance reserve funds, issuance costs and capitalized interest. The amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.

(d) The amount of tax increment bonds authorized is based on the amount authorized by the State Bond Commission, since there is no statutory amount of authorization.

SOURCE: State Treasurer's Office; Office of Policy and Management

Bond Authorizations and Reductions. The General Assembly authorizes bonds in various public and special acts each year or each biennium. In addition to authorizing bonds for new projects and purposes, the General Assembly reviews prior authorizations and may repeal certain projects and bond authorizations or otherwise reduce prior bond authorizations. The table and graph below list the amount of new authorizations of general obligation debt that take effect during the fiscal year listed, and the net amount after subtracting prior bond authorizations that have been repealed or reduced. Pension obligation bonds and economic recovery notes are not included since they are not recurring authorizations.

TABLE 13

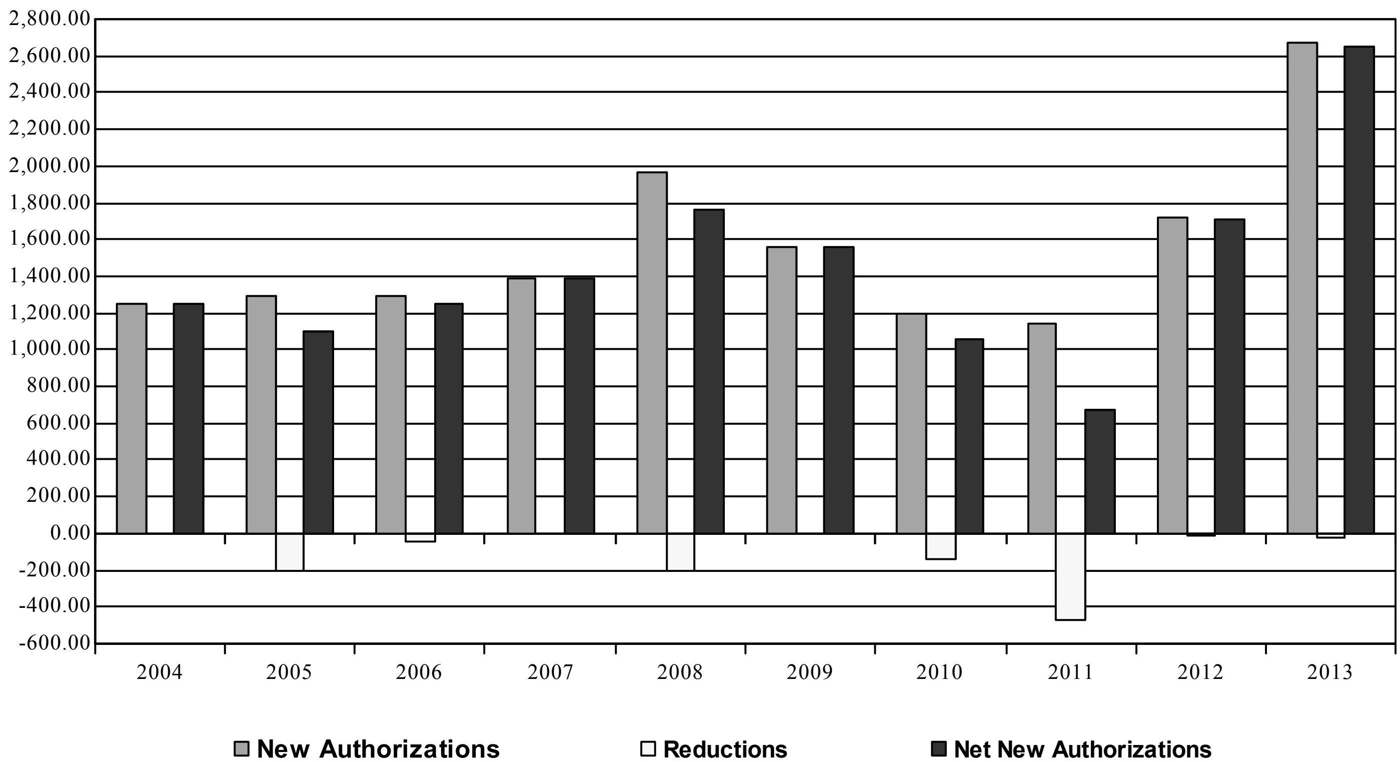
Statutory General Obligation Bond Authorizations and Reductions[a]
(In Millions)

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
New Authorizations	$1,246.1	$1,296.5	$1,290.4	$1,388.7	$1,965.0	$1,564.5	$1,195.4	$1,147.2	$1,724.8	$2,673.3
Reductions	0.0	(200.3)	(41.3)	0.0	(206.9)	0.0	(140.5)	(474.6)	(10.8)	(22.3)
Net New Authorizations	$1,246.1	$1,096.2	$1,249.1	$1,388.7	$1,758.1	$1,564.5	$1,054.9	$ 672.6	$1,714.0	$2,651.0

(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Includes amount for UConn 2000 available under the cap for Fiscal Years 2004 through 2013, as amended, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Amounts are listed in the fiscal year that the bond authorizations become effective. Does not include any authorizations which take effect after Fiscal Year 2013. **See Table 14**.

SOURCE: Office of Policy and Management

Statutory Bond Authorizations and Reductions
(In Millions of Dollars)



Purposes of Recent Bond Authorizations. The purposes for which the State issues its general obligation bonds include those described in the table below. The amounts authorized for each of these purposes for recent fiscal years is reflected in the following table, including amounts authorized for UConn 2000. The table does not reflect any statutory reductions of authorized items from prior years, nor are tax increment or cash flow borrowings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds, lease financings, economic recovery notes or pension obligation bonds included.

TABLE 14[(a)]

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

Fiscal Year	2008	2009	2010[(d)]	2011[(d)]	2012[(d)]	2013[(d)]
Purpose						
Office of Policy and Management[(e)]	$ 136,900	$ 106,500	$ 85,000	$ 117,500	$ 126,700	$ 198,659
Secretary of the State	0	0	0	0	3,000	2,000
State Comptroller	960	1,115	0	0	15,000	7,000
Attorney General	0	0	0	0	2,125	0
Revenue Services	2,950	0	0	0	0	0
Special Revenue[(e)]	220	0	0	0	0	0
Information Technology[(e)]	12,910	6,311	0	0	0	0
Veterans Affairs	1,250	1,000	0	0	2,000	0
Administrative Services[(e)]	0	0	0	0	35,000	216,500
Public Works[(e)]	53,200	30,600	2,500	2,500	0	0
Construction Services[(e)]	0	0	0	0	543,900	635,000
Public Safety[(e)]	18,385	11,965	0	0	0	0
Fire Prevention and Control[(e)]	0	0	0	0	0	0
Emergency Management and Homeland Security[(e)]	250	0	0	0	0	0
Emergency Services and Public Protection[(e)]	0	0	0	0	6,000	17,420
Motor Vehicles	14,000	0	3,000	0	0	0
Military	2,000	1,500	1,000	1,000	8,250	5,000
Agriculture	8,500	10,000	2,500	10,500	15,000	10,000
Agricultural Experiment Station	1,800	9,000	0	0	3,500	0
Public Utility Control[(e)]	50,000	0	0	0	0	0
Environmental Protection[(e)]	212,746	152,100	81,000	40,000	0	0
Energy and Environmental Protection[(e)]	0	0	0	0	161,600	171,000
Labor	0	0	0	1,300	10,000	15,000
Culture and Tourism[(e)]	18,498	4,600	0	0	0	0
Economic and Community Development[(e)]:						
Housing	11,000	9,000	0	0	55,000	147,500
Housing Trust Fund	20,000	30,000	20,000	0	25,000	25,000
Economic Development	59,100	63,000	0	0	236,000	355,000
Other	0	0	0	0	5,000	24,000
Capital Region Development Authority	0	0	0	0	0	60,000
Connecticut Innovations, Incorporated[(e)]	92,000	12,000	0	5,000	59,163	110,113
Public Health	46,779	0	7,000	0	2,000	42,000
Developmental Services	5,000	5,000	0	2,500	7,000	7,000

Fiscal Year	2008	2009	2010[d]	2011[d]	2012[d]	2013[d]
Mental Health and Addiction Services	12,100	6,000	0	0	8,000	10,000
Social Services	12,496	1,000	5,000	0	10,000	10,000
Education[e]	746,550	658,900	694,300	646,200	34,250	92,645
State Library	10,428	8,500	0	0	0	0
Charter Oak State College[e]	0	0	2,500	0	0	0
Regional Community-Colleges[e]	53,681	70,719	3,366	56,129	0	0
State University System[e]	80,000	0	0	0	0	0
Board of Regents for Higher Education[e]	0	0	0	0	57,321	76,723
Correction	11,000	42,095	0	0	0	0
Children & Families	24,232	22,415	32,700	0	6,751	7,285
Judicial	51,325	23,500	0	0	11,000	11,000
CPTV	2,500	0	0	0	0	0
Legislative Management	6,810	1,450	0	9,000	0	0
UConn	0	0	0	0	18,000	154,500
UConn 2000[b]	115,000	140,000	140,500	146,500	157,200	143,000
Transportation	11,500	16,000	8,000	8,000	6,000	25,000
CSUS 2020[c][e]	0	95,000	95,000	95,000	95,000	95,000
Totals	$1,906,070	$1,539,270	$1,183,366	$1,141,129	$1,724,760	$2,673,345

(a) Does not include authorizations that take effect after Fiscal Year 2013. Does not include Pension Obligation Bonds, Economic Recovery Notes, tax increment or cash flow borrowings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities bonds, or lease financings.

(b) To be issued by University of Connecticut based on cap for the year indicated prior to actual bond issuance. Does not include additional amounts that may exceed cap to finance reserve funds, issuance costs and capitalized interest.

(c) The Connecticut State University Infrastructure Act authorizes $95 million per year from Fiscal Year 2009 through Fiscal Year 2018.

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

(e) During the 2012 session of the General Assembly various agency consolidations and realignment of programs were enacted as follows: The Department of Public Works was eliminated and its responsibilities were divided among the Department of Administrative Services and the newly created Department of Construction Services. The Division of Special Revenue was consolidated into the Department of Consumer Protection. The Department of Information Technology was consolidated into the Department of Administrative Services. The Department of Construction Services was created and assumed the design and construction duties of the former Department of Public Works, the Building Inspection and Fire Marshal duties of the former Department of Public Safety and the Bureau of School Facilities of the Department of Education. The Department of Emergency Services and Public Protection was created and assumed the duties of the former Department of Public Safety, the former Department of Emergency Management and Homeland Security, the former Commission on Fire Prevention and Control and the former Police Officer Standards and Training Council. The Commission on Culture and Tourism was consolidated into the Department of Economic and Community Development. The Department of Energy and Environmental Protection was created and assumed the duties of the Department of Environmental Protection, the former Department of Public Utility Control and the energy division of the Office of Policy and Management. The Board of Regents for Higher Education was created and Charter Oak State College, the Community College System and the State University System were consolidated under the administration of the Board of Regents. The Capital City Economic Development Authority's name was changed to the Capital Region Development Authority (CRDA), and the CRDA now is administered by the State Department of Economic and Community Development. Effective July 1, 2012, the Connecticut Development Authority ceased operations, and all programs and employees were merged into Connecticut Innovations. Effective July 1, 2012, the Connecticut Higher Education Supplemental Loan Authority was statutorily consolidated with the CHEFA by becoming a subsidiary of CHEFA.

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

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; however, see **Other Special Revenue Funds and Debt - *Bradley 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 Fiscal Years 1985-2016, which will be met from federal, State, and local funds, is currently estimated at $29.4 billion. The State's share of such cost, estimated at $12.4 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 that either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds. Such expenses currently include liquid resurfacing, minor bridge repairs, highway maintenance activities, safety improvements, and other minor transportation improvements.

The State's share of the cost of the infrastructure program for Fiscal Years 1985-2016 to be financed by STO bonds currently is estimated at $11.7 billion. The actual amount may exceed $11.7 billion in order to finance reserves and cost of issuance amounts. The issuance of such STO bonds has eliminated the need for the authorization of additional general obligation bonds of the State for surface transportation purposes. STO bonds also may be issued for the purpose of refunding general obligation bonds of the State issued for transportation infrastructure purposes.

During Fiscal Years 1985-2013, $26.0 billion of the total infrastructure program was approved by the appropriate governmental authorities. The remaining $3.3 billion is required for Fiscal Years 2014-2016. The $3.3 billion of such infrastructure costs is anticipated to be funded by the issuance of $1.3 billion in STO bonds, $68 million in anticipated revenues, and $2.0 billion in anticipated federal funds.

The State has established the Special Transportation Fund for the purpose of budgeting and accounting for all transportation-related taxes, fees and revenues credited to such Fund and securing the STO bonds. STO bonds are payable solely from revenues of the Special Transportation Fund. The aggregate of certain motor fuel taxes, motor vehicle receipts, motor vehicle related licenses, permits and fees, and portions of the oil companies tax and sales tax on motor vehicles and other transportation related revenue sources, including enacted adjustments to all the foregoing sources, and any direct pay federal interest subsidy received by the State in connection with the issuance of any taxable STO bonds (Build America Bonds) are intended to cover the cost of the State's share of the infrastructure program, including debt service requirements. After providing for debt service requirements, the balance of the receipts from such revenue sources may be applied to the payment of general obligation bonds of the State issued for transportation purposes and for the payment of annually budgeted expenses of the Department of Transportation and the Department of Motor Vehicles.

The table below shows, as of February 1, 2013, the amount of STO 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, the balance available for authorization, and the amount outstanding. It is anticipated that additional STO bonds will be authorized by the General Assembly annually in an amount necessary to finance and complete the infrastructure program. Such additional bonds may be issued on an equal rank with the outstanding bonds provided certain pledged revenue coverage requirements of the STO bond indentures controlling the issuance of such bonds are met. The State expects to continue to issue bonds for this program.

TABLE 15

Special Tax Obligation Bonds
As of February 1, 2013
(In Millions)

	New Money	Refundings[(a)]	Total
Bond Acts in Effect	$ 11,155	N/A	$ 11,155
Amount Authorized	10,744	N/A	10,744
Amount Issued	8,020	$ 3,887	11,907
Authorized but Unissued	2,724	N/A	2,724
Available for Authorization	412	N/A	412
Amount Outstanding	2,444	1,018	3,462

(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 fiscal year ended June 30, 2012 the Special Transportation Fund paid $1.2 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 2013 is $6.2 million.

The Special Transportation Fund's revenues and expenses undergo periodic legislative adjustment. In 2011 legislation (i) increased the base diesel tax rate to 29 cents per gallon, for an annual revenue gain of $8.7 million, (ii) reduced the transfer to the Transportation Strategy Board by $0.3 million annually, (iii) increased the sales tax rate from 6.0% to 6.35%, which will impact revenue collection, (iv) increased the scheduled transfers to the Fund from the State's General Fund from Oil Companies Tax revenue by $61.6 million to $226.9 million in Fiscal Year 2012, by $34.1 million to a total of $199.4 million in Fiscal Year 2013, and positively thereafter through Fiscal Year 2016, and (v) adjusted various transportation related fees that are projected to result in an additional $19.3 million in annual revenue starting in Fiscal Year 2012. The 2011 legislation also reduced the transfer from the General fund by $42.5 million in Fiscal Year 2012 to a total of $81.55 million. Future transfers remain unchanged at $172.8 million. In the aggregate, these changes were projected to result in net revenue gains in the Fund of $48.3 million in Fiscal Year 2012 and $62.2 million in Fiscal Year 2013. During 2012, the transfer to the Special Transportation Fund was reduced by an aggregate amount of $77.6 million for Fiscal Year 2013.

A Transportation Strategy Board ("TSB") was established in 2001 to propose a transportation strategy, an implementation cost estimate and funding approaches to the Governor and General Assembly. In order to implement the strategy-related projects submitted by the TSB, legislation was passed in 2005 that established fixed transfers from the Special Transportation Fund to the TSB project accounts. Legislation passed in 2011 eliminated the TSB. The 2011 legislation retains the TSB projects enumerated by law and maintains the TSB project accounts within the Special Transportation Fund. Funding for the TSB projects, taking into consideration all legislative changes since the initial funding in 2005 is as follows: $25.3 million in Fiscal Year 2006, $20.3 million in Fiscal Year 2007, $20.8 million in Fiscal Year 2008, $15.3 million in each of Fiscal Years 2009 through 2011 and $15.0 million in Fiscal Years 2012 through 2015.

Other Special Revenue Funds and Debt

Bradley Airport

Bradley International Airport, located in Windsor Locks, Connecticut, currently 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 bond issuance cap for Bradley Airport but retained the requirement for State Bond Commission approval of any new bond issue. As of February 1, 2013, there were $141.6 million of Bradley International Airport Revenue Bonds outstanding. In addition, the State is a party to certain interest rate swap agreements with respect to certain outstanding bonds. Any obligations of the State under the interest rate swap agreements are payable from all or a portion of the revenues generated at the Bradley Airport.

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, 2013 $37.4 million of such bonds were outstanding.

Legislation passed in 2011 created the Connecticut Airport Authority ("CAA"), a new quasi-public authority of the State that is governed by an eleven member board. The new board replaces the Bradley Board of Directors and the legislation provides for the transition of the management and operations of Bradley Airport and the State's other general aviation airports from the State's Department of Transportation to CAA. See ***Quasi Public Agencies- Connecticut Airport Authority("CAA").***

Clean Water Fund

The General Assembly has authorized the issue of revenue bonds for up to $2,425.18 million, of which $1,591.655 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, 2013 $906.76 million revenue bonds were outstanding (including refunding bonds). On February 21, 2013, an additional $162.170 million of such bonds were issued.

Unemployment Compensation

The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the State has reserved the authority to issue bonds in an aggregate amount outstanding at any time not in excess of $1.0 billion, plus amounts for certain reserves and costs of issuance. In addition, the State may borrow from the Federal Unemployment Trust Fund to fund a deficit in the State's Unemployment Compensation Fund. As of February 1, 2013, the State had borrowed $647 million from the Federal Unemployment Trust Fund and anticipates that such borrowing will not increase above that amount during calendar year 2013.

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 or short-term borrowings are currently outstanding. The State's management objective is to pay additional claims and settlements from current income and, if necessary, short term borrowings.

Contingent Liability Debt

The General Assembly has the power to impose limited or contingent liabilities upon the State in such a manner as it may deem appropriate and as may serve a public purpose. This power has been used to support the efforts of quasi-public agencies, municipalities and other authorities formed to carry out essential public and governmental functions by authorizing these entities to issue indebtedness backed, partially or fully, by General Fund resources of the State. Not all entities that are authorized to issue such indebtedness have done so, and the description below of the State's limited or contingent liability is restricted only to specific indebtedness backed by the State.

Special Capital Reserve Funds

The primary vehicle through which the State has undertaken contingent or limited liability is the special capital reserve fund. A special capital reserve fund, 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 ("OPM") or the 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 Clean Energy Finance and Investment Authority; the Connecticut Airport Authority; the Connecticut Health and Educational Facilities Authority; the Connecticut Higher Education Supplemental Loan Authority; the Connecticut Housing Finance Authority; Connecticut Innovations, Incorporated, into which has merged the operations and programs of the Connecticut Development Authority; the Capital Region Development Authority, previously known as the Capital City Economic Development Authority; and the Connecticut Resources Recovery Authority. Each of these public authorities is authorized to issue bonds in its own name to facilitate its activities and each has issued bonds secured by a special capital reserve fund, or other contractual arrangement, for which the State has limited contingent liability.

Clean Energy Finance and Investment Authority ("CEFIA"). The Clean Energy Finance and Investment Authority ("CEFIA") was formed in 2011 and was designated the successor agency to Connecticut Innovations, Incorporated for the purposes of administering the Clean Energy Fund. CEFIA is an energy finance authority, designed to leverage public and private funds to drive investment and increase clean energy deployment in Connecticut. CEFIA is authorized to issue bonds to facilitate its activities, which bonds may be secured by a special capital reserve fund. The CEFIA Board of Directors is comprised of eleven voting and two non-voting members including: The Treasurer, the Commissioner of Energy and Environmental Protection, and the Commissioner of Economic and Community Development, each serving *ex officio*; four members appointed by the legislative leadership; and four members appointed by the Governor. The president of the Clean Energy Finance and Investment Authority and a member of the Board of directors of Connecticut Innovations, Incorporated, serve in an *ex-officio*, non-voting capacity.

Connecticut Airport Authority ("CAA"). The Connecticut Airport Authority ("CAA") was created in 2011 and is governed by an eleven member board comprised of: the Treasurer, the Commissioner of Transportation, and the Commissioner of Economic and Community Development, each serving *ex officio*; four members appointed by the Governor; and a member appointed by each of the President Pro Tempore of the State Senate, the minority leader of the State Senate, the Speaker of the State House of Representatives and the minority leader of the State House of Representatives. The CAA board replaced the Bradley Board of Directors and the legislation provides for the transition of the management and operations of Bradley Airport and the State's other general aviation airports from the State's Department of Transportation to CAA. It is expected that the final steps for the transfer, including the statutory requirements for the State's Department of Transportation to cede its powers to CAA, Federal Aviation Administration approval of the transfer of the sponsorships of the airports to CAA, execution of the necessary supplemental indenture and transfer of ownership of the airports to CAA will occur before June 30, 2013. The legislation authorizes the issuance of revenue bonds, including bonds backed by a special capital reserve fund.

Connecticut Health and Educational Facilities Authority ("CHEFA"). CHEFA was established to assist in the financing of facilities for educational or health care purposes, including colleges and universities, secondary schools, nursing homes, hospitals, child care facilities, and any other qualified non-profit institutions through the issuance of bonds and other obligations. Payments from institutions provide funds to service the debt on loans made pursuant to the issuance of bonds and other obligations by CHEFA. CHEFA is also authorized to issue tax-exempt and taxable revenue bonds secured by one or more special capital reserve funds solely to finance projects for "participating nursing homes," or for housing, student centers, food service facilities and other auxiliary service facilities at public institutions of higher learning, including the Connecticut State University System, or for clinical services projects for The University of Connecticut Health Center, and up to $100.0 million to finance equipment acquisitions by hospitals.

Under CHEFA's nursing home program, loans are secured by mortgages on the nursing homes and pledges of gross receipts. Minimum debt service coverage ratios of 1.0 to 1.25 times annual debt service are required and restrictions are placed on the issuance of additional debt. Participating nursing homes are required to fund a debt service reserve fund in an amount equal to one year's maximum annual debt service 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 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 that 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") that 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.

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, however, these programs have not yet been implemented.

CHEFA also is authorized to issue bonds and loan the proceeds to various entities to finance child care facilities. The State Department of Education is committed to pay a portion of the debt service on these loans, in amounts sufficient to cover a portion of the debt service on the bonds, subject to annual appropriation. See **Other Debt Service and Contractual Commitments – *CHEFA Child Care Facilities Program*.**

In addition to other projects currently authorized, CHEFA is authorized to issue revenue bonds that may be secured by one or more special capital reserve funds to finance projects for any constituent unit of the State higher education system. No statutory limit is imposed on such additional permitted projects and no debt with respect to such additional permitted projects has been issued.

Effective July 1, 2012, the Connecticut Higher Education Supplemental Loan Authority ("CHESLA") became a subsidiary of CHEFA. See ***Connecticut Higher Education Supplemental Loan Authority ("CHESLA")*** below**.**

The Board of Directors of CHEFA is comprised of ten members including the Treasurer and the Secretary of OPM, both serving *ex officio*, and eight members appointed by the Governor based on their qualifications in the areas of health care, higher education, or public finance.

Connecticut Higher Education Supplemental Loan Authority ("CHESLA"). CHESLA provides financial assistance in the form of education loans to students in or from the State. CHESLA provides alternative financing that enables institutions of higher education in the State to assist qualified students in attending such institutions. CHESLA is authorized to issue bonds the proceeds of which are used to fund education loans to applicants meeting certain eligibility requirements. The repayment of such loans service the debt on CHESLA bonds. CHESLA, in connection with the issuance of its bonds has made certain covenants with respect to such loans, including a covenant to do or cause to be done all such acts and things necessary to receive and collect all revenues due with respect to such loans. CHESLA bonds are further secured by a special capital reserve fund.

Effective July 1, 2012, CHESLA became a subsidiary of CHEFA. See ***Connecticut Health and Educational Facilities Authority ("CHEFA")*** above**.** The Board of Directors of CHESLA is comprised of nine members including the Treasurer, the President of the Board of Regents for Higher Education, and the Secretary of OPM, each serving *ex officio*; the Chairperson of the Board of Directors of CHEFA, the Executive Director of CHEFA, and four members appointed by the Board of Directors of CHEFA, two of whom shall be members of the CHEFA Board of Directors.

Connecticut Housing Finance Authority ("CHFA"). CHFA was established in 1969 to meet the needs of low and moderate income families and persons for decent housing and to encourage and assist the development and construction of multi-family housing by reducing the cost of mortgage financing therefor. CHFA is authorized to issue bonds the proceeds of which are used to fund mortgage loans to applicants meeting certain eligibility requirements including unrestricted statutory income limits in certain urban areas. The enabling act authorizes CHFA to make or purchase construction and permanent mortgage loans that are guaranteed or insured by the United States of America or any agency or instrumentality thereof, by the Federal Home Loan Mortgage Corporation, by a private mortgage insurance company or the State or the Authority itself without limitation as to amount and to make or purchase mortgage loans not so insured or guaranteed in an aggregate amount not to exceed $1.5 billion. In order to finance these activities, CHFA established a Housing Mortgage Finance Program and issued its general obligation bonds under a General Bond Resolution pursuant to which CHFA has pledged all revenues that it may receive in connection with the mortgages financed thereunder including its fees and charges therefor and any recoveries of principal therefrom from any source and any monies received from investments, as well as other mortgages specifically pledged. In addition, such General Bond Resolution provides for general covenants such as a covenant to do all things necessary with respect to the operation of such Housing Mortgage Finance Program in order to pay principal of and interest on its bonds and provides for certification as to self-sufficiency in order to issue any additional bonds. Bonds issued under CHFA's General Bond Resolution are further secured by a 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 State-Supported Special Obligation Bonds under a separate indenture, including bonds for group homes, assisted living facilities, and residential care homes, which bonds are and will be secured by a special capital reserve fund. CHFA also issues bonds for supportive housing and emergency mortgage assistance for which the debt service is paid by the State pursuant to contracts for State assistance. See **State Debt – *Types of Direct General Obligation Debt – Supportive Housing Financing*** and ***Emergency Mortgage Assistance Program***.

The Board of Directors of CHFA is comprised of fifteen members: the Commissioner of Economic and Community Development, designated by statute as Chairman of the Board, the Secretary of OPM, the Commissioner of Banking and the Treasurer, serving *ex officio*; seven members appointed by the Governor; and a member appointed by each of the President Pro Tempore of the State Senate, the minority leader of the State Senate, the Speaker of the State House of Representatives and the minority leader of the State House of Representatives who among them are experienced in all aspects of housing design, development, finance, management and state and municipal finance.

Connecticut Innovations ("CI"). The Connecticut Development Authority ("CDA") was merged into Connecticut Innovations, effective July 1, 2012. In order to discharge its responsibilities and fulfill its purposes, CI is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 1, 2013, $20.45 million of State bonds have been authorized but remain unissued to fund the Insurance Fund and loans insured by the Insurance Fund totaled $3.5 million. Other CI programs include the Umbrella Bond Program, the Self-Sustaining Bond Program, the Connecticut Growth Fund, the Connecticut Works Fund, the Connecticut Works Guarantee Fund, the Connecticut Capital Access, the Environmental Assistance Revolving Loan Fund, the Tax Incremental Financing Program, the High-Technology Infrastructure Fund and the General Obligation Bond Program. Currently, the only outstanding CI bonds secured by special capital reserve funds were issued pursuant to the General Obligation Bond Program. Although there remains legislative authority for the issuance of bonds secured by special capital reserve funds under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and CI does not anticipate a resumption of any lending activity under that program.

Under the General Obligation Bond Program, CI issues bonds to finance eligible economic development and information technology projects. General revenues of CI, which are not otherwise pledged, are made available to service the debt of bonds issued under the General Obligation Bond Program. 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, 2013, $1.5 million of such bonds remain outstanding.

The Board of Directors of CI is comprised of 17 members: the Treasurer, the Commissioner of Economic and Community Development, the Secretary of OPM, and the president of the Board of Regents for Higher Education, as *ex officio* members; nine members appointed by the Governor; and four members appointed by legislative leadership.

Capital Region Development Authority ("CRDA"). In 2012 the Capital City Economic Development Authority ("CCEDA") was re-named the Capital Region Development Authority ("CRDA"). Created in 1998 as CCEDA, it was granted the power to issue revenue bonds for a convention center project in the City of Hartford. The bonds are backed by State contractual assistance equal to annual debt service. CRDA also is authorized to use special capital reserve funds in connection with such revenue bonds, but there are currently no plans to do so. The 2012 legislation broadened the CRDA's powers to stimulate development and redevelopment in the City of Hartford and the surrounding towns, including East Hartford. CRDA's Board of Directors is made up of 13 members, four of whom are appointed by the Governor, two of whom are appointed by the Mayor of Hartford, and two of whom are appointed by legislative leadership. The Mayors of Hartford and East Hartford, the Secretary of OPM, and the Commissioners of Transportation and Economic and Community Development serve as *ex-officio* members of the Board.

Connecticut Resources Recovery Authority ("CRRA"). CRRA was created in 1973 to assist municipalities in meeting their solid waste disposal and recycling needs. To further its purpose CRRA develops, finances and supervises solid waste management facilities and contracts. CRRA has developed four integrated solid waste systems that have served over 100 municipalities in the State. CRRA bonds may be secured by a 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. As of January 16, 2013, only three ad hoc seats were filled.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds that may be secured by a 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 that are not secured by such a special capital reserve fund. The University has outstanding \$130.4 million special obligation student fee revenue bonds that 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 issued by the Southeastern Connecticut Water Authority. The State previously was obligated pursuant to the establishment of certain special capital reserve funds to secure certain bonds issued by the Cities of Bridgeport, Waterbury and West Haven to fund past budget deficits; however all such bonds have been refunded. The State previously had guaranteed debt service on such bonds, or such bonds had been secured by a special capital reserve fund. However, in the case of any such bonds not yet redeemed or paid at maturity, irrevocable escrows have 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.

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, CEFIA, CAA, CHEFA, CHESLA, CHFA, CI, CRDA, and CRRA may not owe any money or issue any bonds or notes that are guaranteed by the State or for which there is a 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 Treasurer or the Deputy Treasurer. The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to (1) pay the principal of and interest on the bonds and notes 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 that is in any way contributed to or guaranteed by the State unless and until such obligation and the agreement establishing the capital reserve fund are approved by the Treasurer. The Treasurer's approval shall be based upon factors delineated in the general statutes, including the establishment of a property tax intercept procedure to service the municipality's debt.

Outstanding Special Capital Reserve Fund Debt

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

TABLE 16

Special Capital Reserve Fund Debt
(In Millions)

Indebtedness Secured by Special Capital Reserve Funds or Guaranteed by State	Authorized SCRF or Guaranteed Debt As of 2/1/13	Outstanding SCRF or Guaranteed Debt As of 2/1/13	Minimum Capital Reserve Requirement As of 2/1/13
Clean Energy Finance and Investment Authority	$ 50.0	$ 0.0	$ 0.0
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	13.7	2.0
Connecticut State University System	(a)	278.3	29.5
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	150.9 (b)	19.4
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,484.3	268.8
Special Needs Housing Mortgage Finance Program	(a)	63.6	4.6
Connecticut Innovations			
Umbrella Bond Program	300.0	0.0	0.0
General Obligation Bond Program	30.6	1.5	1.6 (c)
Capital Region Development Authority	(a)	0.0	0.0
Connecticut Resources Recovery Authority	725.0	17.1	6.3
University of Connecticut Student Fee Revenue Bonds	(a)	0.0	0.0
Southeastern Connecticut Water Authority	15.0	1.3	N.A.

(a) No statutory limit.
(b) CHESLA is planning to issue approximately $26 million additional bonds in April 2013.
(c) Represents maximum annual debt service.

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. The State Department of Education may enter into commitments to apply monies for each such entity to pay the debt service on the loans in amounts sufficient to cover a portion of the debt service on CHEFA's Child Care Facilities Bonds. The State Department of Education is obligated to provide a portion of the funds to make debt service payments, which payments are to be made by the Treasurer. Any obligation by the State Department of Education or the Treasurer to pay such debt service is subject to annual appropriation. As of February 1, 2013 CHEFA had approximately $61.2 million in Child Care Facilities Bonds outstanding under this program with annual debt service of approximately $4.6 million, of which the State Department of Education is committed to pay approximately $4.2 million. The remaining portion of debt service is to be paid from State Department of Education intercepts of revenues from providers. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**. Two other Child Care Facilities programs also authorize the Commissioner of the State Department of Education to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the Department, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs. The State's obligations in connection with these programs are not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

Capital Region Development Authority. The State Bond Commission approved up to $122.5 million of revenue bonds and other borrowings for the Hartford convention center project. CCEDA, as predecessor to CRDA issued $110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds, of which $97.54 million was outstanding as of February 1, 2013. The State's obligation under the contract assistance agreement is limited to $9.0 million per year, and the Authority's debt obligations are structured not to exceed this amount. An additional $12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CRDA is obligated to reimburse the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses of the parking garage and the energy facility. Under the agreement between CRDA and the State, after completion of the convention center project, CRDA is required to maintain pledged revenues equal to 1.2 times debt service, after operating expenses. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

The convention center portion of the project opened in June 2005. Other elements of the project include an adjacent parking structure which opened later in 2005, a second adjacent parking structure underlying the Connecticut Science Center and a retail and entertainment district, including two additional parking structures. The entire project is not expected to be fully placed in service until 2017 at the earliest. Since June 2006, the delay in completion of the additional elements of the project, along with higher than anticipated startup expenses and operating expenses have resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments. This situation is expected to continue at least until all elements of the project are completed and placed in service. As debt service on CRDA's revenue bonds continues to be paid under the contract assistance agreement, CRDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CRDA.

School Construction Grant Commitments. The State is obligated to various cities, towns and regional school districts under a grant-in-aid public school building program to fund certain of the costs of construction and alteration of school buildings or to support part of the debt service payments on municipal debt issued to fund the State's share of such school building projects. For certain school projects approved by the General Assembly, cities, towns and districts are ranked according to their adjusted equalized net grand list per capita and based on such rankings a percentage is assigned that determines the amount of grant money a town or regional school district is eligible to receive for a project or type of project authorized by the legislature and approved by the Commissioner of Construction Services.

