CONNECTICUT DEVELOPMENT AUTHORITY

(A Component Unit of the State of Connecticut)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2011 AND 2010

CONNECTICUT DEVELOPMENT AUTHORITY

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Development Authority

We have audited the accompanying statements of net assets of the Connecticut Development Authority (the Authority) as of June 30, 2011 and 2010 and the related statements of revenues, expenditures and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Connecticut Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Development Authority as of June 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2011 on our consideration of Connecticut Development Authority'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 audits.

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The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist 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 an opinion on the basic financial statements taken as a whole. The accompanying supplementary information of combining financial statements and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has 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 2011 basic financial statements taken as a whole.

Marcum LLP

Hartford, CT
September 30, 2011

Management's Discussion and Analysis of the financial performance and activity of the Connecticut Development Authority (the Authority) is intended to provide an overview and understanding of the financial statements of the Authority for the fiscal years ended June 30, 2011 and 2010, with selected comparative information for the year ended June 30, 2009.

The Authority's financial statements are included as a component unit in the State's Comprehensive Annual Financial Report. Accordingly, the Authority's financial statements comply with applicable Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB) pronouncements.

The information contained in the MD&A has been prepared by management of the Connecticut Development Authority and should be read in conjunction with the Authority's financial statements and accompanying notes which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements use enterprise (proprietary) fund reporting and report its financial position in three financial statements: (1) the Statements of Net Assets, (2) the Statements of Revenues, Expenses and Changes in Net Assets, and (3) the Consolidated Statements of Cash Flows.

The Statements of Net Assets presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities. Net assets represent the difference between total assets and total liabilities. Over time, increases or decreases in the Authority's net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Assets allows the user of the information to see the improvement or deterioration of the overall fiscal condition of the Authority for the year.

2011 FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by $90,173,954 at June 30, 2011. Net assets totaling $77,953,661 are unrestricted. Net assets totaling $12,136,387 are restricted to be used principally for specific revenue or general obligation bonds, as well as cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties. The authority's net assets invested in capital assets, net of related debt total $83,906.

- The Authority's operations are very sensitive to both the economy and interest rate policy. The investment base of the Authority, from which it provides funding to administer its mission to create and maintain jobs, needs to be highly liquid so as to provide readily available cash for funding. Because of this, most of the Authority's cash is invested in the State of Connecticut's short-term investment fund. For the last three fiscal years ended June 30, 2011, 2010 and 2009, the yield realized from STIF was .21%, .27% and .54% respectively compared to the previous three year fiscal periods ended June 30, 2008, 2007 and 2006 which yielded 2.42%, 5.63% and 5.24%, respectively.

- During the fiscal year ended June 30, 2011, the Authority's Board of Directors approved direct loan commitments totaling $10.3 million. Direct loans in the amount of $7.9 million funded during the aforementioned fiscal year and commitments outstanding to various Connecticut companies on June 30, 2011 totaled $5.2 million.

2010 FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by $93,311,763 at June 30, 2010. Net assets totaling $80,889,003 are unrestricted. Net assets totaling $12,330,085 are restricted to be used principally for specific revenue or general obligation bonds, as well as cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties. The authority's net assets invested in capital assets, net of related debt total $92,675.

- The Authority's operations are very sensitive to both the economy and interest rate policy. The investment base of the Authority, from which it provides funding to administer its mission to create and maintain jobs, needs to be highly liquid so as to provide readily available cash for funding. Because of this, most of the Authority's cash is invested in the State of Connecticut's short-term investment fund. On June 30, 2010, the yield currently realized from STIF was .27% compared to June 30, 2009 at which time the yield was .54% and June 30, 2008 at which time the yield was 2.42%. Demand for the Authority's programs as measured by its pipeline for financial assistance continues to steadily increase as the economy struggles to gain ground.

- During the fiscal year ended June 30, 2010, the Authority's Board of Directors approved direct loan commitments totaling over $17.7 million. Direct loans in the amount of $15.7 million funded during the aforementioned fiscal year and commitments outstanding to various Connecticut companies on June 30, 2010 totaled $9.7 million.

- The operative efficiency and effectiveness of the Authority continues to be improved upon. For fiscal year 2010, operating results of the Authority were $695 thousand favorable when compared to the fiscal year ended June 30, 2009. Operating expenses were $614 thousand less during the fiscal year ended June 30, 2010 when compared to the fiscal year ended June 30, 2009.

CONDENSED STATEMENTS OF NET ASSETS

The following table summarizes changes in the statements of net assets and provides a comparative analysis between the Authority's assets, liabilities and net assets for the fiscal years ended June 30, 2011, 2010 and 2009.

	Balance June 30, 2011	Balance June 30, 2010	Balance June 30, 2009	Increase (Decrease) 2011 vs. 2010	Increase (Decrease) 2010 vs. 2009
Assets					
Current assets	$ 32,804,426	$ 37,724,326	$ 52,182,940	$ (4,919,900)	$(14,458,614)
Restricted assets	17,218,338	21,017,446	17,486,354	(3,799,108)	3,531,092
Capital assets, net	83,906	92,675	149,892	(8,769)	(57,217)
Other noncurrent assets	64,124,799	65,713,836	57,566,664	(1,589,037)	8,147,172
Total assets	114,231,469	124,548,283	127,385,850	(10,316,814)	(2,837,567)
Liabilities					
Current liabilities, excluding current portion of debt	2,472,285	2,792,601	3,880,060	(320,316)	(1,087,459)
Bonds payable	15,800,000	19,225,000	22,585,000	(3,425,000)	(3,360,000)
Other noncurrent liabilities	5,785,230	9,218,919	5,904,548	(3,433,689)	3,314,371
Total liabilities	24,057,515	31,236,520	32,369,608	(7,179,005)	(1,133,088)
Net Assets					
Invested in capital assets, net of related debt	83,906	92,675	149,892	(8,769)	(57,217)
Restricted	12,136,387	12,330,085	11,941,643	(193,698)	388,442
Unrestricted	77,953,661	80,889,003	82,924,707	(2,935,342)	(2,035,704)
	$ 90,173,954	$ 93,311,763	$ 95,016,242	$ (3,137,809)	$ (1,704,479)

2011 FINANCIAL ANALYSIS

Total assets for the fiscal year ended June 30, 2011 decreased $10.3 million (or 8.3%).

The 8.3% change in total assets was comprised primarily of the Authority's return of $3.6 million in escrow deposits, $3.4 million scheduled pay down of bonds payable and $3.1 million operating loss.

Total liabilities decreased $7.2 million (or 23%) for the fiscal year ended June 30, 2011

This decrease was due to the return of $3.6 million of escrow deposits and $3.4 million scheduled pay down of bonds payable.

Unrestricted current assets decreased $4.9 million for the fiscal year ended June 30, 2011 in comparison to June 30, 2010. The following is an overview of the major changes in unrestricted current assets:

Cash & cash equivalents decreased $5.6 million for the fiscal year ended June 30, 2011 due primarily to $7.9 million of new direct loans funded during the year.

Loans increased $300 thousand due to normal migration from long-term status to current status of loan portfolio.

