

STATE OF CONNECTICUT

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For Fiscal Year Ended
June 30, 2006

***Prepared by the Office of the
State Comptroller***

**NANCY WYMAN
STATE COMPTROLLER**

This publication is available on the Office of the State Comptroller's home page:
<http://www.osc.state.ct.us/2006cafr/>

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Office of the State Comptroller

The State Comptroller is one of the six State officers elected to hold office for a term of four years. The office of the State Comptroller was established in 1786 by an act of the General Assembly. The Constitutional Amendment of 1836 provided that the Comptroller be elected by the people in a manner similar to that of other State officers. Since 1838 this method has been in effect.

The Comptroller prescribes the mode of keeping and rendering all public accounts. She is required to adjust and settle all public accounts and demands, excepting grants and orders of the General Assembly. The Comptroller also renders a monthly accounting of the State's financial condition.

In addition, the Comptroller approves and records all obligations against the State. She maintains all official accounting records and is responsible for the employee payrolls for all State agencies, departments, and institutions. Her office administers all Retirement Systems other than Teachers' retirement. Additionally, the Comptroller administers numerous miscellaneous appropriations of the State.

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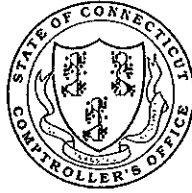
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Introductory Section

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NANCY WYMAN
COMPTROLLER

STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT 06106-1775

MARK E. OJAKIAN
DEPUTY COMPTROLLER

May, 2006

To the Citizens of the State of Connecticut

It is our privilege to present this Comprehensive Annual Financial Report (CAFR) of the State of Connecticut for the fiscal year ended June 30, 2006. This report was prepared in its entirety by the Office of the State Comptroller. The Comptroller is responsible for state accounting practices and is committed to sound financial management and governmental accountability.

We believe that the financial statements are fairly presented in all material aspects. They are designed to set forth the financial position of the state, its operating results and the changes in net assets or fund balances of the major funds and non-major funds in the aggregate. All required disclosures have been included to assist the public, state policy makers, and the financial community in understanding the state's financial affairs.

The CAFR is designed to be in conformance with generally accepted accounting principles (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board as well as the reporting requirements prescribed by the Government Finance Officers Association. The Management's Discussion and Analysis (MDA) contains information that prior to 2002 was found within the letter of transmittal. In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables.

The Fiscal Year 2006 CAFR was released two months late due to a related nine month delay in generating the 2005 CAFR. The late filing of the Fiscal Year 2005 CAFR, as fully detailed in last year's report, delayed the start of work on the Fiscal Year 2006 closing adjustments and financial statements.

PROFILE OF THE STATE OF CONNECTICUT

Connecticut became the fifth state of the United States on January 9, 1788. Its borders encompass 5,009 square miles. Within its compact borders, Connecticut has forested hills, urban skylines, shoreline beaches, and historic village greens. There are classic Ivy League schools, modern expressways, corporate offices, and small farms. Connecticut is a thriving center of business as well as a vacation location. It is both a New England State, and suburban to New York City. The population of Connecticut was 3,504,809 according to the July 1, 2006 U.S. Census estimates. Five large cities, Bridgeport, New Haven, Hartford (the State Capitol since 1875), Stamford and Waterbury, have populations in excess of 100,000 residents.

State Government in Connecticut has three branches: executive, legislative and judicial. Voters elect six state officers: Governor, Lieutenant Governor, Treasurer, Comptroller, Secretary of State and Attorney General. All have four-year terms. Connecticut also elects two U.S. Senators and five U.S. Representatives. Connecticut's General Assembly or legislature has a Senate and a House of Representatives.

The regular sessions of the General Assembly are held every year. These sessions run from January through June in odd-number years and from February through May in even-number years. The General Assembly reconvenes in special session to deal with emergencies or bills or appropriations vetoed by the Governor. Members of both houses represent districts based on population. There are currently 36 State Senators and 151 State Representatives. Members of the General Assembly are elected to two-year terms. The Judicial Department is composed of the Superior, Appellate and Supreme courts. Except for judges of the probate court, who are elected by the voters of the town or district that they serve, all judges are nominated by the Governor and appointed by the General Assembly.

Connecticut has no system of county government. Below the state level, governing units consist of 169 municipalities. The General Statutes of Connecticut provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the state and the ancillary powers that are necessarily implied by the powers explicitly granted.

ECONOMIC CONDITION AND OUTLOOK

After almost eight years of solid economic growth, Connecticut began to experience payroll job losses in Fiscal Year 2001. In Fiscal Years 2001, 2002 and 2003 the state's payroll job losses totaled 13,800, 12,600 and 27,200 respectively. After three successive years of job losses, in Fiscal Year 2004, the state again experienced gains in payroll employment. In Fiscal Years 2004, 2005, and 2006 Connecticut added 7,000, 14,700, and 16,100 payroll jobs respectively.

Connecticut's payroll employment totaled 1,679,600 at the end on Fiscal Year 2006. The Fiscal Year 2006 job gain represented a 1.0 percent rise in employment as compared to a 1.8 percent job increase nationally during the same period.

Over the past ten years, Connecticut has experienced a shift in the industrial make-up of its workers with manufacturing jobs being replaced by service sector jobs. This is a trend that began several decades ago. In the last ten years, manufacturing employment in Connecticut has declined by almost 30 percent while during the same period employment in professional and business services grew by 8.3 percent, financial services saw growth of 6 percent and the leisure and hospitality industry grew by over 14 percent. Despite these shifts, manufacturing continues to play an important role in Connecticut's economic life contributing one in every ten payroll jobs.

Connecticut's unemployment rate was 4.2 percent at the end of Fiscal Year 2006 compared to a national rate of 4.6 percent. During Fiscal Years 2006 Connecticut's labor force grew just over 1 percent. National labor force growth during the same period approached 2 percent.

Between 1997 and 2004 real Gross Domestic Product in Connecticut grew at a 2 percent rate ranking Connecticut 39th in the nation in growth. Between 2004 and 2005 Connecticut's real Gross Domestic Product grew 3.2 percent ranking it 24th in the nation.

Connecticut continues to be a national leader in income measurements. Connecticut's 2006 per capita income of \$49,852 ranked it first in the nation. Between 2005 and 2006 Connecticut's per capita income grew by 5.2 percent ranking it 22nd nationally in income growth. Connecticut is also a national leader in Median Family Income with a median for all families of \$75,541. Just over 9 percent of Connecticut's residents lived at incomes below the poverty level.

MAJOR POLICY INITIATIVES

Contracting Standards Board

The Contracting Standards Board was created by executive order in response to concerns relating to the potential for abuses of existing state contracting and procurement laws, regulations and practices. The Board, after review of the existing contracting and procurement legal and regulatory environment was required to draft and maintain a uniform procurement code and to develop related training programs for state employees. A new office with ten staff members was established to support the activities and operations of this board. This new office was intended to add accountability and transparency to the state's vendor selection process.

Increase Funding to Nursing Homes and other Private Social Service Providers

The Fiscal Year 2006 budget contained over \$100 million to provide for an average annualized increase of 4 percent to nursing homes and other private providers of specific state social services. These private providers contract for the provision of services with the Department of Mental Retardation, The Department of Children and Families, The Department of Mental Health and Addiction Services, The Department of Corrections and the Judicial Department as well as with some councils and boards. The additional funding was contingent upon federal approval of a nursing home provider tax program. The provider tax would assess a user fee on revenue generated by nursing facilities based upon patient days. The funds raised from the tax would generate federal reimbursements by increasing the Medicaid rates paid to the nursing homes. All of the tax generated is effectively returned in the aggregate to the nursing homes through an increase in their Medicaid rate paid by the state and partially reimbursed by the federal government.

Restoring Subsidized Health Insurance for Certain Eligible Adults

Parents of children with family incomes between 100% and 150% of the federal poverty level retained eligibility to participate in the state's HUSKY health insurance program at a minimal cost. The parent's monthly premium would be \$25 with a \$1 co-payment on outpatient medical services. The state cost of this program was estimated at \$39 million in Fiscal Year 2006 and was anticipated to grow to over \$50 million in Fiscal Year 2007. This same initiative restored Medicaid presumptive eligibility for children and implemented an expedited eligibility for pregnant women.

BUDGETARY AND OTHER CONTROL SYSTEMS

In November 1992, electors approved an amendment to the State Constitution providing that the amount of general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year.

This amendment also provided a framework for placing a cap on budgeted appropriations. Annual budgeted appropriations are capped at a percentage increase that is based on either the five-year average annual growth in the state's personal income or inflation, whichever is higher. Debt service payments, certain statutory grants to distressed municipalities, and appropriations required by federal mandate or court order are excluded from the limits of the cap.

The spending cap can be lifted if the Governor declares the existence of extraordinary circumstances and the General Assembly by a three-fifths vote approves appropriations in excess of the cap. This has occurred in several fiscal years to allow direct appropriations of surplus to be substituted for debt financing, and other permit other spending initiatives from surplus funds.

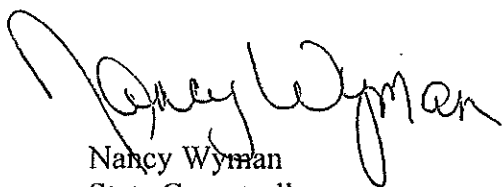
Budget control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills. The allotment process exercises control over obligations or commitments. The Governor, through his budget office, allots funds for both budgeted and non-budgeted accounts and funds. The Governor is permitted to modify appropriations through the allotment process under certain circumstances and within percentage limitations specified by the General Assembly.

Elected officials, agency commissioners, directors of public benefit corporations and agency managers are responsible for establishing internal control structures. Good internal control systems ensure that: resource use is consistent with laws, regulations and policies; resources are safeguarded against waste, loss and misuse; and reliable data are obtained, maintained and fairly disclosed in reports. The Office of the State Comptroller has worked to improve the overall internal control environment in state government. This work has included improvements to the central state accounting system that advance internal control efforts.

ACKNOWLEDGEMENTS

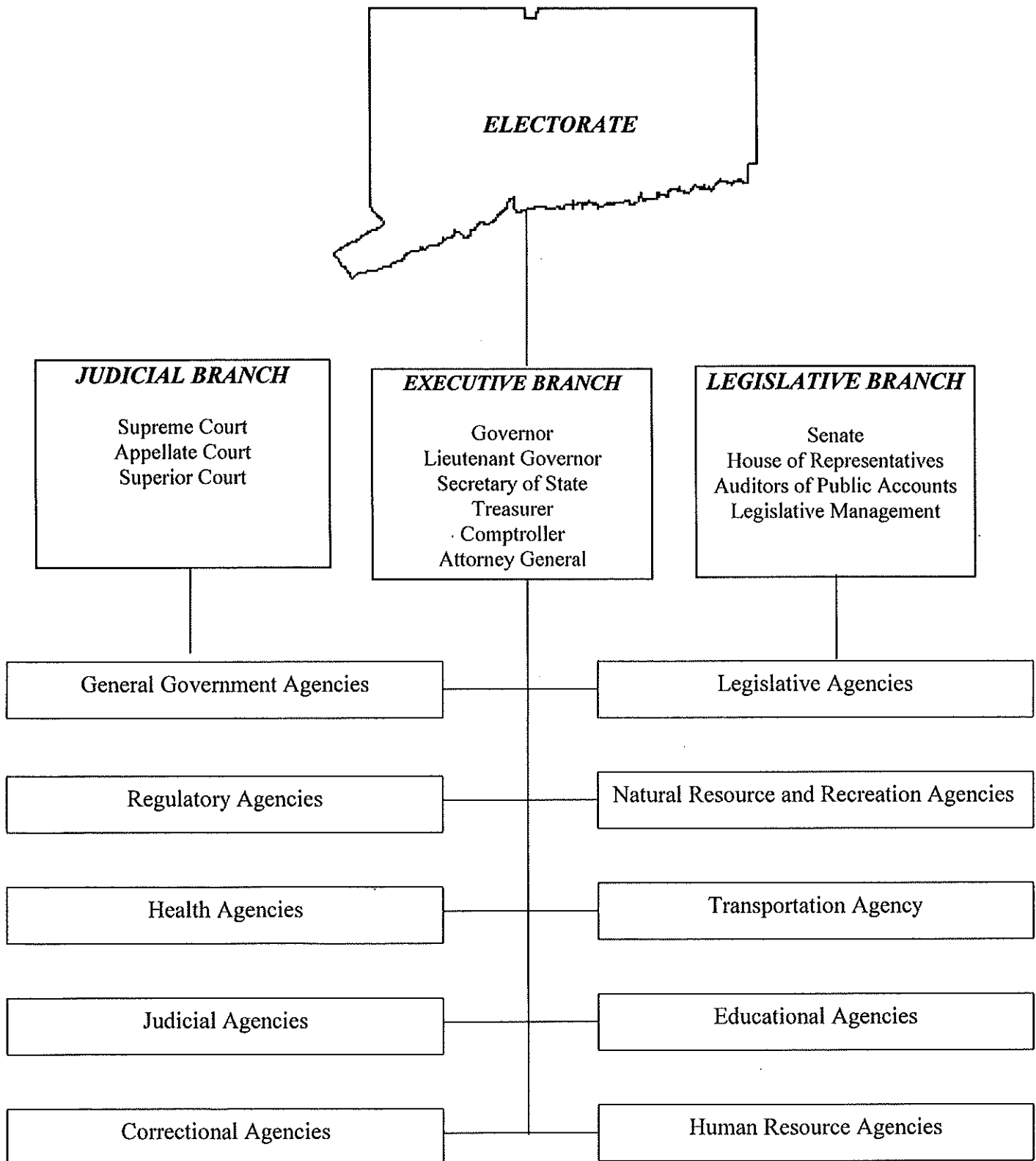
I wish to express my personal thanks to the many individuals in various agencies and reporting units whose cooperation and assistance have made this report possible. I would also like to thank my staff for their work in producing this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Nancy Wyman". The signature is fluid and cursive, with a large initial "N" and a long, sweeping underline.

Nancy Wyman
State Comptroller

Organization Chart



***Selected State Officials
(as of June 30, 2007)***

EXECUTIVE

M. Jodi Rell
Governor

Kevin B. Sullivan
Lieutenant Governor

Susan Bysiewicz
Secretary of State

Denise L. Nappier
Treasurer

Nancy Wyman
Comptroller

Richard Blumenthal
Attorney General

JUDICIAL

Chase T. Rogers
Chief Justice

LEGISLATIVE

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

James A. Amann
Speaker of the House of Representatives
(151 Representatives)

Financial Section

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Governor M. Jodi Rell
Members of the General Assembly

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2006, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund, the Transportation Special Tax Obligations account within the Debt Service Fund, and the Clean Energy Fund account within the Environmental Programs Fund, which in the aggregate, represent six percent of the assets and six percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital, University of Connecticut Foundation, Connecticut State University, and Connecticut Community Colleges accounts within the Higher Education Fund, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 58 percent of the assets and 55 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units;

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 95 percent of the assets and 97 percent of the revenues of the Transportation Fund;

- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the Clean Energy Fund account, which represents 33 percent of the assets and 30 percent of the revenues of the Environmental Programs Fund;
- the financial statements of the John Dempsey Hospital, University of Connecticut Foundation, Connecticut State University, and Connecticut Community-Technical Colleges accounts within the Higher Education Fund; Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 58 percent of the assets and 55 percent of the revenues of the Enterprise Funds;

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based on the reports of the other auditors. All of the aforementioned audits were conducted in accordance with auditing standards generally accepted in the United States of America. In addition, the audits of the Drinking Water Fund, Clean Water Fund, Bradley International Airport, Connecticut Lottery Corporation, Connecticut Resources Recovery Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, and Connecticut Innovations Incorporated were conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that the audits of certain entities of the State, as described above, were not conducted in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

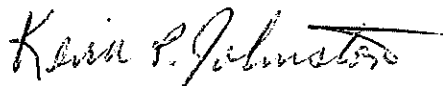
In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Connecticut as of June 30, 2006, 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.

The State of Connecticut adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 44, *Economic Condition Reporting: the Statistical Section*, and Statement No. 46, *Net Assets Restricted by Enabling Legislation* during the fiscal year ended June 30, 2006. Statement No. 44 updates the disclosure requirements relating to financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information. As noted below we do not audit or offer an opinion on this information. Statement No. 46 requires the disclosure of the amount of net assets restricted by enabling legislation in the notes to the financial statements.

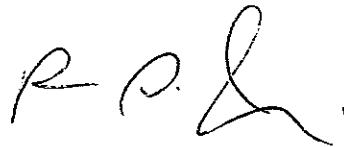
In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2007, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages 15 through 25 and budgetary comparison information on pages 38 and 39, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Kevin P. Johnston
Auditor of Public Accounts



Robert G. Jaekle
Auditor of Public Accounts

April 25, 2007
State Capitol
Hartford, Connecticut

MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. It is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial position, the financial statements and footnotes should be viewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide:

As of June 30, 2006, the State had a total net asset deficit of \$0.8 billion, an improvement in net assets of \$588 million occurring this fiscal year. This improvement resulted from increases of \$296 million and \$292 million in the net assets of governmental activities and business-type activities, respectively.

During the year, revenues of governmental activities exceeded expenses by \$1,008 million. However, this excess was reduced by transfers of \$712 million, resulting in an increase of net asset of \$296 million.

For business-type activities, expenses exceeded revenues by \$420 million. However, this deficiency was offset by transfers of \$712 million, resulting in an increase in net assets of \$292 million.

Fund Level:

The governmental funds had a total fund balance of \$3.1 billion at year end. Of this amount, \$3.2 billion was reserved for various purposes, resulting in a total unreserved fund balance deficit of \$0.1 billion. The portion of the total unreserved fund balance deficit that pertains to the General Fund was a \$1.0 billion deficit. The General Fund had an actual budget surplus of \$487 million this year.

The Enterprise Funds had total net assets of \$4.3 billion, substantially all of which was invested in capital assets or restricted for various purposes.

Debt Issued and Outstanding:

Total long-term debt was \$18.4 billion for governmental activities, of which \$13.6 billion was bonded debt.

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

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

There are three major parts to the basic financial statements: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE STATEMENTS (Reporting the State as a Whole)

Governments have traditionally focused their reporting on groupings of funds rather than on the government taken as a whole. The GASB 34 financial reporting model, upon which this report is based, retains this traditional focus on funds and adds an additional focus on the overall government's financial position and operations.

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the State as a whole and its activities. These statements help to demonstrate how the

State's financial position as a whole changed due to the year's operating activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting.

The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the State's financial position is improving or not.

The Statement of Activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will result in future fiscal year cash flows (e.g., earned but unused vacation time).

Both statements report three activities:

- *Governmental Activities* - Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The legislature, the judiciary, and the general operations of the executive departments fall within the governmental activities.
- *Business-type Activities* – These activities are primarily funded by charges to external parties for the cost of goods and services provided. These activities are generally reported in Enterprise Funds in the fund level statements. The operations of Bradley International Airport, the Connecticut Lottery Corporation and Employment Security, are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the State is financially accountable. More information on discretely presented component units can be found in Note 1 of the Notes to Financial Statement section.

Financial reporting for governmental activities traditionally has focused on changes in current spendable resources rather than on changes in total resources. This traditional focus has been retained for purposes of fund reporting. However, as governmental activities are included with other activities in the government-wide financial statement format, the focus for these activities shifts to changes in total resources. In other words, all activities reported in government-wide financial statements are reported in a manner similar to private-sector accounting. To increase the readers understanding, a summary reconciliation of the difference between the governmental fund financial statements and the government-wide financial statements is provided as part of the basic financial statements.

FUND LEVEL STATEMENTS

Fund financial statements focus on individual parts of the State's operations in more detail than the government-wide statements. Funds are accounting devices that governments use to keep track of specific sources of funding and spending for particular purposes. The State is required to report four categories of fund statements – governmental, proprietary, and fiduciary funds, to the extent that State's activities meet the criteria for using these funds, and "combining statements" for its component units. Under the GASB 34 financial reporting model, as presented here, governments focus on major individual funds rather than on fund types (with aggregated information presented for the total of all non-major funds).

Major Governmental Fund Financial Statements:

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The State's major government funds include the General Fund, the Transportation Fund and the Debt Service Fund.

General Fund - The General Fund functions as the State's chief operating fund. All of the State's activities are reported in the General Fund unless there is a compelling reason to report them elsewhere.

Transportation Fund - The Transportation Fund is a special revenue fund that accounts for motor fuel taxes, vehicle registration and driver license fees, and other revenue collected for payment of debt service requirements and budgeted expenditures of the Department of Transportation and the Department of Motor Vehicles. The Department of Transportation is responsible for all aspects of the planning, development, maintenance and improvement of the State's transportation system.

Debt Service Fund - The Debt Service Fund is a governmental fund, which accounts for the accumulation of resources for, and the payment of, Special Tax obligation principal and interest.

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

Major Proprietary Fund Financial Statements:

Proprietary funds (enterprise and internal service) are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting where all assets and liabilities are reported on the balance sheet. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with the requirements of the GASB 34 reporting model utilized in preparation of this report:

- Proprietary fund reporting distinguishes current assets and liabilities from non-current assets and liabilities.
- Three classifications are used to classify equity for proprietary funds. These three classifications are 1) invested in capital assets net of related debt, 2) restricted (distinguishing between major categories of restrictions) and 3) unrestricted.

Enterprise funds report activities that provide goods or services to the general public. An example is the Connecticut Lottery. Internal service funds report activities that provide supplies and services to the State's other programs and activities. An example is the State's motor fleet operations. Internal service funds are reported as governmental activities on the government-wide statements.

Fiduciary Fund Financial Statements:

The fiduciary fund category includes pension (and other employee benefit) trust funds, an investment trust fund, a private-purpose trust fund, and agency funds. These fund types are used to report resources held and administered by the State when it is acting in a fiduciary capacity for individuals, private organizations or other governments.

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

Component Unit Combining Statements:

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

Connecticut Housing Finance Authority - Classified as a major component unit, CHFA was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate income families.

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

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

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

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

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

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

University of Connecticut Foundation, Inc - The Foundation was created to solicit, receive, and administer gifts and financial resources from private sources for the benefit of the University of Connecticut.

FINANCIAL SECTION CONTENTS OTHER THAN FINANCIAL STATEMENTS

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

Required Supplementary Information - The RSI provides additional information regarding the State's progress on funding its obligation to provide pension benefits to its employees.

Combining Financial Statements - Combining statements for non-major funds are not required to be presented or audited under generally accepted accounting principals. Nevertheless, these statements are presented as other supplementary information in this report.

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

The following condensed financial information was derived from the government-wide Statement of Net Assets and reflects the financial position of the State at the end of the fiscal year 2006, compared to the prior year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005*	2006	2005	2006	2005*
ASSETS:						
Current and Other Assets	\$ 5,110	\$ 4,459	\$ 3,733	\$ 3,715	\$ 8,843	\$ 8,174
Capital Assets	9,755	9,640	3,225	3,075	12,980	12,715
<i>Total Assets</i>	<u>14,865</u>	<u>14,099</u>	<u>6,958</u>	<u>6,790</u>	<u>21,823</u>	<u>20,889</u>
LIABILITIES:						
Current Liabilities	2,835	2,777	683	730	3,518	3,507
Long-term Liabilities	17,106	16,694	1,984	2,061	19,090	18,755
<i>Total Liabilities</i>	<u>19,941</u>	<u>19,471</u>	<u>2,667</u>	<u>2,791</u>	<u>22,608</u>	<u>22,262</u>
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	3,469	3,295	2,407	2,314	5,876	5,609
Restricted	1,497	1,343	1,705	1,570	3,202	2,913
Unrestricted	(10,042)	(10,010)	179	115	(9,863)	(9,895)
<i>Total Net Assets</i>	<u>\$ (5,076)</u>	<u>\$ (5,372)</u>	<u>\$ 4,291</u>	<u>\$ 3,999</u>	<u>\$ (785)</u>	<u>\$ (1,373)</u>

* Restated for comparative purposes. See Note 21.

The State had a total net asset deficit of \$0.8 billion at year end, an improvement in net assets of \$588 million occurring in this fiscal year. This improvement resulted from increases of \$296 million and \$292 million in the net assets of governmental activities and business-type activities, respectively.

Governmental activities had a total net asset deficit of \$5.1 billion at year end, an improvement in net assets of \$0.3 billion occurring in this fiscal year. Of this amount, \$4.9 billion was invested in capital assets (buildings, roads, bridges, etc.) or was restricted for various purposes, resulting in an unrestricted net asset deficit of \$10.0 billion. This deficit does not mean that the State will not be able to pay its bills next year. Rather, it is the result of having long-term obligations that are greater than currently available resources. Specifically, the State had the following outstanding long-term obligations which contributed to the deficit: a) general obligation bonds in the amount of \$3.8 billion which were issued to finance various grant programs of the State, such as school construction and other municipal aid programs; and b) other long-term obligations in the amount of \$4.8 billion which the State has partially funded (net pension obligation) or not funded (compensated absences obligation).

Although the net assets of the business-type activities increased by \$0.3 billion, these resources cannot be used to make up for the net asset deficit in governmental activities. The State can only use these net assets to finance the ongoing operations of its Enterprise funds, such as the University of Connecticut, Bradley International Airport, Employment Security, etc.

CHANGE IN NET ASSETS

The following condensed financial information was derived from the government-wide Statement of Activities and reflects the nature of the State's change in net assets during the fiscal year 2006, compared to the prior year,

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005*	2006	2005	2006	2005*
REVENUES						
Program Revenues						
Charges for Services	\$ 1,379	\$ 1,317	\$ 2,900	\$ 2,863	\$ 4,279	\$ 4,180
Operating Grants and Contributions	4,035	3,810	277	262	4,312	4,072
Capital Grants and Contributions	542	335	80	87	622	422
General Revenues						
Taxes	11,855	10,840	-	-	11,855	10,840
Casino Gaming Payments	428	418	-	-	428	418
Other	213	188	113	94	326	282
Total Revenues	18,452	16,908	3,370	3,306	21,822	20,214
EXPENSES						
Legislative	97	91	-	-	97	91
General Government	1,353	1,288	-	-	1,353	1,288
Regulation and Protection	712	633	-	-	712	633
Conservation and Development	396	424	-	-	396	424
Health and Hospitals	1,923	1,801	-	-	1,923	1,801
Transportation	1,090	1,184	-	-	1,090	1,184
Human Services	4,941	4,537	-	-	4,941	4,537
Education, Libraries and Museums	3,889	3,408	-	-	3,889	3,408
Corrections	1,768	1,676	-	-	1,768	1,676
Judicial	655	650	-	-	655	650
Interest and Fiscal Charges	620	612	-	-	620	612
University of Connecticut & Health Center	-	-	1,464	1,386	1,464	1,386
State Universities	-	-	536	507	536	507
Bradley International Airport	-	-	63	62	63	62
CT Lottery Corporation	-	-	709	691	709	691
Employment Security	-	-	573	580	573	580
Clean Water	-	-	26	28	26	28
Other	-	-	419	406	419	406
Total Expenses	17,444	16,304	3,790	3,660	21,234	19,964
Excess (Deficiency) Before Transfers, Special and Extraordinary Items	1,008	604	(420)	(354)	588	250
Transfers	(712)	(693)	712	499	-	(194)
Special Items	-	(150)	-	-	-	(150)
Increase (Decrease) in Net Assets	296	(239)	292	145	588	(94)
Net Assets (Deficit) - Beginning (Restated)	(5,372)	(5,133)	3,999	3,854	(1,373)	(1,279)
Net Assets (Deficit) - Ending	\$ (5,076)	\$ (5,372)	\$ 4,291	\$ 3,999	\$ (785)	\$ (1,373)

* Restated for comparative purposes. See Note 21.

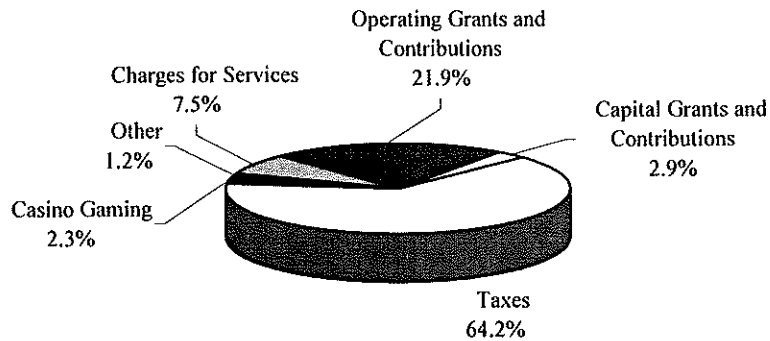
Special Items are significant transactions or other activity within management's control that are either unusual in nature or infrequent in occurrence.

Total revenues of the State increased by \$1.6 billion to \$21.9 billion. More than half of this increase was due to an increase in tax revenues. Total expenses increased by \$1.3 billion to \$21.2 billion. This increase can be attributed mainly to an increase of \$1.1 billion in governmental activities' expenditures. Total net assets of the State increased by \$588 million during the fiscal year.

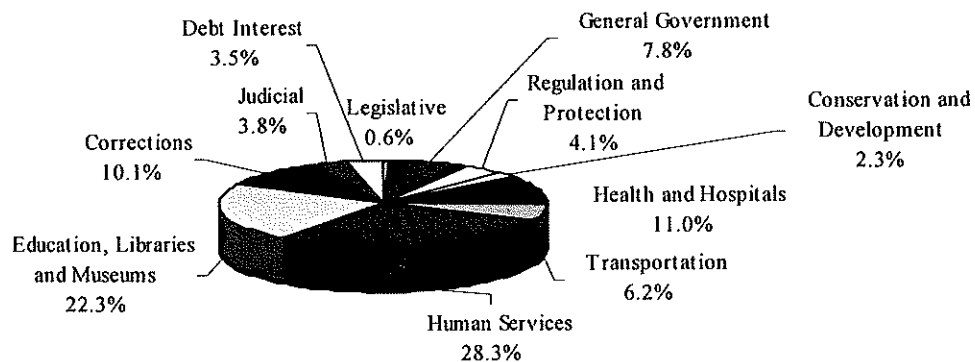
GOVERNMENTAL ACTIVITIES

The following charts depict the distribution of revenues and expenses for Fiscal Year 2006.

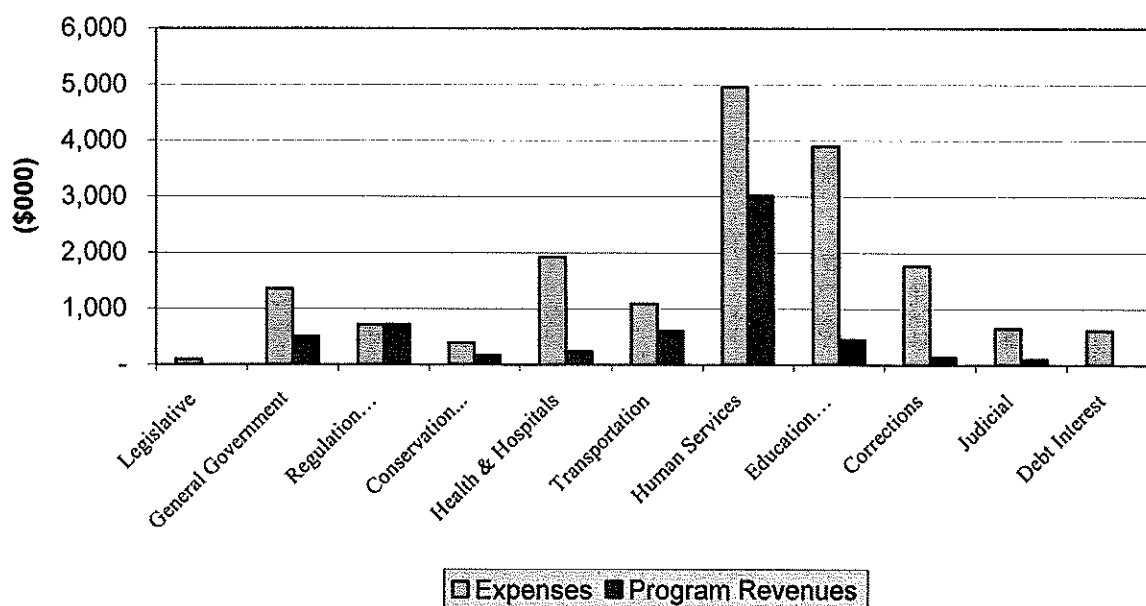
Revenues - Governmental Activities Fiscal Year 2006



Expenses - Governmental Activities Fiscal Year 2006



Expenses and Program Revenues - Governmental Activities Fiscal Year 2006



Total revenues for the governmental activities increased by \$1.5 billion to \$18.4 billion. This increase was due mainly to an increase in tax revenue of \$1.0 billion, reflecting a growing economy. Total expenses increased by \$1.1 billion to \$17.4 billion. This increase can be attributed mainly to increases in health and hospital, human services, and education expenses of \$1.0 billion. Even though total revenues exceeded total expenses by \$1,008 million, this excess was reduced by transfers of \$712 million, resulting in an increase of net assets of \$296 million.