For school construction projects approved during the 1997 legislative session and thereafter, the State pays the costs of its share of construction projects on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments which vary in amounts from year to year. The State has authorized new school construction grant commitments of approximately $345 million that take effect in fiscal year 2012-13. As of June 30, 2012, the Commissioner estimates that current grant obligations under this program are approximately $2,508 million which includes approximately $8,102 million in grants approved as of such date less payments already made of $5,594 million.

Prior to 1997 the grant program was conducted differently. Under the pre-1997 program, school construction project grants are paid to the cities, towns and districts in installments that correspond to the number and time of principal payments due on municipal bonds, or temporary notes renewed for a third or subsequent year, issued to finance project costs. If a project is fully paid from sources other than borrowing, such grants are paid in five annual installments. Grants in support of interest payments correspond to the number and time of such interest payments. As of June 30, 2012, under the pre-1997 grant program, the State is obligated to various cities, towns and regional school districts for approximately $174 million in aggregate principal installment payments and $23 million in aggregate interest subsidies, for a total of $197 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 Construction Services estimates will be paid during each fiscal year. Since there is generally a lapse of one or more years from the time grant commitments are approved to the time grant payments are required to be made, the amount of unpaid grant commitments will be significantly greater than the amount of bonds authorized to fund the grant commitments.

Connecticut Lottery Corporation. The Connecticut Lottery Corporation (the “Corporation”) was created in 1996 as a public instrumentality of the State to operate the State’s lottery pursuant to the Connecticut Lottery Corporation Act (the “CLC Act”). The State and the Corporation purchase annuities under contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2012 the current and long-term liabilities of the Corporation total $208.183 million.

PENSION AND RETIREMENT SYSTEMS

The State sponsors several public employee retirement systems discussed below. Actuarial valuations are performed with respect to such systems at regular intervals. The purpose of the actuarial valuation is to calculate an actuarial accrued liability for each of the pension plans, which estimates on the basis of demographic and economic assumptions the present value of accrued benefits the pension plan will pay to its retired members and active members upon retirement. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an unfunded actuarial accrued liability ("UAAL"). The actuarial valuations express the percentage that the pension is funded through a "funded ratio" which represents the quotient obtained by dividing the actuarial value of assets of the pension plan by the actuarial accrued liability of the pension plan. The actuarial valuation also will state an actuarially recommended contribution, which is the recommended payment of the State to the applicable pension plan. The actuarially recommended contribution consists of two components: (1) normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service, and (2) an amortized portion of the unfunded actuarial accrued liability.

State Employees' Retirement Fund

The State Employees' Retirement Fund is one of the systems maintained by the State with approximately (i) 47,868 active members, consisting of 37,173 vested members and 10,695 non-vested members, (ii) 1,561 deferred vested members, and (iii) 43,887 retired members and beneficiaries as of June 30, 2012.

Since fiscal year ending June 30, 1979, payments into the State Employees' Retirement Fund and investment income in each fiscal year, with the exception of fiscal years ending June 30, 2004, June 30, 2009, June 30, 2010, June 30, 2011 and June 30, 2012, 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 actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the State Employees' Retirement Fund. The actuarial accrued liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on service to date) of the projected benefit payable at death, disability, retirement or termination. The valuation uses an asset valuation method that smoothes the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fifth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial accrued liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the active population count for hazardous and nonhazardous duty members, total payroll growth, age and salary distributions for new entrants, and actual plan experience with respect to terminations, retirement, mortality, and cost of living increases, among other things.

November 2012 Actuarial Valuation

The State Employees Retirement Commission (the "Commission") received an actuarial valuation dated November 5, 2012. The valuation was prepared as of June 30, 2012 and includes changes to the actuarial assumptions adopted by the Commission based on an experience investigation report dated September 12, 2012 prepared by the actuaries for the State Employees' Retirement Fund for the four-year period ending June 30, 2011, assessing the reasonableness of the actuarial assumptions and valuation methods used by the retirement system. The November 2012 actuarial valuation indicated that the State Employees' Retirement Fund had assets with an actuarial value of $9,745.0 million as of June 30, 2012. The November 2012 actuarial valuation also indicated that the market value of the State Employees' Retirement Fund's investment assets was $8,468.5 million as of June 30, 2012, including cash in custody and certain receivables. 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. The November 2012 actuarial valuation indicated that as of June 30, 2012, the State Employees' Retirement Fund had actuarial accrued liabilities of $23,018.8 million and an UAAL of $13,273.8 million. The November 2012 actuarial valuation indicated that as of June 30, 2012 the State Employees' Retirement Fund had a funded ratio of 42.3% based on the actuarial value of the assets. Based on the stated market value of assets, the State Employees' Retirement Fund had a funded ratio of 36.8% as of June 30, 2012.

The November 2012 actuarial valuation was based upon an 8.00% earnings assumption, projected salary increases of 4.0% to 20.0%, cost-of-living adjustments of 2.3% to 3.6%, a social security wage base of 3.5%, inflation at 3.75%. In addition, the valuation recalculated the actuarial value of assets for the past four valuations so that the actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets. These recalculations are not reflected in Table 17 below. Benefits for members retiring from service on or after the ***Longley v. State Employees Retirement Commission*** decision were assumed to increase by 0.084% as a result of the revised treatment of longevity pay. Retroactive application of ***Longley*** has been reflected in the valuation to the extent impacted retiree benefits have been recalculated. The valuation used an amortization period of 19 years.

The November 2012 actuarial valuation uses the projected unit credit actuarial cost method to calculate the annual amortization payments needed to amortize the State Employees' Retirement Fund's UAAL. In the experience investigation report dated September 12, 2012, the actuaries indicated there is no issue with this method, however, they suggested the Commission may want to consider changing to the entry age normal cost method for several reasons, including that it is the only method allowed under new Governmental Accounting Standards Board ("GASB") standards. Changing to the entry age normal cost method would increase the unfunded accrued liability, decrease the funding ratio and increase the employer annual required contribution rate. The valuation cost method currently in place may not be changed without the agreement of the State Employees Bargaining Agent Coalition ("SEBAC") and approval by the legislature. Based on the September 2012 experience investigation report, the following changes to the actuarial assumptions used in the November 2012 actuarial valuation from those used in the valuation dated November 15, 2010 were made: (1) the investment return assumption was changed from 8.25% to 8.00%, (2) the price inflation adjustment was changed from 3.00% to 2.75%, and (3) demographic changes in the rates of withdrawal, disability and mortality, increasing the annual employer contribution by 2.97% from fiscal year ending June 30, 2011 to June 30, 2012 and resulting in a 2.6% in the funded ratio of the plan. Pursuant to the statutory provisions applicable to the State Employees' Retirement Fund and agreements between the State and SEBAC, the Fund's UAAL is amortized as a level percent of payroll over a declining period of years, beginning with 40 years as of July 1, 1991. The State is currently in year 21 of an initial 40 year amortization period. While this method of funding does lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the State Employee's Retirement Fund is not projected to be reduced significantly until the latter years of the amortization period. Following full amortization of the UAAL, the actuarially recommended contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to active members' current year of service. Two collective bargaining agreements with SEBAC negotiated in 1996 and 1997 ("SEBAC IV" and "SEBAC V", respectively) designed to take advantage of sizable market gains in plan assets at the time, have the effect of extending the period that the UAAL is expected to increase.

The November 2010 actuarial valuation determined an employer contribution requirement of $1,045.0 million for fiscal year ending June 30, 2013, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions, which contribution is sufficient to meet GASB standards. To meet the State's annual contribution requirement for fiscal year ending June 30, 2013, $715.5 million has been appropriated from the General and Special Transportation Funds. Based on projections by the Office of Policy and Management, it is anticipated that contributions to the fund for fiscal year ending June 30, 2013 from grant reimbursements from Federal and other funds will be sufficient to meet the balance of the annual contribution requirement.

The November 2012 actuarial valuation determined the following employer contribution requirements, which contributions are sufficient to meet GASB standards: (i) $1,268.9 million for fiscal year ending June 30, 2014; and (ii) $1,379.2 million for fiscal year ending June 30, 2015, resulting in an annual employer contribution rate of 37.82% of payroll and 43.94% of payroll, respectively. The contribution amounts determined for fiscal years ending June 30, 2014 and June 30, 2015 have not yet been included in any adopted budget by the State as the budget for these years are not yet due. The proposed budget submitted by the Governor on February 6, 2013 for the Fiscal Year 2014-2015 biennium contains appropriations sufficient, together with anticipated grant reimbursements from Federal and other funds, to fully fund the employer contribution requirements for such biennium.

Investment Returns

For periods ending June 30, 2012, the Treasurer has realized annualized net returns on investment assets in the State Employees' Retirement Fund of 7.44% over the past twenty years, of 5.82% over the past fifteen years, of 5.91% over the past ten years and of 1.07% over the past five years. These annualized net returns incorporate the impact of the negative return on investment assets resulting from the downturn in the financial markets during the fall of 2008 through spring of 2009.

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, benefits paid, actuarial recommended contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2008, June 30, 2010, and June 30, 2012, and the interim actuarial valuations as of June 30, 2009 and June 30, 2011.

TABLE 17

State Employees' Retirement Fund

	Fiscal Years Ending June 30,				
	2008	2009	2010	2011	2012
General Fund Contributions	$ 481,878,589	$ 454,805,009	$ 478,096,904	$ 563,329,057	$ 652,638,699
Transportation Fund Contributions	67,058,000	71,426,000	70,413,000	82,437,000	90,047,045
Federal and other Reimbursements	162,618,685	173,538,851	172,016,675	180,034,856	183,656,996
Employee Contributions	67,389,585	70,808,970	65,662,494	67,610,417	68,776,064
Total Contributions	$ 778,944,859	$ 770,578,830	$ 786,189,073	$ 893,411,330	$ 995,118,804
Investment Income[(a)]	$ 371,620,098	$ 252,399,209	$ 207,642,999	$ 290,907,393	$ 233,581,291
Net Realized Gains (Losses)[(b)]	$ 323,533,563	$ 12,284,308	$ 346,416,872	$ 156,110,714	$ 126,382,526
Net Unrealized Gains (Losses)	(1,171,995,109)	(1,973,178,423)	401,053,718	1,176,408,235	(450,522,400)
Total Net Gains (Losses)	$ (848,461,546)	$(1,960,894,115)	$ 747,470,590	$ 1,332,518,949	$ (324,139,874)
Benefits Paid[(c)]	$ 1,008,131,838	$ 1,063,286,151	$ 1,263,784,641	$ 1,315,660,456	$ 1,417,025,660
Actuarial Recommended Contribution	$ 716,944,264	$ 753,698,039	$ 897,428,000	$ 944,076,932	$ 926,371,702
Percentage of Actuarial Recommended Contribution Made	99.2%	92.8%	80.3%	87.5%	100.0%
Actuarial Accrued Liabilities	$19,243,372,754	N/A[(d)]	$21,054,196,685	$21,126,725,492	$23,018,751,734
Actuarial Values of Assets	9,990,247,212	8,787,160,426	9,349,604,896	$10,122,765,430	$ 9,744,985,549
Unfunded Accrued Liabilities	$ 9,253,125,542	N/A[(d)]	$11,704,591,789	$11,003,960,062	$13,273,766,185
Market Value of Assets (as reported in Actuarial valuation)	$ 9,329,175,038	$ 7,322,633,688	$ 7,791,337,413[(e)]	$8,984,875,027[(f)]	$8,468,479,084[(g)]
Funded Ratio (actuarial value)	51.9%	N/A[(d)]	44.4%	47.9%	42.3%
Funded Ratio (market value)	48.5%	N/A[(d)]	37.0%	42.5%	36.8%
Ratio of Actuarial Value of Assets to Market Value of Assets	107.1%	N/A[(d)]	120.0%	112.7%	115.1%

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

(b) Net realized gain (loss) on shares redeemed.

(c) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.

(d) Information not available in actuarial valuation.

(e) This amount includes $2,087,879 of receivables as of the valuation date.

(f) This amount includes $2,509,578 of receivables as of the valuation date.

(g) This amount includes $6,635,867 of receivables as of the valuation date.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2044

The Office of Policy and Management requested the consulting actuary for State Employees' Retirement Fund to prepare a model of future funded ratios and annual contribution requirements for the State Employees' Retirement Fund through Fiscal Year 2044. The modeling does not represent a forecast, estimate or projection, but represents only modeling based on the assumptions used for the actuarial valuation and actuarial methods, of future annual employer contribution requirement figures. The modeling does not reflect future factors or conditions that would cause the actual future experience of State Employees' Retirement Fund to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 18

Modeling Of State Employees' Retirement Fund
Future Funded Ratios and Annual Contribution Requirements
(In Millions)

The funded ratio and annual contributions for each fiscal year have been modeled based on the assumption of an actuarial valuation prepared as of the June 30 two years prior to the end of such fiscal year.

			Contribution for Fiscal Years Ending June 30,				
Fiscal Year Ending June 30	**Valuation Date June 30**	**Funded Ratio as of Valuation Date**	**Normal Cost**	**Amortization of Unfunded Accrued Liability**	**Total State Contribution**	**Employee Contribution**	**Total State and Employee Contribution**
2014	2012	42.3%	$249,996	$ 1,018,938	$ 1,268,934	$ 64,919	$ 1,333,853
2015	2013	40.7	260,807	1,118,381	1,379,188	67,261	1,446,449
2016	2014	41.4	261,519	1,181,352	1,442,871	69,462	1,512,333
2017	2015	42.8	263,850	1,236,834	1,500,684	72,726	1,573,410
2018	2016	43.7	266,159	1,308,781	1,574,940	75,938	1,650,878
2019	2017	45.4	268,130	1,367,254	1,635,384	79,286	1,714,670
2020	2018	47.5	267,871	1,425,042	1,692,913	82,951	1,775,864
2021	2019	49.6	268,180	1,484,972	1,753,152	86,321	1,839,473
2022	2020	52.0	267,886	1,547,956	1,815,842	90,095	1,905,937
2023	2021	54.5	268,895	1,613,558	1,882,453	93,949	1,976,402
2024	2022	57.3	270,126	1,682,296	1,952,422	98,164	2,050,586
2025	2023	60.3	272,191	1,753,477	2,025,668	102,528	2,128,196
2026	2024	63.7	273,216	1,827,380	2,100,596	106,972	2,207,568
2027	2025	67.4	274,131	1,903,637	2,177,768	111,549	2,289,317
2028	2026	71.5	273,927	1,982,767	2,256,694	116,134	2,372,828
2029	2027	76.0	273,687	2,064,276	2,337,963	120,907	2,458,870
2030	2028	81.1	273,473	2,147,507	2,420,980	125,975	2,546,955
2031	2029	86.8	276,511	2,228,286	2,504,797	131,313	2,636,110
2032	2030	93.1	279,944	2,292,630	2,572,574	136,741	2,709,315
2033[(a)]	2031	100.0	285,338	0	285,338	142,461	427,799
2034	2032	100.0	292,477	0	292,477	148,322	440,799
2035	2033	100.0	301,484	0	301,484	154,396	455,880
2036	2034	100.0	311,889	0	311,889	160,684	472,573
2037	2035	100.0	323,566	0	323,566	167,048	490,614
2038	2036	100.0	336,221	0	336,221	173,577	509,798
2039	2037	100.0	349,345	0	349,345	180,287	529,632
2040	2038	100.0	363,990	0	363,990	187,170	551,160
2041	2039	100.0	379,224	0	379,224	194,151	573,375
2042	2040	100.0	395,118	0	395,118	201,388	596,506

Fiscal Year Ending June 30	Valuation Date June 30	Funded Ratio as of Valuation Date	Contribution for Fiscal Years Ending June 30, Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution	Employee Contribution	Total State and Employee Contribution
2043	2041	100.0	411,945	0	411,945	208,881	620,826
2044	2042	100.0	429,415	0	429,415	216,490	645,905

(a) In fiscal year ending June 30, 2033 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. There no longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the State Employees' Retirement Fund, which requires employee contributions. As of July 1, 2012 approximately 7% of the total work force was covered under the Tier I Plan. Other employees generally participate in the Tier II plan, which is non-contributory for certain members and provides somewhat lesser benefits. As of July 1, 2012, approximately 36% 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, 2012, approximately 53% of the total work force was covered under the Tier IIA Plan. SEBAC 2011 provides for two new retirement plans for state employees first hired on and after July 1, 2011, Tier III and, for unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education only, the Hybrid Plan. SEBAC 2011 also provides a one-time, irrevocable opportunity for current members of the Connecticut Alternate Retirement Program to transfer membership to the new Hybrid Plan and purchase credit their prior State service in that plan at the full actuarial cost.

The average annual benefit payable to a retired Tier I, Tier II, or Tier IIA member in fiscal year ending June 30, 2012 was approximately $39,950, $23,468, and $8,416, respectively. There were no retired Tier III or Hybrid Plan members receiving benefits in fiscal year ending June 30, 2012. The State Employees' Retirement Fund also provides disability and pre-retirement death benefits.

Member contribution requirements, and the eligibility for and calculation of normal retirement benefits varies by tier and plan, as set forth below:

TABLE 19

State Employees' Retirement System Member Contribution Requirements, Eligibility Requirements and Normal Retirement Benefits

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
Tier I - Hazardous	4% of earnings up to the Social Security Taxable Wage Base plus 5% of earnings above that level	20 years of hazardous duty credited service	50% of FAE plus 2% for each year of service in excess of 20

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
Tier I - Plan A Or C	5% of earnings	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service, with a minimum benefit with 25 years of service of $833.34 per month
Tier I - Plan B	2% of earnings up to Social Security Taxable Wage Base plus 5% of earnings above that level	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service up to age 65; for retirements after age 65, 1% of FAE up to $4,800, plus 2% of FAE in excess of $4,800 times years of service, with a minimum benefit with 25 years of service of $833.34 per month; for retirements at or after age 70, the greater of 1.25% of FAE up to $4,800 plus 2.5% of FAE in excess of $4,800 times years of service (maximum 20 years) or 1.0% of FAE up to $4,800 plus 2% of FAE in excess of $4,800 times year of service
Tier II – Hazardous	4% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier II	None	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	(a) 1.333% of FAE plus 0.50% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation), times (b) years of service from October 1, 1982 up to 35 years, plus (c) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
Tier IIA – Hazardous	5% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier IIA	2% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	(a) 1.333% of FAE plus 0.50% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation), times (b) years of service from October 1, 1982 up to 35 years, plus (c) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier III - Hazardous	5% of earnings	25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
All Other Tier III	2% of earnings	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE plus 0.50% of FAE in excess of the year's breakpoint times years of service up to 35 years and 1.625% of FAE times any years of service in excess of 35 years

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[a]
Hybrid Plan	5% of earnings for members first hired on or after July 1, 2011 5% of earnings for members with original date of hire on or after July 1, 1997 3% of earnings for members with original date of hire prior to July 1, 1997	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE plus 0.50% of FAE in excess of the year's breakpoint times years of service up to 35 years and 1.625% of FAE times any years of service in excess of 35 years [b]

(a) For all members of all Tiers other than Tier III and Hybrid, "FAE" is defined as the average salary of the three highest paid years of service, provided that, effective January 1, 1986, no one year's earnings can be greater than 130% of the average of the two preceding years for purposes of calculating the FAE. For Tier III and the Hybrid Plan members, FAE is defined as the average salary of the five highest paid years of service, provided that no one year's earnings can be greater than 130% of the average of the preceding two years. Effective July 1, 2014, this limit will be 150% for Tier III and the Hybrid Plan members with mandatory overtime earnings.

(b) The Hybrid Plan provides members with the option to receive at retirement a lump sum payment of their contributions plus a five percent (5%) employer match and four percent (4%) interest in lieu of their receipt of monthly benefit payments.

The State Employees' Retirement Fund provides annual cost-of-living allowance adjustments each July 1 as set forth below:

TABLE 20

State Employees' Retirement Benefit Cost-Of-Living Allowances[a]

Retirement Date	Adjustment Based On	Minimum Increase	Maximum Increase	Maximum Increase For Members And Beneficiaries Not Covered By Social Security And Age 62 And Over
Prior to July 1, 1980	Increase in National Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W")	3.0%	5.0%	6.0%
On and after July 1, 1980 but prior to July 1, 1997	N/A	3.0%	3.0%	6.0%
On and after July 1, 1997 but prior to July 1, 1999, an irrevocable choice between one of the two following plans required:				

Retirement Date	Adjustment Based On	Minimum Increase	Maximum Increase	Maximum Increase For Members And Beneficiaries Not Covered By Social Security And Age 62 And Over
(1)	60% of the increase in "CPI-W" up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
(2)	N/A	3.0%	3.0%	N/A
On or after July 1, 1999, but prior to October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
On or after October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.0%	7.0%	N/A

(a) An employee from Tier IIA must have at least ten (10) years of actual State service or directly make the transition into retirement in order to be eligible for annual adjustments.

From time-to-time the State has instituted, and in the future may institute, early retirement incentive plans that may impact retirement plan eligibility and benefits.

Teachers' Retirement Fund

The Teachers' Retirement Fund, administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2012, there were (i) 63,693 active and former employees, consisting of 49,808 active members, 1,609 inactive vested members and 12,276 inactive non-vested members, (ii) 32,032 retired members and beneficiaries, and (iii) 262 members on disability allowance.

Since fiscal year ending June 30, 2004, payments into the Teachers' Retirement Fund and investment income in each fiscal year, with the exception of fiscal year ending June 30, 2008, have been less than the 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. State contributions to the Fund for fiscal year ending June 30, 2008 included $2.0 billion of the proceeds of the State's $2,276,578,270.75 Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series), as discussed below.

October 2012 Actuarial Valuation

Actuarial valuations are performed as of June 30th of each even-numbered year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the Teachers' Retirement Fund. The actuarial accrued liability is determined using the entry age normal cost method as the portion of the present value of future benefits allocated to years of service prior to the valuation date. The valuation uses an asset valuation method of smoothing the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fourth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit, the rates of mortality, the rates of disability, the rates of pay increases and the assumed age or ages at actual retirement.

The Teachers' Retirement Board received an actuarial valuation as of June 30, 2012 dated October 24, 2012. The actuarial value of the Teachers' Retirement Fund's investment assets, as reported in the October 2012 valuation, was $13,734.8 million as of June 30, 2012. As of June 30, 2012, the market value of the fund's investment assets was $13,473.7 million. 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. The October 2012 actuarial valuation indicated that as of June 30, 2012, the Teachers' Retirement Fund had actuarial accrued liabilities of $24,862.2 million and an unfunded actuarial accrued liability of $11,127.4 million. Based on a market value of assets, the Teachers' Retirement Fund had a funded ratio of 55.19% as of June 30, 2012. The October 2012 actuarial valuation indicated that as of June 30, 2012 the Teachers' Retirement Fund had a funded ratio of 55.24% based on the actuarial value of the assets.

The October 2012 actuarial valuation was based upon the same actuarial assumptions and methods as the actuarial valuation dated November 3, 2010, after consideration of an experience study dated April 7, 2011 prepared by the actuaries for the Teachers' Retirement Fund for the five-year period ending June 30, 2010, assessing the reasonability of the actuarial assumptions and valuation methods used by the retirement system. These included an 8.50% earnings assumption, and projected salary increases of 4.0% to 7.50% and cost-of-living adjustments of 3.0% annually for members retired before September 1992 and 2.0% for members retired on and after September 1, 1992. The October 2012 actuarial valuation uses an amortization method that calculates the amortization payment for the Teachers' Retirement Fund's unfunded actuarial accrued liability, that is included in the actuarially recommended employer contribution requirement rate of contribution based on a level percentage of payroll payments over a declining period of years, starting with 40 years as of July 1, 1991 for the contribution for fiscal year beginning July 1, 1992. The net effective amortization period for the computed State contribution amounts for fiscal years ending June 30, 2012 and June 30, 2013 is 22.4 years. While this method of funding does lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the Teachers' Retirement Fund is not anticipated to be reduced significantly until the latter years of the amortization period. Following full amortization of the UAAL, the actuarially recommended contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to active members' current year of service.

The November 2010 actuarial valuation determined an employer contribution requirement of $787.5 million for fiscal year ending June 30, 2013, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions, which contribution is sufficient to meet GASB standards. To meet the annual contribution requirement for fiscal year ending June 30, 2013, $787.5 million was appropriated. The October 2012 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions, which contributions are sufficient to meet GASB standards: (i) $948.5 million for fiscal year ending June 30, 2014, and (ii) $984.1 million for fiscal year ending June 30, 2015. The State has not appropriated such amounts as the State's budget for such years is not yet due. The proposed budget submitted by the Governor on February 6, 2013 for the Fiscal Year 2014-2015 biennium contains appropriations sufficient to fully fund the employer contribution requirements for these years.

Investment Returns

For periods ending June 30, 2012, the Treasurer has realized annualized net returns on investment assets in the Teachers' Retirement Fund of 7.56% over the past twenty years, of 5.95% over the past fifteen years, of 6.08% over the past ten years and of 1.27% 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 through spring of 2009.

Set forth below are State contributions to the Teachers' Retirement Fund, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarial recommended contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2008, June 30, 2010 and June 30, 2012.

TABLE 21

Teachers' Retirement Fund [(a)]

	Fiscal Years Ending June 30,				
	2008	**2009**	**2010**	**2011**	**2012**
General Fund Contributions.................	$ 2,518,560,263[(b)]	$ 539,302,674	$ 559,224,244	$ 581,593,216	$ 757,246,000
Employee Contributions[(c)]..............	233,971,635	243,124,657	254,062,668	256,146,274	263,503,000
Total Contributions	$ 2,752,531,898	$ 782,427,331	$ 813,286,912	$ 837,739,490	$1,020,749,000
Investment Income[(d)].........	$ 519,183,177	$ 393,748,965	$ 321,398,381	$ 456,449,949	$ 368,858,841
Net Realized Gains (Losses) [(e)]	$ 188,080,715	$ 24,937,167	$ 502,466,817	$ 202,550,683	$ 173,279,065
Net Unrealized Gains (Losses)	(1,414,057,911)	(2,958,832,005)	648,184,236	1,857,979,982	(687,608,559)
Total Net Gains (Losses)...	$ (1,225,977,196)	$ (2,933,894,838)	$ 1,150,651,053	$ 2,060,530,665	$ (514,329,494)
Benefits Paid[(f)]..................	$ 1,266,950,462	$ 1,381,129,716	$ 1,415,903,458	$ 1,499,898,601	$1,531,671,729
Actuarial Recommended Contribution	$ 518,560,263	$ 539,302,674	$ 559,224,000	$ 581,593,000	$ 757,246,000
Percentage of Actuarial Recommended Contribution Made	485.7%[(b)]	100.0%	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	$21,801,020,991	N/A	$23,495,916,000	N/A	$24,862,228,000
Actuarial Values of Assets	15,271,012,785	N/A	14,430,187,000	N/A	$13,734,831,000
Unfunded Accrued Liabilities	$ 6,530,008,206	N/A	$ 9,065,729,000	N/A	$11,127,397,000
Market Value of Assets (as reported in Actuarial Valuation)........	$14,551,467,434	$11,397,053,000	$12,273,604,000	$14,143,881,048	$13,473,656,000
Funded Ratio (actuarial value).............	70.0%	N/A	61.4%	N/A	55.2%
Funded Ratio (market value)	66.7%	N/A	52.2%	N/A	54.2%

	Fiscal Years Ending June 30,				
	2008	2009	2010	2011	2012
Ratio of Actuarial Value of Assets to Market Value of Assets	105%	N/A	117%	N/A	102%

(a) As actuarial valuations are performed every two years, not all of the data is available for each year.

(b) 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.

(c) Includes municipal contributions under early retirement incentive programs ($1,667,810 during Fiscal Year 2008, $1,573,023 during Fiscal Year 2009, $857,420 during Fiscal Year 2010, $902,153 during Fiscal Year 2011 and $582,142 during Fiscal Year 2012). Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

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

(e) Net realized gain (loss) on shares redeemed.

(f) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership ($16,314,549 during Fiscal Year 2008, $14,691,011 during Fiscal Year 2009, $12,382,933 during Fiscal Year 2010, $16,181,894 during Fiscal Year 2011 and $13,831,495 during Fiscal Year 2012).

Pension Obligation Bonds

Public Act No. 07-186 authorized the issuance of general obligation bonds ("TRF Bonds") of the State in amounts sufficient to fund a $2.0 billion deposit to the Teachers' Retirement Fund plus amounts required for costs of issuance and up to two years of capitalized interest. The Secretary of the Office of Policy and Management and the State Treasurer subsequently determined that issuance of such bonds would be in the best interests of the State, and in April 2008 the State issued $2,276,578,270.75 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 that would otherwise have resulted had the State funded the full required contribution, or the funded ratio immediately after the sale of the bonds, whichever is greater.

Contribution, Eligibility and Benefits Requirements

Effective July 1, 1992, each member of the Teachers' Retirement Fund is required to contribute 6% of annual salary for the pension benefit. The State's contribution requirement is determined in accordance with Section 10-183z of the General Statutes, which requires the retirement system to be funded on an actuarial reserve basis.

Eligibility for normal retirement benefits is available at age 60 for those with 20 years of credited Connecticut service, or 35 years of credited service including at least 25 years of service in Connecticut. The normal retirement benefit is 2% of average annual salary received during three years of highest salary times years of credited service (maximum benefit is 75% of average annual salary received during three years of highest salary), subject to certain maximum dollar limits under the Internal Revenue Code of 1986, as amended. In addition, amounts derived from the accumulation of supplemental account contributions made prior to July 1, 1989 and voluntary contributions by the member are payable. Effective January 1, 1999, there is a minimum monthly retirement benefit of $1,200 to members who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement. The plan also provides reduced early retirement and pro-ratable retirement benefit, disability benefits, return with interest on certain contributions upon termination of employment, and pre-retirement death benefits for spouses and dependent children. The average annual benefit payable to a retired member in fiscal year ending June 30, 2012 was approximately $46,333.

The plan includes cost-of-living allowances as set forth below:

TABLE 22

Teachers' Retirement Benefit Cost-Of-Living Allowances

Retirement Date	**Adjustments Consistent With Adjustments To:**	**Minimum Increase**	**Maximum Increase**	**Limitation On Maximum Increase Based On Previous Year's Plan Assets Return**
Prior to September 1, 1992	National Consumer Price Index for Urban Wage Earners and Clerical Workers	3.0% per annum	5.0% per annum	N/A
On or after September 1, 1992, and became System member before July 1, 2007[(a)]	Social Security benefits on January 1 of the year granted	0.0% per annum	6.0% per annum	If asset return less than 8.5% per annum, the maximum increase is 1.5%
On or after July 1, 2007, and became System member after July 1, 2007[(a)]	Social Security benefits on January 1 of the year granted	0.0% per annum	5.0% per annum	If asset return less than 11.5% per annum, the maximum increase is 3.0%; if less than 8.5% per annum, maximum increase is 1.0%.

(a) Based on the current cost-of-living allowances formulas no benefit adjustment for fiscal years ending June 30, 2010 and 2011 was granted for members retiring on or after September 1, 1992. For fiscal year ending June 30, 2012, a 3.6% benefit adjustment was granted.

A board of education may offer a retirement incentive plan. Such plan is required to provide for the purchase by the board of education and a member of the system who chooses to participate in the plan of additional credited service from the Teachers' Retirement Fund for such member and for payment by the board of education of not less than 50% of the entire cost of such total cost. Any such plan shall specify a maximum number of years to be purchased, not to exceed five. Members must have attained age 50 and be eligible for retirement with the additional purchased service. The amount of service purchased cannot exceed the lesser of five years or one-fifth of the member's credited service.

Investment of Pension Funds

Twelve investment funds serve as the investment medium for the State Employees' Retirement Fund and the Teachers' Retirement Fund. They are the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Inflation Linked Bond Fund, the Liquidity Investment

Fund, the Real Estate Fund, the Private Investment Fund, the Commercial Mortgage Fund, and the Alternative Investment Fund. See also **FINANCIAL PROCEDURES** herein. Set forth below are the percentage allocation of holdings for the State Employees' Retirement Fund and the Teachers' Retirement Fund as of June 30, 2012 in each of these twelve funds.

TABLE 23

Pension Fund Investment Allocations
As of June 30, 2012[(a)]

	State Employees' Retirement Fund	Teachers' Retirement Fund
Mutual Equity Fund	28.2%	26.9%
Developed Markets International Stock Fund	19.8	19.7
Emerging Markets International Stock Fund	9.5	9.4
Core Fixed Income Fund	10.0	9.9
Emerging Markets Debt Fund	4.9	4.9
High Yield Fund	2.9	2.9
Inflation Linked Bonds Fund	3.6	3.6
Liquidity Investment Fund	2.7	3.9
Real Estate Fund	5.5	5.6
Private Investment Fund	10.6	10.9
Commercial Mortgage Fund[(b)]	0.0	0.0
Alternative Investment Fund	2.3	2.3
	100.0%	100.0%

(a) On August 8, 2012, the Investment Advisory Commission approved a revised Investment Policy Statement for the State's pension plans, which policy was adopted by the State Treasurer. The three significant changes in the revised policy were a shift in the amount that would be invested in return-seeking assets, a shift from the public equity markets to the private equity markets, and a reallocation among the fixed income classes to help mitigate the potential of rising interest rates. Table 23 does not reflect reallocations of pension investments occurring subsequent to June 30, 2012 taken to implement the revised Investment Policy Statement.

(b) As of June 30, 2012, the State Employees' Retirement Fund and the Teachers' Retirement Fund had approximately $296,226 and approximately $418,158, respectively, invested in the Commercial Mortgage Fund.

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, 2012, there were approximately 204 active members of these plans and approximately 239 retired members.

Unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education are eligible to participate in the Connecticut Alternate Retirement Program. This program is a defined contribution program, and thus the State has no unfunded liability with respect to the program. All member contributions and State appropriations are held in a separate retirement fund by the third party administrator of the plan, who invests the fund's assets allocable to a member at the direction of such member in the investment funds available under the plan. A member may not withdraw funds from the plan unless such member has reached age 55 and has terminated from service, retired or died, provided that any member with less than five years of participation in the plan who is under the age of 55 and terminates from service may rollover such member's entire account into an eligible retirement plan.

The State is the administrator of the Connecticut Municipal Employees' Retirement System and the Connecticut Probate Judges and Employees' Retirement System. As the administrator of these systems the State owes a fiduciary obligation to these systems; however, the State has no direct financial liability to pay benefits under these systems.