Prepaid expenses increased $376 thousand primarily due to CDA prepayment in June 2011 of $350 thousand to AEG for CDA contribution due July 1, 2011.

Restricted assets decreased $3.8 million for the fiscal year ended June 30, 2011 in comparison to June 30, 2010.

Decrease due primarily to escrow deposits returned during the fiscal year ending June 30, 2011 of $3.6 million.

Capital assets decreased $9 thousand for the fiscal year ended June 30, 2011 in comparison to June 30, 2010.

Additions of capital assets in fiscal year 2011 were $73 thousand while normal depreciation of $82 thousand was taken on the Authority's capital assets.

Other noncurrent assets decreased $1.6 million for the fiscal year ended June 30, 2011 in comparison to June 30, 2010.

Net loans decreased $1.5 million in the fiscal year ended June 30, 2011. This is due to new direct loans issued totaling $7.9 million offset by $8.2 million of loan pay downs a $900 thousand provision and $300 thousand migration from long-term to current status of loan portfolio balance.

Current liabilities, excluding current portion of debt decreased $320 thousand for the fiscal year ended June 30, 2011 in comparison to June 30, 2010.

Accrued expenses and liabilities decreased $213 thousand in the fiscal year ended June 30, 2011. This is attributed to the salary and fringe accrual decreasing $130 thousand due to nine days of payroll accrued for the fiscal year ended June 30, 2010 vs. zero days accrued for June 30, 2011. In addition, accounts payable decreased $75 thousand from the prior fiscal year.

Reserve for guarantee losses decreased by $142 thousand due to $88 thousand for guarantees paid for Capital Access Fund and $54 thousand reallocation to direct provision in Works "A" Fund.

Bonds payable decreased $3.4 million for the fiscal year ended June 30, 2011 in comparison to June 30, 2010.

This was due to the normal amortization of bonds in fiscal year 2011. This reduction yielded interest expense savings of $162 thousand.

Other noncurrent liabilities decreased $3.4 million for the fiscal year ended June 30, 2011 in comparison to June 30, 2010.

This is attributable to the return of $3.6 million in escrow deposits along with one sixth of the fiscal 2008 retained payment for $1,050,000 to be paid to AEG on July 1, 2013.

2010 FINANCIAL ANALYSIS

Total assets for the fiscal year ended June 30, 2010 decreased $2.8 million (or 2%).

The 2% change in total assets comprised primarily of the Authority's receipt of $3.1 million in escrow deposits offset by a scheduled pay down of bonds payable for $3.4 million coupled with a $1.7 million operating loss and $800 thousand accrual reduction resulting from the settlement of facility expenditures related to the XL Center.

Total liabilities decreased $1.1 million (or 3.5%) for the fiscal year ended June 30, 2010

This decrease was due to receipts of escrow deposits totaling $3.1 million offset by the pay down of $3.4 million in bonds payable and $800 thousand accrual reduction for settlement of facility expenditures related to the XL Center.

Unrestricted current assets decreased $14.5 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009. The following is an overview of the major changes in unrestricted current assets:

<u>Cash & cash equivalents</u> decreased $15 million for the fiscal year ended June 30, 2010 due primarily to $15.7 million of new direct loans funded during the year.

<u>Interest and other receivables</u> increased $400 thousand due to larger performing loan portfolio balance which resulted from $15.7 million in direct closings for the year.

Restricted assets increased $3.5 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

Increase due primarily to escrow deposits received during the fiscal year ending June 30, 2010 of $3.1 million.

Capital assets decreased $57 thousand for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

Additions of capital assets in fiscal year 2010 were $19 thousand while normal depreciation of $76 thousand was taken on the Authority's capital assets.

Other noncurrent assets increased $8.1 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

Loans increased $8.3 million in the fiscal year ended June 30, 2010. This is due to new direct loans issued totaling $15.7 million offset by $6.2 million of loan pay downs and $1.3 million in loan charge offs during the fiscal year ended June 30, 2010.

Current liabilities, excluding current portion of debt decreased $1.1 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

Accrued expenses and liabilities decreased $1.1 million in the fiscal year ended June 30, 2010. This is attributed to the $800 thousand accrual reduction related to the settlement of facility expenditures of the XL Center as well as a $350 thousand reclassification against CBRA loan loss allowance of formerly classified liability item Reserve for Brownfield subsidiary.

Bonds payable decreased $3.4 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

This was due to the normal amortization of bonds in fiscal year 2010. This reduction yielded interest expense savings of $162 thousand.

Other noncurrent liabilities increased $3.3 million for the fiscal year ended June 30, 2010 in comparison to June 30, 2009.

This is attributable to the receipt of $3.1 million in escrow deposits along with one sixth of the FY2008 retained payment for $1,050,000 to be paid to AEG on July 1, 2013.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following table summarizes the Authority's operations and Change in Net Assets for the fiscal years ended June 30, 2011, 2010 and 2009:

	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Favorable (Unfavorable) 2011 vs. 2010	Favorable (Unfavorable) 2010 vs. 2009
Operating revenue:					
XL Center	$ 3,265,218	$ 3,462,127	$ 3,399,386	$ (196,909)	$ 62,741
Interest on notes	2,868,843	3,213,634	2,742,372	(344,791)	471,262
Investment interest	129,685	201,025	906,177	(71,340)	(705,152)
Other	1,090,980	1,441,136	1,189,090	(350,156)	252,046
Total revenue	7,354,726	8,317,922	8,237,025	(963,196)	80,897
Operating expenses					
XL Center	4,222,215	3,800,901	3,734,484	(421,314)	(66,417)
Interest on bonds	611,672	689,768	760,071	78,096	70,303
Payroll and fringes	3,767,229	3,782,150	3,734,231	14,921	(47,919)
Loss provision	900,000	850,000	1,470,000	(50,000)	620,000
General, administrative and other	974,911	909,509	948,038	(65,402)	38,529
Total expenses	10,476,027	10,032,328	10,646,824	(443,699)	614,496
Operating income/(loss)	(3,121,301)	(1,714,406)	(2,409,799)	(1,406,895)	695,393
Non-operating income/(expense)	(16,508)	9,927	(698,854)	(26,435)	708,781
Change in net assets	$ (3,137,809)	$ (1,704,479)	$ (3,108,653)	$ (1,433,330)	$ 1,404,174

2011 OPERATING ACTIVITY

- Net XL Center operations lost $957 thousand in the fiscal year ended June 30, 2011. This compares to an operating loss of $339 thousand recorded for the fiscal year ended June 30, 2010. This decrease was due to the expanded negotiated repayments of the Whaler fee to $700 thousand from $1.05 million and uptick in the CDA contribution to $1.575 million from $1.225 million offset by interest savings realized from the $1.5 million pay down of bonds.

- Net Authority core lending and economic development activities recorded a loss of $2.2 million in the fiscal year ended June 30, 2011. This compares to a recorded net loss of $1.4 million recorded in the fiscal year ended June 30, 2010. This $800 thousand additional net loss over the previous fiscal year activity was due primarily to the recognition of $485 thousand recorded in FY2010 related to the settlement of XL Center facility expenditures coupled with decreased interest earnings from portfolio balance.