As noted above, total revenues increased by 9 percent during the fiscal year because of a strong economy. Nationally, real Gross Domestic Product (GDP) grew a solid 5.6 percent in the third quarter of the fiscal year, after growing 1.7 percent during the second quarter of the fiscal year. However, the GDP showed growth slowing to 2.9 percent during the fourth quarter of the fiscal year. During the fiscal year, the State added 7,100 payroll jobs, which was about half of last year's job growth. The State's unemployment rate is 4.1 percent, compared to a national unemployment rate of 4.6 percent. Corporate profits grew at a rate of 14.4 percent and 11.9 percent during the second and third quarter of the fiscal year, respectively, after showing disappointing results during the first quarter of the year. During the last quarter of the fiscal year, advanced retail sales showed growth of 6.8 percent over the same quarter a year ago. Existing home sales in the State began to show signs of weakening, and permits to build have also been on a decline recently. The major stock indexes continue to show modest gains for the year.

Total revenues and expenses of business-type activities were virtually unchanged between fiscal years 2006 and 2005. Although, total expenses exceeded total revenues by \$420 million, this deficiency was offset by transfers of \$712 million, resulting in an increase in net assets of \$292 million.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

The State completed fiscal year 2006 with a balance of \$3.1 billion in its governmental funds. However, the General fund reported a deficit of \$1.0 billion in unreserved fund balance. Although governmental fund expenditures exceeded fund revenues by \$92 million, this deficiency was offset by other financing

sources of \$699 million, resulting in an increase in fund balance of \$607 million in governmental funds in fiscal year 2006.

General Fund

The General fund is the chief operating fund of the State. At the end of fiscal year 2006, the General fund had a fund balance of \$0.9 billion. Of this amount, \$1.9 billion was reserved for various purposes, leaving a deficit of \$1.0 billion in unreserved fund balance. Although, total fund revenues exceeded total fund expenditures by \$1,017 million, this excess was reduced by other financing uses of \$561 million, resulting in an increase in fund balance of \$456 million for the fiscal year .

Budgetary Highlights-General Fund

Early in the fiscal year, the General fund surplus was estimated to be \$18 million. By the end of the fiscal year, fund revenues had greatly increased because of a strong economy, causing the surplus estimate to grow to \$940 million. However, most of the estimated surplus was eventually appropriated by the State legislature for various expenditure programs, resulting in a final estimated surplus of \$455 million.

Although actual fund revenues exceeded expenditures by \$499 million, this excess was reduced by other financing uses of \$12 million, resulting in an actual surplus of \$487 million. A portion of the 2005 surplus in the amount of \$15 million was appropriated during the current fiscal year for various expenditure programs. This amount was reported in the budgetary statement as other financing source.

During the year, actual revenues exceeded original budget revenues by \$865 million. A tax revenue variance of \$760 million accounts for much of the total variance. Some of the tax revenues that exceeded original estimates were: personal income, \$370 million; corporations, \$141 million; and oil companies, \$80 million.

During the year, final appropriations exceeded original appropriations by \$450 million. Some of the major adjustments to initial appropriations that occurred during the year were: \$86 million to pre-pay debt service on economic recovery notes; \$246 million for deposit to the Teachers' Retirement Fund; and \$33 million for property tax relief.

Other Funds

The Debt Service fund had a fund balance of \$675 million at year end, all of which was reserved. Fund balance decreased by \$3 million during the fiscal year.

The Transportation fund had a fund balance of \$183 million at year end, of which \$129 million was unreserved. Fund balance increased by \$7 million during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets.

As of June 30, 2006 the State had an investment in total capital assets (net of accumulated depreciation) of \$13.0 billion. During the fiscal year, capital assets of governmental activities and business-type activities increased by \$115 million and \$150 million, respectively. Depreciation charges for the fiscal year totaled \$0.9 billion.

**State of Connecticut's Capital Assets
(Net of Depreciation, in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 1,295	\$ 1,264	\$ 59	\$ 64	\$ 1,354	\$ 1,328
Buildings	1,138	1,046	2,330	2,098	3,468	3,144
Improvements Other than Buildings	192	197	296	258	488	455
Equipment	391	389	365	352	756	741
Infrastructure	5,080	5,363	-	-	5,080	5,363
Construction in Progress	1,659	1,381	175	303	1,834	1,684
Total	\$ 9,755	\$ 9,640	\$ 3,225	\$ 3,075	\$ 12,980	\$ 12,715

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

Long-term Debt

Bonded Debt

The State, pursuant to various public and special acts, has authorized a variety of types of debt which fall into the following categories: direct general obligation debt, which is payable from the State's general fund; special tax obligation debt, which is payable from the debt service fund; and revenue debt, which is payable from specific revenues of enterprise funds.

State of Connecticut's Bonded Debt (in millions)

	Activities		Activities		Primary Government	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 10,211	\$ 9,905	\$ -	\$ -	\$ 10,211	\$ 9,905
Transportation Related Bonds	3,094	3,114	-	-	3,094	3,114
Revenue Bonds			1,523	1,620	1,523	1,620
Premiums and deferred amounts	267	229	39	34	306	263
Total	\$ 13,572	\$ 13,248	\$ 1,562	\$ 1,654	\$ 15,134	\$ 14,902

In fiscal year 2006 the State increased outstanding bonds by \$232 million. Bonds of governmental activities increased by \$324 million while bonds of business-type activities decreased by \$92 million. The State's General Obligation bonds are rated Aa3, AA and AA by Moodys, Standard and Poors and Fitch respectively. Special Tax Obligation bonds are rated Aaa, AAA, AAA by Moodys, Standard and Poors and Fitch respectively.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of October, 2006, the State had a debt incurring margin of \$4.2 billion.

Other Long-Term Debt

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Net Pension Obligation	\$ 3,737	\$ 3,636	\$ -	\$ -	\$ 3,737	\$ 3,636
Compensated Absences	471	415	124	102	595	517
Workers Compensation	344	299	-	-	344	299
Lottery Prizes	-	-	302	337	302	337
Other*	230	298	181	166	411	464
Total	<u>\$ 4,782</u>	<u>\$ 4,648</u>	<u>\$ 607</u>	<u>\$ 605</u>	<u>\$ 5,389</u>	<u>\$ 5,253</u>

* Includes Economic Recovery Notes of \$146 million and \$209 million in 2006 and 2005, respectively

The State's other long-term obligations increased by \$136 million during the year. An increase of \$101 million in the net pension obligation of governmental activities accounted for most of the change.

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

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3350.

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Basic Financial Statements

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Statement of Net Assets

June 30, 2006

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 2,154,451	\$ 492,520	\$ 2,646,971	\$ 191,847
Deposits with U.S. Treasury	-	632,318	632,318	-
Investments	134,477	98,480	232,957	345,240
Receivables, (Net of Allowances)	2,033,355	621,357	2,654,712	56,186
Due from Component Units	2,619	-	2,619	-
Due from Primary Government	-	-	-	12,778
Inventories	58,572	10,087	68,659	3,509
Restricted Assets	-	82,546	82,546	1,260,718
Internal Balances	(210,633)	210,633	-	-
Other Current Assets	13,603	15,025	28,628	3,071
Total Current Assets	4,186,444	2,162,966	6,349,410	1,873,349
Noncurrent Assets:				
Cash and Cash Equivalents	-	217,435	217,435	-
Due From Component Units	13,320	-	13,320	-
Investments	-	312,567	312,567	53,800
Receivables, (Net of Allowances)	177,988	489,445	667,433	123,798
Restricted Assets	675,323	490,598	1,165,921	3,603,376
Capital Assets, (Net of Accumulated Depreciation)	9,754,593	3,225,193	12,979,786	462,640
Other Noncurrent Assets	57,042	59,352	116,394	14,184
Total Noncurrent Assets	10,678,266	4,794,590	15,472,856	4,257,798
Total Assets	14,864,710	6,957,556	21,822,266	6,131,147
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	644,854	257,253	902,107	66,280
Due to Component Units	12,778	-	12,778	-
Due to Primary Government	-	-	-	2,619
Due to Other Governments	63,789	167	63,956	-
Current Portion of Long-Term Obligations	1,248,067	186,597	1,434,664	153,263
Amount Held for Institutions	-	-	-	471,585
Deferred Revenue	8,519	155,717	164,236	-
Medicaid Liability	569,613	-	569,613	-
Liability for Escheated Property	104,719	-	104,719	-
Other Current Liabilities	182,776	83,166	265,942	28,227
Total Current Liabilities	2,835,115	682,900	3,518,015	721,974
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	17,105,597	1,983,518	19,089,115	3,679,250
Total Noncurrent Liabilities	17,105,597	1,983,518	19,089,115	3,679,250
Total Liabilities	19,940,712	2,666,418	22,607,130	4,401,224
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,469,145	2,407,382	5,876,527	284,295
Restricted For:				
Transportation	102,767	-	102,767	-
Debt Service	640,540	72,547	713,087	31,866
Capital Projects	234,893	110,952	345,845	-
Unemployment Compensation	-	762,997	762,997	-
Clean Water and Drinking Water Projects	-	566,438	566,438	-
Bond Indenture Requirements	-	3,248	3,248	724,815
Loans	-	6,318	6,318	-
Permanent Investments or Endowments:				
Expendable	3,241	-	3,241	109,346
Nonexpendable	89,619	14,010	103,629	220,481
Other Purposes	425,633	168,075	593,708	50,400
Unrestricted (Deficit)	(10,041,840)	179,171	(9,862,669)	308,720
Total Net Assets (Deficit)	\$ (5,076,002)	\$ 4,291,138	\$ (784,864)	\$ 1,729,923

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

Statement of Activities

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services, Fees, Fines , and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
Legislative	\$ 96,622	\$ 2,300	\$ 90	\$ -
General Government	1,352,908	459,602	43,687	-
Regulation and Protection	712,061	527,391	192,124	-
Conservation and Development	396,296	92,788	79,974	-
Health and Hospitals	1,922,583	54,205	183,126	-
Transportation	1,090,504	61,982	-	541,875
Human Services	4,941,454	47,126	2,970,922	-
Education, Libraries, and Museums	3,888,711	28,460	424,456	-
Corrections	1,768,368	11,434	130,040	-
Judicial	654,894	93,773	10,254	-
Interest and Fiscal Charges	619,730	-	-	-
Total Governmental Activities	17,444,131	1,379,061	4,034,673	541,875
Business-Type Activities:				
University of Connecticut & Health Center	1,464,055	798,041	166,259	9,966
State Universities	536,026	264,413	42,982	68,077
Bradley International Airport	62,625	54,193	-	2,039
Connecticut Lottery Corporation	709,591	970,568	-	-
Employment Security	572,602	585,375	-	-
Clean Water	26,076	14,156	19,764	-
Other	419,074	213,359	48,352	-
Total Business-Type Activities	3,790,049	2,900,105	277,357	80,082
Total Primary Government	\$ 21,234,180	\$ 4,279,166	\$ 4,312,030	\$ 621,957
Component Units				
Connecticut Housing Finance Authority (12-31-05)	\$ 183,431	\$ 160,753	\$ -	\$ -
Connecticut Health and Educational Facilities Authority	6,055	4,655	-	-
Other	282,552	270,169	6,212	31,054
Total Component Units	\$ 472,038	\$ 435,577	\$ 6,212	\$ 31,054
General Revenues:				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Other				
Casino Gaming Payments				
Tobacco Settlement				
Unrestricted Investment Earnings				
Contributions to Endowments				
Special Item-Statutory Payment to State				
Transfers-Internal Activities				
Total General Revenues, Contributions, Special Item, 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	Business-Type	Total	Component
Activities	Activities		Units
\$ (94,232)	\$ -	\$ (94,232)	\$ -
(849,619)	-	(849,619)	-
7,454	-	7,454	-
(223,534)	-	(223,534)	-
(1,685,252)	-	(1,685,252)	-
(486,647)	-	(486,647)	-
(1,923,406)	-	(1,923,406)	-
(3,435,795)	-	(3,435,795)	-
(1,626,894)	-	(1,626,894)	-
(550,867)	-	(550,867)	-
(619,730)	-	(619,730)	-
(11,488,522)	-	(11,488,522)	-
-	(489,789)	(489,789)	-
-	(160,554)	(160,554)	-
-	(6,393)	(6,393)	-
-	260,977	260,977	-
-	12,773	12,773	-
-	7,844	7,844	-
-	(157,363)	(157,363)	-
-	(532,505)	(532,505)	-
(11,488,522)	(532,505)	(12,021,027)	-
-	-	-	(22,678)
-	-	-	(1,400)
-	-	-	24,883
-	-	-	805
5,625,882	-	5,625,882	-
655,607	-	655,607	-
3,382,118	-	3,382,118	-
1,608,235	-	1,608,235	-
515,013	-	515,013	-
68,418	-	68,418	-
427,527	-	427,527	-
108,619	-	108,619	-
104,911	113,387	218,298	58,182
-	-	-	33,520
-	-	-	(5,000)
(711,657)	711,657	-	-
11,784,673	825,044	12,609,717	86,702
296,151	292,539	588,690	87,507
(5,372,153)	3,998,599	(1,373,554)	1,642,416
\$ (5,076,002)	\$ 4,291,138	\$ (784,864)	\$ 1,729,923

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Governmental Fund Financial Statements

Major Funds

General Fund:

This fund is the State's general operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Debt Service Fund:

This fund is used to account for the accumulation of resources for and the payment of, principal and interest on special tax obligation bonds of the Transportation fund.

Transportation Fund:

to account for motor vehicle taxes, receipts and transportation related federal revenues collected for the purposes of payment of debt service requirements and budgeted appropriations made to the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the state.

Nonmajor Funds:

Nonmajor governmental funds are presented, by fund type beginning on page 90.

Balance Sheet**Governmental Funds**

June 30, 2006

(Expressed in Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Transportation</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 887,481	\$ -	\$ 125,947	\$ 1,124,119	\$ 2,137,547
Investments	-	-	-	134,477	134,477
Securities Lending Collateral	-	-	-	13,562	13,562
Receivables:					
Taxes, Net of Allowances	960,095	-	42,721	-	1,002,816
Accounts, Net of Allowances	182,949	-	12,557	39,717	235,223
Loans, Net of Allowances	-	-	-	177,988	177,988
From Other Governments	509,964	-	-	256,021	765,985
Interest	-	6,634	992	-	7,626
Other	-	-	-	6,321	6,321
Due from Other Funds	22,195	202	18,714	99,178	140,289
Advances to Other Funds	4,700	-	-	-	4,700
Due from Component Units	15,939	-	-	-	15,939
Inventories	39,347	-	15,730	-	55,077
Restricted Assets	-	674,428	-	895	675,323
Other Assets	-	-	-	5	5
Total Assets	<u>\$ 2,622,670</u>	<u>\$ 681,264</u>	<u>\$ 216,661</u>	<u>\$ 1,852,283</u>	<u>\$ 5,372,878</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable and Accrued Liabilities	\$ 311,083	\$ -	\$ 27,599	\$ 193,844	\$ 532,526
Due to Other Funds	115,112	6,634	-	159,397	281,143
Due to Component Units	-	-	-	12,778	12,778
Due to Other Governments	61,385	-	-	2,404	63,789
Deferred Revenue	433,275	-	5,503	77,483	516,261
Medicaid Liability	569,613	-	-	-	569,613
Liability For Escheated Property	104,719	-	-	-	104,719
Securities Lending Obligation	-	-	-	13,562	13,562
Other Liabilities	168,937	-	-	277	169,214
Total Liabilities	<u>1,764,124</u>	<u>6,634</u>	<u>33,102</u>	<u>459,745</u>	<u>2,263,605</u>
Fund Balances					
Reserved For:					
Petty Cash	912	-	-	-	912
Inventories	39,347	-	15,730	-	55,077
Loans	20,639	-	-	177,988	198,627
Continuing Appropriations	702,854	-	39,067	1,140	743,061
Debt Service	-	674,630	-	-	674,630
Restricted Purposes	-	-	-	415,040	415,040
Surplus Transfer to FY 07	41,000	-	-	-	41,000
Budget Reserve Fund	1,112,508	-	-	-	1,112,508
Unreserved Reported In:					
General Fund	(1,058,714)	-	-	-	(1,058,714)
Transportation Fund	-	-	128,762	-	128,762
Special Revenue Funds	-	-	-	533,857	533,857
Capital Project Funds	-	-	-	264,513	264,513
Total Fund Balances	<u>858,546</u>	<u>674,630</u>	<u>183,559</u>	<u>1,392,538</u>	<u>3,109,273</u>
Total Liabilities and Fund Balances	<u>\$ 2,622,670</u>	<u>\$ 681,264</u>	<u>\$ 216,661</u>	<u>\$ 1,852,283</u>	<u>\$ 5,372,878</u>

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

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2006

(Expressed in Thousands)

Total Fund Balance - Governmental Funds \$ 3,109,273

Net assets reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. These assets consist of:

Buildings	2,766,854	
Equipment	1,175,497	
Infrastructure	12,481,408	
Other Capital Assets	999,639	
Accumulated Depreciation	(7,719,130)	9,704,268

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. 55,785

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. 507,871

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. (8,831)

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the funds (Note 16).

Net Pension Obligation	(3,737,136)	
Worker's Compensation	(344,274)	
Capital Leases	(60,491)	
Compensated Absences	(465,721)	
Claims and Judgments	(18,418)	(4,626,040)

Long-term bonded debt is not due and payable in the current period and
therefore is not reported in the funds. Unamortized premiums, loss on
refundings, and interest payable are not reported in the funds. However,
these amounts are included in the Statement of Net Assets. This is the net
effect of these balances on the statement (Note 16).

Economic Recovery Note	(146,090)	
Bonds Payable	(13,305,494)	
Unamortized Premiums	(516,109)	
Less: Deferred Loss on Refundings	248,934	
Accrued Interest Payable	(99,569)	(13,818,328)

Net Assets of Governmental Activities \$ (5,076,002)

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, 2006

(Expressed in Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Transportation</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 11,225,489	\$ -	\$ 583,896	\$ 27,424	\$ 11,836,809
Assessments	-	-	-	21,555	21,555
Licenses, Permits and Fees	156,954	-	315,544	63,970	536,468
Tobacco Settlement	-	-	-	108,619	108,619
Federal Grants and Aid	2,817,844	-	-	1,760,537	4,578,381
Charges for Services	34,788	-	64,961	9,048	108,797
Fines, Forfeits and Rents	74,936	-	30,012	2,167	107,115
Casino Gaming Payments	427,527	-	-	-	427,527
Investment Earnings	53,629	14,642	11,789	22,634	102,694
Miscellaneous	150,034	-	8,457	435,138	593,629
Total Revenues	<u>14,941,201</u>	<u>14,642</u>	<u>1,014,659</u>	<u>2,451,092</u>	<u>18,421,594</u>
Expenditures					
Current:					
Legislative	89,454	-	-	2,279	91,733
General Government	916,747	-	2,947	385,877	1,305,571
Regulation and Protection	324,225	-	79,721	282,801	686,747
Conservation and Development	123,531	-	-	260,532	384,063
Health and Hospitals	1,707,536	-	-	181,706	1,889,242
Transportation	1,874	-	522,451	124,303	648,628
Human Services	4,487,762	-	-	389,849	4,877,611
Education, Libraries, and Museums	2,668,013	-	-	1,145,536	3,813,549
Corrections	1,686,200	-	-	37,391	1,723,591
Judicial	618,311	-	-	29,963	648,274
Capital Projects	-	-	-	671,124	671,124
Debt Service:					
Principal Retirement	831,719	270,420	631	-	1,102,770
Interest and Fiscal Charges	468,750	144,802	5,798	51,035	670,385
Total Expenditures	<u>13,924,122</u>	<u>415,222</u>	<u>611,548</u>	<u>3,562,396</u>	<u>18,513,288</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,017,079</u>	<u>(400,580)</u>	<u>403,111</u>	<u>(1,111,304)</u>	<u>(91,694)</u>
Other Financing Sources (Uses)					
Bonds Issued	-	-	-	1,362,145	1,362,145
Premiums on Bonds Issued	-	4,453	-	50,791	55,244
Transfers In	377,484	426,814	53,398	178,958	1,036,654
Transfers Out	(938,233)	(29,159)	(449,306)	(333,841)	(1,750,539)
Refunding Bonds Issued	-	61,020	-	-	61,020
Payment to Refunded Bond Escrow Agent	-	(65,473)	-	-	(65,473)
Capital Lease Obligations	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(560,749)</u>	<u>397,655</u>	<u>(395,908)</u>	<u>1,258,053</u>	<u>699,051</u>
Net Change in Fund Balances	<u>456,330</u>	<u>(2,925)</u>	<u>7,203</u>	<u>146,749</u>	<u>607,357</u>
Fund Balances - Beginning (as restated)	396,893	677,555	172,837	1,245,789	2,493,074
Changes in Reserves for Inventories	5,323	-	3,519	-	8,842
Fund Balances - Ending	<u>\$ 858,546</u>	<u>\$ 674,630</u>	<u>\$ 183,559</u>	<u>\$ 1,392,538</u>	<u>\$ 3,109,273</u>

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, 2006

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 607,357

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	(1,362,145)	
Refunding Bonds Issued	(61,020)	
Premium on Bonds Issued	(55,244)	(1,478,409)

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	1,102,770	
Payments to Refunded Bond Escrow Agent	65,473	
Capital Lease Payments	16,464	1,184,707

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	794,362	
Depreciation Expense	(655,424)	
Retirements	(35,532)	103,406

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.

8,842

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Accrued Interest	(3,911)	
Decrease in Interest Accreted on Capital Appreciation Debt	35,813	
Amortization of Bond Premium	41,794	
Amortization of Loss on Debt Refundings	(28,461)	
Increase in Compensated Absences Liability	(56,355)	
Increase in Workers Compensation Liability	(45,718)	
Increase in Claims and Judgments Liability	(11,809)	
Increase in Net Pension Obligation	(100,832)	(169,479)

Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year.

30,345

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities.

3,962

Debt issue costs are recorded as expenditures in the governmental funds. However, these costs are amortized over the life of the bonds in the Statement of Activities.

In the current year, these amounts are:

Debt Issue Costs Payments	9,718	
Amortization of Debt Issue Costs	(4,298)	5,420

Change in Net Assets of Governmental Activities \$ 296,151

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, 2006

(Expressed in Thousands).

	General Fund			Variance with Final Budget positive (negative)
	Budget			
	Original	Final	Actual	
Revenues				
Budgeted:				
Taxes, Net of Refunds	\$ 10,455,400	\$ 11,243,500	\$ 11,215,243	\$ (28,257)
Operating Transfers In	374,500	379,300	379,346	46
Casino Gaming Payments	430,000	427,500	427,527	27
Licenses, Permits, and Fees	147,300	158,300	157,400	(900)
Other	253,000	339,400	356,366	16,966
Federal Grants	2,601,400	2,552,100	2,549,577	(2,523)
Transfer to the Resources of the General Fund	(41,000)	(41,000)	-	41,000
Refunds of Payments	(600)	(400)	(438)	(38)
Operating Transfers Out	(86,300)	(86,300)	(86,300)	-
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	14,133,700	14,972,400	14,998,721	26,321
Expenditures				
Budgeted:				
Legislative	69,986	70,159	62,159	8,000
General Government	506,145	546,161	442,517	103,644
Regulation and Protection	238,829	253,681	237,380	16,301
Conservation and Development	96,038	98,833	90,887	7,946
Health and Hospitals	1,385,899	1,408,990	1,392,263	16,727
Transportation	20,600	12,600	1,810	10,790
Human Services	4,314,610	4,344,908	4,181,893	163,015
Education, Libraries, and Museums	3,264,755	3,521,654	3,290,626	231,028
Corrections	1,337,239	1,352,868	1,339,289	13,579
Judicial	436,474	441,006	438,124	2,882
Non Functional	3,260,909	3,330,433	3,022,668	307,765
Total Expenditures	14,931,484	15,381,293	14,499,616	881,677
Appropriations Lapsed	105,400	174,200	-	(174,200)
Excess (Deficiency) of Revenues Over Expenditures	(692,384)	(234,693)	499,105	733,798
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	694,422	694,422	694,422	-
Appropriations Continued to Fiscal Year 2007	-	-	(702,854)	(702,854)
Transfer of 2005 Surplus	15,851	15,851	15,851	-
Miscellaneous Adjustments	-	(20,500)	(19,035)	1,465
Total Other Financing Sources (Uses)	710,273	689,773	(11,616)	(701,389)
Net Change in Fund Balance	\$ 17,889	\$ 455,080	487,489	\$ 32,409
Budgetary Fund Balances - July 1			1,075,107	
Changes in Reserves			(371,340)	
Budgetary Fund Balances - June 30			\$ 1,191,256	

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

Transportation Fund

Budget		Actual	Variance with Final Budget positive (negative)
Original	Final		
\$ 595,900	\$ 585,000	\$ 583,934	\$ (1,066)
-	-	-	-
-	-	-	-
393,000	387,700	387,703	3
29,000	40,200	40,125	(75)
-	-	-	-
-	-	-	-
(2,800)	(2,700)	(2,666)	34
(3,600)	(4,600)	(4,600)	-
(25,300)	(25,300)	(25,300)	-
<u>986,200</u>	<u>980,300</u>	<u>979,196</u>	<u>(1,104)</u>
-	-	-	-
2,635	2,635	1,749	886
73,348	73,348	55,297	18,051
-	-	-	-
-	-	-	-
412,663	425,982	410,316	15,666
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>542,410</u>	<u>551,354</u>	<u>531,648</u>	<u>19,706</u>
1,031,056	1,053,319	999,010	54,309
11,000	15,750	-	(15,750)
<u>(33,856)</u>	<u>(57,269)</u>	<u>(19,814)</u>	<u>37,455</u>
37,418	37,418	37,418	-
-	-	(39,067)	(39,067)
-	-	-	-
-	21,451	21,775	324
<u>37,418</u>	<u>58,869</u>	<u>20,126</u>	<u>(38,743)</u>
<u>\$ 3,562</u>	<u>\$ 1,600</u>	312	<u>\$ (1,288)</u>
		170,485	
		1,649	
		<u>\$ 172,446</u>	

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Proprietary Fund Financial Statements

Major Funds

University of Connecticut and Health Center:

This fund is used to account for the operations of the University of Connecticut a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

State Universities:

This fund is used to account for the operations of the State University System which consist of four universities: Central, Eastern, Southern, and Western.

Bradley International Airport:

The airport is owned by the State of Connecticut and is operated by the Bureau of Aeronautics of the State of Connecticut, Department of Transportation. In 1982, the State issued the Airport, 1982 series, Revenue Bonds in the aggregate principal amount of \$100,000,000. The bonds were refunded in 1992 with the issuance of \$94,065,000 in refunding bonds. The refunding bonds are secured by and payable solely from the gross operating revenues generated by the State from the operations of the Airport and other receipts, funds or monies pledged in the Indenture.

The Connecticut Lottery Corporation:

The Connecticut Lottery Corporation, a public instrumentality and political subdivision of the State of Connecticut was created on July 1, 1996 for the purpose of generating revenues for the State of Connecticut's General Fund through the operation of a lottery.

Employment Security:

to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water:

to account for resources used to provide loans to municipalities to finance waste water treatment projects.

Nonmajor Funds:

Nonmajor proprietary funds are presented, by fund type beginning on page 112.