Social Security and Other Post-Employment Benefits

Social Security – State Employees

State Police whose employment commenced after February 21, 1958 but before May 8, 1984 are not entitled to social security coverage; pursuant to a collective bargaining agreement, State Troopers hired on or after May 8, 1984 are entitled to Social Security coverage. Members of a retirement system other than the State Employees' Retirement Fund (and thus most teachers), whose employment commenced after February 21, 1958 are not entitled to social security coverage except that pursuant to a collective bargaining agreement, members of the Connecticut Alternate Retirement Program hired on or after July 13, 1990 are entitled to social security coverage and members hired prior to that date were provided with the one-time option to elect such coverage effective July 13, 1990. Other State employees are entitled to Social Security coverage. As of June 30, 2012, approximately 58,111 State employees were entitled to Social Security coverage. The amount expended by the State for Social Security coverage for fiscal year ending June 30, 2012 was $228.0 million. Of this amount, $215.0 million was paid from the General Fund and $13.0 million was paid from the Special Transportation Fund. The State has appropriated $236.4 million for Social Security coverage for fiscal year ending June 30, 2013. Of this amount, $218.5 million has been appropriated from the General Fund and $17.9 million has been appropriated from the Special Transportation Fund.

Other Post-Employment Benefits – State Employees

The State provides post-retirement health care and life insurance benefits to all employees who retire from State employment. The State currently finances the cost of such benefits on a pay-as-you-go basis. The State has established a trust for the accumulation of assets with which to pay post-retirement health care benefits and post-retirement life insurance 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 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. SEBAC 2011 extended the requirement of trust contributions to all other State employees to be phased in beginning July 1, 2013, as follows: 0.5% of salary for fiscal year ending June 30, 2013, 2.0% of salary for fiscal year ending June 30, 2014, and 3.0% of salary for fiscal ending June 13, 2015 and thereafter, with a period of required contribution of ten years or to the beginning of retirement (whichever occurs first). As of June 30, 2012, the fair market value of the State and employee contributions to the trust and related interest totaled $73.2 million. The trust contributions are invested in the Combined Investment Funds. See also **FINANCIAL PROCEDURES** herein. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. For fiscal year ending June 30, 2012, General Fund expenditures on post-retirement health care and life insurance benefits were $562.2 million and $4.4 million, respectively. For fiscal year ending June 30, 2013, the projected General Fund expenditures on post-retirement health care and life insurance benefits are $531.9 million and $4.5 million, respectively.

Implementation of GASB Statement No. 45 regarding accounting and financial reporting for post-employment benefits other than pensions requires the State to obtain an analysis of the unfunded actuarial accrued liability of such post-retirement health care and life insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements commencing with those for fiscal year ending June 30, 2008. The State received an actuarial report dated May 16, 2012 with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System. The May 2012 valuation indicates an OPEB actuarial accrued liability as of June 30, 2011 of $17.954 billion and an unfunded actuarial accrued liability of $17.905 billion, a decrease of approximately $8.662 billion in unfunded actuarial accrued liability as determined by the prior actuarial valuation dated April 1, 2008. The actuarial valuation determined the amount of the annual required contribution for fiscal year ending June 30, 2012, based on a projected unit credit actuarial cost method and level percent-of-payroll amortization over 30 years (with 26 years remaining as of June 30, 2011), to be $1.355 billion, and the annual OPEB cost to be $1.405 billion, applying a 5.7% discount rate. The annual OPEB cost adjusts the annual required contribution for timing differences between the annual required contribution and contributions in relation to the annual required contribution. The May 2012 valuation indicates a Net OPEB Obligation of $4.930 billion for the fiscal year ending June 30, 2011. The Net OPEB Obligation is the cumulative difference between the annual required contribution and actual contributions made, with adjustments for timing differences between cash and accrual accounting and to prevent double counting of OPEB plan costs. The May 2012 valuation includes the following assumptions (i) a discount rate of 5.7%, (ii) updated medical, prescription drug and dental claim costs for recent experience and adjusting trend rates on each, (iii) an explicit administrative expense of $271 per participant increasing at 3% per year, (iv) adjustment of the assumption for Medicare Part B as well as the associated trend assumption, and (v) adjustment of the retiree contribution increase rate. The valuation includes the evaluation of recent plan changes made pursuant to SEBAC 2011, discussed on page III-69. The State anticipates receiving in March 2013 a draft valuation as of June 30, 2012 with respect to the State's liability for post-retirement health care benefits for eligible persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System.

For fiscal years ending June 30, 2008 through June 30, 2012, the State paid $498.2 million, $521.9 million, $525.5 million, $524.6 million and $518.2 million, respectively, for eligible employees' health care costs. For fiscal years ending June 30, 2008 through June 30, 2012, the State paid $450.4 million, $434.6 million, $527.9 million, $490.9 million and $562.2 million, respectively, for retirees' health care costs. The State has appropriated $706.3 million for eligible employees' and $614.1 million for retirees' health care costs in fiscal year ending June 30, 2013.

Set forth below for each of the past five fiscal years are the number of employees retired from State employment eligible to receive post-retirement health care and life insurance benefits, the number of retirees, respectively, actually receiving health care benefits and life insurance benefits, and the amount of General Fund appropriations by the State for such coverage.

TABLE 24

State Employee Retirees Health Care and Life Insurance Benefits

	Fiscal Years Ending June 30,				
	2008	2009	2010	2011	2012
Retirees Eligible to Receive Benefits	38,917	38,736	42,556	43,086	44,770
Retirees Receiving Health Care Benefits	37,865	38,613	42,383	42,905	44,659
Retirees Receiving Life Insurance Benefits	25,581	25,368	27,694	28,017	28,405
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions)	$472.0	$458.0	$541.0	$595.3[a]	$574.1[b]

(a) Of the $595.3 million appropriated for fiscal year ending June 30, 2011, $490.9 million was expended on retiree health care and life insurance benefits.

(a) The $574.1 million appropriated for fiscal year ending June 30, 2012 includes a combined appropriation of $8.9 million for active employee and retiree life insurance benefits. Of the $574.1 million appropriation, $562.2 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

Other Post-Employment Benefits – Teachers

The State is required to make General Fund appropriations to the Teachers' Retirement Board to cover one-third of retiree health insurance costs plus any portion of the balance of such costs that is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund. 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 provide an additional health insurance subsidy of at least $110 per month on behalf of retired teachers who are ineligible to participate in Medicare Part A "premium free" and who pay at least $220 per month to participate in the local board of education retiree health benefit plans. No General Fund appropriations to the Teachers' Retirement Fund to cover retiree health insurance costs were made for fiscal years ending June 30, 2010 and June 30, 2011. The State made General Fund appropriations of $32.3 million and $34.4 million for fiscal years ending June 30, 2012 and June 30, 2013, respectively, to subsidize the Teachers' Retirement Health Insurance Fund. The Governor's midterm budget adjustments for fiscal year ending June 30, 2013, reduced the State's appropriation to 25% ($22.3 million), and utilized Medicare Part D prescription drug reimbursements to offset in part the State's share of retiree health costs. The Teachers' Retirement Board is monitoring the impact of the reduction in State funding for the fiscal year ending June 30, 2013. The Teachers' Retirement Health Insurance Fund is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. Fund assets do not constitute plan assets for purposes of GASB Statements Nos. 43 and 45, and for actuarial valuation purposes fund assets are not treated as valuation assets available to offset the accrued liability of the plan. Since July 1, 1994, retiree health benefits sponsored through the Teachers' Retirement Board have been self-insured.

Implementation of GASB Statement No. 45 requires the State to obtain an analysis of the unfunded actuarial accrued liability of such retiree health insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements. The Teachers' Retirement Board received an actuarial valuation dated October 2012 of the State's liability as of June 30, 2012 with respect to post-retirement health care benefits for members of the Teachers' Retirement Fund and for retired teachers who are not members of the Teachers' Retirement Board's health benefit plan. The actuarial liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on service to date) of the projected benefit payable. The report indicates an actuarial accrued liability as of June 30, 2012 of $3,048.3 million on an unfunded basis, based upon certain stated assumptions including a 4.5% earnings assumption and a 30 year amortization period and no valuation assets available to offset the liabilities of the plan. Against these liabilities, as of June 30, 2012 the plan had no present assets for valuation purposes. The actuarial valuation determined a $180.5 million employer contribution requirement for fiscal year ending June 30, 2013 and $187.2 million for fiscal year ending June 30, 2014, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions and applying a 4.5% discount rate.

Set forth below for each of the past five fiscal years are State contributions to the Teachers' Retirement Health Insurance Fund to cover retiree health insurance costs and the portions of such contribution attributable to post-retirement Medicare supplement health insurance and to the health insurance cost subsidy for retired teachers who are not members of the Board's health benefit plan, active and retired teacher's contributions, investment income, Federal drug subsidy receipts, the expenditures from the Fund, and the reported fund balance of the Fund as of June 30.

TABLE 25

Teachers' Retirement Health Insurance Fund

	Fiscal Years Ending June 30,				
	2008	2009	2010	2011	2012
General Fund Contribution Attributable To Post- Retirement Medicare Supplement Health Insurance	$12,909,315	$ 14,548,169	$ 2,131,222[(a)]	$ 0	$27,886,285
General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy	7,860,352	7,885,215	1,927,646[(a)]	0	7,372,718
Total General Fund Contributions	$20,769,667	$ 22,433,384	$ 4,058,868[(a)]	$ 0	$35,259,003
Teacher Contributions (Active and Retired)	60,272,401	70,809,453	71,992,702	72,388,441	85,483,366
Investment Income	1,484,545	1,136,999	180,959	135,395	99,089
Federal Drug Subsidy	4,089,580	7,061,830	8,049,190	5,312,119	14,227,081
Total Receipts	$86,616,193	$101,441,666	$84,281,719	$78,835,955	$135,068,539
Fund expenditures	($71,111,961)	($ 85,195,057)	($91,944,607)	($91,852,759)	($96,347,420)
Fund Balance as of June 30	$57,538,581	$ 73,785,190	$ 66,072,302[(b)]	$53,055,498	$91,776,617

(a) Correcting adjustment as to prior General Fund contributions; does not reflect an actual receipt.

(b) An administrative review of the Fund determined that the reported fund balance as of June 30, 2010 was overstated by approximately $2.0 million. A correcting adjustment was made as of June 30, 2011.

Additional Information

The audited financial statements for fiscal year ending June 30, 2012, which are included as **Appendix III-C** hereto, and in particular notes 11 through 15 and note 17 and the required PERS Supplementary Information of the accompanying Basic Financial Statements, provide additional information about the foregoing retirement systems and their funding. In addition, paragraph B of note 26 of such financial statements identifies a contingent liability of the State to pay pension liabilities of certain persons who are not employees of the State.

The cumulative value of the annual differences between the State's contribution to a public employee pension or OPEB plan and the actuarially recommended contribution to the plan for that fiscal year constitutes the "net pension obligation" or "net OPEB obligation" of the State with respect to such plan, and is reported as a liability in the State's financial statements. The net pension obligation or net OPEB obligation of the State with respect to a plan is not the equivalent of the State's actuarial accrued liability with respect to such plan.

LITIGATION

The State and its officers and employees are parties to numerous legal proceedings, many of which normally occur in government operations. The final outcomes of most of these legal proceedings are not, in the opinion of the Attorney General, either individually or in the aggregate likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, either individually or in the aggregate may require the State to make material future expenditures or may impair revenue sources. It is not possible to determine the impact that the outcomes of these proceedings, either individually or in the aggregate, could have on the State's financial position. Among these proceedings, an adverse judgment in the matters described below, in the opinion of the Attorney General, individually could have a fiscal impact on the State of $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 by June 30, 2013 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. A motion for reconsideration of that ruling was denied.

Currently, the Stipulation requires that the State meet 80% of demand for reduced racially isolated school settings by end of year 5 (June 2013). The State met 68% of demand for year 4 based on numbers submitted October 1, 2011. The internal benchmark for that year was 65%. However, children are still being placed through Open Choice and it is anticipated the percentage will improve. If, at the end of Year 5, the State falls short of the 80% goal by more than 1%, it will be deemed a material breach which may result in court action. However, notwithstanding a failure to meet the 80% demand standard, there is no material breach if a minimum of 41% of Hartford-resident minority students are in a reduced-isolation setting by the end of Year 5. Per the Stipulation, the parties may enter into negotiations beginning in September 2012 to extend the Stipulation one year to June 2014 in order to permit further progress towards benchmarks. The parties have entered into negotiations for this purpose.

State 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 parties subsequently entered into a stipulation of facts and then filed cross-motions for summary judgment on all remaining claims. By ruling dated July 1, 2011, the Court granted the defendants' motion, denied plaintiffs' motion, and ordered the case dismissed. That ruling has been appealed by the plaintiffs to the U.S. Court of Appeals, which appeal was argued on August 27, 2012 and 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. There is now an ongoing multistate arbitration proceeding regarding the calculation of the 2003 payments. If that arbitration results in a decision adverse to the State, and that decision is upheld in court, it could result in a substantial reduction of Connecticut's annual MSA payment for some future year. A similar demand for arbitration is pending regarding the calculation of the 2004 payments. Further arbitrations could, at some point, result in substantial reductions in Connecticut's annual MSA payments for some future years. It is not known when there will be a decision as to Connecticut or any other state. A minority of states and the tobacco manufacturers have proposed a partial settlement of the arbitration, which a majority of the states, including Connecticut, oppose on the grounds that it violates the MSA. Consideration of the settlement proposal is presently delaying the arbitration hearings, and a further hearing on the settlement proposal is scheduled for March 7, 2013. If the settlement is approved by the arbitrators, it will likely be challenged in lengthy litigation in one or more state courts.

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. Plaintiffs claim the students' State constitutional rights to a free public education under Article VIII, Section 1, equality of rights under Article I, Section 1 and equal protection of the laws under Article I, Section 20 are being violated by the alleged inequitable and inadequate financing of their schools by the State. In particular, plaintiffs claim for a variety of reasons that the State's primary statutory mechanism for the distribution of State aid for public schools currently fails to ensure both substantially equal educational opportunities and a suitable education for some students, as purportedly reflected by both the educational challenges they face and their poor performance on state standardized measures. The action seeks a declaratory judgment from the Court, an injunction against the operation of the current system, an order that a new system be devised, the appointment of a special master to oversee such activities, continuing Court jurisdiction and attorney fees and costs under 42 USC § 1983, on the grounds that minority students have been disproportionately impacted. The court ruled that the Coalition, as opposed to the other plaintiffs, lacks legal standing to pursue the claims. The plaintiffs sought to replead to overcome the impact of this ruling. The defendants moved to strike the plaintiffs' claims for a "suitable" education under the State Constitution. On September 17, 2007 the Superior Court issued a ruling granting the State's motion to strike three counts of the plaintiffs' complaint. After the Court's ruling, one count of the plaintiffs' complaint remained, alleging that the plaintiffs have been denied substantially equal education opportunity in violation of the State constitution. The State did not move to strike that count. The plaintiffs sought and obtained permission to appeal immediately to the Connecticut Supreme Court. On March 30, 2010 a plurality of the Supreme Court reversed the trial court, ruled that the State Constitution guarantees public school students a right to suitable educational opportunities and remanded the case for a determination of whether such opportunities are being provided. The Court has established a schedule for discovery and scheduled a trial to commence in 2014. However, by motion dated January 9, 2013, the State has renewed its request that the operative complaint be dismissed. The State challenges CCJEF's standing to bring this case and argues that the case is both moot because the educational system in place at the time suit was filed has substantially changed, and not yet ripe for adjudication because the process of implementing the Governor's far-ranging educational reform has not yet been completed. The State's motion to dismiss remains pending. The State is also seeking to modify the scheduling order, including by extending the trial date currently set for 2014.

Juan F. v. Malloy. Since 1991, the State Department of Children and Families has been operating under the provisions of a federal court-ordered consent decree in the ***Juan F. v. Malloy*** 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 April 13, 2010, the State moved to vacate the Consent Decree and the Exit Plan, arguing that DCF had substantially complied with their provisions and that further judicial oversight is, therefore, unwarranted. That motion, which was opposed by plaintiffs and the Child Advocate, acting as amicus curiae, was denied on September 22, 2010. The Court directed the parties to meet with the Court Monitor to determine whether adjustments should be made to the methods of evaluating DCF's performance. On August 17, 2010, the Court ruled that children receiving voluntary services – a program permitting parents to obtain services for disabled children without relinquishing custody – are included in the ***Juan F.*** class and entered an order prohibiting cessation of new admissions to the program. A motion for reconsideration of that ruling was denied on December 22, 2010. The Court Monitor's report for the period ending September 30, 2012 indicates that DCF was in compliance with 15 of 22 outcome measures during the reporting period. The current Exit Plan requires compliance with all 22 outcome measures as a condition precedent for ending judicial oversight of DCF.

Indian Tribes. 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. 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.

Schaghticoke Tribal Nation. 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 2012, the land claim defendants filed a motion for judgment on the pleadings, and on September 30, 2012, the district court granted the motion and entered judgment of dismissal. The Schaghticoke Tribal Nation has appealed the dismissal to the U.S. Court of Appeals for the Second Circuit, and the appeal remains pending. 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. The Schaghticoke Tribal Nation filed a petition for writ of certiorari with the U.S. Supreme Court seeking review of the Court of Appeals' decision, and on October 4, 2010, the petition was denied.

Eastern Pequot Tribe. 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. On January 13, 2012, a group claiming to represent the Eastern Pequot filed an appeal in the federal district court for the District of Columbia, challenging on various grounds the denial of federal recognition. In April 2012, the Federal Government filed a motion to dismiss the appeal, which is pending.

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. 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. The Court had established a schedule for discovery and anticipated trial date, but the matter has been stayed by agreement of the parties while the parties discuss possible settlement.

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. The district court granted the defendants' motion to dismiss with the exception of one count of the complaint and denied the plaintiff's request for a preliminary injunction. The plaintiff appealed the denial of the preliminary injunction to the Court of Appeals. The Court of Appeals affirmed the district court's decision denying the preliminary injunction and denied plaintiff's motion for reconsideration and rehearing en banc. The case was stayed in the trial court, until 45 days after the U.S. Supreme Court issued its opinion in three consolidated cases arising out of the U.S. Court of Appeals for the Ninth Circuit addressing the availability of a claim similar to the plaintiff's, at which time the parties must jointly report to court. On February 22, 2012, the Supreme Court issued its opinion in *Douglas v. Independent Living Center*. That decision effectively eliminated most of the plaintiff's case because of the court's deference to the federal approval of the Medicaid plan challenged in that case and its identification of the federal Administrative Procedure Act review of that approval as the appropriate avenue for challenging a state plan instead of a court action. Connecticut's Medicaid plan had been approved by the federal Center for Medicare and Medicaid Services. Plaintiff chose not to proceed on the claim for which a preliminary injunction was denied but not dismissed, electing instead to appeal the dismissal of their takings claim. All briefs have been filed and the matter is awaiting argument.

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 nearly 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 trial court reduced the verdict to $1.83 million. Both sides have filed appeals that remain pending. The counter-claim plaintiff is challenging the reduction of the verdict, and DOIT is appealing the verdict and award of any damages against it. The appeal has been argued before the Connecticut Supreme Court, and the parties await a decision.

Paul Shafer and Joshua Harder v. Bremby is a class action lawsuit filed on January 9, 2012 in federal district court challenging the Department of Social Services' (DSS) failure to process Medicaid applications, including spend down cases as a separate sub-class, in a timely fashion. Plaintiffs allege that DSS has failed to comply with the federal Medicaid statute that requires eligibility to be determined with "reasonable promptness" and the related federal implementing regulations. In addition, plaintiffs claim that DSS' failure to provide timely adequate notice of the denial of eligibility violates their federal due process rights. Plaintiffs seeks declaratory and class wide injunctive relief. The State filed an objection to the motion for preliminary injunction and a motion to dismiss on the grounds that plaintiffs may not bring an action under 42 USC § 1983 for violation of the Medicaid reasonable promptness standard. The court heard argument on the motion to dismiss in November of 2012, but has not yet rendered a decision. The parties continue to discuss a plan under which DSS will improve Medicaid processing as an interim form of relief while delaying proceedings on the injunction until the implementation period ends.

Briggs v. Bremby is a class action lawsuit filed on March 6, 2012 in federal district court challenging the Department of Social Services' ("DSS") failure to process applications for the Supplemental Nutrition Assistance Program ("SNAP"), commonly known as food stamps in a timely fashion, within 30 days for most applicants and within seven days when an applicant falls within immediate need criteria for expedited processing. Plaintiffs allege that DSS has failed to comply with the food stamp statutes and federal regulations that require eligibility to be determined with "reasonable promptness" and the related federal implementing regulations. Plaintiffs seek declaratory relief, as well as preliminary and permanent injunctive relief to enjoin DSS from failing or refusing to process applications for food stamps and to provide these benefits on a timely basis. The State filed an objection to the motion for preliminary injunction and a motion for class certification as well as filed a motion to dismiss on the grounds that plaintiffs may not bring an action under 42 USC § 1983 for violation of the food stamp processing standard. The district court denied the defendant's motion to dismiss and found that a preliminary injunction should be issued but reserved the content of the injunction until such time as the defendant has exhausted an appeal of its ruling or the time for taking an appeal had lapsed. The court took no action on the motion for class certification. The State filed its notice of appeal on January 4, 2013. No schedule has been set as of this date. Plaintiffs have moved to dismiss the State's appeals as premature, and that motion remains pending.

INDEX TO APPENDICES

Appendix III-A

GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

The components and structure of State governmental organization are laid out in the State's Constitution and the General Statutes of Connecticut. A number of State-wide and regional authorities and similar bodies are also created or provided for in the General Statutes or by Special Act of the General Assembly. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within the cities and towns. A number of regional bodies exist to perform governmental functions that would otherwise be performed at the local level. Most of the State's 169 cities and towns were established or incorporated during the 18th and 19th centuries, and many are still governed under charters enacted by the General Assembly by Special Act. The State's Constitution grants home rule powers to cities and towns, within certain limitations. A large number of smaller municipalities lack charters, and the components and structure of these municipalities are determined directly by the General Statutes. The General Statutes also contain a variety of provisions pertaining to the organization and operation of all units of local government, including both those with charters and those without. In addition to the 169 cities and towns that are the basic units of local government in Connecticut, the General Statutes provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. These include, among others, local housing authorities, regional school districts, and a variety of special tax and service districts.

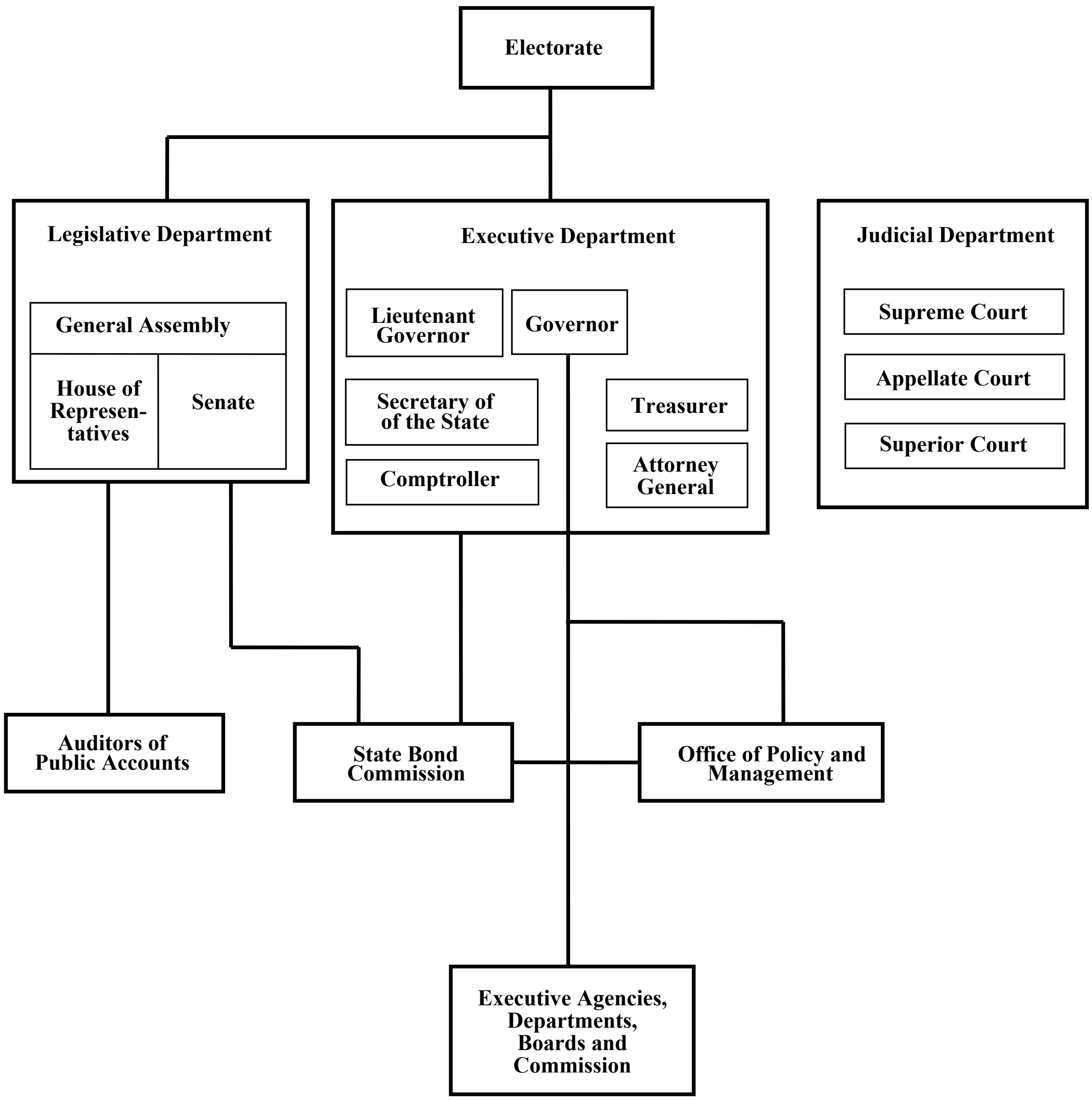
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute to file petitions to become debtors under Chapter Nine of Title 11 of the Federal Bankruptcy Code without the prior written consent of the Governor.

State Government Organization

Under the State Constitution, the legislative, executive and judicial functions and powers of State government are divided among three distinct branches referred to in the Constitution as "departments": the legislative department, the executive department and the judicial department. The following table shows the structure of the three departments.

TABLE A-1

Structure of State Government



Legislative Department. Legislative power is vested in the General Assembly, composed of the Senate and House of Representatives. Currently the Senate consists of 36 members, each representing a single senatorial district, and the House of Representatives consists of 151 members, each representing a single assembly district. Both the number of members and the boundaries of the legislative districts may vary in accordance with the requirements of the State's Constitution. The General Assembly is assisted by a full-time staff. General Assembly employees are included under the legislative function in **Tables A-2** and **A-3** below.

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2012, and the new members took office in January 2013.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or any actual or contemplated breakdown in the safeguarding of any resources of the State promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables A-2** and **A-3** below.

Executive Department. The Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 2010 for terms beginning in January 2011. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and on request rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables A-2** and **A-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table A-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. By statute, there are 201 authorized Superior Court judges, with approximately 171 sitting judges as of February 1, 2013, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

On July 1, 1983 the Appellate Court was created and the appellate session of the Superior Court was dissolved. The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are nine Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the Supreme Court unless specifically provided by statute. The Supreme Court consists of seven

Justices (one Chief Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 54 probate districts situated throughout the State.

Employees of the judicial department are shown in **Tables A-2** and **A-3** under the judicial function heading.

Quasi-Public Agencies. In addition to the budgeted components of State government provided for in the State's Constitution and the General Statutes, important State-wide governmental functions are performed by quasi-public agencies, authorities and similar bodies created under the General Statutes. A number of these entities receive significant funding from the State, although they are not budgeted agencies of the State. Each of these entities is governed by a board of directors chosen in accordance with its respective enabling statute. These boards generally include legislative appointees, gubernatorial appointees and ex officio directors holding certain executive branch offices.

State Employees

Employment Statistics. Statistics regarding approximate filled permanent full-time positions within budgeted components of State government are shown on the following two tables.

TABLE A-2

State Employees[(a)]
By Function of Government

Function Headings[(b)]	2008	2009	2010	2011	2012
Legislative	665	681	651	680	678
General Government	3,460	3,497	3,312	3,328	3,028
Regulation and Protection	4,308	4,373	4,133	4,276	4,084
Conservation and Development	1,285	1,356	1,306	1,347	1,424
Health and Hospitals	7,528	7,551	7,049	6,874	6,534
Transportation	4,230	4,029	4,068	3,878	3,646
Human Services	1,883	1,913	1,876	1,911	1,923
Education	16,056	16,486	16,474	17,217	17,272
Corrections	9,440	9,612	9,057	9,020	8,590
Judicial	4,312	4,516	4,435	4,454	4,299
Total	53,167	54,014	52,361	52,985	51,478

(a) Table shows count of employees by fund category and function of government paid in April of each year. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) A breakdown of the budgeted agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table A-5**.

SOURCE: Office of Policy and Management

TABLE A-3

State Employees as of June 30, 2012[(a)(b)]
By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	TOTALS
Legislative	550				128	678
General Government	2,738	1	11	155	123	3,028
Regulation and Protection	2,056	567	383	764	314	4,084
Conservation and Development	902		110	54	358	1,424
Health and Hospitals	6,165				369	6,534
Transportation		2,647		999		3,646
Human Services	1,604		9		310	1,923
Education	5,400	2	6	11,612	252	17,272
Corrections	8,503			68	19	8,590
Judicial	4,209		47		43	4,299
Total	32,127	3,217	566	13,652	1,916	51,478

(a) Table shows a count of employees by fund categories. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) Reflects funding source based on Core-CT chart of accounts coding.

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guarantee State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 42 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		
Correctional Officers	9.06%	Contract in place through 6/30/2016
Correctional Supervisor	0.85	Contract in place through 6/30/2012[b]
Administrative Clerical	7.28	Contract in place through 6/30/2016
Service/Maintenance	7.19	Contract in place through 6/30/2016
Health Care Non-Professional	6.06	Contract in place through 6/30/2016
Social and Human Services	7.26	Contract in place through 6/30/2016
Administrative and Residual	5.66	Contract in place through 6/30/2016
Health Care Professional	5.61	Contract in place through 6/30/2016
Engineering, Scientific and Technical	4.65	Contract in place through 6/30/2016
UConn Faculty	5.05	Contract in place through 6/30/2016
UCHC University Health Professionals	4.21	Contract in place through 6/30/2016
UConn - Non-Faculty	3.31	Contract in place through 6/30/2016
State University Faculty	2.83	Contract in place through 6/30/2016
Judicial – Non-Professional	2.55	Contract in place through 6/30/2016
Judicial - Professional	2.43	Contract in place through 6/30/2016
Community College Faculty – AFT	0.37	Contract in place through 6/30/2016
Community College Faculty – CCCC	1.22	Contract in place through 6/30/2016
Community College Administration – CCCC	0.98	Contract in place through 6/30/2016
Community College Administration – AFSCME	0.12	Contract in place through 6/30/2016
Community College AFT Counsel/Librarian	0.03	Contract in place through 6/30/2016
Vocational Technical School Faculty	2.18	Contract in place through 6/30/2016
State Police	2.01	Contract in place through 6/30/2011[b]
State Police Lieutenants & Captains	0.07	Contract in place through 6/30/2016
Protective Services	1.57	Contract in place through 6/30/2016
Education A	0.48	Contract in place through 6/30/2016
Education B	1.29	Contract in place through 6/30/2016
American Federation of School Administration	0.10	Contract in place through 6/30/2016
State University Non-Faculty Professional	1.39	Contract in place through 6/30/2016
UCHC – Faculty	1.08	Contract in place through 6/30/2016
UConn – Law School Faculty	0.09	Contract in place through 6/30/2016
Judicial Judges	0.37	Contract in place through 6/30/2016
Judicial – Law Clerks	0.11	Contract in place through 6/30/2016
Connecticut Association Prosecutors	0.47	Contract in place through 6/30/2016
Criminal Justice Residual	0.23	Contract in place through 6/30/2016
Higher Education – Professional Employees	0.06	Contract in place through 6/30/2016
Board State Academic Awards Professional	0.12	Contract in place through 6/30/2016
Judicial – Judicial Marshals	1.30	Contract in place through 6/30/2016
DPDS Public Defenders	0.38	Contract in place through 6/30/2016
DPDS Chief Public Defenders	0.04	Contract in place through 6/30/2016
Criminal Justice Inspectors	0.14	Contract in place through 6/30/2016
Division Public Defender Services – Statutory	0.00	Contract in place through 6/30/2016
Judicial – Supervisory Judicial Marshals	0.12	Contract in place through 6/30/2013
Total Covered by Collective Bargaining	90.32%	

Bargaining Unit/Status Group	Percentage of State Employees Represented[a]	Contract Status, if any
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.22%	Not Applicable
Other Employees	9.47%	Not Applicable
Total Not Covered by Collective Bargaining	9.69%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 51,478 filled full-time positions as of June 30, 2012.

(b) Currently in negotiation.

SOURCE: Office of Policy and Management

Governmental Services

Services provided by the State or financed by State appropriations are classified under one of ten major government function headings or are classified as "non-functional". These function headings are used for the State's General Fund and for other funds of the State used to account for appropriated moneys. State agencies, boards, commissions and other bodies are each assigned to one of the function headings for budgeting purposes. The following table shows a breakdown of the government function headings according to the major agencies, boards, commissions and other bodies assigned to them.

TABLE A-5

Function of Government Headings[(a)(b)]

Legislative
Legislative Management
Auditors of Public Accounts
Commission on Aging
Commission on the Status of Women
Commission on Children
Latino and Puerto Rican Affairs Commission
African-American Affairs Commission
Asian Pacific American Affairs Commission

General Government
Governor's Office
Lieutenant Governor's Office
Secretary of the State
Office of Governmental Accountability
State Treasurer
State Comptroller
Department of Revenue Services
Office of Policy and Management
Department of Veterans' Affairs
Department of Administrative Services
Department of Construction Services
Attorney General
Division of Criminal Justice

Regulation and Protection
Department of Emergency Services and Public Protection
Department of Motor Vehicles
Military Department
Department of Banking
Insurance Department
Office of Consumer Counsel
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Commission on Human Rights and Opportunities
Office of Protection and Advocacy for Persons with Disabilities
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Energy and Environmental Protection
Council on Environmental Quality
Department of Economic and Community Development
Department of Housing
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of the Chief Medical Examiner
Department of Developmental Services
Department of Mental Health and Addiction Services
Psychiatric Security Review Board

Transportation
Department of Transportation

Human Services
Department of Social Services
State Department on Aging
Soldiers, Sailors, and Marines' Fund
Department of Rehabilitation Services

Education, Libraries and Museums
Department of Education
State Library
University of Connecticut
University of Connecticut Health Center
Board of Regents for Higher Education
Office of Higher Education
Teachers' Retirement Board

Corrections
Department of Correction
Department of Children and Families

Judicial
Judicial Department
Public Defender Services Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.