- Operating revenues related to the Authority's core lending and economic development activities decreased $766 thousand in the fiscal year ended June 30, 2011 when compared to June 30, 2010. This was due primarily to the recognition of $485 thousand income recorded from the settlement of XL Center facility expenditures in February 2010 as well as a decreased interest return on a slightly lower portfolio balance.

- Operating expenses related to the Authority's core lending and economic development activities were flat ($23 thousand increase) in the fiscal year ended June 30, 2011 when compared to the fiscal year ended June 30, 2010. Loan loss provision was increased $50 thousand while other operating expenses incurred decreased $27 thousand.

- Loan loss reserves currently comprise 14.8% of direct loan portfolio.

- Payroll expense decreased slightly by $15 thousand (flat) for the fiscal year ended June 30, 2011. The Authority's employees are participants in the State payroll and retirement system and as participants are charged a fringe benefit rate which currently approximates 62% of total salary. This compares to 60% and 55% of salary charged for the fiscal years ended June 30, 2010 and 2009 respectively. Without these increases in the fringe benefit rate, payroll expense for the Authority would be below FY2007 levels.

2010 Operating Activity

- Net XL Center operations lost $339 thousand in the fiscal year ended June 30, 2010. This was flat to the operating loss of $335 thousand recorded for the fiscal year ended June 30, 2009.

- Net Authority core lending and economic development activities recorded a loss of $1.4 million in the fiscal year ended June 30, 2010. This compares to a recorded net loss of $2.1 million recorded in the fiscal year ended June 30, 2009. This $700 thousand gain over the previous fiscal year activity was due to the loss provision being $620 thousand less in the fiscal period ended June 30, 2010 then in the fiscal period ended June 30, 2009.

- Operating revenues related to the Authority's core lending and economic development activities increased $18 thousand (flat) in the fiscal year ended June 30, 2010 when compared to June 30, 2009. Increased interest income realized from a higher loan portfolio balance coupled with $500 thousand income recorded from settlement of XL center facility expenditures were offset by decreased interest earnings on a smaller short-term investment balance.

- Operating expenses related to the Authority's core lending and economic development activities decreased $681 thousand during the fiscal year ended June 30, 2010. Loan loss provision was $620 thousand higher in the previous fiscal year due to specific loan exposure existent at that time. Interest savings realized from bonds refunded or paid down totaled $70 thousand and the streamlining and cutback of general and administrative expenses resulted in additional savings of $39 thousand when compared to the previous fiscal year.

- Loan loss reserves currently comprise 16.6% of direct loan portfolio.

- Payroll expense increased slightly by $48 thousand (flat) for the fiscal year ended June 30, 2010. The Authority's employees are participants in the State payroll and retirement system and as a participant is charged a fringe benefit rate which currently approximates 60% of total salary. This compares to 55% of salary charged for the fiscal year ended June 30, 2009. Without this increase in the fringe benefit rate payroll expense would have been below FY2007 levels.

CASH FLOWS

The Authority's cash and cash equivalents decreased $9.4 million during the fiscal year ending June 30, 2011. During the fiscal period ending June 30, 2011, the Authority loaned out $7.9 million in direct loans and collected $8.2 million in principal payments. In addition the Authority made principal payments on bonds totaling $3.4 million and returned $3.6 million in escrow deposits.

SPECIAL ITEMS

Special items are defined as significant transactions or other events within the control of management that are unusual in nature and infrequent in occurrence. The Authority had no transactions during the fiscal years ended June 30, 2011 or June 30, 2010 that would be classified as special item.

LOAN VOLUME

The following table summarizes the Authority's loan volume for the fiscal years ended June 30, 2011, 2010 and 2009:

	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Increase/ (Decrease) 2011 vs. 2010	Increase/ (Decrease) 2010 vs. 2009
Fund					
Growth Fund	$ 3,126,268	$ 3,602,953	$ 3,438,029	$ (476,685)	$ 164,924
Works Fund	4,791,191	8,288,920	8,304,515	(3,497,729)	(15,595)
CBRA TIF	--	3,800,000	--	(3,800,000)	3,800,000

CONCLUSION

The financial report is designed to provide Connecticut citizens and taxpayers with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about this report or need additional financial information, contact the Connecticut Development Authority at 999 West Street, Rocky Hill, CT 06067 or visit our website at www.ctcda.com.

CONNECTICUT DEVELOPMENT AUTHORITY

STATEMENTS OF NET ASSETS

JUNE 30, 2011 AND 2010

	2011	2010
Assets		
Current Assets		
Unrestricted cash and cash equivalents	$ 25,734,489	$ 31,300,942
Loans	5,669,402	5,373,105
Interest and other receivables	519,109	545,599
Prepaid and deferred expenses	881,426	504,680
Total Current Assets	32,804,426	37,724,326
Noncurrent Assets		
Restricted cash and cash equivalents	14,210,243	18,009,351
Marketable securities	3,008,095	3,008,095
Total Restricted Assets	17,218,338	21,017,446
Loans, less allowances of $9,601,456 and $11,290,743, respectively	49,672,652	51,163,579
Program investments	1,211,503	1,228,011
Capital assets, net	83,906	92,675
Prepaid and deferred expenses	252,622	302,916
Due from State of Connecticut	12,988,022	13,019,330
Total Noncurrent Assets	81,427,043	86,823,957
Total Assets	$ 114,231,469	$ 124,548,283

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

CONNECTICUT DEVELOPMENT AUTHORITY

STATEMENTS OF NET ASSETS (CONTINUED)

JUNE 30, 2011 AND 2010

	2011	2010
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Current portion of bonds payable	$ 3,505,000	$ 3,425,000
Accrued expenses and liabilities	1,303,049	1,516,321
Deferred revenue	438,384	404,025
Reserve for guarantee losses	730,852	872,255
Total Current Liabilities	5,977,285	6,217,601
Noncurrent Liabilities		
Escrow deposits	5,081,951	8,687,361
Bonds payable, net of current portion	12,295,000	15,800,000
Deferred revenue	703,279	531,558
Total Noncurrent Liabilities	18,080,230	25,018,919
Total Liabilities	24,057,515	31,236,520
Net Assets		
Invested in capital assets, net of related debt	83,906	92,675
Restricted	12,136,387	12,330,085
Unrestricted	77,953,661	80,889,003
Total Net Assets	90,173,954	93,311,763
Total Liabilities and Net Assets	$ 114,231,469	$ 124,548,283

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

CONNECTICUT DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Operating Revenues		
XL Center	$ 3,265,218	$ 3,462,127
Lending & Economic Development	4,089,508	4,855,795
Total Revenues	7,354,726	8,317,922
Operating Expenses		
XL Center	4,222,215	3,800,901
Lending & Economic Development	6,253,812	6,231,427
Total Operating Expenses	10,476,027	10,032,328
Operating Loss	(3,121,301)	(1,714,406)
Non-Operating Items		
(Loss) gain on investments	(16,508)	9,927
Change in Net Assets	(3,137,809)	(1,704,479)
Net Assets - Beginning	93,311,763	95,016,242
Net Assets - End	$ 90,173,954	$ 93,311,763