Statement of Net Assets

Proprietary Funds

June 30, 2006

(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	\$ 214,352	\$ 93,818	\$ 33,239	\$ 23,651
Deposits with U.S. Treasury	-	-	-	-
Investments	6,854	48,228	-	43,398
Receivables:				
Accounts, Net of Allowances	101,939	104,749	5,935	11,932
Loans, Net of Allowances	2,535	2,143	-	-
Interest	-	-	-	10,640
From Other Governments	-	2,091	1,841	-
Due from Other Funds	52,763	47,192	-	-
Inventories	8,938	-	-	-
Restricted Assets	71,314	-	11,232	-
Other Current Assets	9,437	1,707	726	2,555
Total Current Assets	468,132	299,928	52,973	92,176
Noncurrent Assets:				
Cash and Cash Equivalents	1,454	120,951	-	-
Investments	13,495	-	-	256,712
Receivables:				
Accounts, Net of Allowances	-	-	-	-
Loans, Net of Allowances	9,577	7,857	-	-
Restricted Assets	18,129	-	113,818	-
Capital Assets, Net of Accumulated Depreciation	1,749,594	837,535	303,499	1,924
Other Noncurrent Assets	9,891	4,294	6,195	5,091
Total Noncurrent Assets	1,802,140	970,637	423,512	263,727
Total Assets	2,270,272	1,270,565	476,485	355,903
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	116,786	53,927	10,068	18,302
Due to Other Funds	15,064	2,300	1,274	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	44,780	23,645	8,430	45,765
Deferred Revenue	32,788	117,906	1,394	751
Other Current Liabilities	42,873	5,481	-	31,196
Total Current Liabilities	252,291	203,259	21,166	96,014
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	377,803	376,295	217,720	256,712
Total Noncurrent Liabilities	377,803	376,295	217,720	256,712
Total Liabilities	630,094	579,554	238,886	352,726
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	1,406,160	616,346	101,858	1,924
Restricted For:				
Debt Service	11,299	-	26,305	-
Unemployment Compensation	-	-	-	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	45,788	-	65,164	-
Nonexpendable Purposes	13,507	483	-	-
Bond Indentures	-	-	3,248	-
Loans	6,318	-	-	-
Other Purposes	15,349	28,467	-	3,177
Unrestricted	141,757	45,715	41,024	(1,924)
Total Net Assets	\$ 1,640,178	\$ 691,011	\$ 237,599	\$ 3,177

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

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
\$ -	\$ 5,573	\$ 121,887	\$ 492,520	\$ 16,904
632,318	-	-	632,318	-
-	-	-	98,480	-
132,039	-	21,309	377,903	3,808
-	207,335	5,273	217,286	-
-	5,317	1,213	17,170	-
3,474	455	1,137	8,998	-
517	-	133,983	234,455	11,091
-	-	1,149	10,087	3,495
-	-	-	82,546	-
-	-	600	15,025	36
768,348	218,680	286,551	2,186,788	35,334
-	71,497	23,533	217,435	-
-	29,360	13,000	312,567	-
-	-	2,013	2,013	-
-	427,003	42,995	487,432	-
-	297,509	61,142	490,598	-
-	-	332,641	3,225,193	50,325
-	31,167	2,714	59,352	1,257
-	856,536	478,038	4,794,590	51,582
768,348	1,075,216	764,589	6,981,378	86,916
-	5,398	52,772	257,253	8,901
5,184	-	-	23,822	73,152
167	-	-	167	-
-	31,546	32,431	186,597	256
-	-	2,878	155,717	129
-	1,306	2,310	83,166	-
5,351	38,250	90,391	706,722	82,438
-	473,909	281,079	1,983,518	13,309
-	473,909	281,079	1,983,518	13,309
5,351	512,159	371,470	2,690,240	95,747
-	-	281,094	2,407,382	49,968
-	-	34,943	72,547	-
762,997	-	-	762,997	-
-	514,176	52,262	566,438	-
-	-	-	110,952	-
-	-	20	14,010	-
-	-	-	3,248	-
-	-	-	6,318	-
-	-	121,082	168,075	-
-	48,881	(96,282)	179,171	(58,799)
\$ 762,997	\$ 563,057	\$ 393,119	\$ 4,291,138	\$ (8,831)

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

For The Fiscal Year Ended June 30, 2006

(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	\$ 689,693	\$ 246,976	\$ 39,535	\$ 970,327
Assessments	-	-	-	-
Federal Grants, Contracts and Other Aid	146,526	29,530	-	-
State Grants, Contracts and Other Aid	17,306	10,337	-	-
Private Gifts and Grants	34,642	3,115	-	-
Interest on Loans	-	-	-	-
Other	53,930	14,374	-	236
Total Operating Revenues	942,097	304,332	39,535	970,563
Operating Expenses				
Salaries, Wages and Administrative	1,230,130	474,854	33,871	92,904
Lottery Prize Awards	-	-	-	587,388
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	110,278	39,103	17,603	623
Other	110,615	22,069	-	6,288
Total Operating Expenses	1,451,023	536,026	51,474	687,203
Operating Income (Loss)	(508,926)	(231,694)	(11,939)	283,360
Nonoperating Revenue (Expenses)				
Interest and Investment Income	15,031	12,504	6,547	23,834
Interest and Fiscal Charges	(13,032)	-	(11,151)	(22,388)
Other	22,203	3,063	14,658	5
Total Nonoperating Revenues (Expenses)	24,202	15,567	10,054	1,451
Income (Loss) Before Capital Contributions, Grants, and Transfers	(484,724)	(216,127)	(1,885)	284,811
Capital Contributions	9,966	68,077	2,039	-
Federal Capitalization Grants	-	-	-	-
Transfers In	496,727	229,901	9,064	-
Transfers Out	-	-	-	(284,865)
Change in Net Assets	21,969	81,851	9,218	(54)
Total Net Assets - Beginning	1,618,209	609,160	228,381	3,231
Total Net Assets - Ending	\$ 1,640,178	\$ 691,011	\$ 237,599	\$ 3,177

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

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
\$ -	\$ -	\$ 137,761	\$ 2,084,292	\$ 86,190
569,387	-	59,073	628,460	-
6,189	-	31,391	213,636	-
5,564	-	9,435	42,642	-
-	-	990	38,747	-
-	12,443	1,311	13,754	-
4,235	-	11,397	84,172	762
<u>585,375</u>	<u>12,443</u>	<u>251,358</u>	<u>3,105,703</u>	<u>86,952</u>
-	856	335,144	2,167,759	64,170
-	-	-	587,388	-
572,602	-	-	572,602	-
-	-	38,752	38,752	-
-	-	15,546	183,153	18,911
-	-	15,437	154,409	-
<u>572,602</u>	<u>856</u>	<u>404,879</u>	<u>3,704,063</u>	<u>83,081</u>
<u>12,773</u>	<u>11,587</u>	<u>(153,521)</u>	<u>(598,360)</u>	<u>3,871</u>
26,964	20,575	7,932	113,387	176
-	(25,220)	(14,195)	(85,986)	(85)
-	1,713	3,817	45,459	-
<u>26,964</u>	<u>(2,932)</u>	<u>(2,446)</u>	<u>72,860</u>	<u>91</u>
<u>39,737</u>	<u>8,655</u>	<u>(155,967)</u>	<u>(525,500)</u>	<u>3,962</u>
-	-	-	80,082	-
-	19,764	6,536	26,300	-
-	5,497	270,215	1,011,404	-
<u>(3,390)</u>	<u>(1,902)</u>	<u>(9,590)</u>	<u>(299,747)</u>	<u>-</u>
36,347	32,014	111,194	292,539	3,962
<u>726,650</u>	<u>531,043</u>	<u>281,925</u>	<u>3,998,599</u>	<u>(12,793)</u>
<u>\$ 762,997</u>	<u>\$ 563,057</u>	<u>\$ 393,119</u>	<u>\$ 4,291,138</u>	<u>\$ (8,831)</u>

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2006

(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	\$ 686,015	\$ 266,586	\$ 39,368	\$ 968,922
Payments to Suppliers	(417,981)	(4,751)	(21,417)	(35,607)
Payments to Employees	(869,093)	(328,794)	(13,218)	(12,641)
Other Receipts (Payments)	261,263	(111,486)	-	(639,738)
Net Cash Provided by (Used in) Operating Activities	(339,796)	(178,445)	4,733	280,936
Cash Flows from Noncapital Financing Activities				
Proceeds from Sale of Bonds	-	-	-	16,948
Retirement of Bonds and Annuities Payable	-	-	-	(48,437)
Interest on Bonds and Annuities Payable	-	-	-	(24,221)
Transfers In	356,395	209,514	9,064	-
Transfers Out	-	-	-	(284,865)
Other Receipts (Payments)	16,397	5,048	(1,283)	-
Net Cash Flows from Noncapital Financing Activities	372,792	214,562	7,781	(340,575)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant and Equipment	(106,569)	(79,065)	(11,999)	(305)
Proceeds from Capital Debt	81,666	62,944	-	-
Principal Paid on Capital Debt	(61,964)	(16,294)	(10,140)	-
Interest Paid on Capital Debt	(47,061)	-	(11,359)	-
Transfer In	96,999	-	-	-
Federal Grant	-	-	-	-
Capital Contributions	-	20,415	1,153	-
Other Receipts (Payments)	8,963	-	14,712	-
Net Cash Flows from Capital and Related Financing Activities	(27,966)	(12,000)	(17,633)	(305)
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	631	-	-	48,109
Purchase of Investment Securities	-	(55)	-	(16,948)
Interest on Investments	13,503	11,879	6,323	25,667
(Increase) Decrease in Restricted Assets	-	-	-	-
Other Receipts (Payments)	(942)	-	-	-
Net Cash Flows from Investing Activities	13,192	11,824	6,323	56,828
Net Increase (Decrease) in Cash and Cash Equivalents	18,222	35,941	1,204	(3,116)
Cash and Cash Equivalents - Beginning of Year	286,656	178,828	109,169	26,767
Cash and Cash Equivalents - End of Year	\$ 304,878	\$ 214,769	\$ 110,373	\$ 23,651
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	\$ (508,926)	\$ (231,694)	\$ (11,939)	\$ 283,360
Adjustments not Affecting Cash:				
Depreciation and Amortization	110,278	39,103	17,603	623
Other	55,984	(34)	-	57
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(17,782)	(2,264)	(166)	36,933
(Increase) Decrease in Due from Other Funds	5,183	-	-	-
(Increase) Decrease in Inventories and Other Assets	(4,217)	1,282	-	(222)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	19,558	15,162	(765)	(39,815)
Increase (Decrease) in Due to Other Funds	126	-	-	-
Total Adjustments	169,130	53,249	16,672	(2,424)
Net Cash Provided by (Used In) Operating Activities	\$ (339,796)	\$ (178,445)	\$ 4,733	\$ 280,936
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	\$ 214,352	\$ 93,818	\$ 33,239	
Cash and Cash Equivalents - Noncurrent	1,454	120,951	-	
Cash and Cash Equivalents - Restricted	89,072	-	77,134	
	\$ 304,878	\$ 214,769	\$ 110,373	

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

<u>Business-Type Activities</u>				<u>Governmental</u>
<u>Enterprise Funds</u>				<u>Activities</u>
<u>Employment</u>	<u>Clean</u>	<u>Other</u>	<u>Totals</u>	<u>Internal</u>
<u>Security</u>	<u>Water</u>			<u>Service</u>
				<u>Funds</u>
\$ 593,741	\$ 54,901	\$ 204,367	\$ 2,813,900	\$ 85,570
-	-	(56,271)	(536,027)	(19,989)
-	(795)	(271,047)	(1,495,588)	(36,179)
(617,316)	(58,959)	(41,853)	(1,208,089)	(2,326)
(23,575)	(4,853)	(164,804)	(425,804)	27,076
-	-	-	16,948	-
-	(34,386)	(27,984)	(110,807)	-
-	(21,988)	(10,745)	(56,954)	-
-	3,595	196,199	774,767	-
(3,390)	-	(9,818)	(298,073)	-
-	(821)	5,410	24,751	-
(3,390)	(53,600)	153,062	350,632	-
-	-	(7,991)	(205,929)	(29,775)
-	-	-	144,610	-
-	-	-	(88,398)	-
-	-	(3,099)	(61,519)	-
-	-	71,339	168,338	-
-	19,730	6,637	26,367	-
-	-	-	21,568	-
-	-	(20,438)	3,237	(85)
-	19,730	46,448	8,274	(29,860)
-	-	-	48,740	-
-	-	-	(17,003)	-
26,965	20,219	7,779	112,335	176
-	-	(752)	(752)	-
-	19,717	(2,983)	15,792	-
26,965	39,936	4,044	159,112	176
-	1,213	38,750	92,214	(2,608)
-	4,360	83,137	688,917	19,512
\$ -	\$ 5,573	\$ 121,887	\$ 781,131	\$ 16,904
\$ 12,773	\$ 11,587	\$ (153,521)	\$ (598,360)	\$ 3,871
-	-	15,546	183,153	18,911
-	-	(3,879)	52,128	-
23,997	(16,440)	(27,415)	(3,137)	(3,600)
357	-	-	5,540	2,980
(59,529)	-	819	(61,867)	1,076
-	-	3,646	(2,214)	3,838
(1,173)	-	-	(1,047)	-
(36,348)	(16,440)	(11,283)	172,556	23,205
\$ (23,575)	\$ (4,853)	\$ (164,804)	\$ (425,804)	\$ 27,076

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Fiduciary Fund Financial Statements

Investment Trust Fund

External Investment Pool:

to account for the portion of the Short-Term Investment Fund that belongs to participants that are not part of the State's financial reporting entity.

Private Purpose Trust Fund

Escheat Securities:

to account for securities that are held by the State Treasurer for individuals under escheat laws of the State.

Individual fund descriptions and financial statements begin on the following pages:

Pension (and Other Employee Benefit) Trust Funds, page 124

Agency Funds, page 130

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

(Expressed in Thousands)

	Pension & Other Employee Benefit <u>Trust Funds</u>	Investment <u>Trust Fund</u> External <u>Investment Pool</u>	Private- Purpose <u>Trust Fund</u> Escheat <u>Securities</u>	Agency <u>Funds</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 24,243	\$ -	\$ -	\$ 124,863	\$ 149,106
Receivables:					
Accounts, Net of Allowances	13,586	-	-	4,183	17,769
From Other Governments	2,274	-	-	-	2,274
From Other Funds	1,577	-	-	3,525	5,102
Interest	783	1,673	-	317	2,773
Investments	22,726,546	914,516	-	-	23,641,062
Inventories	-	-	-	607	607
Securities Lending Collateral	2,801,502	-	-	-	2,801,502
Other Assets	5,474	6	58,801	355,390	419,671
Total Assets	<u>25,575,985</u>	<u>916,195</u>	<u>58,801</u>	<u>\$ 488,885</u>	<u>27,039,866</u>
Liabilities					
Accounts Payable and Accrued Liabilities	36	3,745	-	\$ 1,526	5,307
Securities Lending Obligation	2,801,502	-	-	-	2,801,502
Due to Other Funds	12,820	-	-	-	12,820
Other Liabilities	-	2	-	3,744	3,746
Funds Held for Others	-	-	-	483,615	483,615
Total Liabilities	<u>2,814,358</u>	<u>3,747</u>	<u>-</u>	<u>\$ 488,885</u>	<u>3,306,990</u>
Net Assets					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	22,714,728	-	-		22,714,728
Other Employee Benefits	46,899	-	-		46,899
Individuals, Organizations, and Other Governments	-	912,448	58,801		971,249
Total Net Assets	<u>\$ 22,761,627</u>	<u>\$ 912,448</u>	<u>\$ 58,801</u>		<u>\$ 23,732,876</u>

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

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	Pension & Other Employee Benefit <u>Trust Funds</u>	Investment Trust Fund External <u>Investment Pool</u>	Private- Purpose Trust Fund Escheat Securities	Total
Additions				
Contributions:				
Plan Members	\$ 376,483	\$ -	\$ -	\$ 376,483
State	1,048,705	-	-	1,048,705
Municipalities	32,844	-	-	32,844
Total Contributions	1,458,032	-	-	1,458,032
Investment Income	2,406,498	56,828	-	2,463,326
Less: Investment Expense	(180,828)	(347)	-	(181,175)
Net Investment Income	2,225,670	56,481	-	2,282,151
Escheat Securities Received	-	-	33,563	33,563
Pool's Share Transactions	-	180,893	-	180,893
Transfers In	2,228	-	-	2,228
Other	5,180	-	3,604	8,784
Total Additions	3,691,110	237,374	37,167	3,965,651
Deductions				
Administrative Expense	2,266	-	-	2,266
Benefit Payments and Refunds	2,134,966	-	-	2,134,966
Escheat Securities Returned or Sold	-	-	22,050	22,050
Distributions to Pool Participants	-	56,480	-	56,480
Other	2,240	-	-	2,240
Total Deductions	2,139,472	56,480	22,050	2,218,002
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	1,551,638	-	-	1,551,638
Individuals, Organizations, and Other Governments	-	180,894	15,117	196,011
Net Assets - Beginning	21,209,989	731,554	43,684	21,985,227
Net Assets - Ending	\$ 22,761,627	\$ 912,448	\$ 58,801	\$ 23,732,876

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

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Component Unit Financial Statements

Major Component Units

Connecticut Housing Finance Authority:

the Connecticut Housing Finance Authority is a public instrumentality and political subdivision of the State created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate income families throughout the State.

Connecticut Health and Educational Facilities Authority:

the Connecticut Health and Educational Facilities Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Nonmajor:

The nonmajor component units are presented beginning on page 134.

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Statement of Net Assets

Component Units

June 30, 2006

(Expressed in Thousands)

	Connecticut Housing Finance Authority (12-31-05)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 20,526	\$ 171,321	\$ 191,847
Investments	-	-	345,240	345,240
Receivables:				
Accounts, Net of Allowances	-	252	30,585	30,837
Loans, Net of Allowances	-	-	24,326	24,326
Other	-	-	1,023	1,023
Due from Primary Government	-	-	12,778	12,778
Restricted Assets	736,184	471,613	52,921	1,260,718
Inventories	-	-	3,509	3,509
Other Current Assets	-	120	2,951	3,071
Total Current Assets	<u>736,184</u>	<u>492,511</u>	<u>644,654</u>	<u>1,873,349</u>
Noncurrent Assets:				
Investments	-	-	53,800	53,800
Accounts, Net of Allowances	-	-	14,406	14,406
Loans, Net of Allowances	-	-	109,392	109,392
Restricted Assets	3,494,741	2,247	106,388	3,603,376
Capital Assets, Net of Accumulated Depreciation	3,282	275	459,083	462,640
Other Noncurrent Assets	-	-	14,184	14,184
Total Noncurrent Assets	<u>3,498,023</u>	<u>2,522</u>	<u>757,253</u>	<u>4,257,798</u>
Total Assets	<u>4,234,207</u>	<u>495,033</u>	<u>1,401,907</u>	<u>6,131,147</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	24,790	2,230	39,260	66,280
Current Portion of Long-Term Obligations	137,012	-	16,251	153,263
Amount Held for Institutions	-	471,585	-	471,585
Due to Primary Government	-	-	2,619	2,619
Other Liabilities	27,648	-	579	28,227
Total Current Liabilities	<u>189,450</u>	<u>473,815</u>	<u>58,709</u>	<u>721,974</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	<u>3,316,660</u>	<u>2,247</u>	<u>360,343</u>	<u>3,679,250</u>
Total Noncurrent Liabilities	<u>3,316,660</u>	<u>2,247</u>	<u>360,343</u>	<u>3,679,250</u>
Total Liabilities	<u>3,506,110</u>	<u>476,062</u>	<u>419,052</u>	<u>4,401,224</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,282	275	280,738	284,295
Restricted:				
Debt Service	-	-	31,866	31,866
Bond Indentures	724,815	-	-	724,815
Expendable Endowments	-	-	109,346	109,346
Nonexpendable Endowments	-	-	220,481	220,481
Other Purposes	-	-	50,400	50,400
Unrestricted	-	18,696	290,024	308,720
Total Net Assets	<u>\$ 728,097</u>	<u>\$ 18,971</u>	<u>\$ 982,855</u>	<u>\$ 1,729,923</u>

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

Statement of Activities

Component Units

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Connecticut Housing Finance Authority (12/31/05)	\$ 183,431	\$ 160,753	\$ -	\$ -
Connecticut Health and Educational Facilities Authority	6,055	4,655	-	-
Other Component Units	282,552	270,169	6,212	31,054
Total Component Units	<u>\$ 472,038</u>	<u>\$ 435,577</u>	<u>\$ 6,212</u>	<u>\$ 31,054</u>

General Revenues:

Investment Income (Loss)

Contributions to Endowments

Special Item:

Statutory Payment to State

Total General Revenues,

Contributions, and Special Item

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

Connecticut Housing Finance Authority (12-31-05)	Connecticut Health & Educational Facilities Authority	Other Component Units	Totals
\$ (22,678)	\$ -	\$ -	\$ (22,678)
-	(1,400)	-	(1,400)
-	-	24,883	24,883
(22,678)	(1,400)	24,883	805
39,802	844	17,536	58,182
-	-	33,520	33,520
(5,000)	-	-	(5,000)
34,802	844	51,056	86,702
12,124	(556)	75,939	87,507
715,973	19,527	906,916	1,642,416
<u>\$ 728,097</u>	<u>\$ 18,971</u>	<u>\$ 982,855</u>	<u>\$ 1,729,923</u>

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Notes to the Financial Statements

June 30, 2006

Note 1 Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit). Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) the State is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. The State also includes a nongovernmental nonprofit corporation as a component unit because it would be misleading to exclude the corporation from the reporting entity. Component units are reported in the financial statements in a separate column (discrete presentation), or as part of the primary government (blending presentation).

Discretely Presented Component Units

Discretely presented component units include legally separate organizations for which the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's debt or provides funding for the organization's programs (applies only to the Connecticut Innovations, Incorporated and the Capital City Economic Development Authority). In addition, a nongovernmental nonprofit corporation is included as a discretely presented component unit because of the nature and significance of its relationship with the State are such that it would be misleading to exclude the corporation from the State's reporting entity. The following organizations are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the primary government:

Connecticut Development Authority

The Authority is a public instrumentality and political subdivision of the State. It was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond, Umbrella, and Insurance programs as well as other economic development programs.

Connecticut Housing Finance Authority

The Authority is a public instrumentality and political subdivision of the State. It was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2005.

Connecticut Resources Recovery Authority

The Authority is a public instrumentality and political subdivision of the State. It is responsible for implementing the State Solid Waste Management Plan by determining the location of and constructing solid waste management projects; owning, operating, and maintaining waste management projects; or making provisions for operation and maintenance by contracting with private industry.

Connecticut Higher Education Supplemental Loan Authority

The Authority is a public instrumentality and political subdivision of the State. It was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its Bond funds.

Connecticut Health and Educational Facilities Authority

The Authority is a public instrumentality and political subdivision of the State. The purpose of the Authority is to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Innovations, Incorporated

The Authority is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Capital City Economic Development Authority

The Authority is a public instrumentality and political subdivision of the State. It was established in 1998 to stimulate new investment in Connecticut; to attract and service large conventions, tradeshow, exhibitions, conferences, and local consumer shows, exhibitions and events; to encourage the diversification of the state economy; to strengthen Hartford's role as the region's major business and industry employment center and seat of government; to encourage residential housing development in downtown Hartford; and to construct, operate, maintain and market a convention center project in Hartford.

University of Connecticut Foundation, Incorporated

The University of Connecticut Foundation, Incorporated is a nongovernmental nonprofit corporation created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund.

Financial statements for the major component units are included in the accompanying financial statements after the fund

financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

Blended Component Units

Connecticut Lottery Corporation

The Connecticut Lottery Corporation is a legally separate organization for which the State appoints a voting majority of the Corporation's governing board and which provides a significant amount of revenues to the State. The corporation is reported as part of the primary government's business-type activities in the government-wide financial statements and as a major Enterprise fund in the fund financial statements.

c. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds issued to buy, construct, or improve those assets.
2. Restricted net assets result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The State reports the following major governmental funds:

General Fund - This is the State's primary operating fund. It is used to account for all financial resources which are not required to be accounted in other funds and which are spent for those services normally provided by the State (e.g., health, social assistance, education, etc.).

Debt Service - This fund is used to account for the resources accumulated and payments made for principal and interest on special tax obligation bonds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenue collected for the purpose of payment of transportation related bonds and budgeted appropriations of the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the State.

The State reports the following major enterprise funds:

University of Connecticut & Health Center - This fund is used to account for the operations of the University of Connecticut a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

State Universities - This fund is used to account for the operations of the State University System which consists of four universities: Central, Eastern, Southern, and Western.

Bradley International Airport - This fund is used to account for the financial activities of the Bradley International Airport, which is owned and operated by the State.

Connecticut Lottery Corporation - This fund is used to account for the financial activities of the State's lottery. The Corporation was created in 1996 for the purpose of generating revenues for the State's General Fund.

Employment Security - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water - This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment facilities.

In addition, the State reports the following fund types:

Internal Service Funds - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

Pension (and Other Employee Benefits) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans and other employee benefits plans. These plans are discussed more fully in Notes 11 and 12.

Investment Trust Fund - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

Private-Purpose Trust Fund - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

Agency Funds - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

d. Measurement Focus and Basis of Accounting
Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental

Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. This option is followed by the following component units of the State: the Connecticut Development Authority and the Connecticut Health and Educational Facilities Authority.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Sales and use taxes, personal income taxes, public service corporation taxes, special fuel taxes, federal grants, and casino gaming payments are considered to be susceptible to accrual. Licenses, permits, and fees are not considered to be susceptible to accrual and are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

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

e. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund and the Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the

Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carry forwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carry forward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "modified cash" basis of accounting under which revenues are recognized when received, except for certain taxes which are recognized when earned. Tax revenues recognized when earned include the following: sales and use, personal income, corporation, public service corporations, petroleum companies, cigarettes, alcoholic beverages, gasoline, special motor fuel, and motor carrier road. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for the General and Transportation funds. During the 2006 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

f. Assets and Liabilities

Cash and Cash Equivalents (see Note 4)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents include investments in the Short-Term Investment Fund ("STIF") and the Tax Exempt Proceeds Fund, Inc. ("TEPF"). TEPF is a short-term, tax-exempt money market fund reported under the Investment

Company Act of 1940. Investments in STIF and TEPF are reported at the fund's share price.

Investments (see Note 4)

Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using matrix pricing.
- The fair value of equity and debt securities held by the Connecticut Innovations, Incorporated, a component unit. The fair value of these investments is determined by the Valuation Committee of the Corporation, after giving consideration to pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer's securities, sales growth, progress toward business goals, and other operating data.

The State invests in derivatives. These investments are held by the Combined Investment Funds and are reported at fair value in each fund's statement of net assets.

Inventories

Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not

capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements Other than Buildings	10-20
Machinery and Equipment	5-30
Infrastructure	20-28

Securities Lending Transactions (see Note 4)

Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

Deferred Revenues

In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Other long-term obligations include compensated absences, workers' compensation claims, capital leases, claims and judgments, annuities payable, and the net pension obligation.

In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds

Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the government-wide statement of net assets at its net or accreted value rather than at face value.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

Pursuant to Public Act No. 03-02 the General Assembly enacted an Early Retirement Incentive Program in order to mitigate the deficit of the General Fund. Under the provisions of this program any employee participating in the program shall be eligible for payment of accrued sick days and for the balance of unused vacation leave in accordance with the existing rules as stated above, with the exception of one modification. The modification provides that the balance of any compensated absences shall be paid in three equal installments beginning in fiscal year ending June 30, 2006. The State may, at its option, make the payment in one installment on or before July, 2005 if the amount of the payment is less than \$2,000.

g. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

h. Interest Rate Swap Agreements

The State has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements (see Note 17).

i. Interfund Activities

In the fund financial statements, interfund activities are reported as follows:

Interfund receivables/payables - The current portion of interfund loans outstanding at the end of the fiscal year is reported as due from/to other funds; the noncurrent portion as advances to/from other funds. All other outstanding balances between funds are reported as due from/to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund services provided and used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. In the statement of activities, transactions between the primary government and its discretely presented component units are reported as revenues and expenses, unless they represent repayments of loans or similar activities.

Interfund transfers - Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not reported in the financial statements.

j. Food Stamps

Food stamps distributed to recipients during the year are recognized as both an expenditure and a revenue in the governmental fund financial statements.

k. External Investment Pool

Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 4). Pool income is determined based on distributions made to the pool's participants.

l. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2 Budgetary vs. GAAP Basis of Accounting

The following is a reconciliation of the net change in fund balances as reported in the budgetary and GAAP basis of accounting statements of revenues, expenditures, and changes in fund balances (amounts in thousands):

	General Fund	Transportation Fund
Net change in fund balances (budgetary basis)	\$ 487,489	\$ 312
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	36,236	4,722
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(37,676)	1,388
Salaries and Fringe Benefits Payable	(22,300)	(1,514)
Increase in Continuing Appropriations	8,432	1,649
Transfer of 2005 Surplus	(15,851)	-
Fund Reclassification-Bus Operations	-	646
Net change in fund balances (GAAP basis)	\$ 456,330	\$ 7,203

The major differences between the budgetary (legal) and the GAAP (generally accepted accounting principles) basis of accounting as reconciled above are as follows:

1. Revenues are recorded when received in cash except for certain year-end accruals (budgetary basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).
3. For budgetary reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as reserved fund balance.

Note 3 Nonmajor Fund Deficits

The following funds have deficit fund/net assets balances at June 30, 2006, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects

State Facilities	\$ 25,387
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Enterprise

Bradley Parking Garage	\$ 5,686
Rate Reduction Bond Operations	\$ 143,476

Internal Service

Administrative Services	\$ 30,495
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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 and seven Combined Investment Funds, including one international investment fund.

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net assets.

For financial reporting purposes, STIF is considered to be a mixed investment pool - a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State's financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the financial statements. Instead, each fund's investment in the internal portion of STIF is reported as "cash equivalents" in the government-wide and fund financial statements.

As of June 30, 2006, 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
Commercial Paper	\$ 249,880	\$ 249,880	\$ -
Asset Backed Commercial Paper	2,971,822	2,971,822	-
Federal Agency Securities	35,000	25,000	10,000
Floating Rate Bonds	445,773	445,773	-
Repurchase Agreements	100,000	100,000	-
Total Investments	\$ 3,802,475	\$ 3,792,475	\$ 10,000

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, 2006, the weighted average maturity

of the STIF was 39 days. Additionally, STIF is allowed by policy to invest in floating-rate securities, and investments in such securities with maturities greater than two years is limited to no more than 20 percent of the overall portfolio. For purposes of the weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2006, the amount of STIF's investments in variable-rate securities was \$470.8 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, 2006, 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-1
Commercial Paper	\$ 249,880	\$ -	\$ -	\$ 249,880
Asset Backed Commercial Paper	2,971,822	-	-	2,971,822
Federal Agency Securities	35,000	35,000	-	-
Floating Rate Bonds	445,773	257,948	187,825	-
Repurchase Agreements	100,000	100,000	-	-
Total	\$ 3,802,475	\$ 392,948	\$ 187,825	\$ 3,221,702

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 a single bank or corporation. Policy limits are also set for industry concentration, floating rate investment concentration and sector concentration. As of June 30, 2006, STIF's investments in any one single issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Amortized Cost
Albis Capital Corporation	\$ 249,035
Altius Funding	\$ 235,000
Hardwood Street	\$ 199,165
Ocala Funding	\$ 356,498
Tasman Funding	\$ 344,242
Von Karman Funding	\$ 249,817

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, 2006, \$1,639,400 of the bank balance of STIF's deposits of \$1,640,000 was exposed to custodial credit risk as follows

Uninsured and uncollateralized	\$ 1,479,400
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	160,000
Total	\$ 1,639,400

Combined Investment Funds (CIFS)

The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages, and private equity. CIFS' investments are reported at fair value in each fund's statement of net assets.

For financial reporting purposes, the CIFS are considered to be internal investment pools and are not reported in the financial statements. Instead, each fund's equity in the CIFS is reported

as investments in the government-wide and fund financial statements. As of June 30, 2006, the amount of equity in the CIFS reported as investments in the financial statements was as follows (amounts in thousands):

	Primary Government		Fiduciary Funds
	Governmental Activities	Business-Type Activities	
Equity in CIFS	\$ 89,619	\$ 607	\$22,726,546
Other Investments	44,858	97,873	914,516
Total Investments-Current	<u>\$ 134,477</u>	<u>\$ 98,480</u>	<u>\$23,641,062</u>

As of June 30, 2006, 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	\$ 820,780	\$ 784,780	\$ 36,000	\$ -	\$ -
Asset Backed Securities	434,063	684	406,306	26,192	881
Government Securities	1,664,157	186,767	545,636	401,957	529,797
Government Agency Securities	1,536,773	18	33,493	70,773	1,432,489
Mortgage Backed Securities	970,810	-	21,997	60,746	888,067
Corporate Debt	1,940,538	166,369	633,638	698,039	442,492
Convertible Debt	45,229	5,096	27,004	10,129	3,000
Mutual Fund	222,823	-	-	-	222,823
Total Debt Instruments	7,635,173	<u>\$ 1,143,714</u>	<u>\$ 1,704,074</u>	<u>\$ 1,267,836</u>	<u>\$ 3,519,549</u>
Common Stock	13,888,792				
Preferred Stock	100,927				
Real Estate Investment Trust	113,099				
Mutual Fund	137,433				
Limited Liability Corporation	10,770				
Trusts	53,199				
Limited Partnerships	1,543,268				
Annuities	238				
Total Investments	<u>\$ 23,482,899</u>				

Interest Rate Risk

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

Credit Risk

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, 2006, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds

Quality Ratings	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Baked Securities	Corporate Debt	Convertible Debt	Mutual Fund
Aaa	\$ 4,302,772	\$ 4,197	\$ 427,140	\$ 1,441,029	\$ 1,518,933	\$ 744,052	\$ 167,421	\$ -	\$ -
Aa	389,776	-	-	23,299	-	1,261	364,625	591	-
A	278,870	4,808	236	11,165	-	1,746	260,184	731	-
Baa	466,882	-	5,224	68,603	-	10,735	382,242	78	-
Ba	296,542	-	-	42,606	-	3,966	244,832	5,138	-
B	406,203	-	-	29,797	-	7,254	367,490	1,662	-
Caa	66,296	-	-	-	-	7,432	54,605	4,259	-
Ca	6,129	-	-	-	-	110	383	5,636	-
C	922	-	-	-	-	922	-	-	-
Prime-1	125,948	125,948	-	-	-	-	-	-	-
Not Rated	1,294,833	685,827	1,463	47,658	17,840	193,332	98,756	27,134	222,823
Total	<u>\$ 7,635,173</u>	<u>\$ 820,780</u>	<u>\$ 434,063</u>	<u>\$ 1,664,157</u>	<u>\$ 1,536,773</u>	<u>\$ 970,810</u>	<u>\$ 1,940,538</u>	<u>\$ 45,229</u>	<u>\$ 222,823</u>

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, 2006, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds

Foreign Currency	Fixed Income Securities					Equities		
	Total	Cash	Government Securities	Corporate Debt	Convertible Securities	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	\$ 2,765	\$ 20	\$ 2,440	\$ -	\$ -	\$ 305	\$ -	\$ -
Australian Dollar	151,647	410	-	-	-	151,237	-	-
Brazilian Real	66,525	204	-	4,256	-	16,923	45,142	-
Canadian Dollar	22,986	23	-	1,049	-	21,914	-	-
Chilean Peso	4,071	28	-	-	-	3,214	829	-
Czech Koruna	1,866	-	-	-	-	1,866	-	-
Danish Krone	35,363	147	-	-	-	35,216	-	-
Egyptian Pound	-	-	-	-	-	-	-	-
Euro Currency	1,396,310	9,274	14,537	-	936	1,352,516	19,047	-
Hong Kong Dollar	173,347	409	-	-	-	172,493	-	445
Hungarian Forint	3,189	-	-	-	-	3,189	-	-
Indonesian Rupiah	10,709	3	-	693	-	10,013	-	-
Israeli Shekel	6,926	-	-	-	-	6,926	-	-
Japanese Yen	1,106,010	22,837	-	-	1,420	1,081,276	-	477
Malaysian Ringgit	21,577	32	-	-	-	21,545	-	-
Mexican Peso	34,655	951	13,122	-	-	20,582	-	-
New Taiwan Dollar	79,648	60	-	-	-	79,588	-	-
New Turkish Dollar	9,701	-	-	-	-	9,701	-	-
New Zealand Dollar	20,322	517	708	5,775	-	13,322	-	-
Norwegian Krone	42,497	2,670	-	-	-	39,827	-	-
Pakistan Rupee	408	-	-	-	-	408	-	-
Peruvian Nuevo Sol	120	-	-	-	-	120	-	-
Philippine Peso	4,087	1	-	-	-	4,086	-	-
Polish Zloty	6,489	58	-	-	-	6,431	-	-
Pound Sterling	940,214	2,028	-	10,618	-	927,568	-	-
Singapore Dollar	61,985	373	7,697	7,299	-	45,871	-	745
South African Rand	89,084	-	-	-	-	88,843	241	-
South Korean Won	338,345	702	-	1,882	-	304,942	30,819	-
Swedish Krona	71,511	479	-	-	-	71,032	-	-
Swiss Franc	305,789	478	-	-	-	303,699	1,612	-
Thailand Baht	29,025	(1)	-	11,370	-	17,656	-	-
Total	\$ 5,037,171	\$ 41,703	\$ 38,504	\$ 42,942	\$ 2,356	\$ 4,812,309	\$ 97,690	\$ 1,667

Custodial Credit Risk-Bank Deposits

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Cash Reserve Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2006, the CIFS had deposits with a bank balance of \$53.7 million which was uninsured and uncollateralized.