(b) Listing of agencies, boards, commissions and similar bodies is as of January 1, 2013.

SOURCE: Office of Policy and Management

In addition to services provided directly by the State, various State-wide and regional quasi-public agencies, authorities and similar bodies also provide services. Such entities principally assist in the financing of various types of facilities and projects. In addition to their own budgetary resources and the proceeds of their borrowings, a number of such entities have received substantial funding from the State, which the entities generally use to provide financial assistance to the general public and the private and nonprofit sectors.

Because Connecticut does not have an intermediate county level of government between State and local government, local entities provide all governmental services not provided by the State and quasi-public agencies. Such services are financed principally from property tax revenues, State funding of various types and federal funding.

Department of Emergency Services and Public Protection. The Department of Emergency Services and Public Protection is responsible for directing and coordinating all available resources to protect the life and property of the citizens of Connecticut in the event of a disaster or crisis, including an emergency relating to homeland security. Through the Division of Emergency Management and Homeland Security (DEMHS), the Department directs the preparation of state emergency plans, which are submitted to the Governor for approval. For planning purposes, DEMHS has given priority for preparedness to the following potential scenarios: (i) a Category 3 hurricane hitting the State coast and all of New England, (ii) a large scale terrorist attack in New York City, and (iii) a release of contamination from the Millstone Power Plant. DEMHS also operates the state fusion center – the Connecticut Intelligence Center, a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other related groups. Pursuant to the Connecticut General Statutes, the Commissioner of the Department is required to file an annual report each January to the joint standing committee of the General Assembly having cognizance of matters relating to public safety, which report specifies and evaluates statewide emergency management and homeland security activities during the preceding calendar year.

STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. Over one quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of the State.

Economic Resources

Population Characteristics. Connecticut had a population count of 3,574,097 in April 2010, an increase of 168,532, or 4.9%, from the 3,405,565 figure of 2000. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past four decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 3.8% from 2002 to 2012 versus 3.1% in New England and 9.1% for the nation. The mid-2012 population in Connecticut was estimated at 3,590,347 up 0.1% from a year ago, compared to increases of 0.3% and 0.7% for New England and the United States, respectively. From 2002 to 2012, within New England, only New Hampshire (4.1%) experienced growth higher than Connecticut (3.8%); while Massachusetts (3.6%), Maine (2.6%), Vermont (1.7%) and Rhode Island (-1.5%) all experienced lower growth.

TABLE B-1

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
2010 Census	3,574	4.9	14,445	3.7	308,746	9.7
2002….	3,459	0.8	14,122	0.6	287,625	0.9
2003….	3,484	0.7	14,182	0.4	290,108	0.9
2004….	3,496	0.3	14,207	0.2	292,805	0.9
2005….	3,507	0.3	14,217	0.1	295,517	0.9
2006….	3,517	0.3	14,246	0.2	298,380	1.0
2007….	3,527	0.3	14,279	0.2	301,231	1.0
2008….	3,546	0.5	14,340	0.4	304,094	1.0
2009….	3,562	0.5	14,404	0.4	306,772	0.9
2010….	3,577	0.4	14,463	0.4	309,326	0.8
2011….	3,587	0.3	14,517	0.4	311,588	0.7
2012….	3,590	0.1	14,563	0.3	313,914	0.7

Note: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2002-2012 Mid-year estimates. Estimates for New England include the sum of six states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The State is highly urbanized with a 2012 population density of 741 persons per square mile, as compared with 88 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2010 Census count, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

Education. In 2011 Connecticut ranked 3rd in the nation with 15.7% of the state population over the age of 25 holding an advanced degree and 36.2% of the same population holding a college degree or higher.

Connecticut is home to over 45 colleges and universities, including among others: Yale University, Wesleyan University, Trinity College, Connecticut College, University of Connecticut, Southern Connecticut State University, Central Connecticut State University, Eastern Connecticut State University, Western Connecticut State University, Fairfield University, Quinnipiac University, Hartford Seminary, Coast Guard Academy, University of New Haven, University of Hartford, and Sacred Heart University.

Industry Landscape. Connecticut is home to some of the country's leading companies, including the following members of the 2012 Fortune 500: General Electric, United Technologies, Aetna, Xerox, Cigna, Hartford Financial Services, Praxair, Stanley Black & Decker, Terex, Emcor Group, Starwood Hotels & Resorts, Pitney Bowes, Frontier Communications, and W.R. Berkley. The historical presence of the insurance industry in the State, and especially in its capital city of Hartford, has caused it to be referred to as the "insurance capital of the world".

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Bradley International Airport, in Windsor Locks, currently offers 102 weekday departures to 27 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. It is accessible from all areas of the State and western Massachusetts.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads as well as direct access to Canadian markets. In addition, Connecticut's proximity to the ports of New York and Boston provides it with access to European and South American export markets. The State's harbors at Bridgeport, New Haven, and New London can accommodate deep draft vessels.

The Connecticut Department of Transportation subsidizes and oversees the operations of both rail commuter services and bus services. The New Haven Line (including the Waterbury, Danbury and New Canaan branch lines) and Shore Line East Line provide commuter rail services for stations between New London and New York City for approximately 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.

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 Public Utilities Regulatory Authority (PURA), formerly known as the Department of Public Utility Control, but must receive a license issued by the PURA before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory are not subject to the 1998 restructuring legislation. These consumers continue to purchase and receive their electrical needs from the municipal electric company.

Natural gas is delivered to Connecticut through pipelines that traverse the State. Natural gas pipeline supplies are generally shipped to Connecticut from Canada and the Gulf of Mexico area. Connecticut also receives natural gas through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by tanker ships. Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Yankee Gas Services Company, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, UIL Holdings Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. UIL Holdings Corp., the parent company of The United Illuminating Company, is a New Haven, Connecticut-based utility holding company. Yankee Gas was acquired by Northeast Utilities.

Since 1996 the PURA has allowed some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also open to competition. Local exchange telephone service is provided in the State by local exchange carriers (LECs) and competitive local exchange carriers (CLECs). Two LECs currently offer local telephone services in Connecticut. They are AT&T and Verizon New York, Inc. Connecticut also has approximately 105 CLECs certified to provide local exchange services including Comcast Phone of Connecticut, Inc., Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can affect Connecticut's local oil markets.

Although Connecticut is heavily dependent upon petroleum, the State is ranked one of the most efficient states for energy consumption. According to the most recent available data from the Energy Information Administration, an independent agency within the U.S. Department of Energy that collects and analyzes energy data, Connecticut consumed 3.6 thousand British Thermal Units (BTU) per 2005 chained dollar of Gross State Product in 2010, the latest available data, ranking the most efficient state among the 50 states and 52.0% less than the national average of 7.5 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 211 million BTU of energy per person in 2010, ranking it 47th among the 50 states and 33.2% less than the national average of 316.0 million BTU.

Connecticut energy prices, including gasoline, natural gas and heating oil, remained high in most of 2012, with the exception of natural gas prices that have fallen to historic lows due to increased supply. The abundance of natural gas resulted from the development of horizontal drilling and hydraulic fracturing in U.S. shale formations. Higher energy prices impact consumer and investment spending as well as economic growth.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. In calendar year 2011, per capita personal income in Connecticut equaled $57,902, the highest of any state in the nation. This high level of personal income is not concentrated in a single county, but is widely distributed throughout the State. County-level data from the United States Department of Commerce, Bureau of Economic Analysis for calendar year 2009 indicates that if they were states, seven of the State's eight counties would each rank within the top ten of all states in the nation for state per capita personal income. The eighth county, Windham, would rank 29th in the nation. The following table shows total and per capita personal income for Connecticut residents during the period from 2002 to 2011 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 Total (Millions of Dollars)	Connecticut Per Capita (Dollars)	Connecticut Per Capita as Percent of New England	Connecticut Per Capita as Percent of United States
2002	$149,567	$43,243	113.4%	137.3%
2003	151,832	43,575	112.3	134.8
2004	161,428	46,174	113.1	136.1
2005	168,804	48,134	113.6	135.7
2006	184,049	52,324	114.7	138.6
2007	197,029	55,859	115.8	141.3
2008	201,954	56,959	114.5	139.0
2009	188,419	52,900	111.7	136.8
2010	198,178	55,427	113.0	139.1
2011	207,329	57,902	112.9	139.3

(a) For the first 6 months of 2012, Connecticut's seasonally adjusted annualized personal income was $210,371 million.

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)
2002	0.0%	0.9%	2.0%	(1.3)%	(0.4)%	0.6%
2003	1.5	2.2	3.5	(0.5)	0.1	1.4
2004	6.3	5.4	6.0	3.6	2.8	3.3
2005	4.6	3.8	5.5	1.6	0.9	2.5
2006	9.0	7.9	7.5	6.1	5.0	4.6
2007	7.1	5.9	5.7	4.2	3.2	2.9
2008	2.5	3.6	4.6	(0.7)	0.3	1.3
2009	(6.7)	(4.4)	(4.8)	(6.8)	(4.4)	(4.8)
2010	5.2	4.0	3.8	3.2	2.0	1.9
2011	4.6	4.8	5.1	2.1	2.3	2.6

Note—Constant dollars are adjusted for inflation using the GDP deflator.

(a) For the first 6 months of 2012, Connecticut's personal income growth slowed to a seasonally adjusted annualized rate of 1.5% in nominal dollars and 0.0% in real dollars.

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 2011.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2011
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$ 92,493	44.6%	$ 5,945,875	45.9%
Property Income (Div., Rents & Int.)	40,015	19.3	2,093,469	16.2
Wages in Manufacturing	13,280	6.4	706,676	5.5
Transfer Payments less Social Insurance Paid	15,538	7.5	1,401,287	10.8
Other Labor Income	24,781	12.0	1,622,000	12.5
Proprietor's Income	21,222	10.2	1,180,598	9.1
Personal Income — Total	$ 207,330	100.0%	$12,949,905	100.0%

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State's and the region's economic vitality are evidenced in the rate of growth of their respective Gross State Products. The State's Gross State Product is the current market value of all final goods and services produced by labor and property located within the State.

In 2011, the State produced $230.1 billion worth of goods and services and $201.4 billion worth of goods and services in 2005 chained dollars.

The following table shows the Gross State Product in current dollars for Connecticut, New England, and the United States.

TABLE B-5

Gross State Product
(In Millions of Dollars)

Calendar Year	Connecticut $	Connecticut Percent Growth	New England[a] $	New England[a] Percent Growth	United States[b] $	United States[b] Percent Growth
2002	168,865	0.4%	601,670	2.3%	10,642,300	3.5%
2003	173,915	3.0	623,086	3.6	11,142,225	4.7
2004	187,545	7.8	658,374	5.7	11,853,250	6.4
2005	196,307	4.7	685,766	4.2	12,622,950	6.5
2006	209,487	6.7	720,730	5.1	13,377,200	6.0
2007	221,133	5.6	751,780	4.3	14,028,675	4.9
2008	219,449	(0.8)	760,814	1.2	14,291,550	1.9
2009	213,534	(2.7)	755,220	(0.7)	13,973,650	(2.2)
2010	221,347	3.7	785,607	4.0	14,498,925	3.8
2011	230,090	3.9	812,998	3.5	15,075,675	4.0

(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. Figures for the United States are in billions of dollars.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 2005 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2005 Chained Dollars*)

	Connecticut		New England		United States	
Calendar Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
2002	183,310	(1.7)%	648,676	0.3%	11,543,100	1.8%
2003	184,469	0.6	658,810	1.6	11,836,425	2.5
2004	193,548	4.9	678,696	3.0	12,246,925	3.5
2005	196,307	1.4	685,766	1.0	12,622,950	3.1
2006	203,431	3.6	699,902	2.1	12,958,475	2.7
2007	208,854	2.7	710,415	1.5	13,206,375	1.9
2008	202,473	(3.1)	704,506	(0.8)	13,161,925	(0.3)
2009	191,722	(5.3)	681,957	(3.2)	12,757,950	(3.1)
2010	197,451	3.0	705,524	3.5	13,062,975	2.4
2011	201,386	2.0	717,987	1.8	13,299,100	1.8

* 2005 chained dollar series are calculated as the product of the chain-type quantity index and the 2005 current-dollar value of the corresponding series, divided by 100. Figures for the United States are in billions of dollars and represent Gross Domestic Product.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's economy. The table shows that in 2011 Connecticut's production was concentrated in three areas: finance, insurance and real estate (FIRE), services and manufacturing. Production in these three industries accounted for 70.6% of total production in Connecticut compared to 68.9% in 2004 and 60.2% for the nation in 2011. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

The output contribution of manufacturing, however, has been declining over time as the contributions of FIRE and services have been increasing. The share of production from the manufacturing sector decreased from 12.6% in 2004 to 10.9% in 2011 caused by increased competition with foreign countries and other states. The broadly defined services in the private sector, which excludes industries in agriculture and construction, wholesale and retail trades, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have increased slightly to 63.7% of the total GSP in 2011 from 60.2% in 2004. The broadly defined services in the private sector increased by 29.0% from 2004 to 2011 compared to 24.4% 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)

Calendar Year	2004	2005	2006	2007	2008	2009	2010	2011
Sector								
Manufacturing	$ 23,698	$ 23,729	$ 27,178	$ 27,397	$ 26,529	$ 23,502	$ 23,278	$ 25,008
Construction[a]	6,477	7,058	7,540	7,668	6,718	5,988	5,765	5,858
Agriculture[b]	380	363	320	394	361	321	296	304
Utilities[c]	6,361	6,499	6,885	7,684	7,738	7,505	7,292	7,094
Wholesale Trade	9,651	10,484	11,308	12,013	12,403	11,608	11,774	12,345
Retail Trade	11,236	11,639	11,725	11,891	11,209	11,109	11,573	11,925
Information	7,250	7,740	7,697	8,484	9,144	8,525	8,691	9,069
Finance[d]	56,773	59,892	64,194	66,924	64,066	65,957	71,701	74,480
Services[e]	48,830	50,930	53,729	57,767	59,244	57,776	60,456	62,997
Government	16,889	17,970	18,909	20,912	22,038	21,245	20,519	21,009
Total GSP	$187,545	$196,307	$209,487	$221,133	$219,449	$213,534	$221,347	$230,090

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 2002 and 2011. Connecticut's nonagricultural employment reached a high in March 2008 of 1,712,700 persons employed, but began declining with the onset of the recession falling to 1,625,400 jobs by November 2012.

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
2002	1,665.2	(1.0)%	6,928.6	(1.5)%	130,340.7	(1.1)%
2003	1,644.4	(1.2)	6,850.5	(1.1)	129,995.6	(0.3)
2004	1,649.6	0.3	6,874.7	0.4	131,419.0	1.1
2005	1,662.3	0.8	6,918.7	0.6	133,694.0	1.7
2006	1,680.9	1.1	6,986.1	1.0	136,091.0	1.8
2007	1,698.3	1.0	7,046.3	0.9	137,594.7	1.1
2008	1,699.0	0.0	7,045.8	(0.0)	136,794.3	(0.6)
2009	1,626.2	(4.3)	6,788.5	(3.7)	130,786.8	(4.4)
2010	1,607.9	(1.1)	6,771.6	(0.2)	129,856.2	(0.7)
2011	1,623.9	1.0	6,812.4	0.6	131,359.4	1.2

(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 2012 was 1,630,200.

(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 2011. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE B-9

Connecticut Non-agricultural Employment, Calendar Year 2011
(In Thousands)

	Connecticut		United States	
	Total	Percent	Total	Percent
Services[(a)]	706.8	43.5%	55,873.9	42.5%
Trade[(b)]	294.0	18.1	25,017.4	19.0
Manufacturing	166.4	10.2	11,736.3	8.9
Government	239.0	14.7	22,104.8	16.8
Finance[(c)]	134.9	8.3	7,680.8	5.8
Information[(d)]	31.5	1.9	2,658.3	2.0
Construction[(e)]	51.3	3.2	6,288.1	4.8
Total[(f)]	1,623.9	100.0%	131,359.4	100.0%

(a) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(b) Includes wholesale and retail trade, transportation, and utilities.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical data adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Recent trends in the State's non-agricultural employment are reflected in the following table. Throughout the last five decades, while manufacturing employment in Connecticut has been steadily declining, employment in non-manufacturing industries has surged. In calendar year 2011, approximately 89.8% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE B-10

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Calendar Year	Manufacturing	Trade[(a)]	Services[(b)]	Government	Finance[(c)]	Information[(d)]	Construction[(e)]	Total Non-agricultural Employment[(f)]
2002	211.1	309.3	647.6	249.3	142.6	41.0	64.2	1,665.2
2003	200.0	305.5	648.0	246.0	142.7	39.6	62.7	1,644.4
2004	197.2	308.0	655.7	242.7	140.6	39.0	66.4	1,649.6
2005	195.2	310.6	665.5	243.8	142.3	38.1	66.7	1,662.3
2006	193.5	311.0	680.3	245.9	144.3	37.9	67.9	1,680.9
2007	190.7	311.8	694.2	249.3	144.6	38.4	69.4	1,698.3
2008	187.2	309.9	702.1	252.5	143.4	37.8	66.1	1,699.0
2009	171.2	293.2	686.6	248.2	137.6	34.3	55.2	1,626.2
2010	165.7	289.8	690.8	244.1	135.2	31.7	50.6	1,607.9
2011	166.4	294.0	706.8	239.0	134.9	31.5	51.3	1,623.9

(a) Includes wholesale and retail trade, transportation, and utilities.
(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut Labor Department

Manufacturing

The manufacturing industry, despite its continuing downward employment trend over the past five decades, has traditionally served as an economic base industry and has been of prime economic importance to Connecticut. Based on the level of personal income derived from this sector, Connecticut ranked 19th in the nation for its dependency on manufacturing wages in Fiscal Year 2012. 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 2011 approximately 10.2% of the State's workforce, versus 8.9% for the nation, was employed in the manufacturing sector, down from roughly 50% in the early 1950s.

TABLE B-11

Manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
2002	211.1	(6.9)%	815.9	(9.4)%	15,256.5	(7.2)%
2003	200.0	(5.3)	765.0	(6.2)	14,508.4	(4.9)
2004	197.2	(1.4)	746.9	(2.4)	14,315.1	(1.3)
2005	195.2	(1.0)	733.9	(1.7)	14,225.6	(0.6)
2006	193.5	(0.9)	720.6	(1.8)	14,156.2	(0.5)
2007	190.7	(1.5)	709.3	(1.6)	13,877.7	(2.0)
2008	187.2	(1.9)	691.3	(2.5)	13,402.9	(3.4)
2009	171.2	(8.5)	623.4	(9.8)	11,844.8	(11.6)
2010	165.7	(3.2)	606.7	(2.7)	11,527.2	(2.7)
2011	166.4	0.5	609.3	0.4	11,736.3	1.8

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 2011.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[(a)]	Total Manufacturing Employment
2002	45.3	43.2	29.4	20.3	73.0	211.1
2003	43.3	40.9	26.5	18.9	70.4	200.0
2004	43.2	41.1	25.8	18.5	68.6	197.2
2005	43.5	41.0	25.4	18.1	67.1	195.2
2006	43.6	41.1	24.9	18.1	65.9	193.5
2007	43.6	40.4	25.2	18.2	63.3	190.7
2008	44.3	40.1	25.3	17.7	59.8	187.2
2009	43.1	35.1	23.4	16.0	53.6	171.2
2010	42.2	33.6	23.0	15.0	51.9	165.7
2011	42.1	34.5	23.3	14.8	51.7	166.4

(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 2002 at 211,100 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 165,700 in 2010. The total number of manufacturing jobs dropped 44,700, or 21.2%, from its decade high in 2002.

Exports. In Connecticut, the export sector of manufacturing has assumed an important role in overall economic growth. According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the University of Massachusetts (MISER), exports of manufacturing products registered at $16.2 billion in 2011, accounting for 7.0% of Gross State Product. From 2007 to 2011, the State's export of goods grew at an average compound annual rate of 4.1% versus 1.0% for the Gross State Product. The following table shows the growth in exports of manufacturing products.

TABLE B-13

Exports Originating in Connecticut
(In Millions)

	Calendar Year 2007	2008	2009	2010	2011	Percent of 2011 Total	Compound Annual Growth Rate 2007-2011
A. Manufacturing Products							
Transportation Equipment	$ 5,813.1	$ 6,500.2	$ 6,428.2	$ 6,987.1	$ 6,866.7	42.4%	4.3%
Computer & Electronics	1,297.6	1,294.2	1,037.6	1,305.6	1,439.8	8.9	2.6
Machinery, Except Electronics	1,618.5	1,555.8	1,439.0	1,549.0	1,853.2	11.4	3.4
Fabricated Metal Production	585.9	622.3	547.3	615.9	673.0	4.2	3.5
Chemicals	1,447.9	1,575.7	833.4	922.3	913.4	5.6	(10.9)
Misc. Manufacturing	229.5	272.4	291.3	252.7	240.1	1.5	1.1
Electrical Equipment	606.1	603.4	489.8	604.1	739.4	4.6	5.1
Plastics & Rubber	212.4	251.1	228.7	254.8	310.3	1.9	9.9
Paper	147.7	147.2	169.3	181.9	176.5	1.1	4.6
Primary Metal Mfg.	480.4	509.0	316.6	536.7	568.2	3.5	4.3
Others	1,359.8	2,052.8	2,197.6	2,846.5	2,431.3	15.0	15.6
Total	$13,799.1	$15,384.1	$13,978.9	$16,056.4	$16,211.9	100.0%	4.1%
% Growth	12.7%	11.5%	(9.1)%	14.9%	1.0%		
B. Gross State Product[(a)]	$221,133	$219,449	$213,534	$221,347	$230,090		1.0%
Mfg Exports as a % of GSP	6.2%	7.0%	6.5%	7.3%	7.0%		6.8%[(b)]

(a) In millions
(b) Arithmetic mean of 2007-2011 values.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis
Massachusetts Institute for Social and Economic Research, University of Massachusetts (MISER)

Defense Industry. One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one quarter of the State's manufacturing employees are employed in defense related business. Nonetheless, this sector's significance in the State's economy has declined considerably since the early 1980s. Connecticut had witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State; however, these amounts have been climbing most years since federal fiscal year 2000-01. In federal Fiscal Year 2011 Connecticut received $12.3 billion of prime contract awards. These total awards accounted for 3.7% of national total awards and ranked 8th in total defense dollars awarded and 3rd in per capita dollars awarded among the 50 states. In Fiscal Year 2011, Connecticut had $3,437 in per capita defense awards, compared to the national average of $1,055. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut-based firms were 5.1% of Gross State Product in Fiscal Year 2011, down from 5.4% of Gross State Product in fiscal year 2009-10.

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	Percent Change from Prior Year U.S.
2002	$ 5,638,585	9th	32.1%	17.4%
2003	8,064,809	5th	43.0	20.5
2004	8,959,424	5th	11.1	6.4
2005	8,753,063	7th	(2.3)	16.5
2006	7,780,793	10th	(11.0)	8.6
2007	8,601,359	9th	10.5	22.6
2008	9,696,554	11th	12.7	16.0
2009	11,832,737	8th	22.0	(9.5)
2010	11,121,517	8th	(0.1)	(2.7)
2011	12,307,957	8th	10.7	2.1

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 50.0% of total State employment in 1950 to approximately 89.8% by 2011. This trend has diluted the State's dependence on manufacturing. From 2002 to 2011, Connecticut had a total loss of 41.300 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 3,500, while manufacturing jobs declined by 44,700.

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
2002	1,454.0	0.1%	6,112.7	(0.7)%	115,084.2	(0.3)%
2003	1,444.4	(0.7)	6,085.5	(0.4)	115,487.2	0.4
2004	1,452.4	0.6	6,127.7	0.7	117,103.9	1.4
2005	1,467.0	1.0	6,184.8	0.9	119,468.4	2.0
2006	1,487.4	1.4	6,265.4	1.3	121,934.8	2.1
2007	1,507.6	1.4	6,337.0	1.1	123,717.0	1.5
2008	1,511.8	0.3	6,354.6	0.3	123,391.4	(0.3)
2009	1,455.0	(3.8)	6,165.1	(3.0)	118,942.0	(3.6)
2010	1,442.2	(0.9)	6,164.9	0.0	118,329.0	(0.5)
2011	1,457.5	1.1	6,203.1	0.6	119,623.2	1.1

SOURCE: United States Department of Labor, Bureau of Labor Statistics
Connecticut State Labor Department

Services, retail and wholesale trade, state and local government, as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 89.8% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2002, 2009, 2010 and 2011 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 2002 and 2011, employment in the service industry expanded by 59,200 workers driving an increase of 3,500 non-manufacturing jobs, amid a time when all other non-manufacturing jobs registered a decrease in jobs. Without the service sector, total non-manufacturing employment would have declined by 55,800 jobs.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry (In Thousands)

Industry	Calendar Year 2002	Calendar Year 2009	Calendar Year 2010	Calendar Year 2011	Percent Change 2010-11	Percent Change 2002-11
Construction[(a)]	64.2	55.2	50.6	51.3	1.5%	(20.1)%
Information[(b)]	41.0	34.3	31.7	31.5	(0.6)	(23.2)
Trade[(c)]	309.3	293.2	289.8	294.0	1.5	(4.9)
Finance, Insurance & Real Estate	142.6	137.6	135.2	134.9	(0.3)	(5.4)
Services[(d)]	647.6	686.6	690.8	706.8	2.3	9.1
Federal Government	21.3	19.3	19.6	17.9	(8.8)	(15.7)
State and Local Government	228.1	228.9	224.5	221.1	(1.5)	(3.1)
Total Non-manufacturing Employment[(d)]	1,454.0	1,455.0	1,442.2	1,457.5	1.1%	0.2%

(a) Includes natural resources and mining.

(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(c) Includes wholesale & retail trade, transportation, and utilities.

(d) Totals may not agree with detail due to rounding and seasonal statistical data adjustments.

SOURCE: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for over two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured by Gross State Product. During the last decade, variations in retail trade closely matched variations in Gross State Product growth, making retail trade an important barometer of economic health.

The following table shows the major group in each North American Industry Classification System (NAICS) code as well as the State's retail trade history for the past four fiscal years. Connecticut retail trade in Fiscal Year 2012 totaled $53.2 billion, an increase of 7.6% from Fiscal Year 2011. Sales in the durable goods category, which were severely impacted during the recession, registered three consecutive yearly declines before beginning to recover in Fiscal Year 2010 and accelerating further in Fiscal Year 2011. Durable goods are mostly big ticket items such as appliances, furnishings, and automobiles.

TABLE B-17

Retail Trade In Connecticut[(a)]
(In Millions)

NAICS		Fiscal Year 2008	Percent of Fiscal Year 2008 Total	Fiscal Year 2009	Percent of Fiscal Year 2009 Total	Fiscal Year 2010	Percent of Fiscal Year 2010 Total	Fiscal Year 2011	Percent of Fiscal Year 2011 Total	Fiscal Year 2012	Percent of Fiscal Year 2012 Total	Average Percent Growth Fiscal Year 2008-2012
441	Motor Vehicle and Parts Dealers	$ 8,197	16. 8%	$ 6,475	14.2%	$ 6,933	15.8%	$ 7,610	15.4%	$ 7,996	15.0%	(0.6)%
442	Furniture and Home Furnishings Stores	1,993	4.1	1,456	3.2	1,275	2.9	1,221	2.5	1,182	2.2	(12.3)
443	Electronics and Appliance Stores	1,686	3. 5	1,595	3.5	1,450	3.3	1,582	3.2	1,748	3.3	0.9
444	Building Material and Garden Supply Stores	3,243	6.6	2,767	6.1	2,727	6.2	2,845	5.8	3,023	5.7	(1.7)
445	Food and Beverage Stores[(b)]	9,433	19.3	8,927	19.6	7,199	16.5	10,222	20.7	10,799	20.3	3.4
446	Health and Personal Care Stores	3,905	8.0	4,961	10.9	4,920	11.2	5,066	10.3	4,667	8.8	4.6
447	Gasoline Stations	3,403	7.0	2,868	6.3	2,974	6.8	3,426	6.9	3,788	7.1	2.7
448	Clothing and Clothing Accessories Stores	2,947	6.0	2,667	5.9	2,700	6.2	2,739	5.5	2,827	5.3	(1.0)
451	Sporting Goods, Hobby, Book and Music Stores	1,195	2.5	1,052	2.3	995	2.3	1,013	2.1	979	1.8	(4.9)
452	General Merchandise Stores	5,193	10.6	5,215	11.5	5,210	11.9	5,275	10. 7	5,377	10.1	0.9
453	Miscellaneous Store Retailers	4,037	8.3	3,964	8.7	4,036	9.2	4,757	9.6	5,017	9.4	5.6
454	Nonstore Retailers	3,616	7.4	3,508	7.7	3,338	7.6	3,677	7.4	5,809	10.9	12.6
	Total[(a)]	$48,848	100.00%	$45,455	100.00%	$43,757	100.00%	$49,433	100.00%	$53,209	100.00%	2.2%
Durables (NAICS 441, 442, 443, 444)		$15,119	31.0%	$12,293	27.0%	$12,385	28.3%	$13,258	26.8%	$13,948	26.2%	
Non Durables (all other NAICS)		$33,729	69.1%	$33,162	73.0%	$31,373	71.7%	$36,175	73.2%	$39,261	74.0%	

(a) Totals may not agree with detail due to rounding.

(b) Please note that due to a discrepancy in reporting methodology, figures for Food and Beverage Stores from 2008-2010 filed by several large supermarkets appear inconsistent with past reporting practices and thus the above figures may not be reflective of actual trends.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

After enjoying an extraordinary boom during the late 1990s, Connecticut, as well as the rest of the Northeast and the Nation, experienced an economic slowdown during the recession of the early 2000s. The unemployment rate in the State reached its low of 2.3% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to 5.5% in 2003, Connecticut's unemployment rate declined to 4.4% by 2006, but climbed during the most recent recession to 9.1% in 2010. During the subsequent weak economic recovery of Connecticut's average unemployment rate fell to 7.9% for the first six months of 2012 compared to the New England average of 7.0% and the national average of 8.2% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2003 through 2012.

TABLE B-18

Unemployment Rate

	Unemployment Rate		
Calendar Year	**Connecticut**	**New England**	**United States**
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	4.5	4.6
2008	5.6	5.4	5.8
2009	8.3	8.2	9.3
2010	9.1	8.5	9.6
2011	8.9	7.8	9.0
2012[(a) (b)]	7.9	7.0	8.2

(a) Reflects average for the first six months.

(b) On a preliminary basis, Connecticut's average unemployment rate for December 2012 was 8.6% compared to the national average of 7.8% 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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APPENDIX III-C

STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT
06106-1775

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

February 28, 2013

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, 2012. The statements and the subsequent Independent Auditors' Report are incorporated within the Comprehensive Annual Report of the State of Connecticut, which is prepared by my office using the guidance of generally accepted accounting principles.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

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

JOHN C. GERAGOSIAN

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
Members of the General Assembly

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, 2012, 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, which in the aggregate, represent six percent of the assets and five 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 44 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units;

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 95 percent of the assets and 97 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the 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 64 percent of the assets and 44 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, Connecticut Development Authority, Capital City Economic Development Authority, Connecticut Lottery Corporation, Connecticut Resources Recovery Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, Connecticut Innovations Incorporated and the Clean Energy Finance and Investment Authority were 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 Bradley International Airport Parking Facility, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, 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, 2012, 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 28, 2013, 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 in the *State of Connecticut Single Audit Report for the Fiscal Year Ended June 30, 2012,* and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 23 to the financial statements, the State of Connecticut restated the GAAP fund balance within the General Fund for the fiscal year ended June 30, 2011. The adjustment arose from the under reporting of the General Fund tax receivable balance accrued for GAAP purposes but not for budgetary-basis purposes in the amount of $172.7 million, which resulted in an understatement of GAAP income tax revenue by that same amount.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress for pension and other post-employment benefit plans and the schedules of employer contributions for pension and other post-employment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the course of our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole.

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 and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 28, 2013
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, 2012. 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, 2012, the State had a combined net asset deficit of $10.6 billion, an increase of $603 million when compared to the prior year ending deficit balance. This increase resulted from an increase of $885 million in the net asset deficit of governmental activities, which was offset by an increase of $282 million in the net assets of business-type activities.

Fund Level:
The governmental funds had a total fund balance of $1.7 billion at year end. Of this amount, $2.5 billion represents fund balance that is considered restricted for specific purposes by external constraints or enabling legislation and $1.2 billion represents unassigned fund balance deficit. The General Fund's share of the deficit is $1.1 billion, which decreased by $603 million this fiscal year.

The Enterprise funds had total net assets of $4.5 billion, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt:
Total long-term debt was $28.2 billion for governmental activities, of which $18.7 billion was bonded debt.

Total long-term debt was $2.6 billion for business-type activities, of which $1.5 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business.

The statement of net 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 major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The government-wide financial statements include not only the State itself (known as the primary government), but also the activities of nine legally separate Component Units for which the State is financially accountable: the Connecticut Housing Finance Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Development Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Resources Recovery Authority, Connecticut Innovations, Incorporated, the Capital City Economic Development Authority, the University of Connecticut Foundation, Incorporated, and the Clean Energy Finance and Investment Authority. Financial information for these Component Units is reported separately from the financial information presented for the primary government itself. Financial information of the individual component units can be found in the basic financial statements following the fund statements, and complete financial statements of the individual component units can be obtained from their respective administrative offices.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the Transportation Fund, and the Restricted Grants and Accounts Fund, all of which are considered major funds. Data from other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Fund balance (difference between assets and liabilities) of governmental funds is classified as nonspendable, restricted, and unrestricted (committed, assigned or unassigned).

The State adopts a biennial budget for the General Fund, the Transportation Fund, and other Special Revenue funds. A budgetary comparison statement has been provided for the General Fund and the Transportation Fund to demonstrate compliance with the current fiscal year budgets.

Proprietary Funds

Proprietary funds (Enterprise funds and Internal Service funds) are used to show activities that operate more like those of commercial enterprises. Enterprise funds charge fees for services provided to outside customers. They are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes information regarding the State's progress on funding its obligation to provide pension and other postemployment benefits to its employees.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains the following information.