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

CONNECTICUT DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
XL Center revenues	$ 3,110,436	$ 3,305,593
Program fees collected	949,895	812,238
Guarantee/insurance fees collected	120,557	89,392
Interest from loans	2,908,821	2,751,518
Other fees collected	17,330	41,319
XL Center expenses	(4,160,436)	(3,305,593)
Payroll and fringe benefits paid	(3,917,993)	(3,713,364)
General and administrative expenses paid	(882,379)	(1,015,126)
Program and service fees paid	(21,550)	(9,287)
Loan principal collected	8,187,444	6,233,331
Loans funded	(7,917,459)	(15,691,873)
Cash from recovery of principal	13,476	46,991
Guarantees paid	(87,611)	(50,435)
Net Cash Used in Operating Activities	(1,679,469)	(10,505,296)
Cash Flows from Noncapital Financing Activities		
Increase (decrease) in escrow deposits	(3,605,411)	3,142,651
Cash paid for Brownsfield funding	--	(4,313)
Principal payments on bonds	(2,921,750)	(2,856,750)
Interest payments on bonds	(821,331)	(954,214)
Net Cash Used in Noncapital Financing Activities	(7,348,492)	(672,626)
Cash Flows from Capital and Related Financing Activities		
Principal payments on bonds	(503,250)	(503,250)
Interest payments on bonds	(89,956)	(118,264)
Net Cash Used in Capital and Related Financing Activities	(593,206)	(621,514)

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

CONNECTICUT DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows from Investing Activities		
Proceeds from sale of program investments	$ --	$ 915
Cash from interest on investments	307,178	382,005
Purchase of furniture and equipment	(51,572)	(19,334)
Net Cash Provided by Investing Activities	255,606	363,586
Net Change in Cash and Cash Equivalents	(9,365,561)	(11,435,850)
Cash and Cash Equivalents - Beginning	49,310,293	60,746,143
Cash and Cash Equivalents - End	$ 39,944,732	$ 49,310,293
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (3,121,301)	$ (1,714,406)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Interest expense on bonds and notes payable	874,258	1,036,705
Interest income on investments and cash and cash equivalents	(306,995)	(380,909)
Depreciation	82,200	76,551
Amortization of deferred bond issue expense	48,237	46,614
Amortization of bond issue premium	(3,279)	(3,279)
Provision for loan and insurance losses	900,000	850,000
Recoveries of loan principal	13,476	46,991
Guarantees paid	(87,611)	(50,435)
Change in assets and liabilities:		
Loans receivable	227,362	(9,458,543)
Interest and other receivables	26,403	(398,817)
Due from State of Connecticut	31,309	88,451
Accrued expenses	(23,200)	(579,715)
Other assets	(374,687)	(32,025)
Unearned insurance premium	8,552	4,192
Deferred revenue	25,807	(36,671)
Net Cash Used in Operating Activities	$ (1,679,469)	$ (10,505,296)

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

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

ENTITY AND SERVICES

The Connecticut Development Authority (Authority) was established under Title 32, Chapter 579 of the General Statutes of Connecticut, as amended (Statute), and is a public instrumentality and political subdivision of the State of Connecticut (State). For purposes of financial reporting, the Authority is a component unit of the State of Connecticut and the Authority's financial statements are included in the State's Comprehensive Annual Financial Report. The Authority was created to stimulate industrial and commercial development within the State.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Authority is considered to be an enterprise fund. Enterprise funds are used to account for governmental activities that are similar to those found in the private sector in which the determination of net income is necessary or useful to sound financial administration.

In its accounting and financial reporting, the Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). The Authority also follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Finally, the Authority has elected to follow all FASB pronouncements issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

SELF-SUSTAINING BOND PROGRAM

Under the Self-Sustaining Bond Program, the Authority accommodates the financing for specific industrial and certain recreational and utility projects through the issuance of special obligation industrial revenue bonds. These bonds are available for financing such projects as the acquisition of land or the construction of buildings, and purchase and installation of machinery, equipment and pollution control facilities. The Authority has issued $1,789,082,141 of special obligation industrial revenue bonds since July 1, 1978. Total bonds outstanding at June 30, 2011 and 2010 were $1,034,845,000 and $1,088,615,000, respectively.

The bonds are payable solely from payments received from participating companies (or from proceeds of sale of the specific projects in the event of default) and do not otherwise constitute a debt or liability of the Authority or the State or any municipality thereof. Accordingly, the balances and activity of the Self-Sustaining Bond Program are not included in the Authority's financial statements.

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Titles to most projects financed under this program prior to 1978 (and, in some cases, since then) are generally held by the Authority, and projects are leased to participating companies at annual rentals sufficient to amortize bond principal and interest over the life of the applicable bonds. The participating companies pay directly any other costs of the projects. Title to a particular project is transferred to the participating company at a nominal amount when the applicable bonds are paid in full. In some cases prior to 1978 and for most projects financed since then, the Authority does not hold title to the projects, and collateral loan agreements are obtained from participating companies under which they pay amounts sufficient to amortize the bond principal and interest over the life of the bonds and pay directly any other costs of the project.

INSURANCE PROGRAM

The State has authorized the issuance of up to $25,000,000 in bonds allocated to the Insurance Program. Of this amount, $5,500,000 has been distributed to the Insurance Program and was recorded as Contributed Capital. Under the Insurance Program, the Authority may insure loans made by other lending institutions to companies for acquisition of industrial land, buildings, machinery, and equipment located within the State. In addition, all of the Authority's Umbrella Program loans were insured under this program.

At June 30, 2011 and 2010, loans totaling $4,233,749 and $4,643,749, respectively, were insured under the program by other lending institutions.

The Statute provides that the insurance is payable from the net assets of the Insurance Program. If such net assets are not sufficient, the faith and credit of the State are pledged to absorb any shortfall. The Authority has established maximum limits for individual loans on real property of $25,000,000 and 25 years, and for individual loans on machinery and equipment of $10,000,000 and ten years.

Loans receivable within the program arise from sales of foreclosed properties. Other real estate owned consists of properties acquired through foreclosure proceedings. Management records other real estate owned at the lower of cost or estimated fair value, less selling cost.

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GROWTH FUND

Under the Growth Fund, the Authority is authorized to issue individual loans up to a maximum of $4,000,000. This program provides financial assistance for any purpose the Authority determines will materially contribute to the economic base of the State by creating or retaining jobs, promoting the export of products and services, encouraging innovation in products or services, or supporting existing activities that are important to the State's economy. Financing may be used to purchase real property, machinery and equipment, or for working capital. The Authority has established an overall maximum loan term of 20 years and a maximum 90 percent loan-to-value ratio for real property loans. The maximum loan terms for machinery and equipment are ten years and 80 percent financing and a seven-year term for working capital loans.

Water facilities include municipally owned water companies and investor-owned water companies that service between 25 and 10,000 customers and municipally owned and privately owned dams deemed a community benefit by the Commissioner of Environmental Protection. The loans are generally limited to $250,000 for terms not to exceed 20 years for real property and ten years for machinery and equipment.

Small contractors and minority business enterprises are eligible for loans up to $250,000 for terms not to exceed one year to cover the costs of labor and material related to specific contracts.