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

Other Investments

As of June 30, 2006, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Repurchase Agreements	\$ 45,497	\$ 45,497	\$ -	\$ -	\$ -
State/Municipal Bonds	68,559	1,004	6,813	9,554	51,188
U.S. Government Securities	42,177	25,808	232	-	16,137
U.S. Agency Securities	399,436	31,579	-	367,857	-
Guaranteed Investment Contracts	468,955	614	95,087	192,586	180,668
Tax Exempt Proceeds Fund	57,611	57,611	-	-	-
Money Market Funds	7,743	7,743	-	-	-
Mortgage-Backed Securities	6,420	-	-	3,386	3,034
Corporate Bonds	6	2	4	-	-
Total Debt Investments	1,096,404	\$ 169,858	\$ 102,136	\$ 573,383	\$ 251,027
Annuity Contracts	300,110	-	-	-	-
Endowment Pool	12,047	-	-	-	-
Total Investments	\$ 1,408,561	-	-	-	-

Credit Risk

As of June 30, 2006, other investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Repurchase Agreements	\$ 45,497	\$ 39,848	\$ -	\$ 5,649	\$ -
State/Municipal Bonds	68,559	1,004	67,555	-	-
U.S. Agency Securities	399,436	367,857	-	31,579	-
Guaranteed Investment Contracts	468,955	391,980	76,975	-	-
Tax Exempt Proceeds Fund	57,611	-	-	-	57,611
Money Market Funds	7,743	7,011	-	-	732
Mortgage-Backed Securities	6,420	6,420	-	-	-
Corporate Bonds	6	-	-	-	6
Total	<u>\$ 1,054,227</u>	<u>\$ 814,120</u>	<u>\$ 144,530</u>	<u>\$ 37,228</u>	<u>\$ 58,349</u>

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, 2006, \$73,327 of the bank balance of the Primary Government of \$74,786 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 66,344
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	<u>6,983</u>
Total	<u>\$ 73,327</u>

Component Units

As of June 30, 2006, the major component units had the following investments and maturities (amounts in thousands):

Major Component Units

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	\$ 3,693	\$ -	\$ -	\$ -	\$ 3,693
Corporate Finance Bonds	7,980	-	2,250	5,730	-
Corporate Notes	8,189	-	6,745	-	1,444
Federated Funds	60,504	60,504	-	-	-
Fidelity Tax Exempt Fund	8,255	8,255	-	-	-
GNMA Program Assets	712,634	-	-	-	712,634
Guaranteed Investment Contracts	307,543	-	306,406	1,137	-
Investment Agreements	1,575	-	-	1,575	-
Mortgage Backed Securities	5,255	-	84	1,793	3,378
Repurchase Agreements	14,096	-	-	-	14,096
U.S. Government Securities	793	-	-	-	793
Structured Securities	461	-	-	-	461
Money Market Funds	389,704	389,704	-	-	-
Municipal Bonds	1,856	-	-	-	1,856
Total	<u>\$ 1,522,538</u>	<u>\$ 458,463</u>	<u>\$ 315,485</u>	<u>\$ 10,235</u>	<u>\$ 738,355</u>

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Health and Education Facilities Authority (CHEFA) own 71.9 percent and 28.1 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association.

Interest Rate Risk

CHFA

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

CHEFA

The Authority manages its exposure to this risk by designing its portfolio of unrestricted investments with the objective of regularly exceeding the average return of 90 day U.S. Treasury Bills. This is considered to be a benchmark for riskless

investment transactions and therefore represents a minimum standard for the portfolio's rate of return. The Authority's policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures, with the above policy and with applicable Connecticut State Law.

Credit Risk

CHFA

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

CHEFA

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

As of June 30, 2006, major component units' investments were rated by Standard and Poor's as follows (amounts in thousands):

Component Units

Investment Type	Fair Value	Quality Ratings					
		AAA	AA	A	BBB	C	Unrated
Collateralized Mortgage Obligations	\$ 3,693	\$ 539	\$ 3,154	\$ -	\$ -	\$ -	\$ -
Corporate Finance Bonds	7,980	-	-	2,250	5,730	-	-
Corporate Notes	8,189	-	-	6,625	1,564	-	-
Federated Funds	60,504	-	-	-	-	-	60,504
Fidelity Tax Exempt Fund	8,255	-	-	-	-	-	8,255
GNMA Assets	712,634	-	-	-	-	-	712,634
Guaranteed Investment Contracts	307,543	270,147	37,396	-	-	-	-
Investment Agreements	1,575	-	-	-	-	-	1,575
Mortgage Backed Securities	5,255	473	-	-	-	-	4,782
Repurchase Agreements	14,096	-	-	-	-	-	14,096
Structured Securities	461	-	-	-	-	461	-
Money Market Funds	389,704	389,704	-	-	-	-	-
Municipal Bonds	1,856	1,856	-	-	-	-	-
Total	\$ 1,521,745	\$ 662,719	\$ 40,550	\$ 8,875	\$ 7,294	\$ 461	\$ 801,846

Concentration of Credit Risk

CHFA

The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. The Guaranteed Investment Contract with Rabobank International represents 16.4 percent of the Authority's portfolio at year end. If Rabobank's ratings fall below AA (S&P's) or Aa2 (Moody's), this Agreement requires Rabobank to collateralize it with direct obligations issued by the United States Government or its agencies, or assign it to an entity that has the required ratings.

CHEFA

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

Security Lending Transactions

Certain of the Combined Investment Funds are permitted by State statute to lend its securities through a lending agent to authorized broker-dealers and banks for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

During the year, the funds' lending agent lent securities similar to the types on loan at year-end and received cash (United States and foreign currency), U.S. Government securities, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The funds' lending agent did not have the ability to pledge or sell collateral securities delivered absent borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102 percent of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105 percent of the market value of the loaned securities. The funds did not impose any restrictions during the fiscal year on the amount of loans that the lending agent made on their behalf and the lending agent indemnified the funds by agreeing to purchase replacement securities, or return the cash collateral thereof in the event any borrowers failed to return the loaned securities or pay distributions thereon. As of June 30, 2006, the funds had no credit exposure to the borrowers, because the value of collateral held and the market value securities on loan were \$2,879.7 million and \$2,825.3 million, respectively.

All securities loans can be terminated on demand by either the funds or the borrowers. Cash collateral is invested by the funds' lending agent, and the average duration of the investments can not exceed (a) 120 days or (b) the average duration of the loans by more than 45 days. At year-end, the average duration of the collateral investments was 47 days; the average duration of the loans was unknown, although it is assumed to remain at one day.

Note 5 Receivables-Current

As of June 30, 2006, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	\$ 1,096,849	\$ -	\$ -
Accounts	1,121,711	464,881	31,603
Loans-Current Portion	-	217,286	26,396
Other Governments	765,985	8,998	-
Interest	7,626	17,170	1,023
Other (1)	17,896	-	-
Total Receivables	3,010,067	708,335	59,022
Allowance for Uncollectibles	(976,712)	(86,978)	(2,836)
Receivables, Net	\$ 2,033,355	\$ 621,357	\$ 56,186

(1) Includes a reconciling amount of \$11,576 from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2006 (amounts in thousands):

	Governmental Activities		
	General	Transportation	Total
	Fund	Fund	
Sales and Use	\$ 487,321	\$ -	\$ 487,321
Income Taxes	261,510	-	261,510
Corporations	74,121	-	74,121
Gasoline and Special Fuel	-	43,139	43,139
Various Other	230,759	-	230,759
Total Taxes Receivable	1,053,711	43,139	1,096,850
Allowance for Uncollectibles	(93,616)	(418)	(94,034)
Taxes Receivable, Net	\$ 960,095	\$ 42,721	\$ 1,002,816

Note 7 Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2006, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	\$ -	\$ 2,013	\$ 14,406
Loans	187,532	490,285	119,361
Total Receivables	187,532	492,298	133,767
Allowance for Uncollectibles	(9,544)	(2,853)	(9,969)
Receivables, Net	\$ 177,988	\$ 489,445	\$ 123,798

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 \$427 million.

The Connecticut Development Authority (a component unit) loans funds to finance the purchase of land, buildings, and

equipment by qualified applicants and to finance other economic development programs of the Authority. These loans are collateralized by assets acquired from proceeds of the related loans and have originating terms of 1 to 25 years and earn interest at rates ranging from 3 percent to 11.15 percent. As of June 30, 2006, the noncurrent portion of loans receivable was \$47 million. In addition, loans in the amount of \$6.9 million (including loans of \$6.1 million made by other lending institutions) were insured by an insurance fund created by the Authority and by the faith and credit pledged by the State. This insurance fund had net assets of \$(296) thousand at year-end. Thus, the State is contingently liable in the event of any defaulted loans that could not be paid out of the assets of the insurance fund.

Note 8 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2006, 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	\$ 172,277	\$ 502,151	\$ -	\$ -	\$ 674,428
Environmental	-	879	-	-	879
Other	16	-	-	-	16
Total-Governmental Activities	\$ 172,293	\$ 503,030	\$ -	\$ -	\$ 675,323
Business-Type Activities:					
Bradley International Airport	\$ 77,134	\$ 45,094	\$ -	\$ 2,822	\$ 125,050
UConn Health Center	89,072	371	-	-	89,443
Clean Water	-	297,509	-	-	297,509
Other Proprietary	11,493	49,649	-	-	61,142
Total-Business-Type Activities	\$ 177,699	\$ 392,623	\$ -	\$ 2,822	\$ 573,144
Component Units:					
CHFA	\$ 2,683	\$ 1,643,228	\$ 2,469,955	\$ 115,059	\$ 4,230,925
CHEFA	129	473,672	-	59	473,860
Other Component Units	119,251	39,441	-	617	159,309
Total-Component Units	\$ 122,063	\$ 2,156,341	\$ 2,469,955	\$ 115,735	\$ 4,864,094

Note 9 Accounts Payable and Accrued Liabilities

As of June 30, 2006, 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	\$ 116,063	\$ 195,020	\$ -	\$ -	\$ 311,083
Transportation	16,856	10,743	-	-	27,599
Other Governmental	173,226	18,855	-	1,763	193,844
Internal Service	233	2,752	-	5,916	8,901
Reconciling amount from fund financial statements to government-wide financial statements	-	-	99,569	3,858	103,427
Total-Governmental Activities	\$ 306,378	\$ 227,370	\$ 99,569	\$ 11,537	\$ 644,854
Business-Type Activities:					
UCConn Health Center	\$ 42,533	\$ 63,263	\$ -	\$ 10,990	\$ 116,786
State Universities	12,883	34,589	2,366	4,089	53,927
Other Proprietary	18,126	24,764	20,789	22,861	86,540
Total-Business-Type Activities	\$ 73,542	\$ 122,616	\$ 23,155	\$ 37,940	\$ 257,253

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	\$ 1,263,767	\$ 45,453	\$ 14,604	\$ 1,294,616
Construction in Progress	1,381,117	639,933	362,355	1,658,695
Total Capital Assets not being Depreciated	2,644,884	685,386	376,959	2,953,311
Other Capital Assets:				
Buildings	2,793,557	162,240	187,333	2,768,464
Improvements Other than Buildings	489,328	17,370	56,899	449,799
Equipment	1,322,242	151,648	88,339	1,385,551
Infrastructure	9,929,096	148,924	-	10,078,020
Total Other Capital Assets at Historical Cost	14,534,223	480,182	332,571	14,681,834
Less: Accumulated Depreciation For:				
Buildings	1,747,643	69,211	187,333	1,629,521
Improvements Other than Buildings	292,059	22,502	56,899	257,662
Equipment	933,301	150,180	88,339	995,142
Infrastructure	4,565,785	432,442	-	4,998,227
Total Accumulated Depreciation	7,538,788	674,335 *	332,571	7,880,552
Other Capital Assets, Net	6,995,435	(194,153)	-	6,801,282
Governmental Activities, Capital Assets, Net	\$ 9,640,319	\$ 491,233	\$ 376,959	\$ 9,754,593

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	\$ 4,839
General Government	36,424
Regulation and Protection	22,537
Conservation and Development	10,186
Health and Hospitals	12,118
Transportation	488,272
Human Services	2,289
Education, Libraries and Museums	34,156
Corrections	30,569
Judicial	14,034
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	18,911
Total Depreciation Expense	\$ 674,335

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	\$ 63,852	\$ -	\$ 4,538	\$ 59,314
Construction in Progress	303,000	107,949	235,500	175,449
Total Capital Assets not being Depreciated	366,852	107,949	240,038	234,763
Capital Assets being Depreciated:				
Buildings	2,958,232	333,657	2,947	3,288,942
Improvements Other Than Buildings	423,438	59,207	32	482,613
Equipment	791,484	76,234	26,553	841,165
Infrastructure	281	-	281	-
Total Other Capital Assets at Historical Cost	4,173,435	469,098	29,813	4,612,720
Less: Accumulated Depreciation For:				
Buildings	860,709	102,381	3,502	959,588
Improvements Other Than Buildings	165,330	21,032	-	186,362
Equipment	439,619	59,086	22,365	476,340
Total Accumulated Depreciation	1,465,658	182,499	25,867	1,622,290
Other Capital Assets, Net	2,707,777	286,599	3,946	2,990,430
Business-Type Activities, Capital Assets, Net	\$ 3,074,629	\$ 394,548	\$ 243,984	\$ 3,225,193

Component Units

Capital assets of the component units consisted of the following as of June 30, 2006 (amounts in thousands):

Land	\$ 28,625
Buildings	466,058
Improvements other than Buildings	2,703
Machinery and Equipment	251,343
Construction in Progress	121
Total Capital Assets	748,850
Accumulated Depreciation	(286,210)
Capital Assets, net	\$ 462,640

Note 11 State Retirement Systems

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS)-consisting of Tier I (contributory), Tier II (noncontributory) and Tier IIA (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS).

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Division administers SERS and JRS. The Teachers' Retirement Board administers TRS. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for SERS, TRS, and JRS are presented in Note No. 13.

Plan Descriptions, Funding Policy, and Annual Pension Cost and Net Pension Obligation

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/2006	TRS 6/30/2006	JRS 6/30/2006
Retirees and beneficiaries receiving benefits	36,964	26,695	220
Terminated plan members entitled to but not yet receiving benefits	1,732	1,341	2
Active plan members	50,605	51,015	217
Total	89,301	79,051	439

State Employees' Retirement System**Plan Description**

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Tier I Plan B and Hazardous Duty members are required to contribute 2 percent and 4 percent respectively, of their salary up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier IIA members are required to contribute 2 percent and hazardous duty members are required to contribute 5

percent. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Teachers Retirement System**Plan Description**

TRS is a single-employer defined-benefit pension plan covering any teacher, principal, superintendent or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183pp of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Judicial Retirement System**Plan Description**

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Annual Pension Cost, Net Pension Obligation, and Related Information

The State's annual pension cost and net pension obligation to SERS, TRS, and JRS for the current year were as follows (amounts in thousands):

	SERS	TRS	JRS
Annual required contribution	\$ 623,063	\$ 396,249	\$ 11,730
Interest on net pension obligation	187,751	121,331	4
Adjustment to annual required contribution	(125,341)	(82,910)	(3)
Annual pension cost	685,473	434,670	11,731
Contributions made	623,063	396,249	11,730
Increase (decrease) in net pension obligation	62,410	38,421	1
Net pension obligation beginning of year	2,208,839	1,427,420	45
Net pension obligation end of year	\$ 2,271,249	\$ 1,465,841	\$ 46

Connecticut

Three-year trend information is as follows (amounts in thousands):

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
SERS	2004	\$ 534,191	88.0%	\$ 2,145,521
	2005	\$ 582,082	89.1%	\$ 2,208,839
	2006	\$ 685,473	90.9%	\$ 2,271,249
TRS	2004	\$ 305,243	60.7%	\$ 1,294,790
	2005	\$ 317,978	58.3%	\$ 1,427,420
	2006	\$ 434,670	91.2%	\$ 1,465,841
JRS	2004	\$ 11,600	100%	\$ 43
	2005	\$ 12,238	100%	\$ 45
	2006	\$ 11,731	100%	\$ 46

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 \$28.7 million and \$48.9 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 6/30/2006	CPJERS 12/31/2005
Retirees and beneficiaries receiving benefits	5,112	263
Terminated plan members entitled to but not receiving benefits	430	28
Active plan members	8,505	386
Total	<u>14,047</u>	<u>677</u>
Number of participating employers	164	1

Connecticut Municipal Employees' Retirement System Plan Description

CMERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

Connecticut Probate Judges and Employees' Retirement System Plan Description

CPJERS is a single-employer defined benefit pension plan that covers judges and employees of probate courts in the State. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of the General statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Connecticut

Note 13 Pension Trust Funds Financial Statements

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds. (see Note No. 4) (amounts in thousands):

Statement of Fiduciary Net Assets (000's)							
	State Employees	State Teachers	Judicial	Connecticut Municipal Employees	Probate Judges	Other	Total
Assets							
Cash and Cash Equivalents	\$ -	\$ 3,594	\$ 3	\$ -	\$ 8	\$ 92	\$ 3,697
Receivables:							
Accounts, Net of Allowances	2,077	7,317	8	4,180	4	-	13,586
From Other Governments		2,274	-	-	-	-	2,274
From Other Funds	-	333	-	-	-	-	333
Interest	204	523	5	47	3	-	782
Investments	8,774,086	12,189,855	163,758	1,501,120	77,321	771	22,706,911
Securities Lending Collateral	1,096,939	1,482,754	21,082	188,013	10,015	106	2,798,909
Total Assets	9,873,306	13,686,650	184,856	1,693,360	87,351	969	25,526,492
Liabilities							
Accounts Payable and Accrued Liabilities	36	-	-	-	-	-	36
Securities Lending Obligation	1,096,939	1,482,754	21,082	188,013	10,015	106	2,798,909
Due to Other Funds	11,180	1,244	-	395	-	-	12,819
Total Liabilities	1,108,155	1,483,998	21,082	188,408	10,015	106	2,811,764
Net Assets							
Held in Trust For Employee							
Pension Benefits	8,765,151	12,202,652	163,774	1,504,952	77,336	863	22,714,728
Total Net Assets	\$ 8,765,151	\$ 12,202,652	\$ 163,774	\$ 1,504,952	\$ 77,336	\$ 863	\$ 22,714,728

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	\$ 55,235	\$ 252,998	\$ 1,491	\$ 12,928	\$ 266	\$ 28	\$ 322,946
State	623,063	396,249	11,730	-	-	-	1,031,042
Municipalities	-	4,104	-	28,717	-	-	32,821
Total Contributions	678,298	653,351	13,221	41,645	266	28	1,386,809
Investment Income	926,756	1,306,723	14,972	148,259	8,240	28	2,404,978
Less: Investment Expenses	(69,665)	(98,194)	(1,125)	(11,145)	(620)	(2)	(180,751)
Net Investment Income	857,091	1,208,529	13,847	137,114	7,620	26	2,224,227
Transfers In	-	-	-	-	2,228	-	2,228
Other	-	4,515	-	652	3	10	5,180
Total Additions	1,535,389	1,866,395	27,068	179,411	10,117	64	3,618,444
Deductions							
Administrative Expense	431	-	8	-	-	-	439
Benefit Payments and Refunds	918,914	1,060,956	16,028	74,460	2,643	3	2,073,004
Other	-	-	-	-	2,228	-	2,228
Total Deductions	919,345	1,060,956	16,036	74,460	4,871	3	2,075,671
Changes in Net Assets	616,044	805,439	11,032	104,951	5,246	61	1,542,773
Net Assets Held in Trust For							
Employee Pension Benefits:							
Beginning of Year	8,149,107	11,397,213	152,742	1,400,001	72,090	802	21,171,955
End of Year	\$ 8,765,151	\$ 12,202,652	\$ 163,774	\$ 1,504,952	\$ 77,336	\$ 863	\$ 22,714,728

Note 14 Postemployment Benefits

In addition to the pension benefits described in Note 11, the State provides postretirement health care and life insurance benefits, in accordance with State statutes, Sections 5-257(d) and 5-259(a), to all employees who retire from the State.

As of June 30, 2006, 35,725 retirees of the State Employees Retirement System meet those eligibility requirements. When employees retire, the State may pay up to 100 percent of their health care insurance premium cost (including dependent's coverage) based on the plan chosen by the employee. In addition, the State pays 100 percent of the premium cost for a portion of the employees' life insurance, continued after retirement. The amount of life insurance, continued at no cost to the retiree, is determined based on the number of years of service that the retiree had with the State at time of retirement as follows: (a) if the retiree had 25 years or more of service, the amount of insurance will be one-half of the amount of insurance for which the retiree was insured immediately prior to retirement, but the reduced amount cannot be less than \$7,500 (b) if the retiree had less than 25 years of service, the amount of insurance will be the proportionate amount that such years of service is to 25, rounded to the nearest \$100. The State finances the cost of postretirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund. During the year ended June 30, 2006, \$393.4 million was paid in postretirement benefits.

Note 15 Capital and Operating Leases

State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

2007	\$	42,145
2008		39,234
2009		35,903
2010		30,103
2011		30,281
Thereafter		19,364
Total	\$	197,030

Contingent revenues for the year ended June 30, 2006, were \$2.7 million.

State as Lessee

Obligations under capital and operating leases as of June 30, 2006, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2007	\$ 46,727	\$ 7,962
2008	37,134	7,576
2009	31,669	7,480
2010	27,664	7,486
2011	14,933	7,429
2012-2016	16,964	24,419
2017-2021	522	12,856
2022-2026	92	6,132
2027-2031	-	6,090
Total minimum lease payments	\$ 175,705	87,430
Less: Amount representing interest costs		26,939
Present value of minimum lease payments		\$ 60,491

Minimum capital lease payments were discounted using an interest rate of approximately 6 percent.

Rental and lease payments for equipment charged to expenditures during the year ended June 30, 2006, totaled \$34.2 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 \$333 million at June 30, 2006.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Note 16 Long-Term Debt

a) The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2006, (amounts in thousands):

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amounts due within one year
Governmental Activities					
Bonds:					
General Obligation	\$ 9,905,242	\$ 1,173,165	\$ 866,914	\$ 10,211,493	\$ 817,088
Transportation	3,113,875	251,076	270,950	3,094,001	266,573
	13,019,117	1,424,241	1,137,864	13,305,494	1,083,661
Plus/(Less) premiums and deferred amounts	229,068	51,483	13,376	267,175	-
Total Bonds	13,248,185	1,475,724	1,151,240	13,572,669	1,083,661
Economic Recovery Notes	209,560	-	63,470	146,090	63,270
Other Liabilities:					
Net Pension Obligation	3,636,304	1,131,874	1,031,042	3,737,136	-
Compensated Absences	415,169	86,007	30,083	471,093	16,886
Workers' Compensation	298,556	122,998	77,280	344,274	75,599
Capital Leases	76,955	-	16,464	60,491	4,098
Claims and Judgments	6,609	14,876	3,067	18,418	4,553
Contracts Payable & Other	4,816	3,493	4,816	3,493	-
Total Other Liabilities	4,438,409	1,359,248	1,162,752	4,634,905	101,136
Governmental Activities Long-Term Liabilities	\$ 17,896,154	\$ 2,834,972	\$ 2,377,462	\$ 18,353,664	\$ 1,248,067
In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
Business-Type Activities					
Revenue Bonds	\$ 1,619,658	\$ -	\$ 96,528	\$ 1,523,130	\$ 95,612
Plus/(Less) premiums, discounts and deferred amounts	33,883	12,745	7,137	39,491	484
Total Revenue Bonds	1,653,541	12,745	103,665	1,562,621	96,096
Lottery Prizes	337,002	16,948	51,473	302,477	45,765
Compensated Absences	102,148	39,359	17,247	124,260	33,027
Other	165,869	62,337	47,449	180,757	11,709
Total Other Liabilities	605,019	118,644	116,169	607,494	90,501
Business-Type Long-Term Liabilities	\$ 2,258,560	\$ 131,389	\$ 219,834	\$ 2,170,115	\$ 186,597

b) As of June 30, 2006, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2006	Amounts due within year
Bonds Payable	\$ 3,638,671	\$ 110,519
Escrow Deposits	140,575	40,383
Closure of Landfills	27,439	1,420
State Loan	15,939	2,619
Deferred Revenue	5,636	824
Other	6,872	117
Total	\$ 3,835,132	\$ 155,882

Note 17 Long-Term Notes and Bonded Debt**a. Economic Recovery Notes**

As of June 30 2006, the amount of Economic Recovery Notes outstanding was \$146.1 million. These notes, which were used to fund the 2002 and 2003 fiscal year deficits, mature on various dates through 2009 and bear interest rates from 2.0% to 4.0%.

Future amounts needed to pay principal and interest on economic recovery notes outstanding at June 30, 2006, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2007	\$ 63,270	\$ 4,470	\$ 67,740
2008	63,270	2,063	65,333
2009	19,550	684	20,234
Total	\$ 146,090	\$ 7,217	\$ 153,307

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, 2006, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2007-2025	2-4%	\$ 2,176,916	\$ 350,342
School Construction	2007-2025	2-7.282%	2,302,319	154,571
Municipal & Other				
Grants & Loans	2007-2023	2-7.51%	1,501,472	560,231
Elderly Housing	2007-2011	7-7.5%	55,600	10,000
Elimination of Water Pollution	2007-2023	3-7.525%	245,601	459,692
General Obligation				
Refunding	2007-2020	2-6.14%	3,399,915	-
Miscellaneous	2007-2031	2-5-6.75%	76,257	5,080
			9,758,280	\$ 1,569,916
Accretion-Various Capital Appreciation Bonds			453,213	
Total			\$ 10,211,493	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2006, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2007	\$ 817,088	\$ 528,825	\$ 1,345,913
2008	805,895	501,914	1,307,809
2009	762,284	507,367	1,269,651
2010	765,225	465,940	1,231,165
2011	731,743	371,607	1,103,350
2012-2016	2,911,079	1,146,779	4,057,858
2017-2021	2,101,641	466,855	2,568,496
2022-2026	854,490	86,295	940,785
2027-2031	8,595	1,031	9,626
2032-2036	240	6	246
Total	\$ 9,758,280	\$ 4,076,619	\$ 13,834,899

Transportation Related Bonds

Transportation related bonds include special tax obligation bonds and general obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the debt service fund for retirement of principal and interest.

Transportation related bonds outstanding and bonds authorized but unissued at June 30, 2006, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Specific Highways	2017	4.25-5.50%	\$ 1,593	\$ 4,065
Infrastructure				
Improvements	2007-2024	2-8.0%	3,081,098	672,786
General Obligation				
Other	2008	7.513-7.525%	343	-
			3,083,034	\$ 676,851
Accretion-Various Capital Appreciation Bonds			10,967	
			Total	\$ 3,094,001

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2006, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2007	\$ 266,573	\$ 148,955	\$ 415,528
2008	276,393	135,965	412,358
2009	274,998	117,332	392,330
2010	268,515	102,662	371,177
2011	238,390	88,750	327,140
2012-2016	990,370	279,075	1,269,445
2017-2021	530,635	115,373	646,008
2022-2026	237,160	22,943	260,103
	\$ 3,083,034	\$ 1,011,055	\$ 4,094,089

Variable-Rate Demand Bonds

As of June 30, 2006, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
Special Tax Obligation	\$ 97,900	1990	2010
General Obligation	80,000	1997	2014
Special Tax Obligation	100,000	2000	2020
General Obligation	100,000	2001	2021
Special Tax Obligation	412,900	2003	2022
General Obligation	290,000	2005	2023
Total	\$ 1,080,800		

The State entered into various Remarketing and Standby Bond Purchase agreements with certain brokerage firms and banks upon the issuance of the bonds.

The bonds were issued bearing a weekly interest rate, which is determined by the State's remarketing agents. The State has the option of changing at any time the weekly interest rate on the bonds to another interest rate, such as a flexible rate or a daily rate. Bonds bearing interest at the weekly rate are subject to purchase at the option of the bondholder at a purchase price equal to principal plus accrued interest, if

any, on a minimum seven days' notice of tender to the State's agent. In addition, the bonds are subject to mandatory purchase upon (1) conversion from the weekly interest rate to another interest rate and (2) substitution or expiration of the Standby Bond Purchase agreements. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase by bondholders from time to time. The State is required to pay the Remarketing agents a quarterly fee of .05 percent per annum of the outstanding principal amount of the bonds.

The Standby Bond Purchase agreements require the banks to purchase any unremarketed bonds bearing the weekly interest rate for a price not to exceed the amount of bond principal and accrued interest, if any. The State is required to pay the banks a quarterly fee ranging from .065 percent to .20 percent per annum of the outstanding principal amount of the bonds plus interest. These fees would be increased if the credit rating for the bond insurers was to be downgraded, suspended, or withdrawn.

The Standby Bond Purchase agreements expire as follows:

1990 STO expires in the year 2010,
1997 GO expires in the year 2014,
2000 STO expires in the year 2014 and could be extended for another seven years,
2001 GO expires in the year 2008,
2003 STO expires in the year 2008 and could be extended for another five years, and
2005 GO expires in the year 2015.

These agreements could be terminated at an earlier date if certain termination events described in the agreements were to occur.

Interest Rate Swaps

Objective of the swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the State has entered into eleven separate pay-fixed, receive-variable interest rate swaps at a cost less than what the State would have paid to issue fixed-rate debt. Two of the swaps were executed in December 1990, one was executed in June 2001, three were executed in January 2003, and five were executed in March and April of 2005.

Terms, fair values, and credit risk

The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2006, are as follows. The notional amount of the swaps matches the principal amount of the associated debt. The State's swap agreements, except for the CPI swaps, contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated debt. For the CPI swaps, the swap agreements and associated debt are non-amortizing and mature on the same date.