- Combining Fund Statements and Schedules – Nonmajor funds
- Statistical Section

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET 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 6.1 percent to $10.6 billion. In comparison, last year the combined net asset deficit increased 5.4 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011*	2012	2011	2012	2011*
ASSETS:						
Current and Other Assets	$ 3,944	$ 4,489	$ 4,070	$ 4,236	$ 8,014	$ 8,725
Capital Assets	10,966	10,924	3,597	3,468	14,563	14,392
Total Assets	14,910	15,413	7,667	7,704	22,577	23,117
LIABILITIES:						
Current Liabilities	3,498	3,824	784	787	4,282	4,611
Long-term Liabilities	26,443	25,735	2,408	2,724	28,851	28,459
Total Liabilities	29,941	29,559	3,192	3,511	33,133	33,070
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	5,305	4,905	2,953	2,819	8,258	7,724
Restricted	1,648	1,810	1,106	1,152	2,754	2,962
Unrestricted	(21,984)	(20,861)	416	222	(21,568)	(20,639)
Total Net Assets (Deficit)	$ (15,031)	$ (14,146)	$ 4,475	$ 4,193	$(10,556)	$ (9,953)

* Restated for comparative purposes. See Note 23.

The net asset deficit of the State's governmental activities increased $885 million (6.3 percent) to $15.0 billion during the current fiscal year. Of this amount, $5.3 billion was invested in capital assets (buildings, roads, bridges, etc.) and $1.6 billion was restricted for specific purposes, resulting in an unrestricted net asset deficit of $21.9 billion. This deficit is the result of having long-term obligations that are greater than currently available resources. Specifically, the State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds issued in the amount of $5.8 billion to finance various municipal grant programs (e.g., school construction) and $2.3 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of $9.5 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB obligations and compensated absences).

Net assets of the State's business-type activities increased $282 million (6.7 percent) to $4.5 billion during the current fiscal year. Of this amount, $3.0 billion was invested in capital assets and $1.1 billion was restricted for specific 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

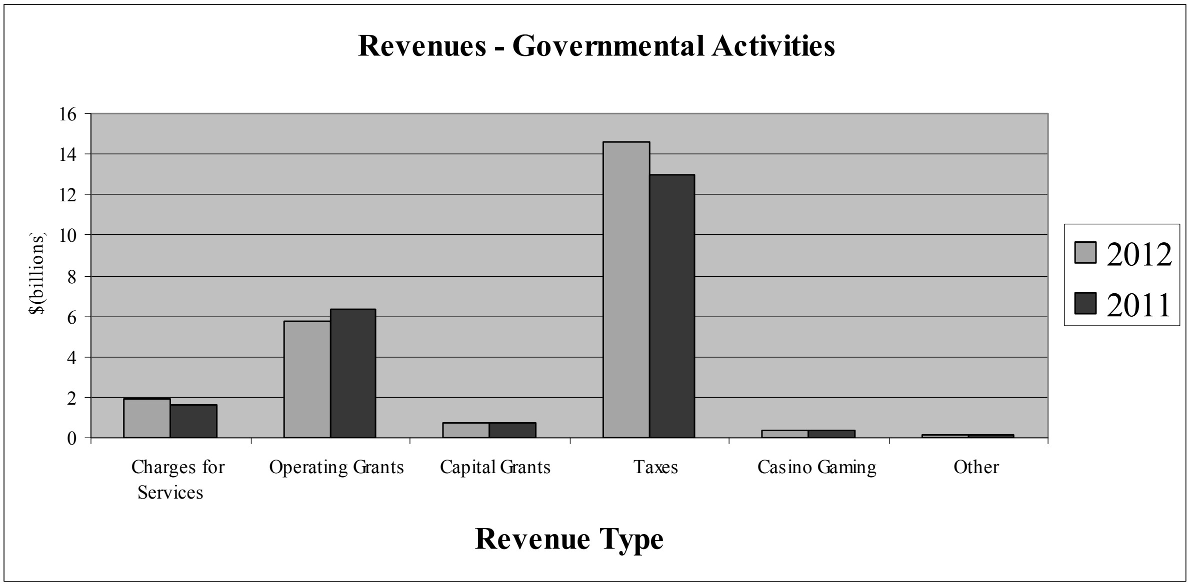
Changes in net assets for the years ended June 30, 2012 and 2011 were as follows:

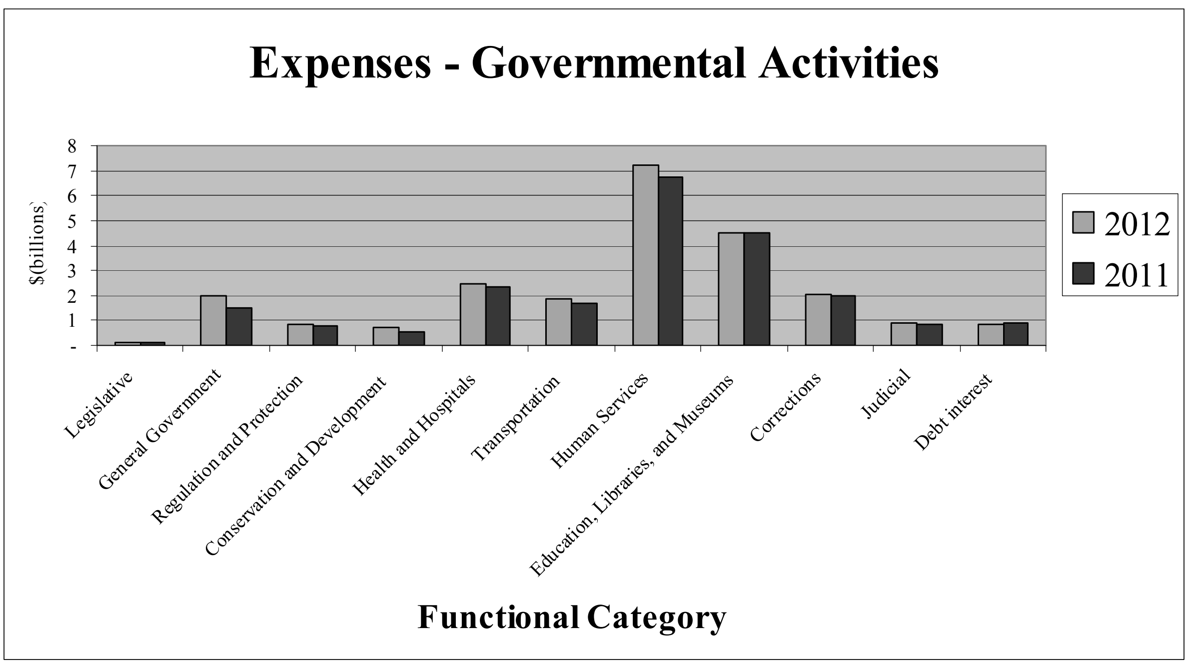
State of Connecticut's Changes in Net Assets
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		%change
	2012	2011*	2012	2011	2012	2011*	12-11
REVENUES							
Program Revenues							
Charges for Services	$ 1,952	$ 1,647	$ 3,617	$ 3,416	$ 5,569	$ 5,063	10.0 %
Operating Grants and Contributions	5,771	6,350	1,412	1,790	7,183	8,140	-11.8%
Capital Grants and Contributions	716	725	18	40	734	765	-4.1%
General Revenues							
Taxes	14,585	12,960	-	-	14,585	12,960	12.5%
Casino Gaming Payments	345	360	-	-	345	360	-4.2%
Other	140	141	28	31	168	172	-2.3%
Total Revenues	23,509	22,183	5,075	5,277	28,584	27,460	4.1%
EXPENSES							
Legislative	114	101	-	-	114	101	12.9%
General Government	1,988	1,529	-	-	1,988	1,529	30.0%
Regulation and Protection	853	790	-	-	853	790	8.0%
Conservation and Development	693	536	-	-	693	536	29.3%
Health and Hospitals	2,476	2,331	-	-	2,476	2,331	6.2%
Transportation	1,846	1,657	-	-	1,846	1,657	11.4%
Human Services	7,223	6,764	-	-	7,223	6,764	6.8%
Education, Libraries and Museums	4,496	4,520	-	-	4,496	4,520	-0.5%
Corrections	2,061	1,958	-	-	2,061	1,958	5.3%
Judicial	910	838	-	-	910	838	8.6%
Interest and Fiscal Charges	816	874	-	-	816	874	-6.6%
University of Connecticut & Health Center	-	-	1,802	1,807	1,802	1,807	-0.3%
State Universities	-	-	652	652	652	652	0.0%
Bradley International Airport	-	-	64	68	64	68	-5.9%
CT Lottery Corporation	-	-	781	738	781	738	5.8%
Employment Security	-	-	1,823	2,307	1,823	2,307	-21.0%
Clean Water	-	-	53	45	53	45	17.8%
Other	-	-	536	543	536	543	-1.3%
Total Expenses	23,476	21,898	5,711	6,160	29,187	28,058	4.0%
Excess (Deficiency) Before Transfers	33	285	(636)	(883)	(603)	(598)	0.8%
Transfers	(918)	(791)	918	791	-	-	0.0%
Increase (Decrease) in Net Assets	(885)	(506)	282	(92)	(603)	(598)	0.8%
Net Assets (Deficit) - Beginning (as restated)	(14,146)	(13,640)	4,193	4,285	(9,953)	(9,355)	6.4%
Net Assets (Deficit) - Ending	$ (15,031)	$ (14,146)	$ 4,475	$ 4,193	$ (10,556)	$ (9,953)	6.1%

**Restated for comparative purposes. See note 23.*

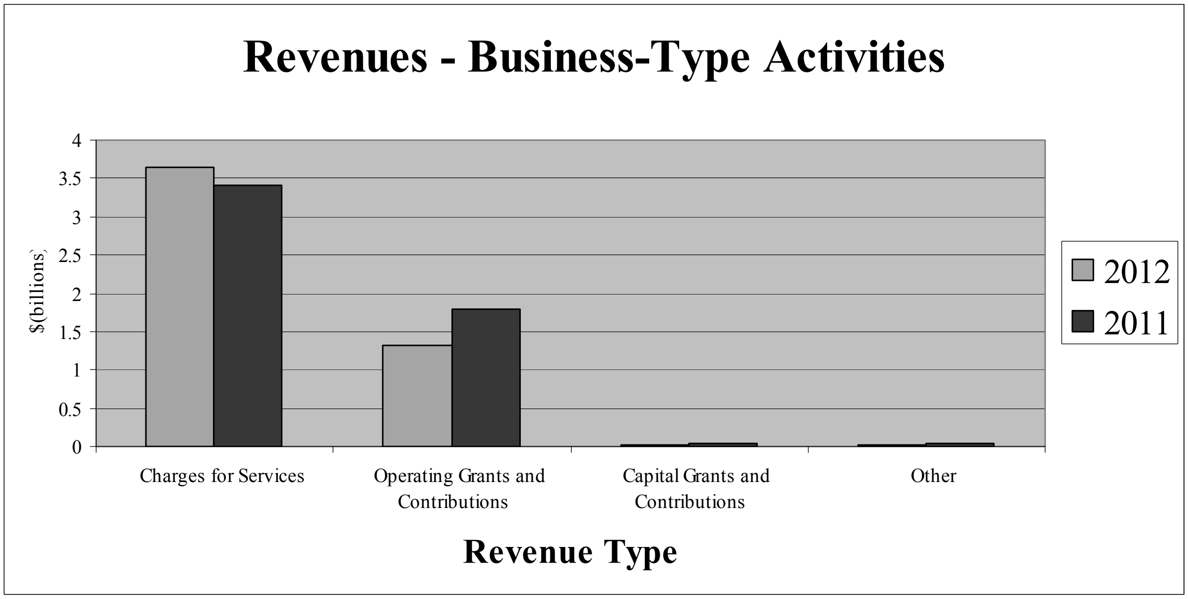
GOVERNMENTAL ACTIVITIES
The following charts provide a two-year comparison of governmental activities revenues and expenses.

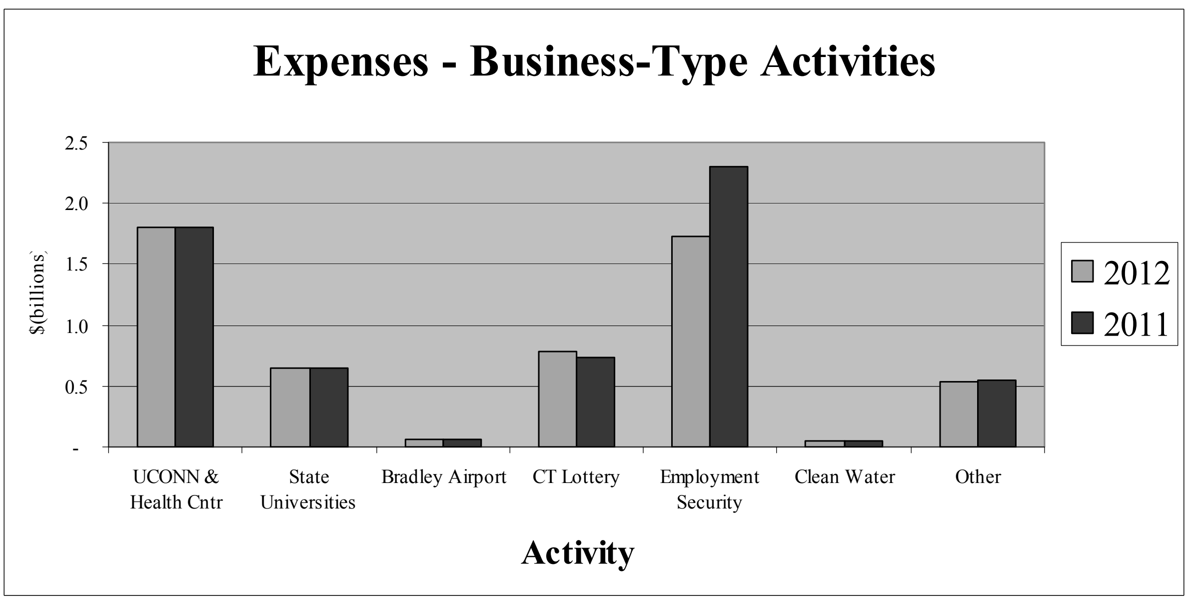




During the year, total revenues of governmental activities increased 6.0 percent to $23.5 billion, while total expenses increased 7.2 percent to $23.5 billion. In comparison, last year total revenues increased 7.2 percent, while total expenses decreased 4.6 percent. The increase in total revenues of $1.3 billion was due mainly to an increase in taxes of $1.6 billion or 12.5 percent. The increase in total expenditures of $1.6 billion was due mainly to an increase in general government and human services expenditures of $1.0 billion or 11.1 percent. Although, total revenues exceeded total expenses by $33 million, this excess was reduced by transfers of $918 million, resulting in a decrease in net assets of $885 million.

BUSINESS-TYPE ACTIVITIES
The following charts provide a two-year comparison of business-type activities revenues and expenses.





During the year, total revenues of business-type activities decreased 3.8 percent to $5.1 billion, while total expenses decreased 7.3 percent to $5.7 billion. In comparison, last year total revenues increased 2.2 percent, while total expenses decreased 4.1 percent. The decrease in total expenses of $449 million was due mainly to a decrease in Employment Security expenses of $484 million or 21.0 percent. Although, total expenses exceeded total revenues by $636 million, this deficiency was reduced by transfers of $918 million, resulting in a increase in net assets of $282 million.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance serves as a useful measure of the State's net resources available for spending at the end of the fiscal year.

As of June 30, 2012, the State's governmental funds had fund balances of $1.7 billion, showing a slight improvement over the prior year ending fund balances. Of the total governmental fund balances, $2.5 billion represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $0.1 billion represents fund balance that is non-spendable; $0.2 billion represents fund balance that is committed or assigned for specific purposes by the Legislature and $1.1 billion represents unassigned fund balance deficit.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2012, the General Fund had a fund balance deficit of $0.9 billion. Of this amount, $0.2 billion represents fund balance that is non-spendable or committed for specific purposes by the Legislature, leaving a deficit of $1.1 billion in unassigned fund balance. Fund balance deficit decreased by $212 million during the current fiscal year.

Debt Service Fund

As of June 30, 2012, the Debt Service Fund had a fund balance of $703 million, all of which was restricted. Fund balance decreased by $5 million during the current fiscal year.

Transportation Fund

As of June 30, 2012, the Transportation Fund had a fund balance of $209 million. Of this amount, $31 million was in nonspendable form and $178 million was restricted for specific purposes. Fund balance increased by $39 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2012, the Restricted Grants and Accounts Fund had a fund balance of $394 million, all of which was restricted for specific purposes. Fund balance decreased by $50 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, 2012, the net assets of the State's Fiduciary funds totaled $24.9 billion, a decrease of $0.9 billion when compared to the prior year ending net asset balance.

Budgetary Highlights-General Fund

For fiscal year 2012, the General Fund had an estimated budget surplus of $81 million at the start of the fiscal year. However, due to continued slow economic recovery during the fiscal year, the fund had, instead, an estimated budget deficit of $120 million by the end of the fiscal year. The budget was balanced by the State Legislature mandating the release of the fund's 2011 surplus reserve.

Although actual fund expenditures exceeded revenues by $220 million, this deficiency was reduced by other financing sources of $220 million (including the release of the fund's 2011 surplus reserve of $143 million), resulting in a balanced budget for the fiscal year.

Actual revenues were lower than originally budgeted by $227 million for the fiscal year. This decrease in estimated revenue resulted mainly from a decrease in estimated tax revenue of $215 million, mainly personal income taxes. For the fiscal year, there was no significant difference between final and original budgeted appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totaled $14.6 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 $171 million, due mainly to an increase in business-type activities' capital assets of $129 million or 3.7 percent.

Major capital asset events for governmental activities during the fiscal year included the following:

- Additions to equipment and infrastructure of $854 million
- Depreciation expense of $926 million

The following table is a two-year comparison of the investment in capital assets presented for both governmental and business-type activities:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	$ 1,639	$ 1,595	$ 65	$ 65	$ 1,704	$ 1,660
Buildings	1,449	1,476	2,512	2,515	3,961	3,991
Improvements Other than Buildings	167	176	245	247	412	423
Equipment	66	154	352	346	418	500
Infrastructure	5,060	5,183	-	-	5,060	5,183
Construction in Progress	2,585	2,340	423	295	3,008	2,635
Total	$ 10,966	$ 10,924	$ 3,597	$ 3,468	$ 14,563	$ 14,392

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

Long-Term Debt
Bonded Debt

At the end of the current fiscal year, the State had total bonded debt of $20.2 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two-year comparison of bonded debt presented for both governmental and business-type activities:

State of Connecticut's Bonded Debt (in millions)
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$ 13,965	$ 13,794	$ -	$ -	$ 13,965	$ 13,794
Transportation Related Bonds	3,287	3,358	-	-	3,287	3,358
Revenue Bonds	-	-	1,439	1,556	1,439	1,556
Long-Term Notes	748	916	-	-	748	916
Premiums and deferred amounts	709	526	46	51	755	577
Total	$ 18,709	$ 18,594	$ 1,485	$ 1,607	$ 20,194	$ 20,201

The State's total bonded debt for fiscal year 2012 remained almost unchanged when compared to the prior year balance.

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 2012, the State had a debt incurring margin of $7.3 billion.

Other Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011*	2012	2011	2012	2011
Net Pension Obligation	$ 2,496	$ 2,447	$ -	$ -	$ 2,496	$ 2,447
Net OPEB Obligation	5,756	4,960	-	-	5,756	4,960
Compensated Absences	542	560	156	155	698	715
Workers Compensation	560	511	-	-	560	511
Lottery Prizes	-	-	138	162	138	162
Federal Loan Payable	-	-	632	810	632	810
Other	113	122	191	183	304	305
Total	$ 9,467	$ 8,600	$ 1,117	$ 1,310	$ 10,584	$ 9,910

* Restated for comparative purposes. See note 23.

The State's other long-term obligations increased by $674 million (6.8 percent) during the fiscal year. This increase was due mainly to an increase in the net OPEB obligation (Governmental activities) of $796 million or 16.0 percent. Additional information on the State's long-term debt can be found in Notes 17 and 18 of this report.

Economic Factors and Next Year's Budget

The national economy as measured by real GDP grew at a moderate rate of just over 2 percent on an averaged quarterly basis during Fiscal Year 2012. Growth slowed during the first half of Fiscal Year 2013.

Connecticut added 7,300 payroll jobs in Fiscal Year 2012. This compares to 12,500 job additions in Fiscal Year 2011. The State's unemployment rate peaked at 9.4 percent in August of 2010. The unemployment rate was 8.1 percent at the close of Fiscal Year 2012. During the fiscal year, the State's strongest employment sector was education and health services with the addition of 11,700 payroll jobs, followed by transportation and public utilities with 3,000 job additions. The most significant job losses were in the government and financial activities sectors down 3,000 jobs and 4,400 jobs respectively.

At the close of Fiscal Year 2012, Connecticut's personal income was growing at a rate of 2 percent from the same period one year ago. During that same time period wage and salary income grew at about the same rate.

Nationally, retail sales were expanding at a 3.5 percent rate at the close of Fiscal Year 2012. Connecticut's sales tax receipts were up 14.2 percent over the prior fiscal year due primarily to an expansion of taxable categories. Connecticut's strong export sector closed Fiscal Year 2012 up almost 17 percent from the close of the prior year.

The housing market in the Northeast continued a slow recovery with existing home sales at the close of Fiscal Year 2012 advancing 1.9 percent from a year ago with prices up 1.8 percent.

For fiscal year 2013, the budget for the General Fund had an estimated $3.1 million surplus at the start of the fiscal year. Budgeted revenues were expected to increase 1.9 percent to $19.1 billion, while budgeted appropriations were expected to increase 2.3 percent to $19.1 billion. By the end of the second quarter of the fiscal year, the General fund had, instead, an estimated budget deficit of $64.4 million due mainly to a decrease in estimated budgeted revenue of $163.7 million.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

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

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Basic Financial Statements

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Statement of Net Assets

June 30, 2012

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 421,874	$ 715,380	$ 1,137,254	$ 203,543
Deposits with U.S. Treasury	-	198,965	198,965	-
Investments	113,087	52,630	165,717	354,474
Receivables, (Net of Allowances)	2,364,105	811,354	3,175,459	47,505
Due from Primary Government	-	-	-	7,259
Inventories	47,959	14,238	62,197	6,479
Restricted Assets	-	176,427	176,427	1,629,369
Internal Balances	(189,659)	189,659	-	-
Other Current Assets	16,784	14,650	31,434	6,994
Total Current Assets	2,774,150	2,173,303	4,947,453	2,255,623
Noncurrent Assets:				
Cash and Cash Equivalents	-	355,034	355,034	-
Due From Component Units	23,206	-	23,206	-
Investments	-	171,261	171,261	54,042
Receivables, (Net of Allowances)	334,694	734,490	1,069,184	181,145
Restricted Assets	703,376	575,117	1,278,493	4,700,842
Capital Assets, (Net of Accumulated Depreciation)	10,965,884	3,596,806	14,562,690	407,702
Other Noncurrent Assets	109,135	61,081	170,216	22,438
Total Noncurrent Assets	12,136,295	5,493,789	17,630,084	5,366,169
Total Assets	14,910,445	7,667,092	22,577,537	7,621,792
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	682,804	279,718	962,522	61,161
Due to Component Units	7,259	-	7,259	-
Due to Other Governments	197,067	2,558	199,625	-
Current Portion of Long-Term Obligations	1,733,056	194,583	1,927,639	297,672
Amount Held for Institutions	-	-	-	571,404
Deferred Revenue	12,727	229,005	241,732	9,383
Medicaid Liability	547,110	-	547,110	-
Liability for Escheated Property	242,216	-	242,216	-
Other Current Liabilities	76,470	77,859	154,329	31,950
Total Current Liabilities	3,498,709	783,723	4,282,432	971,570
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	26,442,600	2,408,318	28,850,918	4,706,120
Total Noncurrent Liabilities	26,442,600	2,408,318	28,850,918	4,706,120
Total Liabilities	29,941,309	3,192,041	33,133,350	5,677,690
Net Assets				
Invested in Capital Assets, Net of Related Debt	5,305,440	2,953,034	8,258,474	267,569
Restricted For:				
Transportation	119,222	-	119,222	-
Debt Service	664,714	25,827	690,541	20,292
Federal Grants and Other Accounts	407,731	-	407,731	-
Capital Projects	236,469	261,102	497,571	-
Clean Water and Drinking Water Projects	-	618,956	618,956	-
Bond Indenture Requirements	-	2,109	2,109	993,296
Loans	-	3,506	3,506	-
Permanent Investments or Endowments:				
Expendable	940	-	940	93,929
Nonexpendable	100,659	11,994	112,653	283,329
Other Purposes	112,238	182,206	294,444	46,652
Unrestricted (Deficit)	(21,978,277)	416,317	(21,561,960)	239,035
Total Net Assets (Deficit)	$ (15,030,864)	$ 4,475,051	$ (10,555,813)	$ 1,944,102

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

Statement of Activities

For The Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services, Fees, Fines , and Other**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activities:				
Legislative	$ 113,982	$ 2,675	$ -	$ -
General Government	1,987,920	799,397	136,022	-
Regulation and Protection	853,458	630,710	218,408	-
Conservation and Development	692,719	133,480	82,124	-
Health and Hospitals	2,475,759	92,292	157,810	-
Transportation	1,845,656	69,733	-	716,056
Human Services	7,223,118	48,581	4,483,698	-
Education, Libraries, and Museums	4,495,905	33,625	581,254	-
Corrections	2,061,176	9,240	99,771	-
Judicial	910,362	132,309	11,848	-
Interest and Fiscal Charges	816,508	-	-	-
Total Governmental Activities	23,476,563	1,952,042	5,770,935	716,056
Business-Type Activities:				
University of Connecticut & Health Center	1,801,687	1,050,683	220,229	2,768
State Universities	652,092	366,053	62,062	2,856
Bradley International Airport	64,170	64,131	-	5,761
Connecticut Lottery Corporation	781,303	1,081,812	-	-
Employment Security	1,823,464	873,957	993,799	-
Clean Water	53,330	22,854	22,918	-
Other	535,646	158,324	113,347	6,704
Total Business-Type Activities	5,711,692	3,617,814	1,412,355	18,089
Total Primary Government	$ 29,188,255	$ 5,569,856	$ 7,183,290	$ 734,145
Component Units				
Connecticut Housing Finance Authority (12-31-11)	$ 225,580	$ 213,853	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,934	7,079	-	-
Other	289,552	281,526	19,888	16,609
Total Component Units	$ 521,066	$ 502,458	$ 19,888	$ 16,609

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
Transfers-Internal Activities
Total General Revenues, Contributions, 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
$ (111,307)	$ -	$ (111,307)	$ -
(1,052,501)	-	(1,052,501)	-
(4,340)	-	(4,340)	-
(477,115)	-	(477,115)	-
(2,225,657)	-	(2,225,657)	-
(1,059,867)	-	(1,059,867)	-
(2,690,839)	-	(2,690,839)	-
(3,881,026)	-	(3,881,026)	-
(1,952,165)	-	(1,952,165)	-
(766,205)	-	(766,205)	-
(816,508)	-	(816,508)	-
(15,037,530)	-	(15,037,530)	-
-	(528,007)	(528,007)	-
-	(221,121)	(221,121)	-
-	5,722	5,722	-
-	300,509	300,509	-
-	44,292	44,292	-
-	(7,558)	(7,558)	-
-	(257,271)	(257,271)	-
-	(663,434)	(663,434)	-
(15,037,530)	(663,434)	(15,700,964)	-
-	-	-	(11,727)
-	-	-	1,145
-	-	-	28,471
-	-	-	17,889
7,360,165	-	7,360,165	-
601,509	-	601,509	-
3,880,607	-	3,880,607	-
1,953,170	-	1,953,170	-
713,477	-	713,477	-
76,618	-	76,618	-
344,645	-	344,645	-
123,799	-	123,799	-
15,955	27,679	43,634	65,531
-	-	-	37,937
(917,570)	917,570	-	-
14,152,375	945,249	15,097,624	103,468
(885,155)	281,815	(603,340)	121,357
(14,145,709)	4,193,236	(9,952,473)	1,822,745
$ (15,030,864)	$ 4,475,051	$ (10,555,813)	$ 1,944,102

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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, 2012
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 155,401	$ 8,326	$ 248,920	$ 412,647
Investments	7,033	-	-	-	106,054	113,087
Securities Lending Collateral	-	-	-	-	16,298	16,298
Receivables:						
Taxes, Net of Allowances	1,340,523	-	44,031	-	-	1,384,554
Accounts, Net of Allowances	275,855	-	8,206	40,224	23,934	348,219
Loans, Net of Allowances	3,419	-	-	13,246	318,029	334,694
From Other Governments	364,240	-	-	248,119	7,892	620,251
Interest	-	284	29	-	-	313
Other	-	-	-	-	3	3
Due from Other Funds	19,041	-	284	302,589	847,755	1,169,669
Due from Component Units	23,206	-	-	-	-	23,206
Inventories	13,622	-	30,670	-	-	44,292
Restricted Assets	-	703,376	-	-	-	703,376
Total Assets	$ 2,046,939	$ 703,660	$ 238,621	$ 612,504	$ 1,568,885	$ 5,170,609
Liabilities and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	$ 259,118	$ -	$ 26,225	$ 156,838	$ 63,375	$ 505,556
Due to Other Funds	1,202,419	284	-	1,985	150,179	1,354,867
Due to Component Units	-	-	-	230	7,029	7,259
Due to Other Governments	176,563	-	-	20,504	-	197,067
Deferred Revenue	472,562	-	3,465	38,276	34,872	549,175
Medicaid Liability	547,110	-	-	-	-	547,110
Liability For Escheated Property	242,216	-	-	-	-	242,216
Securities Lending Obligation	-	-	-	-	16,298	16,298
Other Liabilities	59,372	-	-	800	-	60,172
Total Liabilities	2,959,360	284	29,690	218,633	271,753	3,479,720
Fund Balances						
Nonspendable:						
Inventories/Long-Term Receivables	40,247	-	30,670	-	-	70,917
Permanent Fund Principal	-	-	-	-	100,659	100,659
Restricted For:						
Debt Service	-	703,376	-	-	-	703,376
Transportation Programs	-	-	178,261	-	-	178,261
Federal Grant and State Programs	-	-	-	393,871	-	393,871
Other	-	-	-	-	1,179,144	1,179,144
Committed For:						
Continuing Appropriations	99,931	-	-	-	-	99,931
Budget Reserve Fund	93,454	-	-	-	-	93,454
Assigned To:						
Other	-	-	-	-	22,770	22,770
Unassigned	(1,146,053)	-	-	-	(5,441)	(1,151,494)
Total Fund Balances	(912,421)	703,376	208,931	393,871	1,297,132	1,690,889
Total Liabilities and Fund Balances	$ 2,046,939	$ 703,660	$ 238,621	$ 612,504	$ 1,568,885	$ 5,170,609

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, 2012

(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 1,690,889
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	3,303,418	
Equipment	1,983,310	
Infrastructure	13,023,800	
Other Capital Assets	4,704,036	
Accumulated Depreciation	(12,079,317)	10,935,247
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.		84,179
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.		536,878
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.		40,010
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	(2,496,190)	
Net OPEB Obligation	(5,755,731)	
Worker's Compensation	(559,546)	
Capital Leases	(42,759)	
Compensated Absences	(540,069)	
Claims and Judgments	(44,942)	(9,439,237)
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 and Notes Payable	(17,999,851)	
Unamortized Premiums	(905,503)	
Less: Deferred Loss on Refundings	196,629	
Accrued Interest Payable	(170,105)	(18,878,830)
Net Assets of Governmental Activities		$ (15,030,864)

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, 2012
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Revenues						
Taxes	$ 13,923,530	$ -	$ 789,036	$ -	$ -	$ 14,712,566
Licenses, Permits and Fees	281,637	-	316,528	14,248	45,033	657,446
Tobacco Settlement	-	-	-	-	123,799	123,799
Federal Grants and Aid	4,157,747	-	12,915	2,229,415	90,439	6,490,516
Charges for Services	35,011	-	67,409	-	4,907	107,327
Fines, Forfeits and Rents	432,681	-	18,458	-	1,219	452,358
Casino Gaming Payments	344,645	-	-	-	-	344,645
Investment Earnings	881	1,467	739	1,300	9,999	14,386
Miscellaneous	157,766	-	8,977	411,138	126,524	704,405
Total Revenues	19,333,898	1,467	1,214,062	2,656,101	401,920	23,607,448
Expenditures						
Current:						
Legislative	100,700	-	-	2,812	-	103,512
General Government	1,019,532	-	5,306	355,078	496,333	1,876,249
Regulation and Protection	375,724	-	83,806	150,625	173,847	784,002
Conservation and Development	187,270	-	-	126,179	349,374	662,823
Health and Hospitals	2,158,069	-	-	208,628	7,996	2,374,693
Transportation	-	-	709,982	820,387	4,428	1,534,797
Human Services	6,455,873	-	241	499,782	11,148	6,967,044
Education, Libraries, and Museums	3,588,451	-	-	578,408	18,309	4,185,168
Corrections	1,915,455	-	-	19,249	4,387	1,939,091
Judicial	798,826	-	-	14,629	44,884	858,339
Capital Projects	-	-	-	-	547,212	547,212
Debt Service:						
Principal Retirement	1,199,619	274,275	-	-	-	1,473,894
Interest and Fiscal Charges	606,924	177,780	2,183	153,307	6,908	947,102
Total Expenditures	18,406,443	452,055	801,518	2,929,084	1,664,826	24,253,926
Excess (Deficiency) of Revenues Over Expenditures	927,455	(450,588)	412,544	(272,983)	(1,262,906)	(646,478)
Other Financing Sources (Uses)						
Bonds Issued	48,840	-	-	-	1,505,961	1,554,801
Premiums on Bonds Issued	1,704	143,569	-	-	168,442	313,715
Transfers In	413,529	442,888	82,915	223,070	80,829	1,243,231
Transfers Out	(1,155,607)	(2,666)	(459,282)	(331)	(557,615)	(2,175,501)
Refunding Bonds Issued	-	1,219,815	-	-	-	1,219,815
Payment to Refunded Bond Escrow Agent	(29,871)	(1,358,287)	-	-	-	(1,388,158)
Capital Lease Obligations	6,084	-	-	-	-	6,084
Total Other Financing Sources (Uses)	(715,321)	445,319	(376,367)	222,739	1,197,617	773,987
Net Change in Fund Balances	212,134	(5,269)	36,177	(50,244)	(65,289)	127,509
Fund Balances (Deficit) - Beginning (as restated)	(1,124,605)	708,645	169,817	444,115	1,362,421	1,560,393
Change in Reserve for Inventories	50	-	2,937	-	-	2,987
Fund Balances (Deficit) - Ending	$ (912,421)	$ 703,376	$ 208,931	$ 393,871	$ 1,297,132	$ 1,690,889