CONNECTICUT WORKS FUND AND CONNECTICUT WORKS GUARANTEE FUND

The Connecticut Works Fund includes direct loans and a loan guarantee program with participating lenders to encourage them to provide more credit on more favorable terms. Eligible projects include most manufacturing related projects and any project that materially supports the economic base of the State through jobs, defense diversification, exporting and the development of innovative products or services. Loan types and amounts include revolving credit lines, fixed asset loans and refinancing in some cases.

The Connecticut Works Guarantee Fund provides commitments to guarantee loans made by participating financial institutions. Eligible projects are determined by the due diligence principles set forth in the loan presentation guidelines and underwriting considerations for the loan guarantee program of the Connecticut Works Fund.

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The State has authorized the issuance of up to $95,000,000 in bonds allocated to Connecticut Works Fund (Fund A). Of this amount, $82,485,000 has been distributed to Fund A and $12,515,000 remains available for distribution. In the event direct loans are uncollectible, the Authority can put such loans to the State for reimbursement until the total bonds allocated ($95,000,000) have been utilized. In addition, any losses pursuant to the Fund A guarantee program can be put to the State (up to amounts remaining in the $95,000,000 bond allocation).

The State has also authorized the issuance of up to $30,000,000 in bonds allocated to Connecticut Works Guarantee Fund (Fund B). Of this amount, $18,900,000 has been distributed to Fund B, and $11,100,000 remains available for distribution. Pursuant to this guarantee program, any losses on guarantees made by the Authority are reimbursable by the State (up to amounts remaining in the $30,000,000 bond allocation).

CONNECTICUT CAPITAL ACCESS FUND

The Connecticut Capital Access Fund provides portfolio insurance to participating financial institutions to assist them in making loans that are somewhat riskier than conventional loans. This assistance is funded by the two branches of the Connecticut Capital Access Fund, the "Urbank Program" and the "Entrepreneurial Loan Program." Eligible projects are determined usually by the financial institution making the loan as long as the projects meet the requirements specified in the participation agreements.

The State has authorized the issuance of up to $5,000,000 in bonds allocated to the Connecticut Capital Access Fund. Of this amount, $2,000,000 has been distributed and $3,000,000 remains available for distribution. In addition, any insurance losses associated with this fund are reimbursable by the State up to amounts remaining in the $5,000,000 bond allocation.

BUSINESS ENVIRONMENTAL CLEAN-UP REVOLVING LOAN FUND

The Business Environmental Clean-up Revolving Loan Fund provides direct fixed-rate loans to business property owners unable to obtain clean-up financing from conventional sources. There is no additional funding available for this program.

THE ENVIRONMENTAL ASSISTANCE REVOLVING LOAN FUND

The Environmental Assistance Revolving Loan Fund provides direct loans to businesses unable to obtain financing from conventional sources. Assistance relates to the prevention of future environmental hazards. There are no active loans remaining in this program. It is anticipated that no future funding will be available for this program.

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING FUND REVENUES AND OPERATING EXPENSES

All payroll and related expenses of administering the programs of the Authority are recorded as expenses of the Operating Fund. Application and acceptance fees of the Self-Sustaining Bond Programs are recorded as income of the Operating fund when such fees are received. Management has also elected to assess the Insurance Program, Growth, Connecticut Works, and Connecticut Works Guarantee Funds for any net loss in the Operating Fund. The assessment is to be made on a pro rata basis related to the number of loans serviced. This assessment is recorded as a reduction in expense in the Operating Fund and an increase in expense to the Insurance Program, Growth, Connecticut Works, and Connecticut Works Guarantee Funds. The State of Connecticut disburses all payroll expenses on behalf of the Authority. The Authority estimates payroll expenses and pays the State in advance. All advance payments are recorded as Due from State of Connecticut until actual payroll costs are incurred.

The Operating Fund also reports all accounting for the XL Center transactions. The XL Center is a public use facility and houses sports and other entertainment programs for the general public.

CONNECTICUT BROWNFIELDS REDEVELOPMENT AUTHORITY (CBRA)

A quasi-public agency created by the Connecticut Development Authority in accordance with Section 32-11a, subsection (1), of the General Statutes. CBRA is a wholly owned subsidiary of the Authority created in May 1999 to carry out the remediation, development, and financing of contaminated property within the State. The CBRA subsidiary provides loans, grants or guarantees from the Authority's assets and the proceeds of its bonds, notes and other obligations. Any net gain from the subsidiary will flow back to the parent (Authority) as an addition or in the case of a loss, a reduction to the earnings of the Authority.

OPERATING AND NON-OPERATING REVENUE

The Authority distinguishes operating revenue and expenses from non-operating items. Operating revenue consists primarily of (1) revenue from the operations of the XL Center; (2) Loan interest from its core lending and economic development activities; and (3) other fees and assessments related thereto. Operating expenses consists of operating costs of the XL Center and other costs of operating the lending and economic development programs. Non-operating revenue consists of investment gains and losses.

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Interest income on loans is accrued and credited to operations based upon the principal amount outstanding. The accrual of interest income is generally discontinued when a loan becomes 61 days past due or earlier when there is sufficient question as to the collectability of the interest. The Authority records past due interest on a cash basis as the money is received. Interest income on past due loans is not accrued until adequate repayment history is again established (typically after three months). Loan acceptance (origination) fees approximate direct loan origination costs and, accordingly, are recognized as income at loan origination. Interest income from investments is recorded as earned. Insurance Program premiums are recorded as income proportionately over the life of the contract (interest method).

APPLICATION OF RESOURCES

The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

MARKETABLE SECURITIES

Securities for which management has the positive intent and ability to hold until maturity are classified as held to maturity and are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts into interest income. Securities that have been identified as assets for which there is not a positive intent to hold to maturity are classified as available for sale and are carried at fair value. The Authority does not acquire securities for purposes of engaging in trading activities.

Realized gains and losses on sales of securities are computed on the specific identification basis. Securities that have experienced an other than temporary impairment are written down to fair value, establishing a new cost basis with the amount of the write-down included in expense as a realized loss.

PROGRAM INVESTMENTS

Direct equity and debt financing which is extended to various companies to further the Authority's mission to create jobs and expand the economic base of Connecticut is classified separately from marketable security investments and is considered an extension of the Authority's lending program. These investments are usually reserved for large projects where conventional lending is not an option due to large up front investments and returns which occur in future periods. Debt financing is held to maturity and recorded at amortized cost. The Authority reserves for estimated loan losses.

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program investments in equity securities do not have readily determinable fair values and are initially recorded at cost. If it is determined that such investments have experienced an other than temporary impairment are written down to fair value, establishing a new cost basis. Currently all Program Investments are in equity securities.

LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at unpaid principal balances less an allowance for loan losses. The allowance for loan losses is maintained at a level believed adequate by management to absorb losses existing in the loan portfolio. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, historical loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, reviews of individual delinquent loans, and other relevant factors. The allowance is increased by charges against income and decreased by charge-offs (net of recoveries) when management determines that the collectability of the principal is unlikely.