Associated Bond Issue	Notional Amounts (\$000's)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values (\$000's)	SWAP Termination Date	Counterparty Credit Rating
1990 STO	\$ 58,800	12/19/1990	5.746%	65% of LIBOR (1)	\$ (2,900)	12/1/2010	Aa2/AA/AA
1990 STO	39,100	12/19/1990	5.709%	65% of LIBOR (1)	(1,901)	12/1/2010	A/A/A-
2001 GO	20,000	6/28/2001	4.330%	CPI (3) plus 1.43%	121	6/15/2012	Aa3/A+/AA-
2003 STO	117,730	1/23/2003	3.293%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp thereafter	2,512	2/1/2022	Aa1/AA/AA-
2003 STO	97,865	1/23/2003	3.288%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp after 1/31/07	2,094	2/1/2022	Aa1/AA/AA+
2003 STO	197,305	1/23/2003	3.284%	BMA(2) monthly weighted average less 10bp (through 1/3/07); 55% LIBOR (1) plus 50 bp thereafter	4,353	2/1/2022	Aa2/AA+/AA+
2005 GO	140,000	3/24/2005	3.392%	60% of LIBOR (1) plus 30bp thereafter	4,912	3/1/2023	Aaa/AAA/nr
2005 GO	140,000	3/24/2005	3.401%	60% of LIBOR (1) plus 30bp thereafter	4,904	3/1/2023	Aa1/AA/AA-
2005 GO	15,620	4/27/2005	3.990%	CPI (3) plus .65%	(440)	6/1/2016	Aa3/A+/AA-
2005 GO	20,000	4/27/2005	5.070%	CPI (3) plus 1.73%	(625)	6/1/2017	Aa3/A+/AA-
2005 GO	20,000	4/27/2005	5.200%	CPI (3) plus 1.79%	(591)	6/1/2020	Aaa/AAA/nr
Total	\$ 866,420				\$ 12,439		

(1) London Interbank Offered Rate

(2) The Bond Market Association Municipal Swap Index.

(3) Consumer Price Index

Fair value

As of June 30, 2006, the swaps dated in 2001, 2003 and March 2005 had positive fair values because interest rates have increased since the time when these swaps were undertaken; the 1990 and April 2005 swaps had negative fair values because interest rates had similarly declined. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the State's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

As of June 30, 2006, the State had credit risk exposure relating to the relationship between the variable interest rate on the bonds and the rate that it receives under the swap agreements undertaken in 2001, 2003 and March 2005. The State had no credit risk exposure on the swaps undertaken in 1990 and April 2005 because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

The swap agreements contain varying collateral agreements with the counterparties. The 2003 and 2005 swap agreements require collateralization of the fair value of the swap in cash or government securities should the counterparty's credit rating fall below Aa3 as issued by Moody's Investors Service or AA- as issued by Standard & Poor's Ratings or Fitch Ratings. One of the swaps executed in 1990 requires collateral of cash or securities if the counterparty credit rating falls below A1/A+. The other swap agreements do not have collateral provisions. No collateral was required to be posted for any of the swaps at June 30, 2006. The State is not required to post collateral for any of the swaps.

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

Approximately 23 percent of the notional amount of swaps outstanding is held with one counterparty, rated Aa2/AA+. One of the December 1990 swaps, approximately 5% of the notional amount of swaps outstanding is held with the lowest rated counterparty, rated A/A-. All other swaps are held with separate counterparties who are rated Aa3/A+ or better.

Basis Risk

The State's variable-rate bond coupon payments are equivalent to the BMA index rate, or the CPI floating rate. For those swaps for which the State receives a variable-rate payment other than BMA or CPI, the State is exposed to basis risk should the relationship between LIBOR and BMA converge. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized. As of June 30, 2006, the BMA rate was 3.97 percent, whereas 65 percent and 60 percent plus 30bp of LIBOR were 3.46 and 3.50 percent, respectively. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2006, the budgeted amount for basis risk was \$1,500,000.

Termination Risk

The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 2003 and 2005 swap agreements, the State has up to 270 days to fund any required termination payment. Under the 1990 swap agreements, the State may fund any required termination payment over a five-year period.

Rollover Risk

Because all of the swap agreements terminate when the associated debt is fully paid, the State is only exposed to rollover risk if an early termination occurs. Upon an early termination, the State will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Connecticut

Swap Payments and Associated Debt

Using rates as of June 30, 2006, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Variable-Rate Bonds		Interest Rate		Total
	Principal	Interest	SWAP, Net		
2007	\$ 20,350	\$ 34,902	\$ 289		\$ 55,541
2008	21,665	33,786	185		55,636
2009	22,985	32,887	(231)		55,641
2010	24,410	31,942	(685)		55,667
2011	25,940	30,939	(1,169)		55,710
2012-2016	251,225	133,054	(7,298)		376,981
2017-2021	423,310	55,996	(2,852)		476,454
2022-2026	76,535	3,722	(110)		80,147
Total	\$ 866,420	\$ 357,228	\$ (11,871)		\$ 1,211,777

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, 2006, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Higher Education	2007-2036	2-6.5%	\$ 544,970
Bradley International Airport	2007-2032	2.5-5.25%	226,375
Clean Water	2007-2026	2-6.5%	487,582
Bradley Parking Garage	2007-2024	6.1-8%	49,875
Drinking Water	2007-2026	4-5.9%	47,733
Rate Reduction Bonds	2007-2011	3-5%	166,595
Total Revenue Bonds			1,523,130
Plus/(Less) premiums, discounts and deferred amounts:			
Higher Education			9,191
Bradley International Airport			(225)
Clean Water			17,872
Other			12,653
Revenue Bonds, net			\$ 1,562,621

Bradley Airport has issued various revenue bonds to finance costs of improvements to the airport. As of June 30, 2006, the following bonds were outstanding:

- 2004 Airport Revenue Refunding Bonds in the amount of \$24.6 million. These bonds were issued in July, 2004, to redeem the 1992 Airport Revenue Refunding Bonds, and are secured by and payable solely from the gross operating revenues generated by the State from the operations of the airport and other receipts, funds or monies pledged in the bond indenture.
- 2001 Bradley International Airport Revenue Bonds in the amount of \$183.6 million and 2001 Bradley International Airport Refunding Bonds in the amount of \$18.2 million. Both bond series are secured by and payable solely from the gross operating revenues generated by the state from the operation of the airport and other receipts, funds or monies pledged in the bond indenture.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects.

In 2000, Bradley Parking Garage bonds were issued in the amount of \$53.8 million to build a parking garage at the airport.

In 2004, the State of Connecticut issued \$205.3 million of Special Obligation Rate Reduction Bonds. These bonds were issued to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2006, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2007	\$ 98,450	\$ 65,449	\$ 163,899
2008	108,974	61,327	170,301
2009	103,253	55,682	158,935
2010	122,504	60,945	183,449
2011	103,991	45,248	149,239
2012-2016	325,674	177,184	502,858
2017-2021	286,128	112,083	398,211
2022-2026	209,600	62,110	271,710
2027-2031	126,775	24,493	151,268
2032-2036	37,781	2,467	40,248
Total	\$ 1,523,130	\$ 666,988	\$ 2,190,118

d. Component Units

Component units' revenue bonds outstanding at June 30, 2006, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2007-2019	2.9-6%	\$ 33,500
CT Housing Finance Authority	2006-2045	1.5-9.36%	3,313,097
CT Resources Recovery Authority	2007-2016	4-5.5%	83,700
CT Higher Education Supplemental Loan Authority	2007-2024	1.7-6%	115,815
Capital City Economics Development Authority	2007-2034	2.5-5%	86,800
UConn Foundation	2007-2029	3.6-5.375%	7,195
Total Revenue Bonds			3,640,107
Plus/(Less) premiums, discounts, and deferred amounts:			
CDA			20
CRRA			(1,272)
CCEDA			173
CHESLA			(357)
Revenue Bonds, net			\$ 3,638,671

Revenue bonds issued by the component units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Connecticut Development Authority's revenue bonds are issued to finance such projects as the acquisition of land or

the construction of buildings, and the purchase and installation of machinery, equipment, and pollution control facilities. The Authority finances these projects through its Self-Sustaining Bond Program and Umbrella Program. Under the Umbrella Program, bonds outstanding at June 30, 2006 were \$1.2 million. Assets totaling \$2.3 million are pledged under the terms of the bond resolution for the payment of principal and interest on these bonds until such time as it is determined that there are surplus funds as defined in the bond resolution. Bonds issued under the Self-Sustaining Bond Program are discussed in the no-commitment debt section of this note. In addition, the Authority had \$32.3 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, 2005, bonds outstanding under the bond resolution and the indenture were \$2,939.0 million and \$374.0 million, respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's general fund, and (3) all monies and securities of the Authority's general and capital reserve funds. The capital reserve fund is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in the next succeeding calendar year (\$234.0 million at 12/31/05) on all outstanding bonds. As of December 31, 2005, the Authority has entered into interest rate swap agreements for \$867.1 million of its variable rate bonds. These agreements are similar in nature to agreements discussed in the interest rate swaps section of this note.

Connecticut Resources Recovery Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Each Authority has established special capital reserve funds that secure all the outstanding bonds of the Authority at

year-end, except as discussed next. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so. For the Connecticut Resources Recovery Authority, the amount of bonds outstanding at year-end that were secured by the special capital reserve funds was \$76.1 million.

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

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2006, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2007	\$ 102,652	\$ 157,728	\$ 260,380
2008	114,015	153,965	267,980
2009	431,984	147,477	579,461
2010	217,793	277,061	494,854
2011	562,687	535,055	1,097,742
2012-2016	654,838	437,229	1,092,067
2017-2021	587,498	295,176	882,674
2022-2026	521,720	164,027	685,747
2027-2031	403,900	55,657	459,557
2032-2036	33,900	6,290	40,190
2037-2041	9,120	911	10,031
Total	\$ 3,640,107	\$ 2,230,576	\$ 5,870,683

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, 2006 were \$891.5 million.

The Connecticut Resources Recovery Authority has issued several bonds to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under lease or loan arrangements between the Authority and the operators. Letters of credit secure some of these bonds. The Authority does not become involved in the construction activities or the repayment of the debt (other than the portion allocable to Authority purposes). In the event of a default, neither the authority nor the State guarantees payment of the debt, except for the State contingent liability discussed below. Thus, the assets and liabilities that relate to these

bond issues are not included in the Authority's financial statements. Total bonds outstanding at June 30, 2006 were \$157.5 million. Of this amount, \$53.7 million was secured by a special capital reserve fund.

The Connecticut Health and Educational Facilities Authority has issued special obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total special obligation bonds outstanding at June 30, 2006, were \$5,183.7 million, of which \$377.5 million was secured by special capital reserve funds.

The State may be contingently liable for those bonds that are secured by special capital reserve funds as discussed previously in this section.

e. Debt Refundings

During the year, the State issued \$61.0 million of general obligation bonds with an average interest rate of 4.88% to advance refund \$61.7 million of general obligation and special tax obligation refunding bonds with an average interest rate of 5.07%. The proceeds of the refunding bonds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds are considered defeased and the liability for those bonds have been removed from the statement of net assets. The reacquisition price exceeded the carrying amount of the old debt by \$3.8 million. This amount is being netted against the new debt and amortized over the life of the new or old debt, whichever is shorter.

The State advance refunded these bonds to reduce its total debt service payments over the next fourteen years by \$1.96 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$.41 million. As of June 30, 2006, \$3,041.3 million of outstanding general obligation, special tax obligation, and revenue bonds are considered defeased.

Note 18 Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule below lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

Risk of Loss	Risk Financed by	
	Purchase of Commercial Insurance	Self-Insurance
Liability (Torts):		
-General (State buildings, parks, or grounds)		X
-Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions:		
-Professional liability	X	
-Medical malpractice (John Dempsey Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than \$100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is \$25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut 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 6-30-04	\$ 276,681	\$ 10,340
Incurred claims	96,245	4,937
Paid claims	(74,370)	(1,915)
Balance 6-30-05	298,556	13,362
Incurred claims	122,998	11,777
Paid claims	(77,280)	(3,503)
Balance 6-30-06	\$ 344,274	\$ 21,636

Note 19 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2006, were as follows (amounts in thousands):

	Balance due to fund(s)										
	General	Transportation	Other Governmental	UConn	State Universities	Other Proprietary	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)											
General	\$ -	\$ 10,875	\$ 2,251	\$ 46,064	\$ 21,997	\$ 18,456	\$ 517	\$ 11,091	\$ 3,858	\$ -	\$ 115,112
Other Governmental	4,466	7,839	6,305	6,699	25,195	115,527	-	-	-	12,778	178,809
UConn	15,064	-	-	-	-	-	-	-	-	-	15,064
State Universities	2,300	-	-	-	-	-	-	-	-	-	2,300
Employment Security	-	-	5,184	-	-	-	-	-	-	-	5,184
Other Proprietary	365	-	909	-	-	-	-	-	-	-	1,274
Internal Services	4,700	-	73,152	-	-	-	-	-	-	-	77,852
Fiduciary	-	-	11,576	-	-	-	-	-	1,244	-	12,820
Component Units	15,939	-	-	-	-	-	-	-	-	-	15,939
Total	\$ 42,834	\$ 18,714	\$ 99,380	\$ 52,763	\$ 47,192	\$ 133,983	\$ 517	\$ 11,091	\$ 5,102	\$ 12,778	\$ 424,354

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

Note 20 Interfund Transfer

Interfund transfers for the fiscal year ended June 30, 2006, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)							
	General	Debt Service	Transportation	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary
Amount transferred from fund(s)								
General	\$ -	\$ -	\$ 19,166	\$ 86,300	\$ 416,204	\$ 212,900	\$ 203,663	\$ -
Debt Service	-	-	29,159	-	-	-	-	-
Transportation	-	419,406	-	29,900	-	-	-	-
Other Governmental	92,619	7,408	5,073	57,955	80,523	17,001	71,034	2,228
Connecticut Lottery	284,865	-	-	-	-	-	-	-
Other Proprietary	-	-	-	4,803	-	-	10,079	-
Total	\$ 377,484	\$ 426,814	\$ 53,398	\$ 178,958	\$ 496,727	\$ 229,901	\$ 284,776	\$ 2,228

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 21 Restatement of Net Assets/Fund Balances

As of June 30, 2006, the beginning net assets/fund balances for the following funds and activities were restated as follows (amounts in thousands):

	Balance 6-30-05 Previously Reported	Correction of Reported Assets/ Liabilities	Balance 6-30-05 as Restated
Governmental Activities			
Non-Major Funds:			
Restricted Grants & Accounts	\$ 232,510	\$ 18,470	\$ 250,980
Total Governmental Funds	\$ 2,474,604	\$ 18,470	\$ 2,493,074
Net Assets of Governmental Activities	\$ (5,390,623)	\$ 18,470	\$ (5,372,153)

During the year, the state adjusted the beginning fund balance of the Restricted Grants and Accounts fund, a special revenue fund, to correct an understatement of federal revenue reported in prior years.

Note 22 Related Organizations

Related organizations are legally separate organizations that are not financially accountable to the State. However, these organizations are still related to the State as discussed next.

The State appoints a voting majority of the following organizations' governing boards: the Community Economic

Development Fund and the Connecticut Student Loan Foundation. The State's accountability for these organizations does not extend beyond making the appointments.

Note 23 Commitments and Contingencies

A. Commitments

Primary Government

Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2006, the Departments of Transportation and Public Works had contractual commitments of approximately \$1,288 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program \$3,770 million.

Clean and drinking water loan programs \$198 million.

Economic and community development grant/loan programs \$128 million.

Various programs and services \$705 million.

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

In addition, the State has authorized a loan to the Connecticut Resources Recovery Authority (a component unit) of up to \$115 million to support the repayment of the Authority's debt for one of its facilities and to minimize the amount of tipping fee increases chargeable to the towns which use the facility. As of June 30, 2006, the Authority had drawn \$21.5 million on these funds.

Component Units

As of December 31, 2005, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately \$109 million.

B. Contingent Liabilities

The State entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

In 2002 the City of Waterbury issued \$97.5 million of General Obligation Special Capital Reserve Fund Bonds. These bonds are secured by a Special Capital Reserve Fund for which the State may be contingently liable as explained previously in Note 17 – Component Units.

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

As a result of a recent federal audit of the Medicaid program, the federal government is claiming that it had over paid the State \$32.8 million for its share of Medicaid costs paid by State. The State paid back \$7.5 million of the amount in question and is contending that no additional funds should be paid back to the federal government. As of June 30, 2006, the State now believes that there is a reasonable possibility that it will be required to pay back an additional \$7.6 million to the federal government as a result of the audit.

C. Litigation

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the State.

Note 24 Special Items

Special items are significant transactions or other events within management's control that are either unusual in nature or infrequent in occurrence. As of June 30, 2006, the State reported a transfer of \$5 million from the Connecticut Housing Finance Authority, a component unit, to the General fund as a special item.

Note 25 New Accounting Pronouncements

In fiscal year 2006, the State implemented the following Statements issued by the Governmental Accounting Standards Board: Statement No. 44, "Economic Condition Reporting: The Statistical Section"; and Statement No. 46, "Net Assets Restricted by Enabling Legislation."

Statement No. 44 provides new guidance regarding the information included in the Statistical Section of the Comprehensive Annual Financial Report. According to the Statement, the Statistical Section should contain information about five distinct categories: financial trends, revenue capacity, debt capacity, demographic and economic, and operating indicators.

Statement No. 46 clarifies the meaning of net assets that are restricted by enabling legislation and requires that the amount of net assets restricted by enabling legislation be disclosed in the notes to the financial statements.

As of June 30, 2006, the government-wide statement of net assets reports \$3,201 million of restricted net assets, of which \$192 million is restricted by enabling legislation.

Note 26 Subsequent Events

In July 2006, the State issued \$180 million of Clean Water fund general revenue bonds and general revenue refunding bonds. The bonds will mature in years 2007 through 2027 and bear interest rates ranging from 3.75% to 5.0%.

In October 2006, the State issued \$608.4 million of general obligation bonds and general obligation refunding bonds. The bonds will mature in years 2007 through 2026 and bear interest rates ranging from 4.0% to 5.0%.

In December 2006, the State issued \$400 million of general obligation bonds. The bonds will mature in years 2007 through 2021 and bear interest rates ranging from 3.5% to 5.07%.

In April 2007, the State issued \$135.4 million of University of Connecticut general obligation bonds and general obligation refunding bonds. The bonds will mature in years 2008 through 2027 and bear interest rates ranging from 3.5% to 5.0%.

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***Required
PERS
Supplementary
Information***

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						
6/30/1998	\$5,669.9	\$9,592.4	\$3,922.5	59.1%	\$2,338.9	167.7%
6/30/1999 *	-	-	-	-	-	-
6/30/2000	\$7,196.0	\$11,512.1	\$4,316.1	62.5%	\$2,651.9	162.8%
6/30/2001	\$7,638.9	\$12,105.4	\$4,466.5	63.1%	\$2,784.5	160.4%
6/30/2002	\$7,893.7	\$12,806.1	\$4,912.4	61.6%	\$2,852.1	172.2%
6/30/2003	\$8,058.6	\$14,223.8	\$6,165.2	56.7%	\$2,654.3	232.3%
6/30/2004	\$8,238.3	\$15,128.5	\$6,890.2	54.5%	\$2,816.7	244.6%
6/30/2005	\$8,517.7	\$15,987.5	\$7,469.8	53.3%	\$2,980.1	250.7%
6/30/2006	\$8,951.4	\$16,830.3	\$7,878.9	53.2%	\$3,107.9	253.5%

*No actuarial valuations were performed.

TRS						
6/30/1998	\$7,721.1	\$10,970.1	\$3,249.0	70.4%	\$2,298.9	141.3%
6/30/1999 *	-	-	-	-	-	-
6/30/2000	\$9,605.9	\$11,797.6	\$2,191.7	81.4%	\$2,501.5	87.6%
6/30/2001 *	-	-	-	-	-	-
6/30/2002	\$10,387.3	\$13,679.9	\$3,292.6	75.9%	\$2,698.3	122.0%
6/30/2003 *	-	-	-	-	-	-
6/30/2004	\$9,846.7	\$15,070.5	\$5,223.8	65.3%	\$2,930.8	178.2%
6/30/2005 *	-	-	-	-	-	-
6/30/2006	\$10,190.3	\$17,112.8	\$6,922.5	59.5%	\$3,137.7	220.6%

*No actuarial valuations were performed.

JRS						
6/30/1998	\$98.1	\$168.1	\$70.0	58.4%	\$21.2	330.2%
6/30/1999	\$110.7	\$172.5	\$61.8	64.2%	\$21.9	282.2%
6/30/2000	\$123.4	\$181.7	\$58.3	67.9%	\$24.1	241.9%
6/30/2001	\$133.1	\$193.8	\$60.7	68.7%	\$26.3	230.8%
6/30/2002	\$138.4	\$209.4	\$71.0	66.1%	\$28.9	245.7%
6/30/2003	\$142.8	\$211.1	\$68.3	67.6%	\$27.8	245.3%
6/30/2004	\$150.9	\$219.8	\$68.9	68.7%	\$28.9	238.4%
6/30/2005	\$160.3	\$235.0	\$74.7	68.2%	\$30.2	247.8%
6/30/2006	\$169.7	\$246.9	\$77.2	68.7%	\$31.8	242.8%

MERS						
6/30/1997	\$872.0	\$731.1	\$(140.9)	119.3%	\$246.0	(57.3)%
6/30/1998	\$980.4	\$814.1	\$(166.3)	120.4%	\$258.2	(64.4)%
6/30/1999	\$1,100.7	\$860.1	\$(240.6)	128.0%	\$269.4	(89.3)%
6/30/2000	\$1,251.6	\$1,153.2	\$(98.4)	108.5%	\$290.3	(33.9)%
6/30/2001	\$1,353.1	\$1,238.1	\$(115.0)	109.3%	\$311.2	(37.0)%
6/30/2002	\$1,403.4	\$1,319.7	\$(83.7)	106.3%	\$321.8	(26.0)%
7/1/2003	\$1,417.7	\$1,378.2	\$(39.5)	102.9%	\$326.4	(12.1)%
7/1/2004	\$1,434.3	\$1,393.4	\$(40.9)	102.9%	\$332.6	(12.3)%
7/1/2005	\$1,512.5	\$1,465.1	\$(47.4)	103.2%	\$352.2	(13.5)%
7/1/2006	\$1,587.7	\$1,549.5	\$(38.2)	102.5%	\$366.3	(10.4)%

PJRS

For the Probate Judges Retirement System because the UAAL is zero, the actuarial cost method becomes the aggregate cost method and a schedule of funding progress is not required.

Required Supplementary Information

Schedules of Employer Contributions

(Expressed in Millions)

Fiscal Year	<u>SERS</u>		<u>TRS</u>		<u>JRS</u>		<u>MERS</u>		<u>PJRS</u>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1998	\$567.6	59.0%	\$211.0	85.0%	\$9.3	100.0%	\$18.8	100.0%	\$0.25	100.0%
1999	\$315.6	100.0%	\$221.6	85.0%	\$9.3	100.0%	\$18.1	100.0%	\$0.32	100.0%
2000	\$342.8	100.0%	\$240.5	85.0%	\$9.3	100.0%	\$32.0	100.0%	\$-	-
2001	\$375.6	100.0%	\$252.5	85.0%	\$9.8	100.0%	\$15.5	100.0%	\$-	-
2002	\$415.5	100.0%	\$210.7	97.1%	\$9.6	100.0%	\$15.3	100.0%	\$-	-
2003	\$421.5	100.0%	\$221.2	81.3%	\$10.1	100.0%	\$16.0	100.0%	\$-	-
2004	\$470.3	100.0%	\$270.5	68.5%	\$11.6	100.0%	\$16.3	100.0%	\$-	-
2005	\$518.8	100.0%	\$281.4	65.8%	\$12.2	100.0%	\$21.8	100.0%	\$-	-
2006	\$623.1	100.0%	\$396.2	100.0%	\$11.7	100.0%	\$26.0	100.0%	\$-	-

Note: During the years 2000 thru 2006 the only contributions to the Probate Judges Retirement System were the required member contributions.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	<u>SERS</u>	<u>TRS</u>	<u>JRS</u>	<u>MERS</u>	<u>PJRS</u>
Valuation date	6/30/2006	6/30/2006	6/30/2006	7/1/2006	12/31/2005
Actuarial cost method	Projected unit credit	Entry age	Projected unit credit	Entry age	Entry Age
Amortization method	Level percent of pay, closed	Level percent of pay, closed	Level percent of pay, closed	Level percent of pay, closed	-
Remaining amortization period	26 Years	6-25 Years	25 Years	1-19 Years	-
Asset valuation method	5 year smoothed market	4 year smoothed market	5 year smoothed market	5 year smoothed market	Asset smoothing
Actuarial assumptions:					
Investment rate of return	8.5%	8.5%	8.5%	8.5%	8.5%
Projected salary increases	4.25-15%	4-7.5%	5.5%	4.5-11.25%	6%
Includes inflation at	5%	4%	5.5%	3.75%	3.5%
Cost-of-living adjustments	2.75-3.75%	3%	3-5.5%	2.6-4.0%	3%

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***Combining
Funds Statements
and Schedules
Nonmajor Funds***

Balance Sheet**Nonmajor Governmental Funds-By Fund Type**

June 30, 2006

(Expressed in Thousands)

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Assets				
Cash and Cash Equivalents	\$ 793,995	\$ 323,601	\$ 6,523	\$ 1,124,119
Investments	44,858	-	89,619	134,477
Securities Lending Collateral	-	-	13,562	13,562
Receivables:				
Accounts, Net of Allowances	38,972	745	-	39,717
Loans, Net of Allowances	177,988	-	-	177,988
From Other Governments	205,760	50,261	-	256,021
From Other Funds	7,487	91,688	3	99,178
Other	6,314	-	7	6,321
Restricted Assets	895	-	-	895
Other Assets	5	-	-	5
Total Assets	<u>\$ 1,276,274</u>	<u>\$ 466,295</u>	<u>\$ 109,714</u>	<u>\$ 1,852,283</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 141,525	\$ 52,319	\$ -	\$ 193,844
Due to Other Funds	8,266	147,839	3,292	159,397
Due to Component Units	12,778	-	-	12,778
Due to Other Governments	2,404	-	-	2,404
Deferred Revenue	75,859	1,624	-	77,483
Securities Lending Obligation	-	-	13,562	13,562
Other Liabilities	277	-	-	277
Total Liabilities	<u>241,109</u>	<u>201,782</u>	<u>16,854</u>	<u>459,745</u>
Fund Balances				
Reserved For:				
Loans	177,988	-	-	177,988
Continuing Appropriations	1,140	-	-	1,140
Restricted Purposes	322,180	-	-	322,180
Permanent Investments	-	-	89,619	89,619
Trust Activities	-	-	3,241	3,241
Unreserved	533,857	264,513	-	798,370
Total Fund Balances	<u>1,035,165</u>	<u>264,513</u>	<u>92,860</u>	<u>1,392,538</u>
Total Liabilities and Fund Balances	<u>\$ 1,276,274</u>	<u>\$ 466,295</u>	<u>\$ 109,714</u>	<u>\$ 1,852,283</u>

Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds - By Fund Type

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 27,424	\$ -	\$ -	\$ 27,424
Assessments	21,555	-	-	21,555
Licenses, Permits and Fees	63,970	-	-	63,970
Tobacco Settlement	108,619	-	-	108,619
Federal Grants and Aid	1,340,216	420,321	-	1,760,537
Charges for Services	9,048	-	-	9,048
Fines, Forfeits and Rents	2,167	-	-	2,167
Investment Earnings	18,643	1	3,990	22,634
Miscellaneous	433,189	1,449	500	435,138
Total Revenues	<u>2,024,831</u>	<u>421,771</u>	<u>4,490</u>	<u>2,451,092</u>
Expenditures				
Current:				
Legislative	2,279	-	-	2,279
General Government	385,877	-	-	385,877
Regulation and Protection	282,801	-	-	282,801
Conservation and Development	259,799	-	733	260,532
Health and Hospitals	181,700	-	6	181,706
Transportation	124,303	-	-	124,303
Human Services	389,849	-	-	389,849
Education, Libraries, and Museums	1,145,368	-	168	1,145,536
Corrections	37,391	-	-	37,391
Judicial	29,955	-	8	29,963
Capital Projects	-	671,124	-	671,124
Debt Service:				
Interest and Fiscal Charges	48,197	2,838	-	51,035
Total Expenditures	<u>2,887,519</u>	<u>673,962</u>	<u>915</u>	<u>3,562,396</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(862,688)</u>	<u>(252,191)</u>	<u>3,575</u>	<u>(1,111,304)</u>
Other Financing Sources (Uses)				
Bonds Issued	854,045	508,100	-	1,362,145
Premium on Bonds Issued	27,587	23,204	-	50,791
Transfers In	178,958	-	-	178,958
Transfers Out	(145,046)	(182,705)	(6,090)	(333,841)
Total Other Financing Sources (Uses)	<u>915,544</u>	<u>348,599</u>	<u>(6,090)</u>	<u>1,258,053</u>
Net Change in Fund Balances	52,856	96,408	(2,515)	146,749
Fund Balances - Beginning (as restated)	982,309	168,105	95,375	1,245,789
Fund Balances - Ending	<u>\$ 1,035,165</u>	<u>\$ 264,513</u>	<u>\$ 92,860</u>	<u>\$ 1,392,538</u>

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Special Revenue Funds

Workers' Compensation Administration:

to account for assessments collected for the purpose of covering the administrative costs of the Workers' Compensation Commission.

Banking:

to account for monies collected from various banking institutions throughout the state.

Consumer Counsel and Public Utility Control:

to account for monies collected from various public utility companies.

Insurance:

to account for monies collected from authorized insurers within the state.

Criminal Injuries Compensation:

to account for monies collected from the criminal injuries board.

Regional Market Fund:

to account for rents and other monies collected for the purpose of providing for the payment of expenses relating to the operation and maintenance of the regional market.

Mashantucket Pequot and Mohegan Fund:

to account for casino gambling monies collected from the Mashantucket Pequot Tribe and the Mohegan Tribe to be used for the purpose of distribution to towns.

Soldiers, Sailors, and Marines Fund:

to account for interest earned for the purpose of furnishing food, wearing apparel, medical or surgical care, or funeral expenses of soldiers, sailors, and marines who served in any branch of military service.

Employment Security Administration:

to account for monies collected from various sources for the purpose of defraying the cost of the administration of unemployment compensation.

Restricted Grants and Accounts:

to account for monies which are limited by the Federal Government for a particular purpose or specific purpose.

Grants and Loan Programs:

to account for monies collected for the purpose of giving various grants to local governments, organizations, and individuals.

Environmental Programs:

to account for monies collected for the purpose of providing funds for various environmental programs throughout the state.

Housing Programs:

to account for monies collected for the purpose of providing funds for various housing programs throughout the state.