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, 2012

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 127,509
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	(1,554,801)	
Refunding Bonds Issued	(1,219,815)	
Premium on Bonds Issued	(313,715)	(3,088,331)
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	1,473,894	
Payments to Refunded Bond Escrow Agent ($15,174 reported in debt service)	1,403,332	
Capital Lease Payments	6,320	2,883,546
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of activities		(6,084)
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	959,374	
Depreciation Expense	(918,294)	
Retirements	(789)	40,291
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.		2,987
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in Accrued Interest	17,012	
Decrease in Interest Accreted on Capital Appreciation Debt	25,014	
Amortization of Bond Premium	95,129	
Amortization of Loss on Debt Refundings	(26,685)	
Decrease in Compensated Absences Liability	17,139	
Increase in Workers Compensation Liability	(48,133)	
Decrease in Claims and Judgments Liability	11,285	
Increase in Net Pension Obligation	(49,106)	
Increase in Net OPEB Obligation	(795,784)	(754,129)
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.		(98,471)
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.		2,577
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	10,914	
Amortization of Debt Issue Costs	(5,964)	4,950
Change in Net Assets of Governmental Activities		$ (885,155)

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, 2012
(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 14,019,100	$ 13,824,400	$ 13,804,369	$ (20,031)
Casino Gaming Payments	375,500	344,600	344,645	45
Licenses, Permits, and Fees	271,200	283,400	283,414	14
Other	329,700	350,700	351,360	660
Federal Grants	3,589,700	3,607,500	3,607,163	(337)
Refunds of Payments	(38,300)	(83,500)	(85,376)	(1,876)
Operating Transfers In	384,500	409,900	409,857	
Operating Transfers Out	(61,800)	(61,800)	(61,800)	-
Transfer from the Resources of the General Fund	(81,000)	(81,000)	(91,999)	(10,999)
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	18,788,600	18,594,200	18,561,633	(32,524)
Expenditures				
Budgeted:				
Legislative	80,446	80,610	67,344	13,266
General Government	661,517	662,642	609,239	53,403
Regulation and Protection	284,489	287,908	262,898	25,010
Conservation and Development	152,430	152,810	137,294	15,516
Health and Hospitals	1,896,260	1,853,068	1,792,435	60,633
Transportation	609	609	-	609
Human Services	5,842,672	5,938,497	5,817,369	121,128
Education, Libraries, and Museums	4,329,820	4,333,551	4,235,428	98,123
Corrections	1,576,670	1,545,640	1,472,685	72,955
Judicial	576,941	579,284	545,650	33,634
Non Functional	4,284,777	4,258,046	3,841,292	416,754
Total Expenditures	19,686,631	19,692,665	18,781,634	911,031
Appropriations Lapsed	777,912	771,121	-	(771,121)
Excess (Deficiency) of Revenues Over Expenditures	(120,119)	(327,344)	(220,001)	107,343
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	200,985	200,985	200,985	-
Appropriations Continued to Fiscal Year 2013	-	-	(130,351)	(130,351)
Release of 2011 Surplus Reserve	-	-	143,517	143,517
Miscellaneous Adjustments	-	5,850	5,850	-
Total Other Financing Sources (Uses)	200,985	206,835	220,001	13,166
Net Change in Fund Balance	$ 80,866	$ (120,509)	-	$ 120,509
Budgetary Fund Balances - July 1			442,141	
Changes in Reserves			(307,566)	
Budgetary Fund Balances - June 30			$ 134,575	

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

Transportation Fund

Budget Original	Budget Final	Actual	Variance with Final Budget positive (negative)
$ 798,600	$ 788,300	$ 789,306	$ 1,006
-	-	-	-
381,300	372,000	371,420	(580)
12,500	2,000	2,208	208
13,100	12,900	12,915	15
(3,100)	(3,000)	(2,979)	21
81,900	81,900	81,550	(350)
(6,500)	(6,500)	(6,500)	-
-	-	-	-
(15,300)	(15,300)	(15,000)	300
1,262,500	1,232,300	1,232,920	620
-	-	-	-
7,157	7,157	5,396	1,761
69,965	69,965	54,028	15,937
-	-	-	-
-	-	-	-
613,147	613,147	551,211	61,936
131	140	139	1
-	-	-	-
-	-	-	-
-	-	-	-
665,622	665,613	582,634	82,979
1,356,022	1,356,022	1,193,408	162,614
53,536	120,995	-	(120,995)
	-		
(39,986)	(2,727)	39,512	42,239
40,554	40,554	40,554	-
-	-	(41,615)	(41,615)
-	-	-	
-	-	-	-
40,554	40,554	(1,061)	(41,615)
$ 568	$ 37,827	38,451	$ 624
		147,919	
		1,061	
		$ 187,431	

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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, 2012
(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	$ 347,139	$ 179,587	$ 22,929	$ 31,128
Deposits with U.S. Treasury	-	-	-	-
Investments	3,303	27,810	-	21,517
Receivables:				
Accounts, Net of Allowances	108,070	175,049	5,822	34,249
Loans, Net of Allowances	1,744	2,805	-	-
Interest	-	-	-	3,403
From Other Governments	-	2,432	884	-
Due from Other Funds	57,566	27,040	-	-
Inventories	14,238	-	-	-
Restricted Assets	160,524	-	15,903	-
Other Current Assets	8,400	3,795	142	2,105
Total Current Assets	700,984	418,518	45,680	92,402
Noncurrent Assets:				
Cash and Cash Equivalents	1,420	122,559	-	-
Investments	10,303	26,827	-	115,991
Receivables:				
Loans, Net of Allowances	10,494	9,253	-	-
Restricted Assets	4,028	-	115,854	-
Capital Assets, Net of Accumulated Depreciation	1,742,927	876,817	294,642	2,111
Other Noncurrent Assets	1,951	2,171	39,145	5,240
Total Noncurrent Assets	1,771,123	1,037,627	449,641	123,342
Total Assets	2,472,107	1,456,145	495,321	215,744
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Liabilities	120,193	45,831	7,789	28,848
Due to Other Funds	10,097	3,382	1,896	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	58,661	18,017	14,245	22,204
Deferred Revenue	33,696	189,978	1,399	653
Other Current Liabilities	27,143	10,647	-	39,784
Total Current Liabilities	249,790	267,855	25,329	91,489
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	288,811	299,164	169,163	116,694
Total Noncurrent Liabilities	288,811	299,164	169,163	116,694
Total Liabilities	538,601	567,019	194,492	208,183
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	1,457,585	712,215	140,199	2,111
Restricted For:				
Debt Service	7,737	-	13,582	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	172,302	-	88,800	-
Nonexpendable Purposes	11,574	400	-	-
Bond Indentures	-	-	2,109	-
Loans	3,506	-	-	-
Other Purposes	23,033	50,404	-	5,403
Unrestricted (Deficit)	257,769	126,107	56,139	47
Total Net Assets (Deficit)	$ 1,933,506	$ 889,126	$ 300,829	$ 7,561

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Total		Internal Service Funds
$ -	$ 3,536	$ 131,061	$ 715,380		$ 9,227
198,965	-	-	198,965		-
-	-	-	52,630		-
191,889	-	13,632	528,711		2,735
-	230,173	4,896	239,618		-
-	8,616	242	12,261		-
8,434	18,705	309	30,764		-
2,048	-	121,771	208,425		533
-	-	-	14,238		3,667
-	-	-	176,427		-
-	-	208	14,650		486
401,336	261,030	272,119	2,192,069		16,648
-	183,658	47,397	355,034		-
-	18,140	-	171,261		-
-	651,673	63,070	734,490		-
-	373,752	81,483	575,117		-
-	-	680,309	3,596,806		30,637
-	10,994	1,580	61,081		-
-	1,238,217	873,839	5,493,789		30,637
401,336	1,499,247	1,145,958	7,685,858		47,285
-	17,711	59,346	279,718		2,587
3,391	-	-	18,766		1,520
2,558	-	-	2,558		-
-	70,578	10,878	194,583		101
-	-	3,279	229,005		430
-	-	285	77,859		-
5,949	88,289	73,788	802,489		4,638
632,026	742,491	159,969	2,408,318		2,637
632,026	742,491	159,969	2,408,318		2,637
637,975	830,780	233,757	3,210,807		7,275
-	-	640,924	2,953,034		30,637
-	-	4,508	25,827		-
-	499,779	119,177	618,956		-
-	-	-	261,102		-
-	-	20	11,994		-
-	-	-	2,109		-
-	-	-	3,506		-
-	-	103,366	182,206		-
(236,639)	168,688	44,206	416,317		9,373
$ (236,639)	$ 668,467	$ 912,201	$ 4,475,051		$ 40,010

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

For The Fiscal Year Ended June 30, 2012
(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	$ 893,631	$ 345,352	$ 47,622	$ 1,081,740
Assessments	-	-	-	-
Federal Grants, Contracts, and Other Aid	181,382	44,551	-	-
State Grants, Contracts, and Other Aid	22,078	14,419	-	-
Private Gifts and Grants	36,342	3,092	-	-
Interest on Loans	-	-	-	-
Other	99,905	18,073	-	72
Total Operating Revenues	1,233,338	425,487	47,622	1,081,812
Operating Expenses				
Salaries, Wages, and Administrative	1,528,513	567,033	40,368	103,246
Lottery Prize Awards	-	-	-	659,898
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	119,353	51,764	16,920	448
Other	141,088	22,939	-	6,313
Total Operating Expenses	1,788,954	641,736	57,288	769,905
Operating Income (Loss)	(555,616)	(216,249)	(9,666)	311,907
Nonoperating Revenue (Expenses)				
Interest and Investment Income	1,016	1,107	399	9,538
Interest and Fiscal Charges	(12,733)	(10,356)	(6,882)	(9,505)
Other	37,574	2,628	16,509	(1,893)
Total Nonoperating Revenues (Expenses)	25,857	(6,621)	10,026	(1,860)
Income (Loss) Before Capital Contributions, Grants, and Transfers	(529,759)	(222,870)	360	310,047
Capital Contributions	2,768	2,856	5,761	-
Federal Capitalization Grants	-	-	-	-
Transfers In	703,276	258,550	10,267	-
Transfers Out	-	-	-	(310,000)
Change in Net Assets	176,285	38,536	16,388	47
Total Net Assets (Deficit) - Beginning (as restated)	1,757,221	850,590	284,441	7,514
Total Net Assets (Deficit) - Ending	$ 1,933,506	$ 889,126	$ 300,829	$ 7,561

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
$ -	$ -	$ 118,227	$ 2,486,572	$ 54,503
870,200	-	32,069	902,269	-
980,542	-	90,198	1,296,673	-
13,257	-	16,972	66,726	-
-	-	6,177	45,611	-
-	17,878	1,595	19,473	-
3,757	-	5,720	127,527	92
1,867,756	17,878	270,958	4,944,851	54,595
-	1,433	431,256	2,671,849	36,878
-	-	-	659,898	-
1,823,464	-	-	1,823,464	-
-	-	31,903	31,903	-
-	-	22,618	211,103	15,170
-	9,645	43,636	223,621	-
1,823,464	11,078	529,413	5,621,838	52,048
44,292	6,800	(258,455)	(676,987)	2,547
-	14,260	1,359	27,679	2
-	(42,252)	(6,233)	(87,961)	-
-	4,976	713	60,507	26
-	(23,016)	(4,161)	225	28
44,292	(16,216)	(262,616)	(676,762)	2,575
-	-	-	11,385	2
-	22,918	6,704	29,622	-
-	-	272,348	1,244,441	-
(3,364)	(3,240)	(10,267)	(326,871)	-
40,928	3,462	6,169	281,815	2,577
(277,567)	665,005	906,032	4,193,236	37,433
$ (236,639)	$ 668,467	$ 912,201	$ 4,475,051	$ 40,010

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2012
(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	$ 900,080	$ 344,698	$ 47,408	$ 1,071,031
Payments to Suppliers	(529,283)	(174,920)	(26,582)	(69,633)
Payments to Employees	(1,093,645)	(424,560)	(15,279)	(15,153)
Other Receipts (Payments)	325,422	81,205	-	(659,816)
Net Cash Provided by (Used in) Operating Activities	(397,426)	(173,577)	5,547	326,429
Cash Flows from Noncapital Financing Activities				
Retirement of Bonds and Annuities Payable	-	-	-	(26,691)
Interest on Bonds and Annuities Payable	-	-	-	(10,225)
Transfers In	399,441	220,546	10,267	-
Transfers Out	-	-	-	(310,000)
Other Receipts (Payments)	31,870	3,611	-	214
Net Cash Flows from Noncapital Financing Activities	431,311	224,157	10,267	(346,702)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant, and Equipment	(158,611)	(73,260)	(5,353)	(28)
Proceeds from Capital Debt	200,000	49,040	-	-
Principal Paid on Capital Debt	(90,400)	(69,526)	(13,290)	-
Interest Paid on Capital Debt	(49,723)	(11,572)	(7,279)	-
Transfer In	137,739	52,240	-	-
Federal Grant	-	-	-	-
Capital Contributions	-	-	6,402	-
Other Receipts (Payments)	1,789	(571)	14,475	-
Net Cash Flows from Capital and Related Financing Activities	40,794	(53,649)	(5,045)	(28)
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	-	34,791	-	26,663
Purchase of Investment Securities	(54)	(23,893)	(4,652)	(2,114)
Interest on Investments	1,053	1,132	577	10,264
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	6,393	-	-	-
Net Cash Flows from Investing Activities	7,392	12,030	(4,075)	34,813
Net Increase (Decrease) in Cash and Cash Equivalents	82,071	8,961	6,694	14,512
Cash and Cash Equivalents - Beginning of Year	427,396	293,185	130,161	16,616
Cash and Cash Equivalents - End of Year	$ 509,467	$ 302,146	$ 136,855	$ 31,128
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (555,616)	$ (216,249)	$ (9,666)	$ 311,907
Adjustments not Affecting Cash:				
Depreciation and Amortization	119,353	51,764	16,920	448
Other	87,352	-	-	(48)
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(747)	(4,412)	(215)	(10,561)
(Increase) Decrease in Due from Other Funds	-	-	-	-
(Increase) Decrease in Inventories and Other Assets	6,131	(273)	-	1,539
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(53,899)	(4,528)	(1,492)	23,144
Increase (Decrease) in Due to Other Funds	-	121	-	-
Total Adjustments	158,190	42,672	15,213	14,522
Net Cash Provided by (Used In) Operating Activities	$ (397,426)	$ (173,577)	$ 5,547	$ 326,429
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 347,139	$ 179,587	$ 22,929	
Cash and Cash Equivalents - Noncurrent	1,420	122,559	-	
Cash and Cash Equivalents - Restricted	160,908	-	113,926	
	$ 509,467	$ 302,146	$ 136,855	

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
$ 865,189	$ 86,420	$ 156,859	$ 3,471,685	$ 53,558
-	(9,645)	(84,746)	(894,809)	(112,299)
-	(1,136)	(363,251)	(1,913,024)	(12,754)
(820,897)	(72,811)	94,555	(1,052,342)	529
44,292	2,828	(196,583)	(388,490)	(70,966)
-	(70,687)	(6,508)	(103,886)	-
-	(35,226)	(2,391)	(47,842)	-
-	3,656	231,726	865,636	-
(3,364)	-	(10,267)	(323,631)	-
(40,928)	-	11,509	6,276	88,514
(44,292)	(102,257)	224,069	396,553	88,514
-	-	(10,090)	(247,342)	(16,465)
-	-	-	249,040	-
-	-	-	(173,216)	-
-	-	(3,172)	(71,746)	-
-	-	45,452	235,431	-
-	4,213	5,918	10,131	-
-	-	-	6,402	-
-	-	(83,338)	(67,645)	-
-	4,213	(45,230)	(58,945)	(16,465)
-	-	-	61,454	-
-	-	-	(30,713)	-
-	14,317	1,406	28,749	2
-	13,218	-	13,218	-
-	69,203	(6,521)	69,075	-
-	96,738	(5,115)	141,783	2
-	1,522	(22,859)	90,901	1,085
-	2,014	153,939	1,023,311	8,142
$ -	$ 3,536	$ 131,080	$ 1,114,212	$ 9,227
$ 44,292	$ 6,800	$ (258,455)	$ (676,987)	$ 2,547
-	-	22,618	211,103	15,170
-	-	(10,121)	77,183	-
(5,159)	(3,972)	(870)	(25,936)	(2,585)
148	-	-	148	1,639
179,762	-	56,824	243,983	8
(177,849)	-	(6,579)	(221,203)	(87,745)
3,098	-	-	3,219	-
-	(3,972)	61,872	288,497	(73,513)
$ 44,292	$ 2,828	$ (196,583)	$ (388,490)	$ (70,966)
		$ 131,061		
		-		
		19		
		$ 131,080		

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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, 2012

(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	$ 300,561	$ -	$ -	$ 138,476	$ 439,037
Receivables:					
Accounts, Net of Allowances	31,246	-	-	14,916	46,162
From Other Governments	693	-	-	-	693
From Other Funds	2,070	-	-	4,515	6,585
Interest	728	332	-	6	1,066
Investments	23,875,440	853,747	-	-	24,729,187
Inventories	-	-	-	12	12
Securities Lending Collateral	2,665,472	-	-	-	2,665,472
Other Assets	-	39	1,225	380,174	381,438
Total Assets	26,876,210	854,118	1,225	$ 538,099	28,269,652
Liabilities					
Accounts Payable and Accrued Liabilities	156,271	86	-	$ 48,182	204,539
Securities Lending Obligation	2,665,472	-	-	-	2,665,472
Due to Other Funds	10,059	-	-	-	10,059
Funds Held for Others	-	-	-	489,917	489,917
Total Liabilities	2,831,802	86	-	$ 538,099	3,369,987
Net Assets					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	23,873,812	-	-		23,873,812
Other Employee Benefits (Note 15)	170,596	-	-		170,596
Individuals, Organizations, and Other Governments	-	854,032	1,225		855,257
Total Net Assets	$ 24,044,408	$ 854,032	$ 1,225		$ 24,899,665

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, 2012
(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	$ 437,495	$ -	$ -	$ 437,495
State	2,289,432	-	-	2,289,432
Municipalities	59,348	-	-	59,348
Total Contributions	2,786,275	-	-	2,786,275
Investment Income	(138,035)	1,750	-	(136,285)
Less: Investment Expense	(87,180)	(177)	-	(87,357)
Net Investment Income	(225,215)	1,573	-	(223,642)
Escheat Securities Received	-	-	23,997	23,997
Pool's Share Transactions	-	249,005	-	249,005
Transfers In	14,700	-	-	14,700
Other	5,684	-	-	5,684
Total Additions	2,581,444	250,578	23,997	2,856,019
Deductions				
Administrative Expense	3,149	-	-	3,149
Benefit Payments and Refunds	3,741,845	-	-	3,741,845
Escheat Securities Returned or Sold	-	-	23,133	23,133
Distributions to Pool Participants	-	1,572	-	1,572
Other	3,122	-	1,800	4,922
Total Deductions	3,748,116	1,572	24,933	3,774,621
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	(1,166,672)	-	-	(1,166,672)
Individuals, Organizations, and Other Governments	-	249,006	(936)	248,070
Net Assets - Beginning	25,211,080	605,026	2,161	25,818,267
Net Assets - Ending	$ 24,044,408	$ 854,032	$ 1,225	$ 24,899,665

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, 2012

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-11)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 276	$ 203,267	$ 203,543
Investments	-	7,941	346,533	354,474
Receivables:				
Accounts, Net of Allowances	-	379	24,818	25,197
Loans, Net of Allowances	-	-	21,251	21,251
Other	-	-	1,057	1,057
Due From Primary Government	-	-	7,259	7,259
Restricted Assets	994,819	571,404	63,146	1,629,369
Inventories	-	-	6,479	6,479
Other Current Assets	-	123	6,871	6,994
Total Current Assets	994,819	580,123	680,681	2,255,623
Noncurrent Assets:				
Investments	-	-	54,042	54,042
Accounts, Net of Allowances	-	-	22,972	22,972
Loans, Net of Allowances	-	-	158,173	158,173
Restricted Assets	4,625,687	7,257	67,898	4,700,842
Capital Assets, Net of Accumulated Depreciation	3,478	158	404,066	407,702
Other Noncurrent Assets	-	-	22,438	22,438
Total Noncurrent Assets	4,629,165	7,415	729,589	5,366,169
Total Assets	5,623,984	587,538	1,410,270	7,621,792
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	27,729	657	32,775	61,161
Current Portion of Long-Term Obligations	271,780	-	25,892	297,672
Deferred Revenue	-	-	9,383	9,383
Amount Held for Institutions	-	571,404	-	571,404
Other Liabilities	26,876	-	5,074	31,950
Total Current Liabilities	326,385	572,061	73,124	971,570
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	4,339,878	2,191	364,051	4,706,120
Total Noncurrent Liabilities	4,339,878	2,191	364,051	4,706,120
Total Liabilities	4,666,263	574,252	437,175	5,677,690
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,478	158	263,933	267,569
Restricted:				
Debt Service	-	-	20,292	20,292
Bond Indentures	993,296	-	-	993,296
Expendable Endowments	-	-	93,929	93,929
Nonexpendable Endowments	-	-	283,329	283,329
Other Purposes	-	5,066	41,586	46,652
Unrestricted (Deficit)	(39,053)	8,062	270,026	239,035
Total Net Assets	$ 957,721	$ 13,286	$ 973,095	$ 1,944,102

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

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/11)	$ 225,580	$ 213,853	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,934	7,079	-	-
Other Component Units	289,552	281,526	19,888	16,609
Total Component Units	$ 521,066	$ 502,458	$ 19,888	$ 16,609

General Revenues:
Investment Income
Contributions to Endowments
Total General Revenues
and Contributions
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			
Connecticut Housing Finance Authority (12-31-11)	**Connecticut Health & Educational Facilities Authority**	**Other Component Units**	**Totals**
$ (11,727)	$ -	$ -	$ (11,727)
-	1,145	-	1,145
-	-	28,471	28,471
(11,727)	1,145	28,471	17,889
65,552	12	(33)	65,531
-	-	37,937	37,937
65,552	12	37,904	103,468
53,825	1,157	66,375	121,357
903,896	12,129	906,720	1,822,745
$ 957,721	$ 13,286	$ 973,095	$ 1,944,102

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Notes to the Financial Statements
June 30, 2012

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. 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, 2011.

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 sub-division 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 corporation 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.

The Clean Energy Finance and Investment Authority
The Clean Energy Finance and Investment Authority is a public instrumentality and political subdivision of the State. It was created to develop programs to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean

energy and the deployment of clean energy sources within the state.

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.

In the governmental fund financial statements, fund balance (difference between assets and liabilities) is classified as nonspendable, restricted and unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constrains on the resources are externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints by formal action of the Legislature, such as appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific uses, but is neither restricted nor committed.

The State reports the following major governmental funds:

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

Debt Service - This fund is used to account for the resources that are restricted for payment of principal and interest on special tax obligation bonds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenues that are restricted for the payment of budgeted appropriations of the Transportation and Motor Vehicles Departments.

Restricted Grants and Accounts - This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

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, the Connecticut Innovations, Incorporated and the Clean Energy Finance and Investment 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 taxes and other revenues to be available if the revenues are collected within 45 days after year-end. Exceptions to this policy are federal grant revenues, which are considered to be available if collection is expected within 12 months after year-end, and licenses and fees which are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

e. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund and the Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carryforwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carryforward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "modified cash" basis of accounting under which revenues are recognized when received, except for certain taxes which are recognized when earned. Tax revenues recognized when earned include the following: sales and use, personal income, corporation, public service corporations, petroleum companies, cigarettes, alcoholic beverages, gasoline, special motor fuel, and motor carrier road. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for the General and Transportation funds. During the 2012 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

f. Assets and Liabilities

Cash and Cash Equivalents (see Note 4)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents consist of investments in the Short-Term Investment Fund which are reported at the fund's share price.

In the Statement of cash flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

Investments (see Note 4)

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

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

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

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using a comparison of other State bonds.
- The fair value of equity and debt securities held by 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 designation (nonexpendable) to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year, except for the University of Connecticut which uses an initial individual cost of more than $5,000. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

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

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

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

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

Securities Lending Transactions (see Note 4)

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

Escheat Property

Escheat property is private property that has reverted to the State because it has been abandoned or has not been claimed by the rightful owners for a period of time. State law requires that all escheat property receipts be recorded as revenue in the General fund. Escheat revenue is reduced and a fund liability is reported to the extent that it is probable that escheat property will be refunded to claimants in the future. This liability is estimated based on the State's historical relationship between escheat property receipts and amounts paid as refunds, taking into account current conditions and trends.

Deferred 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 significant long-term obligations include the net pension and OPEB obligations, compensated absences, workers' compensation claims, and federal loans. In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds

Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the government-wide statement of net 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. Interest Rate Swap Agreements

The State has entered into interest rate swap agreements to reduce borrowing costs on outstanding variable-rate bonds. These agreements are considered to be derivative instruments and are discussed in more detail in Note No. 19.

h. 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.

i. 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.

j. 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.

k. 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)	$ -	$ 38,451
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	(295,248)	3,793
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	590,230	(13,944)
Salaries and Fringe Benefits Payable	131,304	9,252
Increase (Decrease) in Continuing Appropriations	(70,635)	1,061
Less:Realease of 2011 Surplus Reserve	(143,517)	-
Fund Reclassification-Bus Operations	-	(2,436)
Net change in fund balances (GAAP basis)	$ 212,134	$ 36,177

The major differences between the budgetary (legal) and the GAAP (generally accepted accounting principles) basis of accounting as reconciled above are as follows:

1. Revenues are recorded when received in cash except for certain year-end accruals (budgetary basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).

3. For budgetary reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as committed fund balance.

Note 3 Nonmajor Fund Deficits

The following funds have deficit fund/net assets balances at June 30, 2012, none of which constitutes a violation of statutory provisions (amounts in thousands).

Special Revenue	
Consumer Counsel Public Utility Control	$ 9
Capital Projects	
State Facilities	$ 1,113
Transportation	$ 718
Enterprise	
Bradley Parking Garage	$ 27,127

Note 4 Cash Deposits and Investments

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

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

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, 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, 2012, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Investment Maturities (in years) Less Than 1	1-5
Floating Rate Notes	$ 20,261	$ 20,261	$ -
Federal Agency Securities	1,788,811	1,758,814	29,997
US Gov. Guaranteed Securities	141,768	141,768	-
Government Money Market Funds	16,608	16,608	-
Repurchase Agreements	1,544,493	1,544,493	-
Money Market Funds	1	1	-
Total Investments	$ 3,511,942	$ 3,481,945	$ 29,997

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, 2012, the weighted average maturity of the STIF was 33 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, 2012, the amount of STIF's investments in variable-rate securities was $974 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, 2012, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Quality Ratings AAA	AA	A	Unrated
Floating Rate Notes	$ 20,261	$ -	$ -	$ -	$ 20,261
Federal Agency Securities	1,788,811	-	1,788,811	-	-
U.S. Government Guaranteed & Insure	141,768	-	111,768	-	30,000
Government Money Market Funds	16,608	16,608	-	-	-
Repurchase Agreements	1,544,493	-	-	1,544,493	-
Bank Commercial Paper	1	-	-	1	-
Total Investments	$ 3,511,942	$ 16,608	$ 1,900,579	$ 1,544,494	$ 50,261

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, 2012, 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
Merrill Lynch	$	900,000
RBS Securities Inc.	$	644,493
Federal Home Loan Bank	$	630,586
Federal Farm Credit	$	448,493
Fannie Mae	$	402,290
Freddie Mac	$	307,441

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):
The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whose long-term debt is rated at least A and its issuer rating is at least "C". As of June 30, 2012, $1,379,250 of the bank balance of STIF's deposits of $1,380,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$	1,291,300
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		87,950
Total	$	1,379,250

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's 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, 2012, STIF Plus had the following investments and maturities (amount in thousands):

Short-Term Plus Investment Fund

			Investment Maturities (in years)			
Investment Type		Fair Value		Less Than 1		1-5
Asset Backed Securities	$	3,319	$	2,815	$	504
Money Market Government Fund		1		1		-
Total Investments	$	3,320	$	2,816	$	504

Interest Rate Risk
STIF Plus's policy for managing this risk is to perform, on a quarterly basis, an interest rate sensitivity analysis on the duration and the market value of the portfolio to determine the potential effect of a 200 basis point movement in interest rates. As of June 30, 2012, the weighted average maturity of STIF Plus was 86 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, 2012, STIF Plus's investment in variable-rate securities was $2.8 million.

Credit Risk
The STIF Plus manages its credit risk by investing only in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations. As of June 30, 2012, STIF Plus's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Plus Investment Fund

			Quality Rating					
Investment Type		Fair Value		AAA		A		CCC
Asset Backed Securities	$	3,319	$	1,568	$	1,064	$	687
Money Market Government Fund		1		-		1		-
Total	$	3,320	$	1,568	$	1,065	$	687

Concentration of Credit Risk
STIF Plus's policy for managing this risk is to limit the amount it may invest in any single corporate entity or federal agency to 5 percent and 15 percent, respectively, at the time of purchase. As of June 30, 2012, 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
ARSI 2004	$	1,064
GRANM 2007	$	1,063
RAMC 2005	$	504
INDB 2006	$	300
CITI MORT LOAN TR	$	284

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, 2012, 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	$ 100,659	$ 664	$ 23,875,440
Other Investments	12,428	51,966	853,747
Total Investments-Current	$ 113,087	$ 52,630	$ 24,729,187

As of June 30, 2012, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 744,557	$ 461,915	$ 2,467	$ 20,657	$ 259,518
Asset Backed Securities	110,750	3,708	86,170	18,649	2,223
Government Securities	2,818,433	117,734	1,208,487	676,882	815,330
Government Agency Securities	893,470	3,883	39,971	36,210	813,406
Mortgage Backed Securities	206,448	1,745	31,536	10,485	162,682
Corporate Debt	1,745,459	74,877	668,053	736,793	265,736
Convertible Debt	32,495	491	12,221	8,686	11,097
Mutual Fund	336,487	-	-	-	336,487
Total Debt Investments	6,888,099	$ 664,353	$ 2,048,905	$ 1,508,362	$ 2,666,479
Common Stock	11,138,851				
Preferred Stock	55,941				
Real Estate Investment Trust	208,774				
Mutual Fund	1,317,906				
Limited Liability Corporation	1,115				
Trusts	992				
Limited Partnerships	4,465,662				
Total Investments	$ 24,077,340				

Interest Rate Risk

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

Credit Risk

The CIFS minimizes exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2012, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds

	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt	Mutual Fund
Aaa	$ 1,547,883	$ 20,400	$ 76,200	$ 269,081	$ 858,154	$ 126,653	$ 197,395	$ -	$ -
Aa	262,448	11,000	10,439	112,460	-	14,239	114,310	-	-
A	437,705	-	2,220	184,381	-	8,656	242,448	-	-
Baa	786,692	-	1,056	332,305	-	1,420	450,803	1,108	-
Ba	251,361	-	-	84,120	-	2,429	160,538	4,274	-
B	388,175	-	-	51,495	-	-	334,686	1,994	-
Caa	115,986	-	-	1,568	-	1,397	113,021	-	-
Ca	5,224	-	-	207	-	-	5,017	-	-
MIG	9,874	-	-	9,874	-	-	-	-	-
Prime 1	33,515	33,515	-	-	-	-	-	-	-
Government fixed not rated	1,808,257	-	-	1,772,941	35,316	-	-	-	-
Not Rated	1,240,979	679,644	20,836	-	-	51,652	127,241	25,119	336,487
	$ 6,888,099	$ 744,559	$ 110,751	$ 2,818,432	$ 893,470	$ 206,446	$ 1,745,459	$ 32,495	$ 336,487

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, 2012, CIFS' foreign deposits and investments were as follows (amounts in thousands):

				Combined Investment Funds							
				Fixed Income Securities					Equities		
Foreign Currency	Total	Cash	Cash Equivalent Collateral	Government Securities	Mutual Funds	Corporate Debt	Convertible Securities	Asset Backed	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	$ 1,370,000	$ 292,639	$ -	$ 1,077,361	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	384,964,578	1,566,626	-	13,141,025	-	68,472,795	-	-	281,119,688	-	20,664,444
Brazilian Real	209,827,415	2,685,734	-	36,096,864	-	7,261,047	134,728	-	139,993,856	23,655,186	-
Canadian Dollar	77,924,664	467,688	-	3,670,783	-	1,140,976	-	-	72,645,217	-	-
Chilean Peso	9,053,766	80,255	-	3,476,757	-	-	-	-	5,496,754	-	-
China Yuan Renminbi	408,914	31,807	-	377,107	-	-	-	-	-	-	-
Colombian Peso	17,293,591	-	-	9,874,878	-	6,029,149	-	1,389,564	-	-	-
Czech Koruna	9,076,710	105,628	-	-	-	-	-	-	8,971,082	-	-
Danish Krone	48,749,044	640,681	-	-	-	-	-	-	48,108,363	-	-
Egyptian Pound	10,880,831	148,714	-	143,129	-	-	-	-	10,588,988	-	-
Euro Currency	1,321,367,204	2,907,214	(28,726)	117,127,305	-	24,865,028	474,675	235,200	1,149,102,303	21,521,733	5,162,472
Ghana Cedi	540,438	-	-	540,438	-	-	-	-	-	-	-
Hong Hong Dollar	507,647,091	1,893,249	-	-	-	-	-	-	504,317,488	-	1,436,354
Hungarian Fornit	31,142,348	3,142,151	-	13,593,502	-	-	-	-	14,406,695	-	-
Iceland Krona	1,911	1,911	-	-	-	-	-	-	-	-	-
Indian Rupee	(3,153,551)	-	-	-	-	3,468,720	-	(6,622,271)	-	-	-
Indonesian Rupiah	91,149,176	358,739	-	6,676,958	-	5,290,991	-	-	78,822,488	-	-
Israeli Shekel	11,282,977	168,246	-	-	-	-	-	-	11,114,731	-	-
Japanese Yen	1,024,945,134	6,117,217	-	33,419,646	-	-	-	-	980,747,545	-	4,660,726
Malaysian Ringgit	73,244,280	5,146,271	-	21,138,911	-	-	-	-	46,959,098	-	-
Mexican Peso	109,252,120	584,429	-	58,040,141	-	467,829	-	-	50,159,721	-	-
Moroccan Dirham	581,671	50,171	-	-	-	-	-	-	531,500	-	-
New Russian Rubel	10,981,567	111,958	-	4,049,160	-	6,820,449	-	-	-	-	-
New Taiwan Dollar	69,126,524	593,672	-	-	-	-	-	(29,136)	68,561,988	-	-
New Zealand Dollar	68,229,826	238,780	-	53,036,856	-	3,497,739	-	-	11,361,703	-	94,748
Nigerian Naira	1,349,440	-	-	536,313	-	813,127	-	-	-	-	-
Norwegian Krone	38,946,535	399,054	-	-	-	-	-	-	38,547,481	-	-
Peruvian Nouveau Sol	5,350,951	248,277	-	5,102,674	-	-	-	-	-	-	-
Philippine Peso	43,388,672	296,239	-	550,749	-	-	-	-	42,541,684	-	-
Polish Zloty	68,170,697	92,907	-	45,281,501	-	-	-	-	22,796,289	-	-
Pound Sterling	922,305,802	925,907	-	15,534,234	458,772	1,758,223	-	-	897,009,962	-	6,618,704
Singapore Dollar	85,145,957	826,306	-	-	-	-	-	-	81,527,832	-	2,791,819
South African Rand	124,875,292	4,651,039	-	20,960,117	-	851,163	-	-	98,412,973	-	-
South Korean Won	394,316,407	485,154	-	-	-	-	-	(16,266)	386,784,962	7,062,557	-
Sri Lanka Rupee	408,987	-	-	-	-	-	-	-	408,987	-	-
Swedish Krona	88,046,121	224,373	-	-	-	-	-	-	87,821,748	-	-
Swiss Franc	299,639,011	3,628,421	-	-	-	-	-	-	296,010,590	-	-
Thailand Baht	108,729,540	281,384	-	7,926,632	-	-	-	-	100,521,524	-	-
Turkish Lira	98,456,225	323,051	-	17,274,157	-	-	-	-	80,859,017	-	-
Ukraine Hryvna	882,476	-	-	-	-	882,476	-	-	-	-	-
Uruguayan Peso	6,792,945	-	-	6,792,945	-	-	-	-	-	-	-
	$ 6,372,693,287	$ 39,715,892	$ (28,726)	$ 495,440,143	$ 458,772	$ 131,619,712	$ 609,403	$ (5,042,909)	$ 5,616,252,257	$ 52,239,476	$ 41,429,267

Derivatives

As of June 30, 2012, the CIFS held the following derivative investments:

Derivative Investments	Fair Value
Asset Backed Securities	$ 110,750
Mortgage Backed Securities	63,418
Collateralized Mortgage Obligations	142,967
TBA's	198,353
Interest Only Securities	2,696
Options	148
Adjustable Rate Securities	602,249
Total	$ 1,120,581

The CIFS invest in derivative investments for trading purposes and to enhance investment returns. The credit exposure resulting from these investments is limited to their fair value at year end.