Certain impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

CAPITAL ASSETS

Capital assets are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from two to twenty years. Expenditures for repairs and maintenance are charged to expense as incurred; significant renewals and improvements are capitalized. The cost and related accumulated depreciation of assets are removed from the accounts when such assets are retired or sold, and related gains or losses are reflected in income for the period.

AMORTIZATION OF DEFERRED BOND ISSUE COSTS

Deferred bond issue costs are amortized over the life of the bond issue in proportion to the outstanding balance of the related bond issue.

NET ASSETS

Net assets of the Authority are presented in the following three categories:

Net assets invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds that are attributable to those particular assets.

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted net assets - Assets whose use is restricted through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - Assets which do not meet the definition of the two preceding categories.

CAPITAL CONTRIBUTIONS

In accordance with the Authority's legislation, additional capital is to be contributed from the State of Connecticut to the Insurance Program, Growth, Connecticut Works, Connecticut Works Guarantee, Connecticut Capital Access, Business Environmental Clean-up, and Environmental Assistance Funds on an "as-needed" basis to provide additional funds for financial assistance to qualified borrowers. Such contributions, when received, are reported as non-operating income.

RESTRICTED CASH

Restricted cash includes all cash that relates to specific revenue or General Obligation Bonds, as well as cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties.

STATEMENT OF CASH FLOWS

The Authority considers all investments including the State of Connecticut Short-Term Investment Fund to be cash equivalents.

For purposes of the statement of cash flows, cash and cash equivalents is reflected in the financial statements at June 30, 2011 and 2010 as follows:

	2011	2010
Unrestricted cash and cash equivalents	$ 25,734,489	$ 31,300,942
Restricted cash and cash equivalents	14,210,243	18,009,351
	$ 39,944,732	$ 49,310,293

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUES OF FINANCIAL INSTRUMENTS

The Authority defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

USE OF ESTIMATES

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

NOTE 2 – CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES

Connecticut statues authorize the Authority to invest in obligations of the United States, including its instrumentalities and agencies, and the State Treasurer's Short-Term Investment Fund (STIF). The STIF is available for use by the State's funds and agencies, public authorities and municipalities. State statutes authorized these pooled investment funds to be invested in United States Government and agency obligations, United States Postal Service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, banker acceptances, student loans, and repurchase agreements.

The Authority also extends equity and debt financing to various companies to further the Authority's mission to create jobs and expand the economic base of Connecticut. This is an extension of the Authority's lending function and accordingly is disclosed with loans as program investments in Note 3.

Several of the Authority's funds separately hold cash and investments.

NOTE 2 – CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES (CONTINUED)

DEPOSITS

At June 30, 2011 and 2010, the carrying amounts of the Authority's deposits (including checking accounts, certificates of deposit and escrow accounts) were $8,317,894 and $11,929,287 respectively, and the bank balances were $8,354,165 and $12,023,002, respectively.

All cash maintained by the Connecticut Capital Access Fund is restricted until the related obligations are paid in full, and all cash that relates to a specific revenue or General Obligation Bond is restricted until the related obligation is paid in full (Note 1).

CASH EQUIVALENTS

For both June 30, 2011 and 2010, cash equivalents were all in STIF.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's policy is to deposit any funds in obligations issued or guaranteed by the United States of America or the State of Connecticut and in other obligations which are legal investments for savings banks in Connecticut.

As of June 30, 2011 and 2010, respectively $952,849 and $931,265 of the Authority's bank balance was uninsured and uncollateralized and therefore exposed to custodial credit risk.

MARKETABLE SECURITIES

As of June 30, 2011 and 2010, the Authority held one Guaranteed Investment Contract for $3,008,395, having a maturity date of November 13, 2013 bearing interest at 5.85%. Set to mature within three years and four years respectively as of June 30, 2011 and 2010, this marketable security is a restricted asset required as special capital reserve under the 1993A General Obligation bond indenture.

INTEREST RATE RISK

The Authority's investment policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures and with applicable Connecticut General Statutes. Whenever possible, restricted investments are to be held to maturity and be invested in an appropriate manner as to ensure the availability for specified payment dates and other intended purposes as set forth in the relevant trust indentures and agreements, and to ensure a rate of return at least equal to the restricted bond yield, all with minimal risk to capital.

NOTE 2 – CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES (CONTINUED)

CREDIT RISK

Pursuant to the General Statutes of the State of Connecticut, the Authority may only invest funds in obligations issued or guaranteed by the United States of America or the State of Connecticut, including its instrumentalities and agencies, and the State Treasurer's Short-Term Investment Fund (STIF). The STIF is available for use by the State's funds and agencies, public authorities and municipalities. State statutes authorized these pooled investment funds to be invested in United States Government and agency obligations, United States Postal Service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, banker acceptances, student loans, and repurchase agreements.

CUSTODIAL CREDIT RISK

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk.

CONCENTRATIONS OF CREDIT RISK

For restricted and unrestricted investments, the Authority places no limits on the amount of investment in any one issuer. The Authority does not have a policy on credit risk concentration.

NOTE 3 - LOANS

The Authority extends commercial loans to customers located within Connecticut to advance certain economic development objectives consistent with their corporate mission and contractual obligations with the State of Connecticut. Loans are collateralized by assets acquired with the proceeds of the related loans. These loans have original terms of one to twenty-five years and bear interest as follows:

	Interest Rates (Percentages)
Growth Fund	3.0% - 12.0%
Connecticut Works Fund ("A")	3.0% - 7.5%
Operating Fund	5.04%
CBRA	5.5% - 6.0%

NOTE 3 - LOANS (CONTINUED)

The Authority's direct loan portfolio is comprised of 113 loans totaling $64,943,510. Of this amount, 105 loans totaling $50,895,333 (78%) are in the Growth and Connecticut Works Fund ("A"). The remaining $14,050,177 (22%) is comprised of 8 loans in the CBRA subsidiary and Operating Fund.

The ability of the borrowers to honor their contracts may be affected by a downturn in the State's economy, which may ultimately limit the funds available to repay interest and principal, thus the Authority provides for an allowance for loan losses (Note 4).

Nonperforming loans include loans that are over 61 days past due at June 30, 2011 and 2010.

NOTE 4 – ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses has been provided through charges against operations based upon management's evaluation of the loan portfolio for each fund and is maintained at a level believed adequate to absorb potential losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, particularly in Connecticut.