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2006

(Expressed in Thousands)

	<u>Workers'</u>		<u>Consumer</u>			<u>Mashantucket</u>		<u>Regional</u>
	<u>Compensation</u>	<u>Banking</u>	<u>Counsel and</u>	<u>Insurance</u>	<u>Criminal</u>	<u>Pequot and</u>		<u>Market</u>
			<u>Public Utility</u>		<u>Injuries</u>	<u>Mohegan</u>		
			<u>Control</u>			<u>Fund</u>		
Assets								
Cash and Cash Equivalents	\$ 11,416	\$ 38,344	\$ 5,924	\$ 7,272	\$ 5,043	\$ 50	\$ 819	
Investments	-	-	-	-	-	-	-	
Receivables:								
Accounts, Net of Allowances	-	-	-	-	-	-	-	
Loans, Net of Allowances	-	-	-	-	-	-	-	
From Other Governments	-	-	-	-	-	-	-	
From Other Funds	223	-	-	80	60	-	-	
Other	-	-	-	-	-	-	-	
Restricted Assets	-	-	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	-	
Total Assets	<u>\$ 11,639</u>	<u>\$ 38,344</u>	<u>\$ 5,924</u>	<u>\$ 7,352</u>	<u>\$ 5,103</u>	<u>\$ 50</u>	<u>\$ 819</u>	
Liabilities and Fund Balances								
Liabilities								
Accounts Payable and Accrued Liabilities	\$ 1,004	\$ 622	\$ 1,217	\$ 810	\$ 482	\$ -	\$ 37	
Due to Other Funds	174	117	146	154	-	-	5	
Due to Component Units	-	-	-	-	-	-	-	
Due to Other Governments	-	-	-	-	-	-	-	
Deferred Revenue	-	-	2,362	4,862	-	-	-	
Other Liabilities	-	-	-	-	-	-	-	
Total Liabilities	<u>1,178</u>	<u>739</u>	<u>3,725</u>	<u>5,826</u>	<u>482</u>	<u>-</u>	<u>42</u>	
Fund Balances								
Reserved For:								
Loans	-	-	-	-	-	-	-	
Continuing Appropriations	702	-	-	438	-	-	-	
Restricted Purposes	-	-	-	-	-	-	-	
Unreserved	9,759	37,605	2,199	1,088	4,621	50	777	
Total Fund Balances	<u>10,461</u>	<u>37,605</u>	<u>2,199</u>	<u>1,526</u>	<u>4,621</u>	<u>50</u>	<u>777</u>	
Total Liabilities and Fund Balances	<u>\$ 11,639</u>	<u>\$ 38,344</u>	<u>\$ 5,924</u>	<u>\$ 7,352</u>	<u>\$ 5,103</u>	<u>\$ 50</u>	<u>\$ 819</u>	

Connecticut

<u>Soldiers, Sailors & Marines</u>	<u>Employment Security Administration</u>	<u>Restricted Grants & Accounts</u>	<u>Grant & Loan Programs</u>	<u>Environmental Programs</u>	<u>Housing Programs</u>	<u>Other</u>	<u>Total</u>
\$ 52	\$ 18,241	\$ 273,926	\$ 208,178	\$ 119,411	\$ 37,027	\$ 68,292	\$ 793,995
-	-	-	-	44,858	-	-	44,858
-	-	10,573	2,141	19,101	331	6,826	38,972
-	-	-	132,637	36,526	8,565	260	177,988
-	7,664	198,096	-	-	-	-	205,760
3,063	1,380	2,328	-	4	-	349	7,487
-	-	6,314	-	-	-	-	6,314
-	-	-	-	879	-	16	895
-	-	-	-	5	-	-	5
<u>\$ 3,115</u>	<u>\$ 27,285</u>	<u>\$ 491,237</u>	<u>\$ 342,956</u>	<u>\$ 220,784</u>	<u>\$ 45,923</u>	<u>\$ 75,743</u>	<u>\$ 1,276,274</u>
\$ 63	\$ 2,914	\$ 121,668	\$ 7,442	\$ 3,218	\$ -	\$ 2,048	\$ 141,525
3,052	623	3,537	32	308	-	118	8,266
-	-	114	12,664	-	-	-	12,778
-	-	2,404	-	-	-	-	2,404
-	468	42,213	2,119	17,068	219	6,548	75,859
-	-	-	-	-	-	277	277
<u>3,115</u>	<u>4,005</u>	<u>169,936</u>	<u>22,257</u>	<u>20,594</u>	<u>219</u>	<u>8,991</u>	<u>241,109</u>
-	-	-	132,637	36,526	8,565	260	177,988
-	-	-	-	-	-	-	1,140
-	-	321,301	-	879	-	-	322,180
-	23,280	-	188,062	162,785	37,139	66,492	533,857
-	23,280	321,301	320,699	200,190	45,704	66,752	1,035,165
<u>\$ 3,115</u>	<u>\$ 27,285</u>	<u>\$ 491,237</u>	<u>\$ 342,956</u>	<u>\$ 220,784</u>	<u>\$ 45,923</u>	<u>\$ 75,743</u>	<u>\$ 1,276,274</u>

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

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	<u>Workers'</u>		<u>Consumer</u>		<u>Criminal</u>	<u>Mashantucket</u>
	<u>Compensation</u>	<u>Banking</u>	<u>Public Utility</u>	<u>Insurance</u>	<u>Injuries</u>	<u>Pequot and</u>
			<u>Control</u>			<u>Mohegan</u>
						<u>Fund</u>
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assessments	-	-	-	-	-	-
Licenses, Permits and Fees	-	17,345	28	6	1,175	-
Tobacco Settlement	-	-	-	-	-	-
Federal Grants and Aid	-	-	-	-	-	-
Charges for Services	16	-	-	-	-	-
Fines, Forfeits and Rents	-	644	16	-	4	-
Investment Earnings	792	-	-	265	198	-
Miscellaneous	19,047	10	20,763	20,685	1,113	-
Total Revenues	19,855	17,999	20,807	20,956	2,490	-
Expenditures						
Current:						
Legislative	-	-	-	-	-	-
General Government	-	-	-	-	-	86,250
Regulation and Protection	20,343	15,931	18,525	20,712	-	-
Conservation and Development	-	-	-	-	-	-
Health and Hospitals	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Education, Libraries, and Museums	-	-	-	-	-	-
Corrections	-	-	-	-	-	-
Judicial	-	-	-	-	2,277	-
Debt Service:						
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	20,343	15,931	18,525	20,712	2,277	86,250
Excess (Deficiency) of Revenues Over Expenditures	(488)	2,068	2,282	244	213	(86,250)
Other Financing Sources (Uses)						
Bonds Issued	-	-	-	-	-	-
Premium on Bonds Sold	-	-	-	-	-	-
Transfers In	-	-	-	-	-	86,300
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	86,300
Net Change in Fund Balances	(488)	2,068	2,282	244	213	50
Fund Balances (Deficit) - Beginning (as restated)	10,949	35,537	(83)	1,282	4,408	-
Fund Balances - Ending	\$ 10,461	\$ 37,605	\$ 2,199	\$ 1,526	\$ 4,621	\$ 50

<u>Regional Market</u>	<u>Soldiers, Sailors & Marines</u>	<u>Employment Security Administration</u>	<u>Restricted Grants & Accounts</u>	<u>Grant & Loan Programs</u>	<u>Environmental Programs</u>	<u>Housing Programs</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,424	\$ -	\$ -	\$ 27,424
-	-	-	-	-	21,555	-	-	21,555
94	-	35	7,256	-	23,501	-	14,530	63,970
-	-	-	-	-	-	-	108,619	108,619
-	-	84,961	1,255,055	200	-	-	-	1,340,216
-	-	1	-	-	4,490	16	4,525	9,048
845	-	-	-	-	550	-	108	2,167
34	-	498	5,184	5,611	4,136	257	1,668	18,643
45	-	117	360,485	6,378	856	647	3,043	433,189
<u>1,018</u>	<u>-</u>	<u>85,612</u>	<u>1,627,980</u>	<u>12,189</u>	<u>82,512</u>	<u>920</u>	<u>132,493</u>	<u>2,024,831</u>
-	-	-	2,279	-	-	-	-	2,279
-	233	-	222,954	41,932	27,447	-	7,061	385,877
-	289	81,475	107,278	2,675	-	-	15,573	282,801
821	-	-	88,536	106,990	57,178	5,008	1,266	259,799
-	-	-	171,041	7,853	-	-	2,806	181,700
-	-	-	119,079	5,218	-	-	6	124,303
-	5,113	-	374,399	9,070	-	-	1,267	389,849
-	-	-	437,657	699,302	-	-	8,409	1,145,368
-	-	-	29,011	1,488	-	-	6,892	37,391
-	-	-	14,800	-	-	-	12,878	29,955
<u>123</u>	<u>-</u>	<u>-</u>	<u>42,922</u>	<u>4,945</u>	<u>-</u>	<u>61</u>	<u>146</u>	<u>48,197</u>
<u>944</u>	<u>5,635</u>	<u>81,475</u>	<u>1,609,956</u>	<u>879,473</u>	<u>84,625</u>	<u>5,069</u>	<u>56,304</u>	<u>2,887,519</u>
<u>74</u>	<u>(5,635)</u>	<u>4,137</u>	<u>18,024</u>	<u>(867,284)</u>	<u>(2,113)</u>	<u>(4,149)</u>	<u>76,189</u>	<u>(862,688)</u>
-	-	-	-	820,430	-	10,115	23,500	854,045
-	-	-	-	26,470	-	327	790	27,587
-	5,635	3,406	54,936	4,000	4,479	-	20,202	178,958
-	-	-	(2,639)	(21,526)	(5,041)	(266)	(115,574)	(145,046)
-	5,635	3,406	52,297	829,374	(562)	10,176	(71,082)	915,544
74	-	7,543	70,321	(37,910)	(2,675)	6,027	5,107	52,856
703	-	15,737	250,980	358,609	202,865	39,677	61,645	982,309
<u>\$ 777</u>	<u>\$ -</u>	<u>\$ 23,280</u>	<u>\$ 321,301</u>	<u>\$ 320,699</u>	<u>\$ 200,190</u>	<u>\$ 45,704</u>	<u>\$ 66,752</u>	<u>\$ 1,035,165</u>

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
Budgeted Nonmajor Special Revenue Funds**

For the Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	<u>Workers' Compensation</u>			<u>Banking</u>		
	<u>Final</u>			<u>Final</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues						
Budgeted:						
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits, and Fees	20,700	19,046	(1,654)	14,900	17,345	2,445
Other	-	808	808	-	653	653
Total Budgeted Revenues	<u>20,700</u>	<u>19,854</u>	<u>(846)</u>	<u>14,900</u>	<u>17,998</u>	<u>3,098</u>
Expenditures						
Budgeted:						
General Government	-	-	-	-	-	-
Regulation and Protection	22,295	20,157	2,138	16,385	15,884	501
Conservation and Development	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Non Functional	-	-	-	-	-	-
Total Budgeted Expenditures	<u>22,295</u>	<u>20,157</u>	<u>2,138</u>	<u>16,385</u>	<u>15,884</u>	<u>501</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,595)</u>	<u>(303)</u>	<u>1,292</u>	<u>(1,485)</u>	<u>2,114</u>	<u>3,599</u>
Other Financing Sources (Uses)						
Prior Year Appropriations Carried Forward	-	1,648	1,648	-	3,741	3,741
Appropriations Continued to Fiscal Year 2007	-	(702)	(702)	-	-	-
Operating Transfer Out	-	-	-	-	-	-
Miscellaneous Adjustments	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>946</u>	<u>946</u>	<u>-</u>	<u>3,741</u>	<u>3,741</u>
Net Change in Fund Balances	<u>\$ (1,595)</u>	<u>643</u>	<u>\$ 2,238</u>	<u>\$ (1,485)</u>	<u>5,855</u>	<u>\$ 7,340</u>
Budgetary Fund Balances - July 1		11,941			36,229	
Changes in Reserves		(946)			(3,741)	
Budgetary Fund Balances - June 30		<u>\$ 11,638</u>			<u>\$ 38,343</u>	

<u>Consumer Counsel & Public Utility Control</u>			<u>Insurance</u>			<u>Criminal Injuries Compensation</u>		
<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,300	18,984	(316)	21,700	21,496	(204)	-	1,175	1,175
-	16	16	-	266	266	2,100	1,316	(784)
<u>19,300</u>	<u>19,000</u>	<u>(300)</u>	<u>21,700</u>	<u>21,762</u>	<u>62</u>	<u>2,100</u>	<u>2,491</u>	<u>391</u>
-	-	-	-	-	-	-	-	-
20,974	18,683	2,291	22,306	20,589	1,717	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,025	2,025	-
-	-	-	-	-	-	-	-	-
<u>20,974</u>	<u>18,683</u>	<u>2,291</u>	<u>22,306</u>	<u>20,589</u>	<u>1,717</u>	<u>2,025</u>	<u>2,025</u>	<u>-</u>
<u>(1,674)</u>	<u>317</u>	<u>1,991</u>	<u>(606)</u>	<u>1,173</u>	<u>1,779</u>	<u>75</u>	<u>466</u>	<u>391</u>
-	-	-	-	694	694	-	-	-
-	-	-	-	(438)	(438)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	256	256	-	-	-
<u>\$ (1,674)</u>	<u>317</u>	<u>\$ 1,991</u>	<u>\$ (606)</u>	<u>1,429</u>	<u>\$ 2,035</u>	<u>\$ 75</u>	<u>466</u>	<u>\$ 391</u>
	5,606			6,179			4,638	
	-			(256)			-	
	<u>\$ 5,923</u>			<u>\$ 7,352</u>			<u>\$ 5,104</u>	

Continued on next page

**Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
Budgeted Nonmajor Special Revenue Funds (Continued)**

For the Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	Mashantucket Pequot and Mohegan Fund			Regional Market		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues						
Budgeted:						
Operating Transfers In	\$ 86,300	\$ 86,300	\$ -	\$ -	\$ -	\$ -
Licenses, Permits, and Fees	-	-	-	-	95	95
Other	-	-	-	1,000	925	(75)
Total Budgeted Revenues	<u>86,300</u>	<u>86,300</u>	<u>-</u>	<u>1,000</u>	<u>1,020</u>	<u>20</u>
Expenditures						
Budgeted:						
General Government	86,250	86,250	-	-	-	-
Regulation and Protection	-	-	-	-	-	-
Conservation and Development	-	-	-	1,019	825	194
Human Services	-	-	-	-	-	-
Non Functional	-	-	-	-	123	(123)
Total Budgeted Expenditures	<u>86,250</u>	<u>86,250</u>	<u>-</u>	<u>1,019</u>	<u>948</u>	<u>71</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>50</u>	<u>50</u>	<u>-</u>	<u>(19)</u>	<u>72</u>	<u>91</u>
Other Financing Sources (Uses)						
Prior Year Appropriations Carried Forward	-	-	-	-	-	-
Appropriations Continued to Fiscal Year 2007	-	-	-	-	-	-
Miscellaneous Adjustments	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 50</u>	<u>50</u>	<u>\$ -</u>	<u>\$ (19)</u>	<u>72</u>	<u>\$ 91</u>
Budgetary Fund Balances - July 1		-			747	
Changes in Reserves		-			-	
Budgetary Fund Balances - June 30		<u>\$ 50</u>			<u>\$ 819</u>	

Soldiers, Sailors, and Marines

<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ 3,900	\$ 2,571	\$ (1,329)
-	-	-
-	-	-
<u>3,900</u>	<u>2,571</u>	<u>(1,329)</u>
251	233	18
307	289	18
-	-	-
3,260	3,086	174
-	-	-
<u>3,818</u>	<u>3,608</u>	<u>210</u>
<u>82</u>	<u>(1,037)</u>	<u>(1,119)</u>
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 82</u>	<u>(1,037)</u>	<u>\$ (1,119)</u>
	(1,951)	
	-	
	<u>\$ (2,988)</u>	

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Capital Projects Funds

State Facilities:

to account for proceeds of bond issues and other sources and the subsequent expenditures for the construction of various state buildings and structures.

Infrastructure:

to account for the proceeds of bond issues and related capital project grants to finance the State's transportation infrastructure program over a ten-year period. This program encompasses the planning, acquisition, removal, construction, equipping, reconstruction, repair, rehabilitation and improvement of, and acquisition of easements and rights-of-way with respect to, State highways and bridges, projects on the interstate highway system, alternate highway projects in the interstate substitution program (the "interstate trade-in program"), waterway facilities, aeronautic facilities (excluding Bradley International Airport), the highway safety program, maintenance garages and administrative facilities of the Department, payment of the State's share of the costs of the local bridge program and payment of State contributions to the local bridge revolving fund.

Other Transportation:

to account for the proceeds of bond issues and related grants to be used for other transportation related capital projects.

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2006

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
Assets				
Cash & Cash Equivalents	\$ 50,201	\$ 265,058	\$ 8,342	\$ 323,601
Receivables:				
Accounts, Net of Allowances	-	745	-	745
From Other Governments	-	50,261	-	50,261
From Other Funds	91,688	-	-	91,688
Total Assets	<u>\$ 141,889</u>	<u>\$ 316,064</u>	<u>\$ 8,342</u>	<u>\$ 466,295</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 19,798	\$ 32,521	\$ -	\$ 52,319
Due To Other Funds	147,478	361	-	147,839
Deferred Revenue	-	1,624	-	1,624
Total Liabilities	<u>167,276</u>	<u>34,506</u>	<u>-</u>	<u>201,782</u>
Fund Balances				
Unreserved	(25,387)	281,558	8,342	264,513
Total Fund Balances (Deficit)	<u>(25,387)</u>	<u>281,558</u>	<u>8,342</u>	<u>264,513</u>
Total Liabilities and Fund Balances	<u>\$ 141,889</u>	<u>\$ 316,064</u>	<u>\$ 8,342</u>	<u>\$ 466,295</u>

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

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	<u>State Facilities</u>	<u>Infrastructure</u>	<u>Transportation</u>	<u>Total</u>
Revenues				
Federal Grants and Aid	\$ -	\$ 420,321	\$ -	\$ 420,321
Investment Income	1	-	-	1
Miscellaneous	28	1,421	-	1,449
Total Revenues	29	421,742	-	421,771
Expenditures				
Capital Projects	133,397	537,727	-	671,124
Debt Service:				
Interest and Fiscal Charges	2,065	773	-	2,838
Total Expenditures	135,462	538,500	-	673,962
Excess (Deficiency) of Revenues Over Expenditures	(135,433)	(116,758)	-	(252,191)
Other Financing Sources (Uses)				
Bonds Issued	258,100	250,000	-	508,100
Premium on Bonds Issued	10,720	12,484	-	23,204
Transfer Out	(174,171)	(7,808)	(726)	(182,705)
Total Other Financing Sources (Uses)	94,649	254,676	(726)	348,599
Net Change in Fund Balances	(40,784)	137,918	(726)	96,408
Fund Balances - Beginning	15,397	143,640	9,068	168,105
Fund Balances (Deficit) - Ending	\$ (25,387)	\$ 281,558	\$ 8,342	\$ 264,513

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Permanent Funds

Soldiers', Sailors', and Marines':

to account for the principal and interest earned on investments of this fund. Interest earned has been earmarked by the General Assembly for the benefit of resident veterans to provide such things as food, wearing apparel, medical or surgical aid, care and relief or funeral benefits.

Connecticut Arts Endowment:

A fund established to support arts organizations throughout Connecticut. The fund administered by the Connecticut Commission on the Arts, finances grants to eligible arts organizations throughout the state.

Combining Balance Sheet

Nonmajor Permanent Funds

June 30, 2006

(Expressed in Thousands)

	<u>Soldiers, Sailors, & Marines</u>	<u>Connecticut Arts Endowment</u>	<u>Other</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 527	\$ -	\$ 5,996	\$ 6,523
Investments	59,418	15,832	14,369	89,619
Securities Lending Collateral	9,185	2,395	1,982	13,562
Other Receivables	-	4	3	7
Due From Other Funds	-	-	3	3
Total Assets	<u>\$ 69,130</u>	<u>\$ 18,231</u>	<u>\$ 22,353</u>	<u>\$ 109,714</u>
Liabilities and Fund Balance				
Liabilities				
Due To Other Funds	\$ 3,063	\$ -	\$ 229	\$ 3,292
Securities Lending Obligation	9,185	2,395	1,982	13,562
Total Liabilities	<u>12,248</u>	<u>2,395</u>	<u>2,211</u>	<u>16,854</u>
Fund Balances				
Reserved For:				
Permanent Investments	59,418	15,832	14,369	89,619
Trust Activities	(2,536)	4	5,773	3,241
Total Fund Balances	<u>56,882</u>	<u>15,836</u>	<u>20,142</u>	<u>92,860</u>
Total Liabilities and Fund Balances	<u>\$ 69,130</u>	<u>\$ 18,231</u>	<u>\$ 22,353</u>	<u>\$ 109,714</u>

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

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	<u>Soldiers, Sailors, & Marines</u>	<u>Connecticut Arts Endowment</u>	<u>Other</u>	<u>Total</u>
Revenues				
Investment Earnings	\$ 3,092	\$ 160	\$ 738	\$ 3,990
Miscellaneous	-	-	500	500
Total Revenues	<u>3,092</u>	<u>160</u>	<u>1,238</u>	<u>4,490</u>
Expenditures				
Conservation and Development	-	733	-	733
Health and Hospital	-	-	6	6
Education, Libraries and Museums	-	-	168	168
Judicial	-	-	8	8
Total Expenditures	<u>-</u>	<u>733</u>	<u>182</u>	<u>915</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,092</u>	<u>(573)</u>	<u>1,056</u>	<u>3,575</u>
Other Financing Sources (Uses)				
Transfers Out	(5,635)	-	(455)	(6,090)
Total Other Financing Sources (Uses)	<u>(5,635)</u>	<u>-</u>	<u>(455)</u>	<u>(6,090)</u>
Net Change in Fund Balances	<u>(2,543)</u>	<u>(573)</u>	<u>601</u>	<u>(2,515)</u>
Fund Balances - Beginning	<u>59,425</u>	<u>16,409</u>	<u>19,541</u>	<u>95,375</u>
Fund Balances - Ending	<u>\$ 56,882</u>	<u>\$ 15,836</u>	<u>\$ 20,142</u>	<u>\$ 92,860</u>

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Enterprise Funds

Bradley Parking Garage:

In 2000, Bradley parking garage bonds were issued in the amount of \$53,800,000. These bonds were issued to build a parking garage at the airport.

Second Injury and Compensation Assurance:

An extension of the Worker's compensation Act, the fund is currently used to pay claimants whose injuries are made more severe because of a pre-existing condition, and in cases where an injured worker receiving worker's compensation subsequently undergoes an incapacitating relapse.

Drinking Water:

to account for resources used to provide loans to municipalities to finance activities needed to achieve or maintain compliance with the Safe Drinking Water Act.

Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2006

(Expressed in Thousands)

	<u>Community/ Technical Colleges</u>	<u>Second Injury & Compensation Assurance</u>	<u>Bradley Parking Garage</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 71,583	\$ 41,016	\$ -
Accounts Receivable, Net of Allowances	5,105	13,270	-
Loans, Net of Allowances	-	-	-
Interest Receivable	834	-	-
Due From Other Funds	133,983	-	-
Due From Other Governments	-	-	-
Inventories	1,149	-	-
Other	537	48	-
Total Current Assets	<u>213,191</u>	<u>54,334</u>	<u>-</u>
Noncurrent Assets:			
Cash and Cash Equivalents	-	-	-
Investments	-	-	-
Receivables:			
Accounts Receivable, Net of Allowances	-	2,013	-
Loans, Net of Allowances	499	-	-
Restricted Assets	-	-	12,132
Capital Assets, Net of Accumulated Depreciation	300,884	9	31,748
Other Noncurrent Assets	-	-	1,914
Total Noncurrent Assets	<u>301,383</u>	<u>2,022</u>	<u>45,794</u>
Total Assets	<u>514,574</u>	<u>56,356</u>	<u>45,794</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	37,764	12,572	1,457
Current Portion of Long-Term Debt	1,728	339	-
Deferred Revenue	2,878	-	-
Other Current Liabilities	2,310	-	-
Total Current Liabilities	<u>44,680</u>	<u>12,911</u>	<u>1,457</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Liabilities	<u>33,405</u>	<u>1,182</u>	<u>50,023</u>
Total Noncurrent Liabilities	<u>33,405</u>	<u>1,182</u>	<u>50,023</u>
Total Liabilities	<u>78,085</u>	<u>14,093</u>	<u>51,480</u>
Net Assets (Deficit)			
Invested in Capital Assets, Net of Related Debt	299,221	-	(18,127)
Restricted for:			
Debt Service	-	-	5,121
Drinking Water Projects	-	-	-
Nonexpendable Purposes	20	-	-
Other Purposes	121,082	-	-
Unrestricted	<u>16,166</u>	<u>42,263</u>	<u>7,320</u>
Total Net Assets (Deficit)	<u>\$ 436,489</u>	<u>\$ 42,263</u>	<u>\$ (5,686)</u>

<u>Drinking Water</u>	<u>Rate Reduction Bond Operations (12-31-05)</u>	<u>Total</u>
\$ -	\$ 9,288	\$ 121,887
-	2,934	21,309
5,273	-	5,273
.379	-	1,213
-	-	133,983
1,137	-	1,137
-	-	1,149
15	-	600
<u>6,804</u>	<u>12,222</u>	<u>286,551</u>
15,998	7,535	23,533
-	13,000	13,000
-	-	2,013
42,496	-	42,995
49,010	-	61,142
-	-	332,641
800	-	2,714
<u>108,304</u>	<u>20,535</u>	<u>478,038</u>
<u>115,108</u>	<u>32,757</u>	<u>764,589</u>
979	-	52,772
3,209	27,155	32,431
-	-	2,878
-	-	2,310
<u>4,188</u>	<u>27,155</u>	<u>90,391</u>
<u>47,391</u>	<u>149,078</u>	<u>281,079</u>
<u>47,391</u>	<u>149,078</u>	<u>281,079</u>
<u>51,579</u>	<u>176,233</u>	<u>371,470</u>
-	-	281,094
-	29,822	34,943
52,262	-	52,262
-	-	20
-	-	121,082
<u>11,267</u>	<u>(173,298)</u>	<u>(96,282)</u>
<u>\$ 63,529</u>	<u>\$ (143,476)</u>	<u>\$ 393,119</u>

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

For The Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	<u>Community/ Technical Colleges</u>	<u>Second Injury & Compensation Assurance</u>	<u>Bradley Parking Garage</u>
Operating Revenues			
Assessments	\$ -	\$ 59,073	\$ -
Charges for Sales and Services	73,141	-	23,291
Federal Grants and Contracts	31,391	-	-
State Grants and Contracts	9,435	-	-
Private Gifts and Grants	990	-	-
Interest on Loans	-	-	-
Miscellaneous	8,752	1,632	1,013
Total Operating Revenues	<u>123,709</u>	<u>60,705</u>	<u>24,304</u>
Operating Expenses			
Salaries, Wages and Administrative	313,250	7,716	10,467
Claims Paid	-	38,752	-
Depreciation and Amortization	14,504	8	1,034
Other	15,437	-	-
Total Operating Expenses	<u>343,191</u>	<u>46,476</u>	<u>11,501</u>
Operating Income	<u>(219,482)</u>	<u>14,229</u>	<u>12,803</u>
Nonoperating Revenues (Expenses)			
Interest and Investment Income	2,866	1,287	347
Interest and Fiscal Charges	-	-	(3,099)
Other	1,862	-	-
Total Nonoperating Income (Expense)	<u>4,728</u>	<u>1,287</u>	<u>(2,752)</u>
Income (Loss) Before Grants and Transfers	<u>(214,754)</u>	<u>15,516</u>	<u>10,051</u>
Federal Capitalization Grants	-	-	-
Transfers In	270,215	-	-
Transfers Out	-	-	(9,064)
Change in Net Assets	55,461	15,516	987
Total Net Assets (Deficit) - Beginning	381,028	26,747	(6,673)
Total Net Assets (Deficit) - Ending	<u>\$ 436,489</u>	<u>\$ 42,263</u>	<u>\$ (5,686)</u>

<u>Drinking Water</u>	<u>Rate Reduction Bond Operations (12-31-05)</u>	<u>Total</u>
\$ -	\$ -	\$ 59,073
-	41,329	137,761
-	-	31,391
-	-	9,435
-	-	990
1,311	-	1,311
-	-	11,397
<u>1,311</u>	<u>41,329</u>	<u>251,358</u>
3,391	320	335,144
-	-	38,752
-	-	15,546
-	-	15,437
<u>3,391</u>	<u>320</u>	<u>404,879</u>
<u>(2,080)</u>	<u>41,009</u>	<u>(153,521)</u>
2,137	1,295	7,932
(2,067)	(9,029)	(14,195)
<u>203</u>	<u>1,752</u>	<u>3,817</u>
<u>273</u>	<u>(5,982)</u>	<u>(2,446)</u>
<u>(1,807)</u>	<u>35,027</u>	<u>(155,967)</u>
6,536	-	6,536
-	-	270,215
<u>(526)</u>	<u>-</u>	<u>(9,590)</u>
4,203	35,027	111,194
<u>59,326</u>	<u>(178,503)</u>	<u>281,925</u>
<u>\$ 63,529</u>	<u>\$ (143,476)</u>	<u>\$ 393,119</u>

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	<u>Community/ Technical Colleges</u>	<u>Second Injury & Compensation Assurance</u>	<u>Bradley Parking Garage</u>
Cash Flows from Operating Activities			
Receipts from Customers	\$ 74,286	\$ 59,073	\$ 23,291
Payments to Suppliers	(56,271)	-	-
Payments to Employees	(250,410)	(7,716)	(10,467)
Other Receipts (Payments)	(8,516)	(28,649)	(908)
Net Cash Provided by (Used in) Operating Activities	<u>(240,911)</u>	<u>22,708</u>	<u>11,916</u>
Cash Flows from Noncapital Financing Activities			
Retirement of Bonds and Annuities Payable	-	-	-
Interest of Bonds	-	-	-
Transfers In	196,199	-	-
Transfers Out	-	-	(9,064)
Other Receipts (Payments)	5,811	-	(100)
Net Cash Flows from Noncapital Financing Activities	<u>202,010</u>	<u>-</u>	<u>(9,164)</u>
Cash Flows from Capital and Related Financing Activities			
Additions to Property, Plant and Equipment	(7,988)	(3)	-
Interest Paid on Capital Debt	-	-	(3,099)
Federal Grant	-	-	-
Transfer In	71,339	-	-
Other Receipts (Payments)	(20,438)	-	-
Net Cash Flows from Capital and Related Financing Activities	<u>42,913</u>	<u>(3)</u>	<u>(3,099)</u>
Cash Flows from Investing Activities			
Interest on Investments	2,703	1,287	347
(Increase) Decrease in Restricted Assets	-	-	-
Other Receipts (Payments)	-	-	-
Net Cash Flows from Investing Activities	<u>2,703</u>	<u>1,287</u>	<u>347</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,715	23,992	-
Cash and Cash Equivalents -Beginning of Year	64,868	17,024	-
Cash and Cash Equivalents -End of Year	<u>\$ 71,583</u>	<u>\$ 41,016</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities			
Operating Income (Loss)	\$ (219,482)	\$ 14,229	\$ 12,803
Adjustments not Affecting Cash:			
Depreciation and Amortization	14,504	8	1,034
Other	(3,879)	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables, Net	(37,936)	7,816	283
(Increase) Decrease in Inventories and Other Assets	514	73	100
Increase (Decrease) in Accounts Payables & Accrued Liabilities	5,368	582	(2,304)
Total Adjustments	<u>(21,429)</u>	<u>8,479</u>	<u>(887)</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ (240,911)</u>	<u>\$ 22,708</u>	<u>\$ 11,916</u>

Rate Reduction		
Drinking	Bond	
Water	Operations	Totals
(12-31-05)		
\$ 5,459	\$ 42,258	\$ 204,367
-	-	(56,271)
(2,134)	(320)	(271,047)
(3,780)	-	(41,853)
(455)	41,938	(164,804)
(1,839)	(26,145)	(27,984)
(2,000)	(8,745)	(10,745)
-	-	196,199
(754)	-	(9,818)
-	(301)	5,410
(4,593)	(35,191)	153,062
-	-	(7,991)
-	-	(3,099)
6,637	-	6,637
-	-	71,339
-	-	(20,438)
6,637	-	46,448
2,146	1,296	7,779
(752)	-	(752)
(2,983)	-	(2,983)
(1,589)	1,296	4,044
-	8,043	38,750
-	1,245	83,137
\$ -	\$ 9,288	\$ 121,887
\$ (2,080)	\$ 41,009	\$ (153,521)
-	-	15,546
-	-	(3,879)
1,493	929	(27,415)
132	-	819
-	-	3,646
1,625	929	(11,283)
\$ (455)	\$ 41,938	\$ (164,804)

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Internal Service Funds

Correction Industries:

to account for the revenues and expenses associated with the sale of goods resulting from the industrial activities of the inmates at correctional institutions.

Administrative Services:

to account for the various services provided by the Department of Administrative Services to other agencies. For example, fleet operations, printing, etc.

Information Technology:

to account for the various services provided by the Department of Information Technology to other agencies. For example, information systems support, telecommunications, etc.