The CIFS also invest in foreign currency contracts. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIFS' investments against currency fluctuations. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms. As of June 30, 2012, the fair value of contracts to buy and contracts to sell was $3,820.1 million and $3,790.2 million, respectively.

Custodial Credit Risk-Bank Deposits

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Liquidity Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2012, the CIFS had deposits with a bank balance of $48.5 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, 2012, 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	$ 2,639	$ 2,639	$ -	$ -	$ -
State Bonds	31,455	1,659	300	29,496	-
U.S. Government and Agency Securities	184,477	55,916	49,669	76,809	2,083
Guaranteed Investment Contracts	236,988	4,930	44,157	104,871	83,030
Money Market Funds	8,091	8,091	-	-	-
Total Debt Investments	463,650	$ 73,235	$ 94,126	$ 211,176	$ 85,113
Annuity Contracts	137,508				
Endowment Pool	10,153				
Limited Partnership	150				
Total Investments	$ 611,461				

Credit Risk

As of June 30, 2012, other debt 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	$ 2,639	$ -	$ 2,639	$ -	$ -
State Bonds	26,060	-	26,060	-	-
U.S. Government Securities	75,809	69,925	-	5,884	-
Guaranteed Investment Contracts	236,988	6,529	39,459	191,000	-
Money Market Funds	8,091	-	-	-	8,091
Total	$ 349,587	$ 76,454	$ 68,158	$ 196,884	$ 8,091

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, 2012, $3,870 of the bank balance of the Primary Government of $426,155 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 2,600
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	1,270
Total	$ 3,870

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 12-31-11 and 6-30-12, respectively (amounts in thousands):

Major Component Units

		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1-5	More Than 10
Collateralized Mortgage Obligations	$ 958	$ -	$ -	$ 958
Corporate Finance Bonds	5,023	5,023	-	-
Federated Funds	741	741	-	-
Fidelity Funds	16,103	16,103	-	-
GNMA Program Assets	801,909	-	-	801,909
Mortgage Backed Securities	1,643	-	152	1,491
Municipal Bonds	14,032	-	-	14,032
U.S. Government and Agency Securities	1,938	1,000	-	938
Structured Securities	555	-	-	555
Money Market Funds	577,954	577,954	-	-
Total	$ 1,420,856	$ 600,821	$ 152	$ 819,883

The CHFA and the CHEFA own 59.3 percent and 40.7 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. The Federated and Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

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 as follows: obligations issued or guaranteed by the U.S. Government, including the FDIC; qualified money market funds investing in short-term securities as permitted by the Authority's enabling legislation; the State's Short-Term Investment Fund (STIF) provided it maintains a "AAA" rating by Standard and Poor's; and qualified repurchase agreements secured by obligations issued or guaranteed by the U.S. Government.

CHFA's and CHEFA's investments were rated as of 12-31-11 and 6-30-12, respectively, as follows (amounts in thousands):

	Component Units				
	Fair	Quality Ratings			
Investment Type	Value	BBB	B	D	Unrated
Collateralized Mortgage Obligations	$ 958	$ -	$ 958	$ -	$ -
Corporate Finance Bonds	5,023	5,023	-	-	-
Federated Funds	741	-	-	-	741
Fidelity Funds	16,103	-	-	-	16,103
GNMA Assets	801,909	-	-	-	801,909
Mortgage Backed Securities	1,643	-	-	-	1,643
Municipal Bonds	14,032	-	-	-	14,032
Structured Securities	555	-	-	555	-
Money Market Funds	577,954	-	-	-	577,954
Total	$ 1,418,918	$ 5,023	$ 958	$ 555	$ 1,412,382

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, 2011, 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.

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. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit exposure to borrowers because the value of the collateral held and the market value of securities on loan were $2,855.3 million and $2,817.6 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 32.0 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, 2012, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,552,712	$ -	$ -
Accounts	1,086,616	621,050	25,751
Loans-Current Portion	-	239,618	23,672
Other Governments	620,568	30,764	-
Interest	313	12,261	1,057
Other (1)	8,033	-	-
Total Receivables	3,268,242	903,693	50,480
Allowance for Uncollectibles	(904,137)	(92,339)	(2,975)
Receivables, Net	$ 2,364,105	$ 811,354	$ 47,505

(1) Includes a reconciling amount of $8,033 from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2012 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 643,517	$ -	$ 643,517
Income Taxes	437,707	-	437,707
Corporations	49,878	-	49,878
Gasoline and Special Fuel	-	44,215	44,215
Various Other	377,395	-	377,395
Total Taxes Receivable	1,508,497	44,215	1,552,712
Allowance for Uncollectibles	(167,974)	(184)	(168,158)
Taxes Receivable, Net	$ 1,340,523	$ 44,031	$ 1,384,554

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2012, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 22,972
Loans	337,038	737,450	167,072
Total Receivables	337,038	737,450	190,044
Allowance for Uncollec	(2,344)	(2,960)	(8,899)
Receivables, Net	$ 334,694	$ 734,490	$ 181,145

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 $651.7 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.7 percent. At year end, the noncurrent portion of loans receivable was $103.8 million.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2012, 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	$ 703,376	$ -	$ -	$ -	$ 703,376
Total-Governmental Activities	$ 703,376	$ -	$ -	$ -	$ 703,376
Business-Type Activities:					
Bradley International Airport	$ 113,926	$ 15,903	$ -	$ 1,928	$ 131,757
UConn/Health Center	160,908	-	-	3,644	164,552
Clean Water	93,956	279,796	-	-	373,752
Other Proprietary	56,541	24,942	-	-	81,483
Total-Business-Type Activities	$ 425,331	$ 320,641	$ -	$ 5,572	$ 751,544
Component Units:					
CHFA	$ 770	$ 1,651,022	$ 3,606,571	$ 362,143	$ 5,620,506
CHEFA	7,338	571,323	-	-	578,661
Other Component Units	89,620	36,324	-	5,100	131,044
Total-Component Units	$ 97,728	$ 2,258,669	$ 3,606,571	$ 367,243	$ 6,330,211

Note 9 Current Liabilities

a. Accounts Payable and Accrued Liabilities

As of June 30, 2012, 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	$ 117,679	$ 141,439	$ -	$ -	$ 259,118
Transportation	18,775	7,450	-	-	26,225
Other Governmental	203,355	13,521	-	3,337	220,213
Internal Service	1,632	647	-	308	2,587
Reconciling amount from fund financial statements to government-wide financial statements	-	-	170,105	4,556	174,661
Total-Governmental Activities	$ 341,441	$ 163,057	$ 170,105	$ 8,201	$ 682,804
Business-Type Activities:					
UConn/Health Center	$ 36,994	$ 58,272	$ -	$ 24,927	$ 120,193
State Universities	11,771	32,235	1,825	-	45,831
Other Proprietary	19,960	25,002	18,049	50,683	113,694
Total-Business-Type Activities	$ 68,725	$ 115,509	$ 19,874	$ 75,610	$ 279,718
Component Units:					
CHFA	$ -	$ -	$ 19,753	$ 7,976	$ 27,729
Other Component Units	2,508	-	1,364	29,560	33,432
Total-Component Units	$ 2,508	$ -	$ 21,117	$ 37,536	$ 61,161

Note 10 Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated:				
Land	$ 1,594,804	$ 45,082	$ 789	$ 1,639,097
Construction in Progress	2,340,153	1,231,383	986,255	2,585,281
Total Capital Assets not being Depreciated	3,934,957	1,276,465	987,044	4,224,378
Other Capital Assets:				
Buildings	3,275,887	54,717	27,030	3,303,574
Improvements Other than Buildings	471,291	14,138	5,249	480,180
Equipment	1,907,526	241,015	39,100	2,109,441
Infrastructure	12,655,722	368,078	-	13,023,800
Total Other Capital Assets at Historical Cost	18,310,426	677,948	71,379	18,916,995
Less: Accumulated Depreciation For:				
Buildings	1,799,382	82,587	27,030	1,854,939
Improvements Other than Buildings	294,713	23,866	5,249	313,330
Equipment	1,754,168	328,452	39,100	2,043,520
Infrastructure	7,472,822	490,878	-	7,963,700
Total Accumulated Depreciation	11,321,085	925,783	71,379	12,175,489
Other Capital Assets, Net	6,989,341	(247,835)	-	6,741,506
Governmental Activities, Capital Assets, Net	$ 10,924,298	$ 1,028,630	$ 987,044	$ 10,965,884

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 6,179
General Government	40,101
Regulation and Protection	37,946
Conservation and Development	15,926
Health and Hospitals	14,330
Transportation	689,140
Human Services	2,226
Education, Libraries and Museums	42,357
Corrections	47,864
Judicial	22,225
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	7,489
Total Depreciation Expense	$ 925,783

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 64,670	$ 83	$ 44	$ 64,709
Construction in Progress	295,488	150,287	22,345	423,430
Total Capital Assets not being Depreciated	360,158	150,370	22,389	488,139
Capital Assets being Depreciated:				
Buildings	4,050,454	121,432	7,949	4,163,937
Improvements Other Than Buildings	532,945	19,703	182	552,466
Equipment	954,562	74,071	43,642	984,991
Total Other Capital Assets at Historical Cost	5,537,961	215,206	51,773	5,701,394
Less: Accumulated Depreciation For:				
Buildings	1,535,066	122,235	5,496	1,651,805
Improvements Other Than Buildings	286,167	21,211	30	307,348
Equipment	608,808	66,784	42,018	633,574
Total Accumulated Depreciation	2,430,041	210,230	47,544	2,592,727
Other Capital Assets, Net	3,107,920	4,976	4,229	3,108,667
Business-Type Activities, Capital Assets, Net	$ 3,468,078	$ 155,346	$ 26,618	$ 3,596,806

Component Units

Capital assets of the component units consisted of the following as of June 30, 2012 (amounts in thousands):

Land	$ 29,031
Buildings	369,994
Improvements other than Buildings	2,961
Machinery and Equipment	433,615
Construction in Progress	14,137
Total Capital Assets	849,738
Accumulated Depreciation	442,036
Capital Assets, net	$ 407,702

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 6/30/2012	TRS 6/30/2012	JRS 6/30/2012
Retirees and beneficiaries receiving benefits	43,887	32,294	239
Terminated plan members entitled to but not yet receiving benefits	1,561	1,609	2
Active plan members	47,868	49,808	204
Total	93,316	83,711	445

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Tier I Plan B regular and Hazardous Duty members are required to contribute 2 percent and 4 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute 4 percent of their annual salary; Tier IIA 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	$ 926,372	$ 757,246	$ 15,095
Interest on net pension obligation	247,664	(42,380)	2,719
Adjustment to annual required contribution	(195,138)	38,330	(2,118)
Annual pension cost	978,898	753,196	15,696
Contributions made	926,343	757,246	15,095
Increase (decrease) in net pension obligation	52,555	(4,050)	601
Net pension obligation (asset) beginning of year	2,913,694	(498,593)	31,983
Net pension obligation (asset) end of year	$ 2,966,249	$ (502,643)	$ 32,584

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

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(asset)
SERS	2010	$ 952,753	75.6%	$ 2,740,231
	2011	$ 999,261	82.6%	$ 2,913,694
	2012	$ 978,898	94.6%	$ 2,966,249
TRS	2010	$ 553,154	101.1%	$ (498,460)
	2011	$ 576,460	100.7%	$ (498,593)
	2012	$ 753,196	100.5%	$ (502,643)
JRS	2010	$ 15,400	0%	$ 15,449
	2011	$ 16,534	0%	$ 31,983
	2012	$ 15,696	96.2%	$ 32,584

Funded Status and Funding Progress
The following is funded status information for each plan as of June 30, 2012 the most recent actuarial valuation date (amounts in millions):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SERF	9,745.0	23,018.8	13,273.8	42.3%	3,354.7	395.7%
TRF	13,734.8	24,862.2	11,127.4	55.2%	3,652.5	304.7%
JRF	174.7	319.5	144.8	54.7%	30.3	477.9%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions
The following is information as of the most recent actuarial valuation:

	SERF	TRF	JRS
Valuation Date	6/30/2012	6/30/2012	6/30/12
Actuarial Cost Method	Projected unit credit	Entry Age	Projected unit credit
Amortization Method	Level percent of payroll, closed	Level percent closed	Level percent of payroll, closed
Remaining Amortization Period	19 Years	22.4 years	19 Years
Asset Valuation Method	5-year smoothed actuarial value	4- year smoothed market	5-year smoothed actuarial value
Actuarial Assumptions:			
Investment Rate of Return	8.00%	8.5%	8.00%
Projected Salary Increases	4.75%	3.75%-7.0%	4%-20%
Includes inflation at	2.75%	3.0%	3.75%
Cost-of-Living Adjustments	2.3%-4.75%	2.0%-3.0%	2.30-3.6%

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 $39.4 million and $21.9 million, respectively.

Note 12 Other Retirement Systems Administered by the State of Connecticut

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (CMERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for CMERS and CPJERS are presented in Note No. 13.

Plan Descriptions and Contribution Information

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

	CMERS 7/1/2012	CPJERS 12/31/2011
Retirees and beneficiaries receiving benefits	6,095	342
Terminated plan members entitled to but not receiving benefits	703	32
Active plan members	8,711	330
Total	15,509	704
Number of participating employers	191	1

Connecticut Municipal Employees' Retirement System

Plan Description

CMERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is a single-employer defined benefit pension plan that covers judges and employees of probate courts in the State. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of the General statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Note 13 Pension Trust Funds Financial Statements

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds.

Statement of Fiduciary Net Assets (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Cash and Cash Equivalents	$ -	$ 125,194	$ -	$ -	$ 27	$ 265	$ 125,486
Receivables:							
Accounts, Net of Allowances	6,636	11,768	7	12,831	4	-	31,246
From Other Governments	-	693	-	-	-	-	693
From Other Funds	4	7	-	-	-	-	11
Interest	203	495	3	22	4	-	727
Investments	8,468,271	13,473,162	156,910	1,675,299	78,044	1,195	23,852,881
Securities Lending Collateral	950,394	1,476,215	20,141	205,745	9,360	161	2,662,016
Total Assets	9,425,508	15,087,534	177,061	1,893,897	87,439	1,621	26,673,060
Liabilities							
Accounts Payable and Accrued Liabilities	26	127,154	-	-	-	-	127,180
Securities Lending Obligation	950,394	1,476,215	20,141	205,745	9,360	161	2,662,016
Due to Other Funds	6,447	2,029	1	1,575	-	-	10,052
Total Liabilities	956,867	1,605,398	20,142	207,320	9,360	161	2,799,248
Net Assets							
Held in Trust For Employee Pension Benefits	8,468,641	13,482,136	156,919	1,686,577	78,079	1,460	23,873,812
Total Net Assets	$ 8,468,641	$ 13,482,136	$ 156,919	$ 1,686,577	$ 78,079	$ 1,460	$ 23,873,812

Statement of Changes in Fiduciary Net Assets (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 68,776	$ 266,559	$ 1,565	$ 18,452	$ 249	$ 39	$ 355,640
State	926,343	757,246	15,095	-	-	-	1,698,684
Municipalities	-	-	-	59,307	-	-	59,307
Total Contributions	995,119	1,023,805	16,660	77,759	249	39	2,113,631
Investment Income	(59,436)	(96,538)	2,267	13,534	699	65	(139,409)
Less: Investment Expenses	(30,981)	(48,932)	(593)	(6,297)	(292)	(4)	(87,099)
Net Investment Income	(90,417)	(145,470)	1,674	7,237	407	61	(226,508)
Transfers In	-	-	-	-	200	-	200
Other	4,126	364	-	1,009	185	-	5,684
Total Additions	908,828	878,699	18,334	86,005	1,041	100	1,893,007
Deductions							
Administrative Expense	543	-	-	-	-	-	543
Benefit Payments and Refunds	1,424,666	1,545,867	20,313	106,583	4,384	1	3,101,814
Other	-	2,933	-	2	183	-	3,118
Total Deductions	1,425,209	1,548,800	20,313	106,585	4,567	1	3,105,475
Changes in Net Assets	(516,381)	(670,101)	(1,979)	(20,580)	(3,526)	99	(1,212,468)
Net Assets Held in Trust For Employee Pension Benefits:							
Beginning of Year	8,985,022	14,152,237	158,898	1,707,157	81,605	1,361	25,086,280
End of Year	$ 8,468,641	$ 13,482,136	$ 156,919	$ 1,686,577	$ 78,079	$ 1,460	$ 23,873,812

Note 14 Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). SEOPEBP is administered by the State Comptroller (Healthcare Policy and Benefit Division), and RTHP is administered by the Teachers' Retirement Board. None of these plans issues stand-alone financial statements. However, financial statements for these plans are presented in Note No. 15.

State Employee OPEB Plan

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of the State who are receiving benefits from any State-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees' Retirement System. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes. As of June 30, 2011 (date of the latest actuarial valuation), the plan had 64,860 retirees and beneficiaries receiving benefits.

Plan Funding

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund. Administrative costs of the plan are financed by the State.

Retired Teacher Healthcare Plan

Plan Description

RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183 of the General Statutes. As of June 30, 2012 (date of the latest actuarial valuation), the plan had 35,215 retirees and beneficiaries receiving benefits.

Plan Funding

The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost and the net OPEB obligation for each plan for the current fiscal year were as follows (amounts in thousands):

	SEOPEBP	RTHP
Annual Required Contribution	$ 1,354,738	$ 184,145
Interest on Net OPEB Obligation	73,689	2,172
Adjustment to Annual Required Contribution	207,850	20,362
Annual OPEB Cost	1,220,577	165,955
Contributions Made	541,262	49,486
Increase in net OPEB Obligation	679,315	116,469
Net OPEB Obligation - Beginning of Year [1]	4,508,054	451,893
Net OPEB Obligation - End of Year	$ 5,187,369	$ 568,362

[1] SEOPEBP balance restated. See Note 23

In addition, other related information for each plan for the past three fiscal years was as follows:

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP				
	2012	$ 1,220,577	44.3%	$ 5,187,369
	2011	$ 1,165,510	46.7%	$ 4,508,054
	2010	$ 2,349,663	23.6%	$ 4,150,866
RTHP				
	2012	$ 165,955	29.8%	$ 568,362
	2011	$ 167,368	3.2%	$ 451,893
	2010	$ 115,321	10.5%	$ 289,837

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2011 and 2012, respectively, date of the latest actuarial valuations (amounts in million):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SEOPEBP	$49.6	$ 17,954.3	$ 17,904.7	0.3%	$ 3,902.2	458.8%
RTHP	$0	$ 3,048.3	$ 3,048.3	0.0%	$ 3,652.5	83.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding in progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the State and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the State and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

	SEOPEBP	RTHP
Actuarial Valuation Date	6-30-11	6-30-12
Actuarial Cost Method	Projected Unit Credit	Entry Age
Amortization Method	Level Percent of Pay, Closed, 30 Years	Level Percent of Pay, Open
Remaining Amortization Period	26 Years	26 Years
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	5.70%	4.5% (includes 3% inflation rate)
Projected Salary Increases	4.00%	3.75%-7.00% (includes 3% inflation rate)
Healthcare Inflation Rate	7.25% Initial, 5% Ultimate	7% Initial, 5% Ultimate

Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 15.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of June 30, 2012 there were 9 municipalities participating in the plan with a total membership of 598 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 15 OPEB Trust 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	$ 83,298	$ 91,777	$ -	$ 175,075
Receivables:				
From Other Funds	3	2,056	-	2,059
Interest	-	-	1	1
Investments	-	-	22,559	22,559
Securities Lending Collateral	-	-	3,456	3,456
Total Assets	83,301	93,833	26,016	203,150
Liabilities				
Accounts Payable and Accrued Liabilit	23,584	5,507	-	29,091
Securities Lending Obligation	-	-	3,456	3,456
Due To Other Funds	-	-	7	7
Total Liabilities	23,584	5,507	3,463	32,554
Net Assets				
Held in Trust For Other				
Postemployment Benefits	59,717	88,326	22,553	170,596
Total Net Assets	$ 59,717	$ 88,326	$ 22,553	$ 170,596

Statement of Changes in Fiduciary Net Assets (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Additions				
Contributions:				
Plan Members	$ -	$ 81,385	$ 470	$ 81,855
State	541,262	49,486	-	590,748
Municipalities	-	-	41	41
Total Contributions	541,262	130,871	511	672,644
Investment Income	8	99	1,267	1,374
Less: Investment Expenses	-	-	(81)	(81)
Net Investment Income	8	99	1,186	1,293
Transfers In	14,500	-	-	14,500
Other	-	-	-	-
Total Additions	555,770	130,970	1,697	688,437
Deductions				
Administrative Expense	-	2,606	-	2,606
Benefit Payments and Refunds	545,700	93,326	1,005	640,031
Other	-	4	-	4
Total Deductions	545,700	95,936	1,005	642,641
Changes in Net Assets	10,070	35,034	692	45,796
Net Assets Held in Trust For Other Postemployment Benefits:				
Beginning of Year	49,647	53,292	21,861	124,800
End of Year	$ 59,717	$ 88,326	$ 22,553	$ 170,596

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):

2013	$ 26,233
2014	26,807
2015	27,931
2016	28,184
2017	26,619
Thereafter	100,362
Total	$ 236,136

Contingent revenues for the year ended June 30, 2012, were $94 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2012, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2013	$ 56,553	$ 10,173
2014	55,792	10,167
2015	41,040	5,698
2016	75,866	4,110
2017	7,749	2,906
2018-2022	-	11,179
2023-2027	-	6,124
2028-2032	-	4,870
Total minimum lease payments	$ 237,000	55,227
Less: Amount representing interest costs		12,468
Present value of minimum lease payments		$ 42,759

Minimum capital lease payments were discounted using interest rates changing from 3.79 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2012, were $56.6 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 $67 million at June 30, 2012.

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, 2012, (amounts in thousands):

Governmental Activities	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts due within one year
Bonds:					
General Obligation	$ 13,794,340	$ 2,319,540	$ 2,149,304	$ 13,964,576	$ 1,016,931
Transportation	3,357,595	455,075	525,330	3,287,340	313,735
	17,151,935	2,774,615	2,674,634	17,251,916	1,330,666
Plus/(Less) premiums and deferred amounts	526,112	277,184	94,422	708,874	70,530
Total Bonds	17,678,047	3,051,799	2,769,056	17,960,790	1,401,196
Long-Term Notes	915,795	-	167,860	747,935	174,570
Other L/T Liabilities: [1]					
Net Pension Obligation	2,447,084	1,747,790	1,698,684	2,496,190	-
Net OPEB Obligation [2.]	4,959,947	1,386,532	590,748	5,755,731	-
Compensated Absences	559,594	11,797	29,289	542,102	38,148
Workers' Compensation	511,413	149,921	101,788	559,546	102,844
Capital Leases	42,995	6,085	6,321	42,759	6,597
Claims and Judgments	56,227	8,347	19,632	44,942	9,701
Liability on Interest Rate Swaps	22,597	2,359		24,956	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	8,600,562	3,312,831	2,446,462	9,466,931	157,290
Governmental Activities Long-Term Liabilities	$ 27,194,404	$ 6,364,630	$ 5,383,378	$ 28,175,656	$ 1,733,056

[1.] **In prior years, the General and Transportation funds have been used to liquidate other liabilities.**

[2.] **The OPEB liability at 6/30/2011 has been restated see Note 23**

Business-Type Activities	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts due within one year
Revenue Bonds	$ 1,556,218	$ 49,040	$ 165,913	$ 1,439,345	$ 113,552
Plus/(Less) premiums, discounts and deferred amounts	50,942	2,193	6,773	46,362	324
Total Revenue Bonds	1,607,160	51,233	172,686	1,485,707	113,876
Lottery Prizes	161,697	3,189	26,691	138,195	22,204
Compensated Absences	154,748	32,129	30,795	156,082	50,039
Federal Loans Payable	809,876	122,868	300,718	632,026	-
Other	184,071	15,543	8,723	190,891	8,464
Total Other Liabilities	1,310,392	173,729	366,927	1,117,194	80,707
Business-Type Long-Term Liabilities	$ 2,917,552	$ 224,962	$ 539,613	$ 2,602,901	$ 194,583

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $44.5 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, 2012, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2012	Amounts due within year
Bonds Payable	$ 4,447,347	$ 233,287
Escrow Deposits	223,407	60,400
Closure of Landfills	49,200	2,628
Due to State	23,207	-
Deferred Revenue	3,969	885
Other	256,662	472
Total	$ 5,003,792	$ 297,672

Note 18 Long-Term Notes and Bonded Debt

a. Economic Recovery Notes

Public Act 09-2 authorized the issuance of $915.8 million of General Obligation Economic Recovery Notes in December, 2009. The notes funded a major part of the deficit in the State's general fund as reported by the Comptroller to the Governor for the fiscal year ended June 30, 2009.

Economic recovery notes outstanding at June 30, 2012 were $747.9 million. The notes mature on various dates through 2016 and bear interest rates from 2.0% to 5.0%. Future amounts needed to pay principal and interest on economic recovery notes outstanding at June 30, 2012, were as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 174,570	$ 33,854	$ 208,424
2014	182,705	25,723	208,428
2015	191,280	17,147	208,427
2016	199,380	9,043	208,423
Total	$ 747,935	$ 85,767	$ 833,702

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, 2012, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2012-2032	2.00-6.394%	$ 1,829,396	$ 509,810
School Construction	2012-2032	1.50-5.750%	4,547,662	5
Municipal & Other Grants & Loans	2012-2030	0.25-6.398%	814,072	565,880
Housing Assistance	2013-2031	0.25-5.460%	189,860	104,693
Elimination of Water Pollution	2012-2027	3.10-5.09%	230,550	816,953
General Obligation Refunding	2012-2025	2.00-6.00%	3,878,315	-
Pension Obligation	2014-2032	4.20-6.27%	2,276,578	-
Miscellaneous	2012-2038	1.00-6.00%	116,485	556,246
			13,882,918	$ 2,553,587
Accretion-Various Capital Appreciation Bonds			81,658	
		Total	$ 13,964,576	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,016,931	$ 675,284	$ 1,692,215
2014	965,418	621,630	1,587,048
2015	940,389	568,641	1,509,030
2016	908,600	527,153	1,435,753
2017	859,638	487,211	1,346,849
2018-2022	3,756,795	1,923,084	5,679,879
2023-2027	2,979,857	1,308,634	4,288,491
2028-2032	2,442,855	379,498	2,822,353
2033-2037	10,170	2,125	12,295
2038-2042	2,265	138	2,403
Total	$ 13,882,918	$ 6,493,398	$ 20,376,316

Transportation Related Bonds

Transportation related bonds include special tax obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the Debt Service Fund for retirement of principal and interest.

Transportation related bonds outstanding and bonds authorized but unissued at June 30, 2012, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2012-2030	2.00-6.500%	$ 3,287,340	$ 2,559,221
			3,287,340	$ 2,559,221
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 3,287,340	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2013	$ 313,735	$ 151,305	$ 465,040
2014	265,435	138,929	404,364
2015	236,265	127,825	364,090
2016	211,195	117,761	328,956
2017	193,760	108,106	301,866
2018-2022	916,840	403,519	1,320,359
2023-2027	724,015	201,604	925,619
2028-2032	426,095	41,634	467,729
	$ 3,287,340	$ 1,290,683	$ 4,578,023

Variable-Rate Demand Bonds

As of June 30, 2012, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
General Obligation	20,000	1997	2014
Total	$ 20,000		

The State entered into various remarketing and standby bond purchase agreements with certain brokerage firms and banks upon the issuance of the bonds.

The bonds were issued bearing a weekly interest rate, which is determined by the State's remarketing agents. The State has the option of changing at any time the weekly interest rate on the bonds to another interest rate, such as a flexible rate or a daily rate. Bonds bearing interest at the weekly rate are subject to purchase at the option of the bondholder at a purchase price equal to principal plus accrued interest, if any, on a minimum seven days' notice of tender to the State's agent. In addition, the bonds are subject to mandatory purchase upon (1) conversion from the weekly interest rate to another interest rate and (2) substitution or expiration of the standby bond purchase agreements. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase by bondholders from time to time. The State is required to pay the remarketing agents a quarterly fee of .05 percent per annum of the outstanding principal amount of the bonds.

The standby bond purchase agreements require the banks to purchase any unremarketed bonds bearing the weekly interest rate for a price not to exceed the amount of bond principal and accrued interest, if any. The State is required to pay the banks a quarterly fee ranging from .11 percent to .15 percent per annum of the outstanding principal amount of the bonds plus interest. These fees would be increased if the credit rating for the bond insurers were to be downgraded, suspended, or withdrawn. The 1997 GO series standby bond purchase agreement expires in the year 2014.

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

c. Primary Government – Business–Type Activities

Revenue Bonds

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

Enterprise funds' revenue bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2012-2033	2.0-6.0%	$ 156,341
State Universities	2012-2036	2-6.0%	264,044
Clean Water	2012-2028	2-5.%	768,331
Drinking Water	2012-2027	2-5.%	55,444
Bradley International Airport	2012-2033	[1]	155,800
Bradley Parking Garage	2012-2024	6.125-6.6%	39,385
Total Revenue Bonds			1,439,345
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			(1,537)
State Universities			2,692
Clean Water			47,616
Bradley International Airport			(2,409)
Other			3,162
Revenue Bonds, net			$ 1,488,869

[1] variable percent of one month LIBOR

The University of Connecticut has issued student fee revenue bonds to finance the costs of buildings, improvements and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

Bradley International Airport periodically issues revenue bonds to finance the cost of improvements to the airport. These bonds are secured by and are payable solely from revenues generated by the airport and other receipts, funds or monies pledged in the bond indenture. As of June 30, 2012 the following bonds were outstanding:

a. 2001 Bradley International Airport Refunding Bonds in the amount of $8.5 million.
b. 2011 Bradley International Airport Refunding Bonds in the amount of $147.3 million.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport. As of June 30, 2012, $39.3 million of these bonds are outstanding.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2013	$ 113,473	$ 63,490	$ 176,963
2014	105,033	58,579	163,612
2015	110,022	53,949	163,971
2016	110,744	48,964	159,708
2017	92,608	44,541	137,149
2018-2022	427,920	162,419	590,339
2023-2027	328,960	68,867	397,827
2028-2032	131,405	15,816	147,221
2033-2037	19,180	788	19,968
Total	$ 1,439,345	$ 517,413	$ 1,956,758

d. Component Units

Component units' revenue bonds outstanding at June 30, 2012, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2012-2020	4.60-5.250%	$ 12,295
CT Housing Finance Authority	2012-2049	0.40-6.625%	4,155,537
CT Resources Recovery Authority	2012-2016	5.125-5.50%	4,134
CT Higher Education Supplemental Loan Authority	2012-2028	1.70-6.00%	166,065
Capital City Economic Development Authority	2012-2033	2.50-7.00%	97,535
UConn Foundation	2012-2029	3.875-5.00%	6,270
Total Revenue Bonds			4,441,836
Plus/(Less) premiums, discounts, and deferred amounts:			
CHFA			5,093
CRRA			3
CHESLA			741
CCEDA			(326)
Revenue Bonds, net			$ 4,447,347

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, 2012 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 $12.3 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, 2011, bonds outstanding under the bond resolution and the indenture were $4,090.2 million and $65.3 million, respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's general fund, and (3) all monies and securities of the Authority's general and capital reserve funds. The resolution and indenture capital reserve funds are required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in the next succeeding calendar year on all outstanding bonds. The required reserves are $279.2 million per the resolution and $4.6 million per the indenture at 12/31/11. As of December 31, 2011, the Authority has entered into interest rate swap agreements for $952.6 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. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so.