NOTE 4 – ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Changes in the allowance for possible loan and guarantee losses by individual fund during the years ended were as follows:

	June 30, 2011								
	Loans				Guarantees				
	CBRA Subsidiary/ Insurance Fund	Growth Fund	Connecticut Works Fund (A)	Direct Loan Totals	Connecticut Works Fund (A) Guarantees	Connecticut Works Fund (B) Guarantees	Connecticut Capital Access Fund	Guarantee Totals	Total Loans and Guarantees
Beginning balance	$ 506,627	$ 2,278,679	$ 8,505,437	$11,290,743	$ 203,791	$ --	$ 668,464	$ 872,255	$12,162,998
Other	--	--	65,218	65,218	(53,791)	(11,426)	(1)	(65,218)	--
Provision	--	425,000	475,000	900,000	--	--	--	--	900,000
Charge-offs	--	(574,349)	(2,082,206)	(2,656,555)	--	--	--	--	(2,656,555)
Guarantee fees	--	--	--	--	--	--	(87,611)	(87,611)	(87,611)
Recoveries	--	2,050	--	2,050	--	11,426	--	11,426	13,476
Ending balance	$ 506,627	$ 2,131,380	$ 6,963,449	$ 9,601,456	$ 150,000	$ --	$ 580,852	$ 730,852	$10,332,308
Loan balances/exposure	$14,048,177	$13,464,577	$37,430,756	$64,943,510	$ 1,969,578	$ --	$ 3,078,868	$ 5,048,446	$69,991,956
Allowance balance as a percent of loans/ exposure	3.6%	15.8%	18.6%	14.8%	7.6%	N/A	18.9%	14.5%	14.8%

NOTE 4 – ALLOWANCE FOR LOAN LOSSES (CONTINUED)

	June 30, 2010								
	Loans				Guarantees				
	CBRA Subsidiary/ Insurance Fund	Growth Fund	Connecticut Works Fund (A)	Direct Loan Totals	Connecticut Works Fund (A) Guarantees	Connecticut Works Fund (B) Guarantees	Connecticut Capital Access Fund	Guarantee Totals	Total Loans and Guarantees
Beginning balance	$ 151,087	$ 3,275,891	$ 8,105,437	$11,532,415	$ 58,000	$ --	$ 718,899	$ 776,899	$12,309,314
Other	355,540	--	--	355,540	95,791	(95,791)	--	--	355,540
Provision	--	350,000	400,000	750,000	50,000	50,000	--	100,000	850,000
Charge-offs	--	(1,348,412)	--	(1,348,412)	--	--	--	--	(1,348,412)
Guarantee fees	--	--	--	--	--	--	(50,435)	(50,435)	(50,435)
Recoveries	--	1,200	--	1,200	--	45,791	--	45,791	46,991
Ending balance	$ 506,627	$ 2,278,679	$ 8,505,437	$11,290,743	$ 203,791	$ --	$ 668,464	$ 872,255	$12,162,998
Loan balances/exposure	$14,927,379	$12,875,243	$40,024,805	$67,827,427	$ 2,795,428	$ --	$ 3,284,368	$ 6,079,796	$73,907,223
Allowance balance as a percent of loans	3.4%	17.7%	21.3%	16.6%	7.3%	N/A	20.4%	14.3%	16.5%

NOTE 4 – ALLOWANCE FOR LOAN LOSSES (CONTINUED)

At June 30, 2011 and 2010, the Authority had a recorded balance in impaired loans of $16,392,738 and $17,343,099, respectively, in the CBRA Subsidiary, Insurance Program, Growth Fund and Connecticut Works Fund ("A"), collectively. A loan is impaired when, based on current circumstances and events, a creditor expects to be unable to collect all amounts contractually due in accordance with the terms of the loan agreement.

All impaired loans have a specific allowance for possible loan losses included in the overall allowance for loan losses totaling $7,940,413 and $9,256,755 at June 30, 2011 and 2010, respectively.

The average recorded investment in impaired loans for the year ended June 30, 2011 was $16,867,918, and income recorded on loans identified as being impaired totaled $365,399, of which $379,043 was recorded as revenue when received.

The average recorded investment in impaired loans for the year ended June 30, 2010 was $17,788,991, and income recorded on loans identified as being impaired totaled $480,645, of which $419,613 was recorded as revenue when received.

NOTE 5 – PROGRAM INVESTMENTS

The Authority extends equity and debt financing to companies to further the Authority's mission to create jobs and expand the economic base of Connecticut. These equity or debt positions are usually reserved for larger projects such as the hotel at Adriaen's Landing and the Northland Project known as Hartford 21. Conventional lending typically is not an option for such larger projects due to the nature of such financing which requires large up front investments with the returns occurring in the out years.

The Authority's Program investments cost and fair value is shown below:

June 30, 2011		June 30, 2010	
Original Cost	Fair Value	Original Cost	Fair Value
$ 4,338,913	$ 1,211,503	$ 4,338,913	$ 1,228,011

NOTE 6 – FAIR VALUE MEASUREMENTS

The Authority defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

As further described below, the authority uses a three tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority to Level 1 assets.

- Level 2: Observable inputs that are based on data not quoted in active markets, but corroborated by market data.

- Level 3: Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Authority's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

Financial assets carried at fair value as of June 30, 2011 and 2010, respectively, are classified in the following table in one of the three categories described above:

	Investment Assets at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 39,944,732	$ --	$ --	$ 39,944,732
Marketable securities	--	3,008,095	--	3,008,095
Program investments	--	--	1,211,503	1,211,503
	$ 39,944,732	$ 3,008,095	$ 1,211,503	$ 44,164,330

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

	Investment Assets at Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 49,310,293	$ --	$ --	$ 49,310,293
Marketable securities	--	3,008,095	--	3,008,095
Program investments	--	--	1,228,011	1,228,011
	$ 49,310,293	$ 3,008,095	$ 1,228,011	$ 53,546,399

All debt instruments are held to maturity and carried at amortized cost.

All program investments in equity securities are Level 3 investments and have no readily-available market value.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements related to the impairment of such equity securities recognized in the accompanying statements of net assets available using significant unobservable (Level 3) inputs:

	2011	2010
Balance - beginning of year	$ 1,228,011	$ 1,218,998
Purchases, issuances and settlements - net	(16,508)	9,013
Balance - end of year	$ 1,211,503	$ 1,228,011

The following methods and assumptions were used by the Authority in estimating its fair value disclosures for financial instruments:

Cash and Cash Equivalents - The carrying amounts reported on the balance sheet for cash and cash equivalents approximate those assets' fair values.

Marketable Securities – The amount represents a repurchase agreement that bears interest at the rate of 5.85% and matures November 13, 2013. The carrying amount reported on the balance sheet for marketable securities approximates the assets' fair value.

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

Program Investments - Fair values for program investments in the absence of readily determinable market values are based on pertinent information including, but not limited to, recent sales prices of the issuer's securities, sales growth, cash flow analysis, financial performance, progress towards business goals and other operating data. The Authority applies procedures in arriving at the estimate of the value of the securities that it believes are reasonable and accurate.

Off-Balance-Sheet Instruments - Fair values for the Authority's off-balance-sheet instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing (guarantees, loan commitments).