Combining Statement of Net Assets

Internal Service Funds

June 30, 2006

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information & Technology</u>	<u>Administrative Services</u>	<u>Total</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 6,113	\$ 10,791	\$ -	\$ 16,904
Receivables, Net of Allowances	48	3,702	58	3,808
Due From Other Funds	656	8,020	2,415	11,091
Inventories	3,222	15	258	3,495
Other Current Assets	36	-	-	36
Total Current Assets	<u>10,075</u>	<u>22,528</u>	<u>2,731</u>	<u>35,334</u>
Noncurrent Assets:				
Capital Assets, Net of Accumulated Depreciation	1,697	7,749	40,879	50,325
Other Noncurrent Assets	-	988	269	1,257
Total Noncurrent Assets	<u>1,697</u>	<u>8,737</u>	<u>41,148</u>	<u>51,582</u>
Total Assets	<u>11,772</u>	<u>31,265</u>	<u>43,879</u>	<u>86,916</u>
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	889	7,884	128	8,901
Due To Other Funds	-	-	73,152	73,152
Deferred Revenue	-	-	129	129
Compensated Absences-Current Portion	42	173	41	256
Total Current Liabilities	<u>931</u>	<u>8,057</u>	<u>73,450</u>	<u>82,438</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Debt	-	3,493	-	3,493
Compensated Absences	631	3,561	924	5,116
Advances From Other Funds	4,700	-	-	4,700
Total Noncurrent Liabilities	<u>5,331</u>	<u>7,054</u>	<u>924</u>	<u>13,309</u>
Total Liabilities	<u>6,262</u>	<u>15,111</u>	<u>74,374</u>	<u>95,747</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,697	7,749	40,522	49,968
Unrestricted	3,813	8,405	(71,017)	(58,799)
Total Net Assets (Deficit)	<u>\$ 5,510</u>	<u>\$ 16,154</u>	<u>\$ (30,495)</u>	<u>\$ (8,831)</u>

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

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information & Technology</u>	<u>Administrative Services</u>	<u>Total</u>
Operating Revenues				
Charges for Sales and Services	\$ 19,318	\$ 36,830	\$ 30,042	\$ 86,190
Miscellaneous	762	-	-	762
Total Operating Revenues	<u>20,080</u>	<u>36,830</u>	<u>30,042</u>	<u>86,952</u>
Operating Expenses				
Salaries, Wages and Administrative	19,846	32,357	11,967	64,170
Depreciation and Amortization	380	3,738	14,793	18,911
Total Operating Expenses	<u>20,226</u>	<u>36,095</u>	<u>26,760</u>	<u>83,081</u>
Operating Income (Loss)	<u>(146)</u>	<u>735</u>	<u>3,282</u>	<u>3,871</u>
Nonoperating Revenue (Expenses)				
Investment Income	176	-	-	176
Interest Expense	-	(85)	-	(85)
Total Nonoperating Revenues (Expenses)	<u>176</u>	<u>(85)</u>	<u>-</u>	<u>91</u>
Change in Net Assets	30	650	3,282	3,962
Total Net Assets (Deficit) - Beginning	<u>5,480</u>	<u>15,504</u>	<u>(33,777)</u>	<u>(12,793)</u>
Total Net Assets (Deficit) - Ending	<u>\$ 5,510</u>	<u>\$ 16,154</u>	<u>\$ (30,495)</u>	<u>\$ (8,831)</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2006
(Expressed in Thousands)

	<u>Correction Industries</u>	<u>Information Technology</u>	<u>Administrative Services</u>	<u>Totals</u>
Cash Flows from Operating Activities				
Receipts from Customers	\$ 19,606	\$ 37,502	\$ 28,462	\$ 85,570
Payments to Suppliers	(17,060)	(9,600)	6,671	(19,989)
Payments to Employees	(4,017)	(25,322)	(6,840)	(36,179)
Other Receipts (Payments)	1,039	(3,574)	209	(2,326)
Net Cash Provided by (Used in) Operating Activities	(432)	(994)	28,502	27,076
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant and Equipment	(633)	(640)	(28,502)	(29,775)
Other Receipts (Payments)	-	(85)	-	(85)
Net Cash Flows from Capital and Related Financing Activities	(633)	(725)	(28,502)	(29,860)
Cash Flows from Investing Activities				
Interest on Investments	176	-	-	176
Net Cash Flows from Investing Activities	176	-	-	176
Net Increase (Decrease) in Cash and Cash Equivalents	(889)	(1,719)	-	(2,608)
Cash and Cash Equivalents - Beginning of Year	7,002	12,510	-	19,512
Cash and Cash Equivalents - End of Year	\$ 6,113	\$ 10,791	\$ -	\$ 16,904
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	\$ (146)	\$ 735	\$ 3,282	\$ 3,871
Adjustments Not Affecting Cash:				
Depreciation	380	3,738	14,793	18,911
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	(21)	(3,534)	(45)	(3,600)
(Increase) Decrease in Due From Other Funds	309	4,206	(1,535)	2,980
(Increase) Decrease in Inventories and Other Current Assets	277	590	209	1,076
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(1,231)	(6,729)	11,798	3,838
Total Adjustments	(286)	(1,729)	25,220	23,205
Net Cash Provided by (Used In) Operating Activities	\$ (432)	\$ (994)	\$ 28,502	\$ 27,076

Pension and (Other Employee Benefit) Trust Funds

Pension Trust Funds:

See notes 11 and 12 for a description of the Pension Trust Funds.

Retired Teachers' Health Benefits Plan:

to account for resources used to provide health benefits to retired teachers and their beneficiaries. The plan is administered by the Teachers' Retirement Board.

Policemen, Firemen Survivors' Benefits Plan:

to account for resources used to provide benefits to the survivors of policemen and firemen. The plan is administered by the State Comptroller's Retirement Division.

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

June 30, 2006

(Expressed in Thousands)

	Pension Trust			
	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>	<u>Connecticut Municipal Employees</u>
Assets				
Cash and Cash Equivalents	\$ -	\$ 3,594	\$ 3	\$ -
Receivables:				
Accounts, Net of Allowances	2,077	7,317	8	4,180
From Other Governments	-	2,274	-	-
From Other Funds	-	333	-	-
Interest	204	523	5	47
Investments	8,774,086	12,189,855	163,758	1,501,120
Securities Lending Collateral	1,096,939	1,482,754	21,082	188,013
Other Assets	-	-	-	-
Total Assets	<u>9,873,306</u>	<u>13,686,650</u>	<u>184,856</u>	<u>1,693,360</u>
Liabilities				
Accounts Payable and Accrued Liabilities	36	-	-	-
Securities Lending Obligation	1,096,939	1,482,754	21,082	188,013
Due to Other Funds	11,180	1,244	-	395
Total Liabilities	<u>1,108,155</u>	<u>1,483,998</u>	<u>21,082</u>	<u>188,408</u>
Net Assets				
Held in Trust For Employee				
Pension and Other Benefits	<u>8,765,151</u>	<u>12,202,652</u>	<u>163,774</u>	<u>1,504,952</u>
Total Net Assets	<u>\$ 8,765,151</u>	<u>\$ 12,202,652</u>	<u>\$ 163,774</u>	<u>\$ 1,504,952</u>

<u>Pension Trust</u>		<u>Other Employee Benefits</u>		
<u>Probate Judges</u>	<u>Other</u>	<u>Retired Teachers' Health Benefits</u>	<u>Policemen, Firemen, Survivors' Benefits</u>	<u>Total</u>
\$ 8	\$ 92	\$ 20,546	\$ -	\$ 24,243
4	-	-	-	13,586
-	-	-	-	2,274
-	-	1,244	-	1,577
3	-	-	1	783
77,321	771	-	19,635	22,726,546
10,015	106	-	2,593	2,801,502
-	-	5,474	-	5,474
<u>87,351</u>	<u>969</u>	<u>27,264</u>	<u>22,229</u>	<u>25,575,985</u>
-	-	-	-	36
10,015	106	-	2,593	2,801,502
-	-	-	1	12,820
<u>10,015</u>	<u>106</u>	<u>-</u>	<u>2,594</u>	<u>2,814,358</u>
77,336	863	27,264	19,635	22,761,627
<u>\$ 77,336</u>	<u>\$ 863</u>	<u>\$ 27,264</u>	<u>\$ 19,635</u>	<u>\$ 22,761,627</u>

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

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	Pension Trust			
	<u>State Employees</u>	<u>State Teachers</u>	<u>Judicial</u>	<u>Connecticut Municipal Employees</u>
Additions				
Contributions:				
Plan Members	\$ 55,235	\$ 252,998	\$ 1,491	\$ 12,928
State	623,063	396,249	11,730	-
Municipalities	-	4,104	-	28,717
Total Contributions	<u>678,298</u>	<u>653,351</u>	<u>13,221</u>	<u>41,645</u>
Investment Income	926,756	1,306,723	14,972	148,259
Less: Investment Expenses	<u>(69,665)</u>	<u>(98,194)</u>	<u>(1,125)</u>	<u>(11,145)</u>
Net Investment Income	<u>857,091</u>	<u>1,208,529</u>	<u>13,847</u>	<u>137,114</u>
Transfers In	-	-	-	-
Other	-	4,515	-	652
Total Additions	<u>1,535,389</u>	<u>1,866,395</u>	<u>27,068</u>	<u>179,411</u>
Deductions				
Administrative Expense	431	-	8	-
Benefit Payments and Refunds	918,914	1,060,956	16,028	74,460
Other	-	-	-	-
Total Deductions	<u>919,345</u>	<u>1,060,956</u>	<u>16,036</u>	<u>74,460</u>
Changes in Net Assets	616,044	805,439	11,032	104,951
Net Assets Held in Trust For				
Pension and Other Employee Benefits				
Beginning of Year	8,149,107	11,397,213	152,742	1,400,001
End of Year	<u>\$ 8,765,151</u>	<u>\$ 12,202,652</u>	<u>\$ 163,774</u>	<u>\$ 1,504,952</u>

<u>Pension Trust</u>		<u>Other Employee Benefits</u>		
<u>Probate Judges</u>	<u>Other</u>	<u>Retired Teachers' Health Benefits</u>	<u>Policemen, Firemen, Survivors 'Benefits</u>	<u>Total</u>
\$ 266	\$ 28	\$ 53,156	\$ 381	\$ 376,483
-	-	17,663	-	1,048,705
-	-	-	23	32,844
266	28	70,819	404	1,458,032
8,240	28	496	1,024	2,406,498
(620)	(2)	-	(77)	(180,828)
7,620	26	496	947	2,225,670
2,228	-	-	-	2,228
3	10	-	-	5,180
10,117	64	71,315	1,351	3,691,110
-	-	1,827	-	2,266
2,643	3	61,207	755	2,134,966
2,228	-	12	-	2,240
4,871	3	63,046	755	2,139,472
5,246	61	8,269	596	1,551,638
72,090	802	18,995	19,039	21,209,989
<u>\$ 77,336</u>	<u>\$ 863</u>	<u>\$ 27,264</u>	<u>\$ 19,635</u>	<u>\$ 22,761,627</u>

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Agency Funds

Insurance Companies' Securities:

To account for securities that are deposited with the Treasurer to be held for policyholders of insurance companies as a prerequisite to such companies transacting business with the State.

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2006

(Expressed in Thousands)

	Fringe Benefit Clearing	Receipts Pending Distribution	Insurance Companies' Securities	State Institution Activity	Other	Total
Assets						
Cash and Cash Equivalents	\$ 12	\$ 10,928	\$ -	\$ 19,414	\$ 94,509	\$ 124,863
Receivables:						
Accounts, Net of Allowances	-	554	-	3,629	-	4,183
From Other Funds	3,525	-	-	-	-	3,525
Interest	-	-	-	37	280	317
Inventories	-	-	-	607	-	607
Other Assets	-	-	351,894	3,496	-	355,390
Total Assets	<u>\$ 3,537</u>	<u>\$ 11,482</u>	<u>\$ 351,894</u>	<u>\$ 27,183</u>	<u>\$ 94,789</u>	<u>\$ 488,885</u>
Liabilities						
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,053	\$ -	\$ 473	\$ -	\$ 1,526
Other Liabilities	-	-	-	3,744	-	3,744
Funds Held for Others	3,537	10,429	351,894	22,966	94,789	483,615
Total Liabilities	<u>\$ 3,537</u>	<u>\$ 11,482</u>	<u>\$ 351,894</u>	<u>\$ 27,183</u>	<u>\$ 94,789</u>	<u>\$ 488,885</u>

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
<u>Fringe Benefit Clearing</u>				
Assets				
Cash and Cash Equivalents	\$ 2,146	\$ -	\$ 2,134	\$ 12
From Other Funds	5,104	3,525	5,104	3,525
Total Assets	<u>\$ 7,250</u>	<u>\$ 3,525</u>	<u>\$ 7,238</u>	<u>\$ 3,537</u>
Liabilities				
Funds Held for Others	\$ 7,250	\$ 3,537	\$ 7,250	\$ 3,537
Total Liabilities	<u>\$ 7,250</u>	<u>\$ 3,537</u>	<u>\$ 7,250</u>	<u>\$ 3,537</u>
<u>Receipts Pending Distribution</u>				
Assets				
Cash and Cash Equivalents	\$ 18,615	\$ -	\$ 7,687	\$ 10,928
Accounts, Net of Allowances	885	554	885	554
Total Assets	<u>\$ 19,500</u>	<u>\$ 554</u>	<u>\$ 8,572</u>	<u>\$ 11,482</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,053	\$ -	\$ 1,053
Funds Held for Others	19,500	4,133	13,204	10,429
Total Liabilities	<u>\$ 19,500</u>	<u>\$ 5,186</u>	<u>\$ 13,204</u>	<u>\$ 11,482</u>
<u>Insurance Companies Securities</u>				
Assets				
Other Assets	\$ 551,674	\$ 351,894	\$ 551,674	\$ 351,894
Total Assets	<u>\$ 551,674</u>	<u>\$ 351,894</u>	<u>\$ 551,674</u>	<u>\$ 351,894</u>
Liabilities				
Funds Held for Others	\$ 551,674	\$ 351,894	\$ 551,674	\$ 351,894
Total Liabilities	<u>\$ 551,674</u>	<u>\$ 351,894</u>	<u>\$ 551,674</u>	<u>\$ 351,894</u>
<u>State Institution Activity</u>				
Assets				
Cash and Cash Equivalents	\$ 15,943	\$ 17,969	\$ 14,498	\$ 19,414
Accounts, Net of Allowances	2,659	3,629	2,659	3,629
Interest	17	37	17	37
Inventories	915	607	915	607
Other Assets	3,589	3,496	3,589	3,496
Total Assets	<u>\$ 23,123</u>	<u>\$ 25,738</u>	<u>\$ 21,678</u>	<u>\$ 27,183</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 331	\$ 473	\$ 331	\$ 473
Other Liabilities	2,883	3,744	2,883	3,744
Funds Held for Others	19,909	22,966	19,909	22,966
Total Liabilities	<u>\$ 23,123</u>	<u>\$ 27,183</u>	<u>\$ 23,123</u>	<u>\$ 27,183</u>

continues

Combining Statement of Changes in Assets and Liabilities

continued

Agency Funds

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Other				
Assets				
Cash and Cash Equivalents	\$ 137,181	\$ 82,622	\$ 125,294	\$ 94,509
Interest	198	280	198	280
Total Assets	<u>\$ 137,379</u>	<u>\$ 82,902</u>	<u>\$ 125,492</u>	<u>\$ 94,789</u>
Liabilities				
Funds Held for Others	\$ 137,379	\$ 94,789	\$ 137,379	\$ 94,789
Total Liabilities	<u>\$ 137,379</u>	<u>\$ 94,789</u>	<u>\$ 137,379</u>	<u>\$ 94,789</u>
Total - All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 173,885	\$ 100,591	\$ 149,613	\$ 124,863
Accounts, Net of Allowances	3,544	4,183	3,544	4,183
From Other Funds	5,104	3,525	5,104	3,525
Interest	215	317	215	317
Inventories	915	607	915	607
Other Assets	555,263	355,390	555,263	355,390
Total Assets	<u>\$ 738,926</u>	<u>\$ 464,613</u>	<u>\$ 714,654</u>	<u>\$ 488,885</u>
Liabilities				
Accounts Payable and Accrued Liabilities	\$ 331	\$ 1,526	\$ 331	\$ 1,526
Other Liabilities	2,883	3,744	2,883	3,744
Funds Held for Others	735,712	477,319	729,416	483,615
Total Liabilities	<u>\$ 738,926</u>	<u>\$ 482,589</u>	<u>\$ 732,630</u>	<u>\$ 488,885</u>

Component Units

Connecticut Development Authority:

the Connecticut Development Authority is a public instrumentality and political subdivision of the State. The Authority was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond Program, its Umbrella Program and its Insurance Program.

Connecticut Resources Recovery Authority:

the Connecticut Resources Recovery Authority is a public instrumentality and political subdivision of the State. The Authority is responsible for implementing the State's solid waste management plan, which includes design, construction and operation of resources recovery facilities and the marketing of recovered products.

Connecticut Higher Education Supplemental Loan Authority:

the Connecticut Higher Education Supplementary Loan Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist students, their parents and institutions of higher education to finance the cost of higher education through its bond funds.

Capital City Economic Development Authority:

the Capital City Economic Development Authority is a public instrumentality of the state. The authority was created in 1998 to use municipal and state financial resources for the purpose of building a variety of Hartford based projects ranging from facilities to accommodate the exhibition, hospitality and tourism industries to downtown residential housing.

Connecticut Innovations, Incorporated:

Connecticut Innovations is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut by providing financial technical assistance.

Combining Statement of Net Assets

Nonmajor Component Units

June 30, 2006

(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Resources Recovery Authority	Connecticut Innovations, Incorporated
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 45,970	\$ 1,881	\$ 98,644	\$ 21,078
Investments	79	-	-	25,581
Receivables:				
Accounts, Net of Allowances	60	-	22,148	2
Loans, Net of Allowances	10,966	13,360	-	-
Interest Receivable	475	548	-	-
Due From Primary Government	12,778	-	-	-
Restricted Assets	-	32,102	20,819	-
Inventories	-	-	3,419	-
Other Current Assets	659	-	1,361	829
Total Current Assets	70,987	47,891	146,391	47,490
Noncurrent Assets:				
Investments	18,019	-	-	35,781
Accounts, Net of Allowances	1,876	-	-	-
Loans, Net of Allowances	37,352	72,040	-	-
Restricted Assets	12,301	7,000	80,130	-
Capital Assets, Net of Accumulated Depreciation	15,943	-	171,721	1,253
Other Noncurrent Assets	3,178	2,091	6,218	-
Total Noncurrent Assets	88,669	81,131	258,069	37,034
Total Assets	159,656	129,022	404,460	84,524
Liabilities				
Current Liabilities:				
Accounts Payable & Accrued Liabilities	7,819	740	24,615	605
Current Portion of Long-Term Obligations	4,379	6,298	4,349	-
Due To Primary Government	-	-	2,619	-
Other Liabilities	415	-	122	42
Total Current Liabilities	12,613	7,038	31,705	647
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	32,171	111,911	120,321	-
Total Noncurrent Liabilities	32,171	111,911	120,321	-
Total Liabilities	44,784	118,949	152,026	647
Net Assets				
Invested in Capital Assets, Net of Related Debt	11,917	-	89,888	1,253
Restricted:				
Debt Service	12,301	-	19,565	-
Expendable Endowments	-	-	-	-
Nonexpendable Endowments	-	-	-	-
Other Purposes	-	-	44,342	-
Unrestricted	90,654	10,073	98,639	82,624
Total Net Assets	\$ 114,872	\$ 10,073	\$ 252,434	\$ 83,877

Capital City Economic Development Authority	UConn Foundation	Total
\$ 2,686	\$ 1,062	\$ 171,321
-	319,580	345,240
868	7,507	30,585
-	-	24,326
-	-	1,023
-	-	12,778
-	-	52,921
90	-	3,509
102	-	2,951
<u>3,746</u>	<u>328,149</u>	<u>644,654</u>
-	-	53,800
-	12,530	14,406
-	-	109,392
6,058	899	106,388
264,671	5,495	459,083
1,395	1,302	14,184
<u>272,124</u>	<u>20,226</u>	<u>757,253</u>
<u>275,870</u>	<u>348,375</u>	<u>1,401,907</u>
2,331	3,150	39,260
1,065	160	16,251
-	-	2,619
-	-	579
<u>3,396</u>	<u>3,310</u>	<u>58,709</u>
<u>85,908</u>	<u>10,032</u>	<u>360,343</u>
<u>85,908</u>	<u>10,032</u>	<u>360,343</u>
<u>89,304</u>	<u>13,342</u>	<u>419,052</u>
179,093	(1,413)	280,738
-	-	31,866
-	109,346	109,346
-	220,481	220,481
6,058	-	50,400
1,415	6,619	290,024
<u>\$ 186,566</u>	<u>\$ 335,033</u>	<u>\$ 982,855</u>

Combining Statement of Activities

Nonmajor Component Units

For The Fiscal Year Ended June 30, 2006

(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Connecticut Development Authority	\$ 24,116	\$ 19,791	\$ -	\$ -
Connecticut Higher Education Supplemental Loan Authority	8,022	7,393	-	-
Connecticut Resources Recovery Authority	171,976	185,978	-	-
Connecticut Innovations, Incorporated	4,717	424	-	-
Capital City Economic Development Authority	28,454	12,922	6,212	31,054
UConn Foundation	45,267	43,661	-	-
Total Nonmajor Component Units	<u>\$ 282,552</u>	<u>\$ 270,169</u>	<u>\$ 6,212</u>	<u>\$ 31,054</u>

General Revenues:

Investment Income
Contributions to Endowments
Total General Revenues and
Contributions
Change in Net Assets
Total Net Assets - Beginning
Total Net Assets - Ending

Net (Expense) Revenue and
Changes in Net Assets

Connecticut Development Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Resources Recovery Authority	Connecticut Innovations, Incorporated	Capital City Economic Development Authority	UConn Foundation	Totals
\$ (4,325)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,325)
-	(629)	-	-	-	-	(629)
-	-	14,002	-	-	-	14,002
-	-	-	(4,293)	-	-	(4,293)
-	-	-	-	21,734	-	21,734
-	-	-	-	-	(1,606)	(1,606)
(4,325)	(629)	14,002	(4,293)	21,734	(1,606)	24,883
2,247	1,951	7,664	5,232	442	-	17,536
-	-	-	-	-	33,520	33,520
2,247	1,951	7,664	5,232	442	33,520	51,056
(2,078)	1,322	21,666	939	22,176	31,914	75,939
116,950	8,751	230,768	82,938	164,390	303,119	906,916
\$ 114,872	\$ 10,073	\$ 252,434	\$ 83,877	\$ 186,566	\$ 335,033	\$ 982,855

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Statistical Section

This part of the State of Connecticut's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Net Assets by Component	140
Changes in Net Assets	142
Fund Balances, Governmental Funds	144
Changes in Fund Balances, Governmental Funds	144

REVENUE CAPACITY INFORMATION

These schedules present revenue capacity information for the State's most significant revenue source, the personal income tax.

Personal Income by Industry	145
Personal Income Tax Rates	146
Personal Income Tax Filers and Liability by Income Level	146

DEBT CAPACITY INFORMATION

These schedules present information to assist the user in understanding and assessing a government's debt burden and its ability to issue additional debt.

Legal Debt Margin	147
Ratios of Outstanding Debt by Type	148
Ratios of Net General Bonded Debt	148
Pledged-Revenue Coverage	150

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the State's financial activities take place and to help make comparisons over time and with other governments.

Population and Per Capita Personal Income	154
Employment Information	154
Top Ten Employers	156

OPERATING INFORMATION

These schedules contain information about the State's operations and a resource to help the reader understand how the State's financial information relates to the activities it performs.

State Employees by Function	157
Capital Asset Statistics by Function	158

Sources: Unless otherwise noted the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The State implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning that year.

Net Assets by Component

Last Five Fiscal Years
(Expressed in Thousands)

	2002	2003	2004
Governmental Activities:			
Invested in Capital Assets, Net of Related Debt	\$ 2,348,364	\$ 2,622,372	\$ 3,264,134
Restricted	1,231,415	1,233,992	1,686,089
Unrestricted	(8,196,738)	(9,203,348)	(10,390,481)
Total Governmental Activities Net Assets	<u>\$ (4,616,959)</u>	<u>\$ (5,346,984)</u>	<u>\$ (5,440,258)</u>
Business-Type Activities:			
Invested in Capital Assets, Net of Related Debt	\$ 1,847,526	\$ 2,092,633	\$ 2,209,541
Restricted	1,846,132	1,650,045	1,409,915
Unrestricted	106,375	132,394	40,461
Total Business-Type Activities Net Assets	<u>\$ 3,800,033</u>	<u>\$ 3,875,072</u>	<u>\$ 3,659,917</u>
Primary Government:			
Invested in Capital Assets, Net of Related Debt	\$ 4,195,890	\$ 4,715,005	\$ 5,473,675
Restricted	3,077,547	2,884,037	3,096,004
Unrestricted	(8,090,363)	(9,070,954)	(10,350,020)
Total Primary Government Net Assets	<u>\$ (816,926)</u>	<u>\$ (1,471,912)</u>	<u>\$ (1,780,341)</u>

Notes: The State did not begin reporting government-wide statements until it implement GASB Statement 34 in fiscal year 2002. The governmental activities have a deficit in unrestricted net asset mainly because the State recognized in the Statement of Net Assets the following long-term obligations:

1. General obligation bonds which were issued to finance various grant programs of the State, such as school construction and municipal aid.
2. Other long-term obligations which the State has partially funded or not funded. For example, net pension obligation, compensated absences obligation, etc.

<u>2005</u>	<u>2006</u>
\$ 3,294,888	\$ 3,469,145
1,324,933	1,496,693
<u>(10,010,444)</u>	<u>(10,041,840)</u>
<u>\$ (5,390,623)</u>	<u>\$ (5,076,002)</u>
\$ 2,314,139	\$ 2,407,382
1,568,559	1,704,585
<u>115,901</u>	<u>179,171</u>
<u>\$ 3,998,599</u>	<u>\$ 4,291,138</u>
\$ 5,609,027	\$ 5,876,527
2,893,492	3,201,278
<u>(9,894,543)</u>	<u>(9,862,669)</u>
<u>\$ (1,392,024)</u>	<u>\$ (784,864)</u>

Changes in Net Assets

Last Five Fiscal Years

(Expressed in Thousands)

	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
Legislative	\$ 80,212	\$ 80,176	\$ 89,532	\$ 91,037	\$ 96,622
General Government	1,339,982	1,145,613	1,100,700	1,288,231	1,352,908
Regulation and Protection	627,352	574,674	590,377	633,466	712,061
Conservation and Development	434,356	410,167	448,077	424,125	396,296
Health and Hospital	1,664,152	1,711,076	1,683,465	1,801,346	1,922,583
Transportation	1,366,108	941,257	1,153,888	1,183,961	1,090,504
Human Services	3,882,711	4,138,932	4,630,154	4,535,915	4,941,454
Education, Libraries, and Museums	3,000,315	3,090,630	3,174,305	3,408,288	3,888,711
Corrections	1,355,142	1,450,392	1,579,043	1,675,965	1,768,368
Judicial	538,368	555,791	546,163	649,666	654,894
Interest and Fiscal Charges	592,490	595,949	577,448	612,115	619,730
Total Governmental Activities Expenses	14,881,188	14,694,657	15,573,152	16,304,115	17,444,131
Business-Type Activities:					
Higher Education	1,869,875	1,977,886	-	-	-
University of Connecticut and Health Center	-	-	1,254,402	1,386,327	1,464,055
State Universities	-	-	469,712	506,993	536,026
Bradley International Airport	50,455	54,323	59,338	61,559	62,625
CT Lottery Corporation	672,118	643,214	656,716	691,163	709,591
Employment Security	736,261	963,201	811,483	580,549	572,602
Second Injury and Compensation Assurance	61,235	-	-	-	-
Clean Water	30,903	29,435	24,759	27,740	26,076
Other	19,186	72,633	361,367	405,423	419,074
Total Business-Type Activities Expenses	3,440,033	3,740,692	3,637,777	3,659,754	3,790,049
Total Primary Government Expenses	\$ 18,321,221	\$ 18,435,349	\$ 19,210,929	\$ 19,963,869	\$ 21,234,180
Program Revenues					
Governmental Activities:					
Charges for Services, Fees, Fines, and Forfeitures	\$ 942,871	\$ 1,072,932	\$ 1,253,672	\$ 1,316,668	\$ 1,379,061
Operating Grants and Contributions	3,320,099	3,489,213	3,850,132	3,809,577	4,034,673
Capital Grants and Contributions	509,112	562,613	543,805	335,256	541,875
Total Governmental Activities Program Revenues	4,772,082	5,124,758	5,647,609	5,461,501	5,955,609
Business-Type Activities:					
Charges for Services, Fees, Fines, and Forfeitures	2,409,648	2,594,766	2,935,955	2,863,023	2,900,105
Operating Grants and Contributions	447,706	456,239	227,674	262,015	277,357
Capital Grants and Contributions	37,837	10,195	9,339	86,684	80,082
Total Business-Type Activities Program Revenues	2,895,191	3,061,200	3,172,968	3,211,722	3,257,544
Total Primary Government Program Revenues	\$ 7,667,273	\$ 8,185,958	\$ 8,820,577	\$ 8,673,223	\$ 9,213,153
Net (Expense)/Revenue					
Governmental Activities	\$ (10,109,106)	\$ (9,569,899)	\$ (9,925,543)	\$ (10,842,614)	\$ (11,488,522)
Business-Type Activities	(544,842)	(679,492)	(464,809)	(448,032)	(532,505)
Total Primary Government Net Expense	\$ (10,653,948)	\$ (10,249,391)	\$ (10,390,352)	\$ (11,290,646)	\$ (12,021,027)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Personal Income	\$ 3,680,434	\$ 3,593,080	\$ 4,392,403	\$ 4,983,163	\$ 5,625,882
Corporate Income	197,245	390,012	473,505	538,834	655,607
Sales and Use	2,933,268	2,938,341	3,061,423	3,278,902	3,382,118
Other	948,369	1,208,083	1,274,149	1,487,321	1,608,235
Restricted for Transportation Purposes:					
Motor Fuel	424,037	450,696	470,001	482,476	515,013
Other	109,272	64,524	70,411	69,720	68,418
Casino Gaming Payments	368,954	387,255	402,733	417,838	427,527
Tobacco Settlement	139,968	137,915	116,578	118,321	108,619
Unrestricted Investment Earnings	84,684	54,741	18,350	69,332	104,911
Other	-	15,855	-	-	-
Special Items:					
Statutory Payment from Component Units	-	100,000	17,500	15,000	-
Other	-	127,256	(174,760)	(165,412)	-
Transfers-Internal Activities	(657,037)	(640,268)	(417,062)	(692,499)	(711,657)
Total Governmental Activities	<u>8,229,194</u>	<u>8,827,490</u>	<u>9,705,231</u>	<u>10,602,996</u>	<u>11,784,673</u>
Business-Type Activities					
Unrestricted Investment Earnings	89,388	111,336	90,486	93,879	113,387
Special Items:					
Loss on Disposal of Capital Assets	(4,499)	-	(4,190)	-	-
Other	-	(2,455)	-	-	-
Extraordinary Item-Loss on Early Retirement of	-	(4,010)	(1,983)	-	-
Transfers-Internal Activities	657,037	640,268	417,062	498,499	711,657
Total Business-Type Activities	<u>741,926</u>	<u>745,139</u>	<u>501,375</u>	<u>592,378</u>	<u>825,044</u>
Total Primary Government	<u>\$ 8,971,120</u>	<u>\$ 9,572,629</u>	<u>\$ 10,206,606</u>	<u>\$ 11,195,374</u>	<u>\$ 12,609,717</u>
Changes in Net Assets					
Governmental Activities	\$ (1,879,912)	\$ (742,409)	\$ (220,312)	\$ (239,618)	\$ 296,151
Business-Type Activities	197,084	65,647	36,566	144,346	292,539
Total Primary Government	<u>\$ (1,682,828)</u>	<u>\$ (676,762)</u>	<u>\$ (183,746)</u>	<u>\$ (95,272)</u>	<u>\$ 588,690</u>
Other Changes in Net Assets					
Governmental Activities:					
Prior-Year Adjustments	-	12,384	100,104	289,253	18,470
Fund Reclassification	-	-	26,934	-	-
Total Governmental Activities	<u>-</u>	<u>12,384</u>	<u>127,038</u>	<u>289,253</u>	<u>18,470</u>
Business-Type Activities:					
Prior-Year Adjustments	-	9,392	(9,750)	-	-
Fund Reclassification	-	-	(241,971)	-	-
Change in Reporting Period	-	-	-	194,336	-
Total Business-Type Activities	<u>-</u>	<u>9,392</u>	<u>(251,721)</u>	<u>194,336</u>	<u>-</u>
Total Primary Government	<u>\$ -</u>	<u>\$ 21,776</u>	<u>\$ (124,683)</u>	<u>\$ 483,589</u>	<u>\$ 18,470</u>

Notes: The State did not begin reporting government-wide statements until it implemented GASB Statement 34 in fiscal year 2002.