The Capital 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, 2012, were as follows amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2013	$ 150,174	$ 127,597	$ 277,771
2014	164,127	122,275	286,402
2015	124,628	118,235	242,863
2016	227,520	129,524	357,044
2017	144,900	113,085	257,985
2018-2022	722,020	497,544	1,219,564
2023-2027	850,489	364,330	1,214,819
2028-2032	868,296	231,202	1,099,498
2033-2037	713,445	106,124	819,569
2038-2042	426,665	26,626	453,291
2043-2047	33,102	61,023	94,125
2048-2052	13,790	2,164	15,954
2053-2057	2,680	-	2,680
Total	$ 4,441,836	$ 1,899,729	$ 6,341,565

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, 2012 were $1,004.5 million.

The Connecticut Health and Educational Facilities Authority has issued special obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total special obligation bonds outstanding at June 30, 2012, were $7,933.6 million, of which $271.6 million was secured by special capital reserve funds.

The Connecticut Resources Recovery Authority has issued several bonds to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under lease or loan arrangements between the Authority and the operators. Letters of credit secure some of these bonds. The Authority does not become involved in the construction activities or the repayment of the debt (other than the portion allocable to Authority purposes). In the event of a default, neither the authority nor the State guarantees payment of the debt, except for the State contingent liability discussed below. Thus, the assets and liabilities that relate to these bond issues are not included in the Authority's financial statements. The amount of these bonds outstanding at June 30, 2012 was $66.3 million.

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

e. Debt Refundings

During the year, the State issued $1,248.7 million of general obligation and special tax obligation refunding bonds with an average interest rate of 4.29 percent to advance refund $1,343.6 million of general obligation and special tax obligation bonds with an average interest rate of 5.47 percent. The reacquisition price exceeded the carrying amount of the old debt by $36.5 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 advanced refunded these bonds to reduce its total debt service payments over the next twelve years by $114.2 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $83.3 million. As of June 30, 2012, $1,556.5 million of outstanding general obligation, special tax obligation, and revenue bonds had been advanced refunded and are, accordingly, considered defeased.

Note 19 - Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit(credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:					
Pay-fixed interest rate swap	Other Non-current Assets	2,359	Non-current portion of LT Obligations	(24,956)	335,620
Business-type activities					
Cash flow hedges:					
Bradley Airport:					
Pay-fixed interest rate swap	Other Non-current Assets	(12,083)	Non-current portion of LT Obligations	(30,017)	152,380

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' governmental activities hedging derivative instruments outstanding at June 30, 2012, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amounts (000's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	140,000	3/24/2005	3/1/2023	Pay 3.392% receive 60% of LIBOR+30bp	Aa1/AAA
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	140,000	3/24/2005	3/1/2023	Pay 3.401% receive 60% of LIBOR+30bp	A3/A
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	15,620	4/27/2005	6/1/2016	Pay 3.99% receive CPI plus .65%	Baa1/A-
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2017	Pay 5.07% receive CPI plus 1.73%	Baa1/A-
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2020	Pay 5.2% receive CPI plus 1.79%	Aa3/A
	Total Notional Amount	$ 335,620				

The fair values of interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

Credit Risk

As of June 30, 2012, the State had no credit risk exposure on any of the swaps because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

Interest Rate Risk

The State is exposed to interest rate risk on its interest rate swaps. As the LIBOR or CPI swap index rate decreases, the State's net payment on the swap increases.

Basis Risk

The State's variable-rate bond interest payments are based on the Securities Industry and Financial Markets Association Municipal Swap (SIFMA) index rate, or the CPI floating rate. The State is exposed to basis risk on those swaps for which the State receives variable-rate payments that are based on the LIBOR swap index rate. As of June 30, 2012, the SIFMA rate was 0.18 percent, whereas 60 percent of LIBOR plus 30bp was 0.447 percent. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2012, the budgeted amount for basis risk was $1,500,000.

Termination Risk

The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 2005 swap agreements, the State has up to 270 days to fund any required termination payment.

Rollover Risk

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

Hedging Derivative Instrument Payments and Hedged Debt

As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2012, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands):

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate SWAP, Net	Total
2013	$ -	$ 3,461	$ 7,979	$ 11,440
2014	-	3,461	7,979	11,440
2015	-	3,461	7,979	11,440
2016	50,620	3,453	7,713	61,786
2017	55,000	2,676	6,771	64,447
2018-2022	220,000	4,388	15,944	240,332
2023-2027	10,000	14	221	10,235
Total	$ 335,620	$ 20,914	$ 54,586	$ 411,120

As of June 30, 2012, Bradley airport has entered into interest rate swap agreements for $147.3 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Note 20 Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

	Risk 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 and Health Center 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 6-30-10	$ 460,596	$ 18,315
Incurred claims	148,777	5,210
Paid claims	(97,960)	(3,086)
Balance 6-30-11	511,413	20,439
Incurred claims	149,921	52
Paid claims	(101,788)	(534)
Balance 6-30-12	$ 559,546	$ 19,957

Note 21 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2012, 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	$ -	$ -	$ 301,079	$ 824,766	$ 39,518	$ 14,158	$ 15,761	$ 2,048	$ 533	$ 4,556	$ -	$ 1,202,419
Debt Service	-	284	-	-	-	-	-	-	-	-	-	284
Restricted Grants & Accounts	1,985	-	-	-	-	-	-	-	-	-	230	2,215
Other Governmental	1,671	-	-	11,568	18,048	12,882	106,010	-	-	-	7,029	157,208
UConn	10,097	-	-	-	-	-	-	-	-	-	-	10,097
State Universities	3,382	-	-	-	-	-	-	-	-	-	-	3,382
Employment Security	-	-	-	3,391	-	-	-	-	-	-	-	3,391
Other Proprietary	386	-	1,510	-	-	-	-	-	-	-	-	1,896
Internal Services	1,520	-	-	-	-	-		-	-	-	-	1,520
Fiduciary	-	-	-	8,030	-	-	-	-	-	2,029	-	10,059
Component Units	23,206	-	-	-	-	-	-	-	-	-	-	23,206
Total	$ 42,247	$ 284	$ 302,589	$ 847,755	$ 57,566	$ 27,040	$ 121,771	$ 2,048	$ 533	$ 6,585	$ 7,259	$ 1,415,677

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

Note 22 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2012, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)									
Amount transferred from fund(s)	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary	Total
General	$ -	$ 5,106	$ 81,550	$ 78,107	$ 61,800	$ 485,366	$ 209,202	$ 219,976	$ 14,500	$ 1,155,607
Debt Service	-	-	1,365	1,049	252	-	-	-	-	2,666
Transportation	-	437,782	-	21,500	-	-	-	-	-	459,282
Restricted Grants & Accounts	-	-	-	-	331	-	-	-	-	331
Other Governmental	103,529	-	-	122,414	1,575	217,910	49,348	62,639	200	557,615
Connecticut Lottery	310,000	-	-	-	-	-	-	-	-	310,000
Employment Security	-	-	-	-	3,364	-	-	-	-	3,364
Other Proprietary	-	-	-	-	13,507	-	-	-	-	13,507
Total	$ 413,529	$ 442,888	$ 82,915	$ 223,070	$ 80,829	$ 703,276	$ 258,550	$ 282,615	$ 14,700	$ 2,502,372

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

Note 23 Restatement of Fund Balances/Net Assets, Fund Balance Classifications, and Restricted Assets

Restatement of Fund Balance/Net Assets

As of June 30, 2012, the beginning fund balances/net assets for the following activities were restated as follows (amounts in thousands):

	Balance 6-30-11 Previously Reported	Correction of Reported Assets/Liabilities	Balance 6-30-11 as Restated
Governmental Funds and Activities			
Major Funds			
General Fund	$ (1,297,309)	$ 172,704	$ (1,124,605)
Total Governmental Funds	$ 1,387,689	$ 172,704	$ 1,560,393
Proprietary Funds			
Nonmajor Funds			
Internal Service Funds			
Administrative Services Fund	$ (61,339)	$ 88,485	$ 27,146
Total Internal Service Funds	$ (51,052)	$ 88,485	$ 37,433
Governmental Activities:			
Net OPEB Obligation	$ (4,602,759)	$ (357,188)	$ (4,959,947)
Net Assets of Governmental Activities	$ (14,049,710)	$ (95,999)	$ (14,145,709)

The beginning fund balance of the General Fund was adjusted to correct an understatement in the balance of taxes receivable reported last year.

The beginning net asset balance of the Administrative Services Fund was adjusted to correct an understatement in the balance of cash reported in prior years.

The beginning balance of the net OPEB obligation was adjusted to correct an understatement in the SEOPEBP obligation reported last year, resulting from not receiving required actuarial information on time.

During the year, the State changed the method used to calculate the escheat liability to be in compliance with the calculation method described in GASB Statement No. 21, "Accounting for Escheat Property." Because of this change, escheat revenue reported in the General fund increased by $336 million this year.

Fund Balance – Restricted and Assigned

As of June 30, 2012 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows:

	Restricted Purposes	Assigned Purposes
Grant and Loan Programs	$ 630,657	$ 9,405
Capital Projects	238,520	-
Environmental Programs	97,672	-
Housing Programs	109,955	-
Employment Security Administration	31,531	-
Banking	26,002	-
Other	44,807	13,365
Total	$ 1,179,144	$ 22,770

Restricted Assets

As of June 30, 2012, the government-wide statement of net assets reported $2,753 of restricted net assets, of which $163 million was restricted by enabling legislation.

Note 24 Related Organizations

The Community Economic Development Fund and the Connecticut Student Loan Foundation are legally separate organizations that are related to the State because the State appoints a voting majority of the organizations' governing board. However, the State's accountability for these organizations does not extend beyond making the appointments.

Note 25 New Accounting Pronouncements

In fiscal year 2012, the State implemented the Governmental Accounting Standard Board Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." The objective of this statement is to clarify whether an effective hedging relationship continues after replacement of a swap-counterparty or a swap-counterparty's credit support provider and sets forth criteria that establish when hedge accounting should continue to be applied.

Note 26 Commitments and Contingencies

A. Commitments

Primary Government

Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2012, the Departments of Transportation and Public Works had contractual commitments of approximately $4,117 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $2,705 million.

Clean and drinking water loan programs $679 million.

Various programs and services $2,963 million.

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

Component Units

As of December 31, 2011, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $140 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.

As of June 30, 2012, the State reported an escheat liability of $242.2 million in the General fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of $207.6 million in the future.

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

C. Litigation

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the State.

Note 27 Subsequent Events

Effective on July 1, 2012, Public act 12-1 sections 147 and 189 transferred all operations of the Connecticut Development Authority (CDA) to Connecticut Innovations Incorporated (CII), a quasi-public agency of the State of Connecticut.

Effective on July 1, 2012, Public act 12-149 combined the Connecticut Higher Education Supplemental Loan Authority (CHESLA) and made it a subsidiary of the Connecticut Health and Educational Facilities Authority CHEFA).

Effective on July 1, 2012, the General Assembly renamed the Capital City Economic Development Authority (CCEDA) to be hence forth known as the Capital Region Development Authority (CRDA) and expanded the powers of the renamed authority to allow it to collect certain payments in lieu of taxes.

In September 2012, the State issued $280.1 million of General Obligation bonds. The bonds will mature in 2032 and bear interest rates ranging from 2.0 percent to 5.0 percent.

In September 2012, the State issued $69.8 million of General Obligation refunding bonds. The bonds will mature in years 2013 through 2015 and bear interest rates ranging from 1.00 percent and 4.00 percent

In September 2012, the State issued $219.9 million of General Obligation SIFMA index bonds. The bonds will mature in 2024 and bear variable interest rates ranging from 2 to 65 basis points below the SIFMA index rate.

In November 2012, the State issued $175.2 million of General Obligation bonds. The bonds will mature in 2032 and bear interest rates ranging from 1.5 percent to 5.0 percent.

In November 2012, the State issued $224.8 million of Taxable General Obligation bonds. The bonds will mature in 2022 and bear interest rates ranging from .465 percent to 2.551 percent.

In December 2012, the Connecticut Health and Educational Facilities Authority (a component unit of the State of Connecticut) issued $34.060 million of Revenue Bonds on behalf of the Connecticut State University system. The bonds will mature in years 2013 through 2032 and bear interest rates ranging from 3.0 percent to 5.0 percent.

In December 2012, the State issued $502.3 million of Special Tax Obligation Transportation Infrastructure bonds. The bonds will mature in years 2014 through 2033 and bear interest rates ranging from 2.0 percent to 5.0 percent.

In December 2012, the State issued $125.1 million of Special Tax Obligation refunding bonds. The bonds will mature in years 2013 through 2025 and bear an interest rate of 5.0 percent.

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						
6/30/2007	$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%
6/30/2010	$9,349.6	$21,054.2	$11,704.6	44.4%	$3,295.7	355.1%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$9,745.0	$23,018.8	$13,273.8	42.3%	$3,354.7	395.7%
*No actuarial valuation was performed.						
TRS						
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%
6/30/2010	$14,430.2	$23,495.9	$9,065.7	61.4%	$3,646.0	248.6%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$13,734.8	$24,862.2	$11,127.4	55.2%	$3,652.5	304.7%
*No actuarial valuation was performed.						
JRS						
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%
6/30/2010	$179.7	$276.8	$97.1	64.9%	$31.6	307.3%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$174.7	$319.5	$144.8	54.7%	$30.3	477.9%
*No actuarial valuation was performed.						
RTHP						
6/30/2008	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$-	$2,997.8	$2,997.8	0.0%	$3,646.0	82.2%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$-	$3,048.3	$3,048.3	0.0%	$3,652.5	83.5%
*No actuarial valuation was performed.						
Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.						
SEOPEBP						
6/30/2011	$49.6	$17,954.3	$17,904.7	0.3%	$3,902.2	458.8%
June 30,2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was preforme						

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Employer Contributions

(Expressed in Millions)

	SERS		TRS		JRS		RTHP		SEOPEBP	
Fiscal Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2005	$518.8	100.0%	$281.4	65.8%	$12.2	100.0%	$0.0	0.0%	$0.0	0.0%
2006	$623.1	100.0%	$396.2	100.0%	$11.7	100.0%	$0.0	0.0%	$0.0	0.0%
2007	$663.9	100.0%	$416.0	99.0%	$12.4	100.0%	$0.0	0.0%	$0.0	0.0%
2008	$716.9	99.2%	$518.6	485.7%	$13.4	100.0%	$116.1	21.5%	$0.0	0.0%
2009	$753.7	92.8%	$539.3	100.0%	$14.2	100.0%	$116.7	25.3%	$0.0	0.0%
2010	$897.4	80.3%	$559.2	100.0%	$15.4	0.0%	$121.3	10.0%	$0.0	0.0%
2011	$944.1	87.5%	$581.6	100.0%	$16.2	0.0%	$177.1	3.0%	$0.0	0.0%
2012	$926.4	100.0%	$757.2	100.0%	$15.1	100.0%	$184.1	26.9%	$1,354.7	40.0%

Schedules of employer contributions for other postemployment benefit plans (RTPH) were required to be disclosed starting with fiscal year 2008. SEOPBP did not begin disclosing employer contributions until fiscal year 2012.

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APPENDIX III-D

STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT
06106-1775

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

February 28, 2013

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, 2008-2012. 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, 2008-2012.

The statements have been prepared on a modified cash basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied consistently and in accordance with the governing statutory requirements for all periods shown.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

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

JOHN C. GERAGOSIAN

ROBERT M. WARD

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, 2008, 2009, 2010, 2011 and 2012 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, 2008, 2009, 2010, 2011 and 2012, 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, 2008, 2009, 2010, 2011 and 2012, and the results of its operations – modified cash basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix III-D-4.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

February 28, 2013
State Capitol
Hartford, Connecticut

GENERAL FUND[a]

Balance Sheet
As of June 30
(In Thousands)

	2008	2009	2010	2011	2012
Assets					
Cash and Short-Term Investments	$ --	$ --	$ --	$ --	$ --
Accrued Taxes Receivable	1,133,886	976,536	1,091,117	1,077,249	1,336,954
Accrued Accounts Receivable	32,874	29,913	28,975	28,821	27,839
Federal and Other Grants Receivable and Unexpended Balances	--	--	--	--	--
Investments	--	--	--	--	--
Due from Other Funds	--	--	--	--	--
Loans Receivable	--	--	--	3,419	3,419
Total Assets	$ 1,166,760	$ 1,006,449	$ 1,120,092	$ 1,109,489	$ 1,368,212
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 477,251	$ 1,863,042	$ 547,305	$ 666,879	$ 1,233,336
Accounts Payable	--	--	--	--	--
Deferred Restricted Accounts and Federal and Other Grant Revenue	--	--	--	--	--
Due to Other Funds	$ 5,103	$ 1,374	$ 605	$ 469	301
Total Liabilities	$ 482,354	$ 1,864,416	$ 547,910	$ 667,348	$ 1,233,637
Reserves					
Petty Cash Funds	$ 886	$ 840	$ 838	$ 814	$ 806
Statutory Surplus Reserves	179,420	--	449,869	236,923	--
Appropriations Continued to Following Year	504,100	88,772	121,475	200,985	130,351
Reserve for Receivables	--	--	--	3,419	3,418
Total Reserves	$ 684,406	$ 89,612	$ 572,182	$ 442,141	$ 134,575
Unappropriated Surplus (Deficit)	0	(947,579)[b]	0	0	0
Total Liabilities, Reserves and Surplus	$ 1,166,760	$ 1,006,449	$ 1,120,092	$ 1,109,489	$ 1,368,212

(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)

	2008	2009	2010	2011	2012
Unappropriated Surplus (Deficit), July 1	$ -0-	$ -0-	$ (947,578)	$ -0-	$ -0-
Resources from Reserve for Debt Avoidance/ERN	--	--	947,578	--	--
Total Revenues (per Appendix III-D-6)	16,418,786	15,700,801	17,688,529	17,707,454	18,561,633
Total Expenditures (per Appendix III-D-7)	16,627,447[(a)]	17,234,855[(b)]	17,208,021[(c)]	17,845,124[(d)]	18,781,634[(e)]
Operating Balance	(208,661)	(1,534,054)	480,508	(137,670)	(220,001)
Reserved for Prior Year Appropriations Less Appropriations Carried Forward	326,972	415,327	(32,704)	(75,276)	70,634
Transferred (Out) or Reserved for:					
Budget Reserve Fund	-0-	-0-	-0-	-0-	-0-
Reserve for Debt Retirement/Avoidance	(99,420)	-0-	-0-	(236,923)	-0-
Other Adjustments	(18,891)	(8,271)	2,065	--	5,850
Reserved from Prior Year	-0-	179,420	-0-	449,869	-0-
Subtotal	-0-	(947,578)	449,869	-0-	(143,517)
Transferred from Budget Reserve Fund	--	--	--	--	143,517
Unappropriated Surplus (Deficit), June 30[(f)]	$ -0-	$ (947,578)	$ -0-	$ -0-	$ -0-

(a) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $326.972 million.

(b) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $415.327 million.

(c) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(32.704) million.

(d) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(75.276) million.

(e) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $70.634 million.

(f) The Fiscal Year 2010 surplus of $449.869 million was reserved for Fiscal Year 2011 leaving no unappropriated surplus.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2008	2009	2010	2011	2012
Taxes:					
Personal Income	$ 7,512,688	$ 6,385,856	$ 6,586,099	$ 7,246,431	$ 8,310,820
Sales and Use	3,582,317	3,318,752	3,203,988	3,353,230	3,830,117
Corporations	733,942[c]	615,921	667,132	794,473	716,522
Insurance Companies	227,221	202,217	226,549	220,626	237,609
Inheritance and Estate	170,619	238,337	177,601	237,573	191,699
Alcoholic Beverages	47,077	47,065	48,196	48,923	60,595
Cigarettes	335,197	317,774	387,435	404,111	421,005
Admissions, Dues, Cabaret	37,277	36,040	34,379	34,455	34,399
Oil Companies	205,483	104,413	123,018	169,163	146,067
Electric Generation	--	--	--	--	69,533
Public Service Corporations	237,113	268,495	267,946	269,806	250,396
Real Estate Conveyance	158,544	90,802	100,267	94,822	107,531
Miscellaneous	139,980	143,305	141,892	140,505	536,810
Refunds of Taxes	(852,184)	(1,052,286)	(1,061,433)	(956,054)	(1,105,171)
R&D Credit Exchange	(11,363)	(8,428)	(8,937)	(8,598)	(3,563)
Other Revenue:					
Licenses, Permits, Fees	171,739	162,474	257,569	250,422	283,414
Sales of Commodities and Services	30,066	32,558	33,678	35,506	35,007
Transfer – Special Revenue	287,604	287,195	289,314	293,108	313,757
Investment Income	63,943	18,806	4,062	30	964
Transfers — To Other Funds[a]	(86,300)	(86,300)	(61,800)	(61,800)	(61,800)
Fines, Escheats and Rents	59,922	64,018	252,792	157,771	123,424
Miscellaneous	140,089	163,023	142,910	178,727	191,965
Refunds of Payments	(501)	(662)	(1,189)	(1,875)	(85,377)
Federal Grants	2,701,603	3,619,490	4,066,314	4,235,178	3,607,164
Indian Gaming Payments	411,410	377,805	384,248	359,582	344,645
Statutory transfer to Resources of the General Fund	--	--	--	--	(91,999)
Statutory Transfers From Other Funds	115,300	354,131	1,426,497	211,319	96,100
Total Revenues[b]	$ 16,418,786	$ 15,700,801	$ 17,688,528	$17,707,454	$ 18,561,633

(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 his constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and his statutory powers under Public Act No. 08-111.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2008	2009	2010	2011	2012
Legislative	$ 72,488	$ 71,555	$ 66,288	$ 66,109	$ 67,344
General Government					
Executive	12,572	11,841	10,567	9,954	10,741
Financial Administration	499,320	424,610	400,369	381,716	521,013
Legal	90,957	83,664	75,382	84,420	77,485
Total General Government	602,849	520,115	486,318	476,090	609,239
Regulation and Protection of Persons and Property					
Public Safety	193,796	189,394	169,994	175,700	177,121
Regulative	87,196	97,428	92,826	86,066	85,777
Total Regulation and Protection	280,992	286,822	262,820	261,766	262,898
Conservation and Development					
Agriculture	15,960	12,276	20,423	11,356	11,551
Environment	39,965	39,038	69,174	71,353	71,437
Historical Sites, Commerce and Industry	63,833	62,015	39,555	41,210	54,306
Total Conservation and Development	119,758	113,329	129,152	123,919	137,294
Health and Hospitals					
Public Health	103,265	108,878	88,846	88,226	86,144
Mental Retardation/Developmental Services	937,962	970,322	967,786	970,070	1,013,182
Mental Health	565,484	583,339	568,195	657,374	693,109
Total Health and Hospitals	1,606,711	1,662,539	1,624,827	1,715,670	1,792,435
Transportation	127	(50)	2,295	0	0
Human Services	4,629,658	5,041,515	5,012,333	5,387,535	5,817,369
Education, Libraries and Museums					
Department of Education	2,569,432	2,671,600	2,662,756	2,708,442	2,769,385
Education of the Blind and Deaf	15,337	13,537	11,598	11,145	0[(b)]
University of Connecticut	234,481	234,058	233,011	232,656	205,586
Higher Education and the Arts	192,594	198,638	189,845	192,626	169,084
Libraries	13,248	13,100	10,911	11,067	10,618
Teachers Retirement	541,671	564,062	561,038	583,978	794,205
Community—Technical Colleges	161,778	161,451	158,523	158,282	144,505
State University	164,254	162,935	162,517	162,271	142,045
Total Education, Libraries and Museums	3,892,795	4,019,381	3,990,199	4,060,467	4,235,428
Corrections	1,549,792	1,577,167	1,475,769	1,484,364	1,472,685
Judicial	515,738	543,078	524,043	559,912	545,650
Non-Functional					
Debt Service	1,409,878	1,464,072	1,619,470	1,629,672	1,809,201
Miscellaneous	1,946,661	1,935,332	2,014,507	2,079,621	2,032,091
Total Non-Functional	3,356,539	3,399,404	3,633,977	3,709,293	3,841,292
Totals	16,627,447	17,234,855	17,208,021	17,845,125	18,781,634
Total Expenditures[(a)]	$16,627,447	$17,234,855	$17,208,021	$17,845,125	$18,781,634

(a) See Operating Balance on **Appendix III-D-5** for surplus or deficit for each fiscal year.

(b) These functions were transferred to Human Services.

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GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2012
ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2013
PROPOSED BIENNIAL BUDGET FOR FISCAL YEARS 2014 AND 2015

(In Millions)

	Adopted Budget Fiscal Year 2012[c]	Final Financial Results Fiscal Year 2012[o]	Revised Adopted Budget Fiscal Year 2013[q]	Estimated Budget Fiscal Year 2013[r]	Governor's Proposed Budget Fiscal Year 2014[s]	Governor's Proposed Budget Fiscal Year 2015[s]
Revenues						
Taxes						
Personal Income Tax	$ 8,660.8[d]	$ 8,310.8[d]	$ 8,554.3[d]	$ 8,554.3	$ 8,949.0	$ 9,471.5
Sales & Use	3,789.0[e]	3,830.1[e]	4,045.9[e]	3,886.2	4,106.1	4,213.8
Corporation	707.7[f]	716.5[f]	793.0[f]	716.2	720.5	751.4
Public Service	268.7	250.4	275.2	278.7	279.3	279.4
Inheritance & Estate	158.0	191.7	166.2	196.2	172.9	179.8
Insurance Companies	237.2[g]	237.6[g]	234.4[g]	247.8	242.4	246.7
Cigarettes	443.8[g]	421.0[g]	411.1[g]	410.1	398.2	387.1
Real Estate Conveyance	90.3	107.5	100.3	100.3	143.8	150.8
Oil Companies	93.1	146.1	182.6	167.8	41.6	41.4
Electric Generation Tax	71.0[h]	69.5[h]	71.0[h]	70.6	76.0	76.0
Alcoholic Beverages	56.9[g]	60.6[g]	59.3[g]	59.3	61.3	61.7
Admissions and Dues	39.6[g]	34.4[g]	39.6[g]	39.6	40.0	40.4
Health Provider Tax	526.3[i]	516.9[i]	530.7[i]	520.0	522.6	525.2
Miscellaneous	15.9	19.9	20.1	20.1	20.5	20.8
Total Taxes	$15,158.3	$14,913.1	$15,483.8	$15,267.2	$15,774.2	$16,446.0
Less Refunds of Taxes	(1,020.0)	(995.0)	(950.6)	(1,040.6)	(1,055.0)	(1,085.8)
Less Earned Income Tax	(110.2)	(110.2)	(116.5)	(115.5)	(104.5)	(121.0)
Less R&D Credit Exchange	(9.0)	(3.6)	(8.5)	(4.9)	(5.9)	(6.7)
Net Taxes	$14,019.1	$13,804.4	$14,408.2	$14,106.2	$14,608.8	$15,232.5
Other Revenues						
Transfers- Special Revenues	288.4	313.8	305.1	315.1	310.6	311.8
Indian Gaming Payments	375.5	344.6	336.2	300.1	298.6	297.1
Licenses, Permits, Fees	271.2	283.4	258.8	262.8	296.6	273.1
Sales of Commodities & Services	36.4	35.0	34.8	35.8	37.2	38.3
Rents, Fines & Escheats	127.4	123.4	107.7	109.2	114.1	116.0
Investment Income	2.9	1.0	2.8	1.0	1.9	2.2
Miscellaneous	163.0	192.0	162.9	167.9	166.5	168.3
Less Refunds of Payments	(38.3)[j]	(85.4)[j]	(50.0)[j]	(61.5)	(61.5)	(61.5)
Total Other Revenue	$ 1,226.5	1,207.8	$ 1,158.3	$ 1,130.4	$ 1,164.0	$ 1,145.3
Other Sources						
Federal Grants	3,589.7[k]	3,607.2[k]	3,629.0[k]	3,752.9	4,071.5	4,437.2
Transfers to the Resources of the General Fund	--	--	--	--	173.4	3.5
Transfers from Tobacco Settlement Funds	96.1	96.1	93.1	93.1	105.0	104.0
Transfers to Other Funds[a]	(142.8)	(153.8)	(145.5)	(103.1)	(5.4)	(25.9)
Total Other Sources	$ 3,543.0	$ 3,549.5	$ 3,576.7	$ 3,742.9	$ 4,344.5	$ 4,518.8
Total Budgeted Revenue[b]	$18,788.6	$18,561.6	$19,143.2	$18,979.5	$20,117.3	$20,896.6

	Adopted Budget Fiscal Year 2012[(c)]	Final Financial Results Fiscal Year 2012[(o)]	Revised Adopted Budget Fiscal Year 2013[(q)]	Estimated Budget Fiscal Year 2013[(r)]	Governor's Proposed Budget Fiscal Year 2014[(s)]	Governor's Proposed Budget Fiscal Year 2015[(s)]
Appropriations/Expenditures						
Legislative	$ 80.1	$ 67.5	$ 76.2	$ 76.2	$ 81.5	$ 86.0
General Government	655.9	608.9	614.9	616.6	580.7	582.4
Regulation & Protection	270.2	261.5	243.5	257.1	263.2	267.1
Conservation & Development	150.7	139.3	137.1	137.1	223.2	231.9
Health & Hospitals	1,886.2	1,782.7	1,837.7	1,849.0	1,917.1	1,986.6
Human Services	5,785.9[(l)]	5,834.6	5,834.2[(l)]	6,123.2[(l)]	5,923.4	6,021.6
Education, Libraries & Museums	4,321.8	4,245.9	4,380.6	4,380.6	5,134.6	5,400.5
Corrections	1,576.5	1,472.7	1,450.8	1,472.8	1,472.5	1,507.3
Judicial	576.1	546.5	543.2	543.2	577.7	602.0
Non- Functional						
Debt Service	1,894.1	1,813.4	1,870.9	1,870.9	1,780.8	1,911.4
Miscellaneous	2,288.1	1,938.7	2,267.3	2,267.3	2,279.9	2,417.8
Subtotal	$ 19,485.6	$ 18,711.7	$ 19,256.4	$ 19,594.0	$ 20,234.6	$ 21,014.4
Other Reductions and Lapses	(777.9)[(m)]	--	(116.3)[(m)]	(558.8)[(m)]	(123.9)	(125.9)
Net Appropriations/ Expenditures	$ 18,707.7	$ 18,711.7	$ 19,140.1	$ 19,035.2	$ 20,110.6	$ 20,888.5
Surplus (or Deficit) from Operations	80.9	(150.1)	3.1	(55.7)	6.7	8.1
Miscellaneous Adjustments	--	6.5	--	--	--	--
Reserve for GAAP	(75.0)[(n)]	--[(n)]	--[(n)]	--[(n)]	--	--
Statutory Transfer from Restricted Purposes	--	--	--	--	--	--
Balance[(b)]	$ 5.9	$ (143.5)[(p)]	$ 3.1	$ (55.7)	$ 6.7	$ 8.1

NOTE: Columns may not add due to rounding.

(a) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amounts for Fiscal Years 2012 and 2013 include transfers of 61.8 million in each year to the Mashantucket Pequot Fund for grants to towns, and $81.6 million in Fiscal Year 2012 and $102.7 million in Fiscal Year 2013 to the Special Transportation Fund. The transfer for Fiscal Year 2014 is $5.4 million to the Mashantucket Pequot Fund. The transfer for Fiscal Year 2015 is $5.4 million to the Mashantucket Pequot Fund and $20.5 million to the Special Transportation Fund.

(b) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received. Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Per Section 4-30b of the Connecticut General Statutes and notwithstanding the requirement of Section 4-30a, 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 Section 3-20g of the Connecticut General Statutes.

(c) Per Public Act No. 11-6, as amended by Public Act No. 11-61 and Public Act No. 11-1 of the June Special Session.

(d) Includes rate increases, reduction of the property tax credit, and enactment of an Earned Income Tax credit.

(e) Includes rate increases and elimination of exemptions.

(f) Includes extension of the tax surcharge and other miscellaneous changes.

(g) Includes rate increases and/or elimination of exemptions.

(h) Includes the imposition of a new tax on electric generators.

(i) Includes the imposition of a new provider tax on hospitals and intermediate care facilities along with an increase in the existing tax on nursing home providers, which were previously included within the miscellaneous tax category.

(j) Consistent with the Consensus Revenue Forecast and per the budget, certain refunds of escheated property will now be reported as Refunds of Payments, instead of a Miscellaneous Adjustment.

(k) The budget for Fiscal Years 2012 and 2013 reflects the loss of federal ARRA funds and other adjustments.

(l) Includes additional appropriations related to the Health Provider Tax.

(m) Includes $658.2 million in Fiscal Year 2012 and $844.3 million in Fiscal Year 2013 for labor concessions. Fiscal Year 2013 includes $170.4 million for the November 2012 allotment rescissions, $221.5 million for the December 19, 2012 deficit mitigation plan and $166.8 million in projected lapses.

(n) Pursuant to Public Act No. 11-48, notwithstanding the provisions of sections 4-30a and 4-30b of the General Statutes, after the accounts for the fiscal years ending June 30, 2012, and June 30, 2013, are closed, if the Comptroller determines that an unappropriated surplus exists in the General Fund, the Comptroller shall reserve an amount, not to exceed seventy-five million dollars for the fiscal year ending June 30, 2012, and fifty million dollars for the fiscal year ending June 30, 2013, to be applied to any net increase in unreserved negative General Fund balance beyond the amount reported by the Comptroller as of June 30, 2011, before any other reserve required by any provision of the general statutes is determined.

(o) Per the Comptroller's audited financial results dated December 31, 2012 for the fiscal year ending June 30, 2012 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.

(p) The Fiscal Year 2012 deficit was eliminated through the release of budget reserve funds.

(q) Per Public Act No. 12-104 as amended by Public Act No. 12-1 of the June Special Session.

(r) Estimates reflect the February 20, 2012 Office of Policy and Management's letter to the State Comptroller for the General Fund Fiscal Year 2013 (as of the period ending January 31, 2013).

(s) Per the Governor's Budget Proposal for the Fiscal Year 2014-15 biennium as presented on February 6, 2013.

NOTE: The information in **Appendix III-E** of this **Part III** contains projections and no assurances can be given that subsequent projections or adjustments will not result in changes in the items of revenue and expenditure and in the final result of the operations of the General Fund. Changes may also occur as the result of legislative action adjusting the budget or taking other actions which impact revenues or expenditures.

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