In January 2003 there was an increase in the personal income tax rate of one half percent.

In fiscal year 2004 the Higher Education line was reclassified to display more details about these activities.

Other changes in net assets are direct adjustments to the beginning balance of net assets (See Note 21).

Fund Balances, Governmental Funds

Last Five Fiscal Years
(Expressed in Thousands)

	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 509,096	\$ 440,819	\$ 720,581	\$ 1,434,544	\$ 1,917,260
Unreserved	(944,022)	(842,318)	(900,171)	(1,037,651)	(1,058,714)
Total General Fund	\$ (434,926)	\$ (401,499)	\$ (179,590)	\$ 396,893	\$ 858,546
All Other Governmental Funds					
Reserved	\$ 1,209,556	\$ 1,177,121	\$ 1,296,214	\$ 1,250,708	\$ 1,323,595
Unreserved					
Transportation Fund	178,620	125,330	119,203	123,209	128,762
Special Revenue Funds	595,158	443,507	512,106	535,689	533,857
Capital Projects Funds	(90,862)	146,984	221,849	168,105	264,513
Total All Other Governmental Funds	\$ 1,892,472	\$ 1,892,942	\$ 2,149,372	\$ 2,077,711	\$ 2,250,727

Note: Due to changes in the State's fund structure initiated when GASB 34 was implemented, the changes in fund balance information is available beginning in FY 2002.

Changes in Fund Balances, Governmental Funds

Last Five Fiscal Years
(Expressed in Thousands)

	2002	2003	2004	2005	2006
Revenues					
Taxes	\$ 8,278,340	\$ 8,727,502	\$ 9,742,801	\$ 10,830,226	\$ 11,836,809
Assessments			25,827	17,968	21,555
Licenses, Permits and Fees	551,369	524,998	515,049	530,148	536,468
Tobacco Settlement	139,968	137,915	116,578	118,321	108,619
Federal Grants and Aid	3,837,393	4,028,640	4,383,498	4,117,007	4,578,381
Charges for Services	61,047	92,922	98,225	95,683	108,797
Fines, Forfeits and Rents	71,039	99,909	138,619	189,525	107,115
Casino Gaming Payments	368,954	387,255	402,733	417,838	427,527
Investment Earnings	78,074	50,959	27,531	69,342	102,694
Miscellaneous	292,742	363,471	456,841	470,567	593,629
Total Revenues	13,678,926	14,413,571	15,907,702	16,856,625	18,421,594
Expenditures					
Legislative	76,595	77,307	84,272	86,006	91,733
General Government	1,326,900	1,115,263	1,056,469	1,167,476	1,305,571
Regulation and Protection	607,074	558,710	559,219	602,472	686,747
Conservation and Development	428,254	402,655	432,590	407,547	384,063
Health and Hospital	1,652,838	1,686,699	1,642,797	1,761,561	1,889,242
Transportation	576,857	537,797	527,326	573,035	648,628
Human Services	3,866,970	4,089,089	4,538,769	4,454,092	4,877,611
Education, Libraries, and Museums	2,981,859	3,042,345	3,091,136	3,324,865	3,813,549
Corrections	1,334,427	1,422,713	1,525,804	1,621,273	1,723,591
Judicial	532,774	546,154	532,784	627,602	648,274
Capital Projects	1,030,628	871,029	780,194	707,023	671,124
Debt Service:					
Principal	824,825	904,658	965,313	1,051,308	1,102,770
Interest	599,795	613,181	647,797	644,563	670,385
Total Expenditures	15,839,796	15,867,600	16,384,470	17,028,823	18,513,288
Revenues Over (Under) Expenditures	(2,160,870)	(1,454,029)	(476,768)	(172,198)	(91,694)
Other Financing Sources (Uses) and Special Items					
Bonds Issued	1,621,001	1,804,145	1,395,545	1,278,110	1,362,145
Premiums on Bonds Issued	131,016	124,606	269,058	93,014	55,244
Transfers In	1,105,265	1,282,163	1,679,858	1,034,799	1,036,654
Transfers Out	(1,763,439)	(1,796,544)	(2,098,625)	(1,729,854)	(1,750,539)
Refunding Bonds Issued	1,121,670	745,669	1,961,040	447,013	61,020
Payment to Refunded Bond Escrow Agent	(1,204,925)	(776,597)	(2,146,469)	(484,379)	(65,473)
Capital Lease Obligations	6,989	1,077	-	27,628	-
Special Items:					
Transfer of Loans to Component Unit	-	-	(204,117)	-	-
Statutory Payment from Component Units	-	100,000	17,500	15,000	-
Other	-	-	29,357	-	-
Total Other Financing Sources (Uses) and Special Items	1,017,577	1,484,519	903,147	681,331	699,051
Net Change in Fund Balances	\$ (1,143,293)	\$ 30,490	\$ 426,379	\$ 509,133	\$ 607,357
Debt Service as a Percentage of Noncapital Expenditures	9.54%	10.24%	10.28%	10.34%	10.02%

Note: Due to changes in the State's fund structure initiated when GASB 34 was implemented, the changes in fund balance information is available beginning in FY 2002.

Personal Income by Industry

Last Five Calendar Years

(Expressed in Thousands)

	2002	2003	2004	2005	2006
Farm Earnings	\$ 169,384	\$ 163,186	\$ 181,512	\$ 179,546	\$ 154,000
Agricultural Services, Forestry, Fishing	53,215	47,990	45,653	43,390	43,000
Mining	132,885	142,415	183,161	210,433	250,000
Construction	5,949,891	5,883,794	6,702,149	7,221,766	7,206,000
Durable Goods	11,755,698	11,794,810	12,388,008	12,909,198	13,622,000
Nondurable Goods	5,085,994	5,093,473	5,360,660	5,495,647	5,589,000
Transportation and Public Utilities	3,063,712	3,323,358	3,639,012	3,664,577	3,698,000
Wholesale Trade	5,420,568	5,515,096	5,819,416	6,199,684	6,802,000
Retail Trade	7,295,378	7,349,016	7,533,969	7,696,592	8,196,000
Services	59,658,975	59,358,363	65,546,050	69,407,977	73,598,000
Federal, Civilian	1,555,257	1,556,662	1,685,192	1,651,650	1,662,000
Military	684,388	785,349	842,406	882,223	872,000
State and Local	11,714,486	11,852,667	12,467,586	13,126,266	13,108,000
Other ¹	34,457,608	36,109,211	36,501,189	38,118,358	40,928,000
Total Personal Income	<u>\$ 146,997,439</u>	<u>\$ 148,975,390</u>	<u>\$ 158,895,963</u>	<u>\$ 166,807,307</u>	<u>\$ 175,728,000</u>
Average Effective Rate ²	2.50%	2.48%	2.97%	3.17%	3.34%

Notes: Fiscal year 2006 amounts are based on third quarter estimates.

¹Includes dividends, interest, rental income, residence adjustments, government transfers to individuals, and deductions for insurance.

²Total direct rate for personal income is not available. Average effective rate equals fiscal year net tax collections divided by prior-year total personal income.

Sources: U. S. Bureau of Economic Analysis and Department of Revenue Services

Personal Income Tax Rates

Last Five Calendar Years
(Expressed in Thousands)

Top Income Tax Rates is Applied to Taxable Income in Excess of						Average Effective
	Top	Single/ Married Filing	Married Filing	Head of		
<u>Year</u>	<u>Rate</u>	<u>Separate</u>	<u>Jointly</u>	<u>Household</u>	<u>Rate</u>	
2002	4.50%	\$ 10,000	\$ 20,000	16,000	2.50%	
2003	5.00%	10,000	20,000	16,000	2.48%	
2004	5.00%	10,000	20,000	16,000	2.97%	
2005	5.00%	10,000	20,000	16,000	3.17%	
2006	5.00%	10,000	20,000	16,000	3.34%	

Notes: Taxable income equal to or less than amounts listed above is taxed at a rate of 3%.

Average effective rate equals fiscal year net tax collections divided by prior-year total personal income.

Sources: U. S. Bureau of Economic Analysis and Department of Revenue Services

**Personal Income Tax Filers and Liability by Income Level,
Calendar Years 2002 and 2004**

(Expressed in Thousands)

<u>Income Level</u>	Calendar Year 2002				Calendar Year 2004			
	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$50,000 and under	810,902	58.1%	\$ 216,127,745	7.6%	793,615	56.3%	\$ 250,031,467	6.3%
\$50,001 - \$100,000	373,002	26.7%	765,850,088	26.8%	374,542	26.6%	915,951,173	23.0%
\$100,001 - \$200,000	152,952	11.0%	746,506,146	26.1%	172,175	12.2%	958,463,523	24.1%
\$200,001 - \$500,000	43,707	3.1%	452,609,898	15.8%	51,375	3.6%	600,806,579	15.1%
\$500,001 - \$2,000,000	12,202	0.9%	330,851,853	11.6%	15,520	1.1%	486,384,445	12.2%
\$2,000,000 and up	1,971	0.1%	347,553,185	12.2%	3,096	0.2%	770,274,733	19.3%
Total	1,394,736	99.9%	\$ 2,859,498,915	100.1%	1,410,323	100.0%	\$ 3,981,911,920	100.0%

Note: Due to confidentiality issues, the names of the ten largest tax payers are not available.

The categories presented are intended to provide alternative information regarding the sources of the State's tax revenue. Calendar year 2004 is the most recent year for which the data is available.

Source: Department of Revenue Services

Legal Debt Margin Information

Last Five Fiscal Years

(Expressed in Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Estimated General Fund Tax Receipts	\$ 8,754,200	\$ 8,147,500	\$ 8,624,000	\$ 9,441,100	\$ 10,455,400
Statutory Multiplier	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>
Statutory Debt Limit for Debt Incurred	14,006,720	13,036,000	13,798,400	15,105,760	16,728,640
Less: Authorized Bonds, Notes, and Other Obligations Subject to Certain Limitations	<u>11,670,734</u>	<u>11,724,239</u>	<u>12,233,029</u>	<u>12,486,174</u>	<u>12,938,435</u>
Legal Debt Margin	<u>\$ 2,335,986</u>	<u>\$ 1,311,761</u>	<u>\$ 1,565,371</u>	<u>\$ 2,619,586</u>	<u>\$ 3,790,205</u>
Legal Debt Margin as a percentage of the debt limit	<u>16.68%</u>	<u>10.06%</u>	<u>11.34%</u>	<u>17.34%</u>	<u>22.66%</u>
Date Calculation was made	10/15/01	11/1/02	12/16/03	1/1/05	12/16/05

Source: State of Connecticut General Obligation Bonds Offering Statement

Ratios of Outstanding Debt by Type

Last Five Fiscal Years

(Expressed in Thousands)

	2002	2003	2004
Governmental Activities			
General Obligation Bonds	\$ 8,527,436	\$ 9,216,354	\$ 9,606,611
Transportation Obligation Bonds	3,174,903	3,205,815	3,153,949
Economic Recovery Notes	-	219,235	273,215
Capital Leases	76,896	67,988	53,761
Total Governmental Activities	<u>11,779,235</u>	<u>12,709,392</u>	<u>13,087,536</u>
Business-Type Activities			
Revenue Bonds	1,504,799	1,555,161	1,713,805
Total Business-Type Activities	<u>1,504,799</u>	<u>1,555,161</u>	<u>1,713,805</u>
Total Primary Government	<u>\$ 13,284,034</u>	<u>\$ 14,264,553</u>	<u>\$ 14,801,341</u>
Debt as a Percentage of Personal Income	9.04%	9.58%	9.32%
Amount of Debt Per Capita	3,842	4,092	4,230

Notes: Details regarding the State's debt can be found in Note 16 of the financial statements.

The State did not begin reporting government-wide statements until it implemented GASB Statement 34 in fiscal year 2002.

Ratios of Net General Bonded Debt Outstanding

Last Five Fiscal Years

(Expressed in Thousands)

	2002	2003	2004
General Obligation Bonds	\$ 8,527,436	\$ 9,216,354	\$ 9,606,611
Transportation Obligation Bonds	3,174,903	3,205,815	3,153,949
Debt Service Fund Balance	(670,771)	(622,083)	(635,679)
Net General Obligation Bonded Debt	<u>\$ 11,031,568</u>	<u>\$ 11,800,086</u>	<u>\$ 12,124,881</u>
Net General Obligation Debt as a Percentage of Personal Income	7.50%	7.92%	7.63%
Amount of Net GO Debt Per Capita	3,190	3,385	3,465

Notes: Details regarding the State's debt can be found in Note 16 of the financial statements.

The State did not begin reporting government-wide statements until it implemented GASB Statement 34 in fiscal year 2002.

<u>2005</u>	<u>2006</u>
\$ 9,905,242	\$ 10,211,493
3,113,875	3,094,001
209,560	146,090
76,955	60,491
<u>13,305,632</u>	<u>13,512,075</u>
<u>1,619,658</u>	<u>1,523,130</u>
<u>1,619,658</u>	<u>1,523,130</u>
<u>\$ 14,925,290</u>	<u>\$ 15,035,205</u>
8.95%	8.56%
4,252	4,290

<u>2005</u>	<u>2006</u>
\$ 9,905,242	\$ 10,201,493
3,113,875	3,094,001
(677,555)	(674,630)
<u>\$ 12,341,562</u>	<u>\$ 12,620,864</u>
7.40%	7.18%
3,516	3,601

Pledged-Revenue Coverage

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
University of Connecticut and Health Center²					
Gross Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	-	-	-	-	-
Net Available Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service:					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	-	-	-	-	-
State Universities²					
Gross Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	-	-	-	-	-
Net Available Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service:					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	-	-	-	-	-
Bradley International Airport					
Gross Revenues	\$ 38,794	\$ 46,432	\$ 48,133	\$ 55,888	\$ 53,364
Operating Expenses	<u>19,746</u>	<u>19,396</u>	<u>21,242</u>	<u>21,815</u>	<u>24,688</u>
Net Available Revenues	<u>\$ 19,048</u>	<u>\$ 27,036</u>	<u>\$ 26,891</u>	<u>\$ 34,073</u>	<u>\$ 28,676</u>
Debt Service:					
Principal	\$ 2,820	\$ 3,030	\$ 3,240	\$ 3,480	\$ 6,785
Interest	<u>6,718</u>	<u>6,502</u>	<u>6,268</u>	<u>6,084</u>	<u>8,291</u>
Total	<u>\$ 9,538</u>	<u>\$ 9,532</u>	<u>\$ 9,508</u>	<u>\$ 9,564</u>	<u>\$ 15,076</u>
Coverage	2.00	2.84	2.83	3.56	1.90
Clean Water					
Gross Revenues	\$ 47,155	\$ 47,388	\$ 47,744	\$ 48,285	\$ 57,219
Operating Expenses	<u>1,175</u>	<u>398</u>	<u>1,019</u>	<u>1,133</u>	<u>1,320</u>
Net Available Revenues	<u>\$ 45,980</u>	<u>\$ 46,990</u>	<u>\$ 46,725</u>	<u>\$ 47,152</u>	<u>\$ 55,899</u>
Debt Service:					
Principal	\$ 15,395	\$ 18,725	\$ 96,230	\$ 22,630	\$ 24,915
Interest	<u>21,914</u>	<u>25,348</u>	<u>24,378</u>	<u>29,607</u>	<u>28,179</u>
Total	<u>\$ 37,309</u>	<u>\$ 44,073</u>	<u>\$ 120,608</u>	<u>\$ 52,237</u>	<u>\$ 53,094</u>
Coverage	1.23	1.07	0.39	0.90	1.05
Second Injury & Compensation Assurance¹					
Gross Revenues	\$ 266,565	\$ 203,829	\$ 160,270	\$ 86,946	\$ 106,629
Operating Expenses	<u>226,276</u>	<u>184,673</u>	<u>143,291</u>	<u>66,843</u>	<u>62,375</u>
Net Available Revenues	<u>\$ 40,289</u>	<u>\$ 19,156</u>	<u>\$ 16,979</u>	<u>\$ 20,103</u>	<u>\$ 44,254</u>
Debt Service:					
Principal	\$ -	\$ 33,940	\$ 4,880	\$ 30,100	\$ 136,630
Interest	-	<u>8,334</u>	<u>8,469</u>	<u>10,646</u>	<u>12,642</u>
Total	<u>\$ -</u>	<u>\$ 42,274</u>	<u>\$ 13,349</u>	<u>\$ 40,746</u>	<u>\$ 149,272</u>
Coverage	-	0.45	1.27	0.49	0.30

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ -	\$ -	\$ 1,311,797	\$ 1,408,197	\$ 1,476,058
-	-	<u>1,154,520</u>	<u>1,270,111</u>	<u>1,327,713</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,277</u>	<u>\$ 138,086</u>	<u>\$ 148,345</u>
\$ -	\$ -	\$ 50,810	\$ 57,660	\$ 61,964
-	-	<u>10,198</u>	<u>11,158</u>	<u>13,032</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,008</u>	<u>\$ 68,818</u>	<u>\$ 74,996</u>
-	-	2.58	2.01	1.98
\$ -	\$ -	\$ 526,083	\$ 529,180	\$ 549,800
-	-	<u>432,163</u>	<u>464,940</u>	<u>496,923</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,920</u>	<u>\$ 64,240</u>	<u>\$ 52,877</u>
\$ -	\$ -	\$ 68,312	\$ 63,673	\$ 16,294
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,312</u>	<u>\$ 63,673</u>	<u>\$ 16,294</u>
-	-	1.37	1.01	3.25
\$ 54,712	\$ 56,286	\$ 54,862	\$ 60,618	\$ 60,740
<u>27,838</u>	<u>31,254</u>	<u>29,464</u>	<u>32,649</u>	<u>33,871</u>
<u>\$ 26,874</u>	<u>\$ 25,032</u>	<u>\$ 25,398</u>	<u>\$ 27,969</u>	<u>\$ 26,869</u>
\$ 3,860	\$ 5,775	\$ 6,140	\$ 8,780	\$ 10,140
<u>11,609</u>	<u>10,156</u>	<u>13,397</u>	<u>11,357</u>	<u>11,151</u>
<u>\$ 15,469</u>	<u>\$ 15,931</u>	<u>\$ 19,537</u>	<u>\$ 20,137</u>	<u>\$ 21,291</u>
1.74	1.57	1.30	1.39	1.26
\$ 48,471	\$ 50,566	\$ 37,338	\$ 47,439	\$ 54,295
<u>986</u>	<u>804</u>	<u>604</u>	<u>755</u>	<u>856</u>
<u>\$ 47,485</u>	<u>\$ 49,762</u>	<u>\$ 36,734</u>	<u>\$ 46,684</u>	<u>\$ 53,439</u>
\$ 31,040	\$ 27,050	\$ 36,723	\$ 38,207	\$ 34,386
<u>29,917</u>	<u>28,631</u>	<u>24,155</u>	<u>26,985</u>	<u>25,220</u>
<u>\$ 60,957</u>	<u>\$ 55,681</u>	<u>\$ 60,878</u>	<u>\$ 65,192</u>	<u>\$ 59,606</u>
0.78	0.89	0.60	0.72	0.90
\$ 112,608	\$ 96,107	\$ 99,687	\$ 96,918	\$ -
<u>50,654</u>	<u>48,100</u>	<u>44,793</u>	<u>55,821</u>	-
<u>\$ 61,954</u>	<u>\$ 48,007</u>	<u>\$ 54,894</u>	<u>\$ 41,097</u>	<u>\$ -</u>
\$ 50,830	\$ 42,890	\$ 56,875	\$ 54,255	\$ -
<u>10,581</u>	<u>7,455</u>	<u>5,274</u>	<u>2,454</u>	-
<u>\$ 61,411</u>	<u>\$ 50,345</u>	<u>\$ 62,149</u>	<u>\$ 56,709</u>	<u>\$ -</u>
1.01	0.95	0.88	0.72	-

Pledged-Revenue Coverage

Last Ten Fiscal Years

(Expressed in Thousands)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Bradley Parking Garage¹					
Gross Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	-	-	-	-	-
Net Available Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service:					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	-	-	-	-	-
Drinking Water¹					
Gross Revenues	\$ -	\$ -	\$ -	\$ -	\$ 13,637
Operating Expenses	-	-	-	-	1,189
Net Available Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,448</u>
Debt Service:					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	115
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115</u>
Coverage	-	-	-	-	108.24
Rate Reduction Bonds¹					
Gross Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses	-	-	-	-	-
Net Available Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service:					
Principal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Coverage	-	-	-	-	-

Notes: Gross revenues include nonoperating revenue. Operating expenses include nonoperating expenses and exclude depreciation and interest expenses. Revenues for Higher Education funds include transfers in. Revenues for Clean Water and Drinking Water bonds include federal grants.

¹ Second Injury bonds were liquidated in fiscal year 2005. Bradley Parking Garage bonds were issued in fiscal year 2000. These bonds were reported as part of Bradley International Airport for fiscal years 2000 and 2001. Drinking Water Bonds were issued in fiscal year 2001 and Rate Reduction Bonds were issued in fiscal year 2005.

² Starting in fiscal year 2004, the University of Connecticut and Health Center, the State Universities, and the Technical/Community Colleges funds were reported as separate Enterprise funds. In prior years, these funds were reported in the Higher Education fund, an Enterprise fund.

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 17,498	\$ 20,474	\$ 22,068	\$ 23,351	\$ 24,651
<u>11,691</u>	<u>9,169</u>	<u>7,077</u>	<u>7,971</u>	<u>10,467</u>
\$ 5,807	\$ 11,305	\$ 14,991	\$ 15,380	\$ 14,184
\$ -	\$ -	\$ -	\$ -	\$ -
<u>3,575</u>	<u>3,582</u>	<u>3,582</u>	<u>3,518</u>	<u>3,099</u>
\$ 3,575	\$ 3,582	\$ 3,582	\$ 3,518	\$ 3,099
1.62	3.16	4.19	4.37	4.58
\$ 9,366	\$ 18,888	\$ 9,205	\$ 5,963	\$ 10,187
<u>1,541</u>	<u>1,946</u>	<u>1,508</u>	<u>1,743</u>	<u>3,391</u>
\$ 7,825	\$ 16,942	\$ 7,697	\$ 4,220	\$ 6,796
\$ -	\$ -	\$ 1,332	\$ 1,513	\$ 1,839
<u>1,375</u>	<u>1,375</u>	<u>1,906</u>	<u>2,130</u>	<u>2,067</u>
\$ 1,375	\$ 1,375	\$ 3,238	\$ 3,643	\$ 3,906
5.69	12.32	2.38	1.16	1.74
\$ -	\$ -	\$ -	\$ 23,075	\$ 44,376
<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>	<u>320</u>
\$ -	\$ -	\$ -	\$ 22,925	\$ 44,056
\$ -	\$ -	\$ -	\$ 12,605	\$ 26,145
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,428</u>	<u>9,029</u>
\$ -	\$ -	\$ -	\$ 20,033	\$ 35,174
-	-	-	1.14	1.25

Demographic and Economic Statistics

Population and Per Capita Personal Income

Last Ten Calendar Years

(Expressed in Thousands)

Year	Population			
	United States	% Growth From Previous Year	Connecticut	% Growth From Previous Year
1997	272,647	2.81%	3,349	0.4%
1998	275,854	1.18%	3,365	0.5%
1999	279,040	1.15%	3,386	0.6%
2000	282,193	1.13%	3,412	0.8%
2001	285,108	1.03%	3,432	0.6%
2002	287,985	1.01%	3,458	0.8%
2003	290,850	0.99%	3,486	0.8%
2004	293,657	0.97%	3,499	0.4%
2005	296,410	0.94%	3,510	0.3%
2006	298,217	0.61%	3,505	-0.1%

Notes: Personal Income for 2006 is based on 3rd quarter estimates.

Population for 2006 is estimated.

Sources: U.S. Census Bureau, U.S. Bureau of Economic Analysis

Demographic and Economic Statistics

Employment Information

Last Ten Calendar Years

(Expressed in Thousands)

Year	United States Labor Force			
	Civilian Labor force	Employed	Unemployed	Unemployment Rate
1997	136,297	129,558	6,739	4.9%
1998	137,673	131,463	6,210	4.5%
1999	139,368	133,488	5,880	4.2%
2000	142,583	136,891	5,692	4.0%
2001	143,734	136,933	6,801	4.7%
2002	144,863	136,485	8,378	5.8%
2003	146,510	137,736	8,774	6.0%
2004	147,401	139,252	8,149	5.5%
2005	149,321	141,730	7,591	5.1%
2006	151,428	144,427	7,001	4.6%

Sources: U.S. Department of Labor

Personal Income		Per Capita Personal Income			
United States	Connecticut	United States	Connecticut	% Above the United States	
\$ 6,907,332,000	\$ 115,134,004	\$ 25,334	\$ 34,379	35.7%	
\$ 7,415,709,000	\$ 123,917,725	\$ 26,883	\$ 36,825	37.0%	
\$ 7,796,137,000	\$ 129,807,075	\$ 27,939	\$ 38,336	37.2%	
\$ 8,422,074,000	\$ 141,570,257	\$ 29,845	\$ 41,492	39.0%	
\$ 8,716,992,000	\$ 147,355,655	\$ 30,574	\$ 42,936	40.4%	
\$ 8,872,871,000	\$ 146,997,439	\$ 30,810	\$ 42,509	38.0%	
\$ 9,150,908,000	\$ 148,975,390	\$ 31,463	\$ 42,735	35.8%	
\$ 9,717,173,000	\$ 158,895,963	\$ 33,090	\$ 45,412	37.2%	
\$ 10,224,761,000	\$ 166,807,307	\$ 34,495	\$ 47,523	37.8%	
\$ 10,938,084,000	\$ 175,728,000	\$ 36,678	\$ 50,136	36.7%	

Connecticut Labor Force				
Civilian Labor force	Employed	Unemployed	Unemployment Rate	
1,747	1,674	73	4.2%	
1,735	1,679	56	3.2%	
1,767	1,718	49	2.7%	
1,785	1,743	42	2.3%	
1,775	1,705	70	3.9%	
1,802	1,712	90	5.0%	
1,797	1,699	98	5.5%	
1,793	1,711	82	4.6%	
1,801	1,709	92	5.1%	
1,835	1,760	75	4.1%	

Demographic and Economic Statistics

Top Ten Employers

Current Year and Ten Years Ago

<u>NAME</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees in CT</u>	<u>Percentage of State Employment</u>	<u>Rank</u>	<u>Employees in CT</u>	<u>Percentage of State Employment</u>	<u>Rank</u>
United Technologies Corp.	26,400	1.5%	1	12,542	0.7%	2
Stop & Shop Cos., Inc.	14,049	0.8%	2	13,000	0.8%	1
Hartford Financial Services	12,100	0.7%	3	9,500	0.6%	6
Foxwoods Resort Casino	11,500	0.7%	4	10,135	0.6%	3
Yale University	11,500	0.7%	5	9,589	0.6%	5
Mohegan Sun Casino	10,000	0.6%	6	5,096	0.3%	19
Wal-Mart Stores, Inc.	8,859	0.5%	7	-	0.0%	-
General Dynamics Electric Boat	8,000	0.5%	8	8,750	0.5%	8
AT&T Connecticut	7,700	0.4%	9	8,846	0.5%	7
Aetna Inc.	<u>7,450</u>	<u>0.4%</u>	10	<u>11,688</u>	<u>0.7%</u>	5
Total	117,558	6.8%		89,146	5.3%	

Sources: Hartford Business Journal - June 26, 2006, Hartford Courant - June 2, 1997

State Employees by Function

Last Two Fiscal Years

	<u>2005</u>	<u>2006</u>
Primary Government		
Legislative	665	668
General Government	3,645	3,654
Regulation and Protection	4,196	4,258
Conservation and Development	1,296	1,302
Health and Hospital	7,668	7,774
Transportation	3,053	3,131
Human Services	1,847	1,891
Education, Libraries, and Museums	18,874	19,375
Corrections	9,738	9,797
Judicial	4,297	4,381
Total Number of Employees - Primary Government	<u>55,279</u>	<u>56,231</u>

Note: This information was not available prior to 2005. The number of employees excludes job classes such as contractors, intermittent, durational, seasonal, trainee, temporary and part-time employment.

Capital Asset Statistics by Function

Last Four Fiscal Years

		2003	2004	2005	2006
Legislative	Total	169,205	169,586	170,236	169,165
Buildings		156,802	156,802	156,802	156,802
Equipment		12,403	12,784	13,434	12,363
General Government	Total	1,061,936	915,339	649,856	750,105
Land		108,157	106,097	142,117	152,290
Construction in Progress		460,271	336,502	136,592	113,739
Buildings		251,678	312,970	172,778	271,169
Improvements Other than Buildings		4,947	17,369	48,740	51,319
Equipment		236,883	142,401	149,629	161,588
Regulation and Protection	Total	398,591	404,200	404,080	407,636
Land		9,971	9,971	9,971	9,971
Buildings		182,904	189,603	192,720	192,720
Improvements Other than Buildings		13,036	13,402	15,620	15,608
Equipment		192,680	191,224	185,769	189,337
Conservation and Development	Total	496,022	510,811	396,141	406,522
Land		304,832	314,487	186,985	189,754
Buildings		90,516	92,128	101,792	104,456
Improvements Other than Buildings		55,122	58,716	60,629	61,522
Equipment		45,552	45,480	46,735	50,790
Health and Hospital	Total	262,379	264,505	280,546	291,535
Land		6,833	7,624	7,653	7,587
Buildings		205,623	203,328	222,456	233,343
Improvements Other than Buildings		15,884	15,328	15,133	16,922
Equipment		34,039	38,225	35,304	33,683
Transportation	Total	11,997,362	12,646,864	13,446,989	13,845,896
Land		416,209	473,967	893,160	902,133
Construction in Progress		1,276,607	1,335,433	1,244,525	1,544,958
Buildings		356,873	478,750	507,662	438,355
Improvements Other than Buildings		156,036	230,308	280,065	246,032
Equipment		574,229	586,292	592,481	636,398
Infrastructure		9,217,408	9,542,114	9,929,096	10,078,020
Human Services	Total	18,811	18,018	15,149	13,705
Equipment		18,811	18,018	15,149	13,705
Education, Libraries, and Museums	Total	387,002	376,740	404,412	425,930
Land		43,935	1,027	1,027	1,027
Buildings		222,395	222,395	245,279	263,280
Improvements Other than Buildings		8,060	8,060	8,060	8,060
Equipment		112,612	145,258	150,046	153,563
Corrections	Total	944,305	947,479	1,052,584	940,306
Land		10,351	10,319	11,388	20,388
Buildings		816,261	823,300	916,294	809,175
Improvements Other than Buildings		56,500	57,080	59,275	48,581
Equipment		61,193	56,780	65,627	62,162
Judicial	Total	334,250	358,862	359,114	384,345
Land		11,467	11,467	11,467	11,467
Buildings		256,163	277,774	277,774	299,165
Improvements Other than Buildings		1,805	1,805	1,805	1,755
Equipment		64,815	67,816	68,068	71,958
Total Capital Assets at Historical Cost		16,069,863	16,612,404	17,179,107	17,635,145
Total Accumulated Depreciation		(6,537,926)	(6,993,537)	(7,538,788)	(7,880,552)
Governmental Activities, Capital Assets, Net		9,531,937	9,618,867	9,640,319	9,754,593

Note: The State implemented GASB statement 34 for fiscal year 2002. However, the information for FY 2002 is not available.

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