NOTE 7 – BONDS PAYABLE

The bonds of the General Operating Fund bear interest at 4.40 to 5.25 percent. The principal and interest payable as of June 30, 2011 are as follows:

Year ending June 30,	Principal General Obligation Bonds	Interest General Obligation Bonds
2012	$ 3,505,000	$ 692,645
2013	3,590,000	520,730
2014	3,685,000	344,396
2015 - 2019	4,425,000	560,205
2020	595,000	15,619
	$ 15,800,000	$ 2,133,595

NOTE 7 – BONDS PAYABLE (CONTINUED)

Outstanding principal of the General Operating Fund's General Obligation Bonds is as follows:

	Original Amount	2011	2010
1993 Series A, 3.5 - 6.0 percent, $30,560,000 due serially from November 15, 1994 through November 15, 2013. Callable after November 15, 2009, at par.	$ 30,560,000	$ 4,575,000	$ 6,100,000
2004 Series B, 2.37 - 5.25 percent, $6,725,000 with $3,965,000 in aggregate principal amount of serial bonds maturing on October 15 in the years 2005 through 2014, both inclusive; $2,760,000 in aggregate principal amount of term bonds maturing on October 15, 2019. Callable at par under special circumstances.	6,725,000	4,545,000	4,940,000
2004 Series C, 2.35 - 4.92 percent, $15,005,000 due serially from August 15, 2005 through August 15, 2014. Callable at par under special circumstances	15,005,000	6,680,000	8,185,000
	$ 52,290,000	$ 15,800,000	$ 19,225,000

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

	June 30, 2011			
	Balance July 1, 2010	Additions	Deletions	Balance, June 30, 2011
Capital assets being depreciated:				
Building and improvements	$ 38,068,582	$ --	$ --	$ 38,068,582
Furniture and equipment	507,504	73,432	(53,566)	527,370
	38,576,086	73,432	(53,566)	38,595,952
Less accumulated depreciation:				
Building and improvements	38,068,582	--	--	38,068,582
Furniture and equipment	414,829	82,200	(53,566)	443,463
	38,483,411	82,200	(53,566)	38,512,045
Capital assets - net	$ 92,675			$ 83,906

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	June 30, 2010			
	Balance July 1, 2009	Additions	Deletions	Balance, June 30, 2010
Capital assets being depreciated:				
Building and improvements	$ 38,068,582	$ --	$ --	$ 38,068,582
Furniture and equipment	488,169	19,334	--	507,503
	38,556,751	19,334	--	38,576,085
Less accumulated depreciation:				
Building and improvements	38,068,582	--	--	38,068,582
Furniture and equipment	338,277	76,551	--	414,828
	38,406,859	76,551	--	38,483,410
Capital assets - net	$ 149,892			$ 92,675

NOTE 9 - XL CENTER OPERATIONS

On September 1, 1993, the Authority entered into a series of agreements centering around the Authority's lease of the XL Center from the City of Hartford, Connecticut (City). The principal agreements are summarized as follows:

- The lease agreement originally called for quarterly lease payments of $400,000 with 4 percent increases compounded annually; the first quarter's and a one-time payment of $3,000,000 at the lease inception (total of $3,400,000) were paid to the City on September 1, 1993. The lease expires September 1, 2013.

- On March 21, 2007 the Board of Directors of CDA voted to award the contract relating to the management and operation of the XL Center to Northland/AEG. The scheduled term of the sublease and operating agreement began on July 1, 2007 and ends on August 30, 2013, subject to earlier termination under special circumstances. Under the terms of the agreement CDA grants and transfers and Northland/AEG accepts and assumes full and exclusive managerial, operational and financial responsibility for the facility.

NOTE 9 - XL CENTER OPERATIONS (CONTINUED)

Northland/AEG will be fully responsible for all obligations and requirements binding upon the Tenant under the City Lease and CDA including (i) the payment to CDA of all City Rent; (ii) maintenance and repair of the Facilities and changes, alterations and improvements, including responsibility for all Capital expenditures; (iii) taxes and utilities; (iv) the use and continued operation of the Facilities; (v) indemnification and insurance; (vi) damage or deterioration of the Facilities; (vii) the condition of the Facilities upon surrender at the scheduled expiration of the City lease; and the hiring of residents of the City and affirmative action and equal opportunity covenants.

NOTE 10 - HARTFORD WHALERS TRANSACTION

In connection with the XL Center transaction (Note 6), the Authority obtained the right of first refusal to acquire the Hartford Whalers National Hockey League franchise (Whalers) for $47,500,000. The Authority exercised such right on June 27, 1994 and simultaneously sold the Whalers to KTR Hockey Limited Partnership (Partnership) for cash of $22,000,000 and a package of deferred payments with an estimated value of $25,500,000 as determined by the Authority after performing a review of the Whalers' projected operating results.

On June 18, 1997, the Authority and the Whalers entered into a "Settlement Agreement." Under the terms of the agreement, the Whalers were permitted to relocate their hockey franchise and in return, the Whalers agreed to pay the Authority $20,500,000 plus interest on a portion of such principal. The principal payments commenced on July 1, 1997 with the payment of $5,000,000. Future installments of principal ranging from $1,000,000 to $1,050,000 were due annually on July 1, 1998 through July 1, 2012. The payment stream along with all XL Center revenues is pledged to cover the annual debt service of the Authority's 1993 Series A and 2004 C General Obligation bonds. On July 21, 2010, a modification to the payment terms was granted extending the last three annual payments commencing July 1, 2010 to six annual payments in exchange for a personal guarantee of $2.1 million that was acceptable to management and CDA's general counsel. The Authority expects to reco gnize the installment of principal due and the modification of the three additional years through July 1, 2015, as income when the payments are received.

In addition, the Whalers and the Authority each have granted the other party a mutual release of all claims. The Authority also retains the rights to the Whalers' name, logo, and NHL Franchise Area.

NOTE 11 - PENSION PLAN

All the employees of the Authority participate in the State Employees' Retirement System (SERS) which is administered by the State Employees' Retirement Commission. The Authority has no liability for pension costs other than the annual contribution. In addition, the actuarial study is performed on the plan as a whole and does not provide separate information for employees of the Authority. Therefore, certain GAAP pension disclosures are omitted. Information on the total plan funding status and progress, contribution required and trend information can be found in the State's Comprehensive Annual Financial Report.

PLAN DESCRIPTION

SERS is a single-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 and 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers. Tier I and Tier IIA are contributory plans, and Tier II is a noncontributory plan. Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in an amount of 2 percent of the annual average earnings (which are based on the three highest earning years of service) over $4,800 plus 1 percent of $4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 65 with 5 years of service, are entitled to one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. Tier II employees between the ages of 55 and 62 with 10 years but less than 25 years of service may retire with reduced benefits. In addition, Tier II and Tier IIA members with at least five but less than ten years of actual state service who terminate their state employment July 2, 1997 or later and prior to attaining age 62 will be in deferred vested status and may commence receipt of normal retirement benefits on the first of the month on or following their sixty-fifth (65) birthday.

Employees hired on and after July 1, 1997, will become members of Tier IIA. Tier IIA plan is essentially the existing Tier II plan with the exception that employee contributions of 2 percent of salary are required. Tier I members are vested after ten years of service, while Tier II and Tier IIA members may be vested after five years of service under certain conditions, and all three plans provide for death and disability benefits. The total payroll and the payroll for employees of the Authority covered by SERS was $2,351,758 and $2,277,651 for the years ended June 30, 2011 and 2010, respectively.

NOTE 11 - PENSION PLAN (CONTINUED)

CONTRIBUTIONS MADE

The Authority's contribution is determined by applying a State-mandated percentage to eligible salaries and wages.

	2011	2010
Contribution made by the Authority	$ 926,828	$ 911,060
Percent of current year covered payroll	39.41%	40.00%

NOTE 12 - OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK AND COMMITMENTS

OFF-BALANCE-SHEET RISK

The Authority is a party to off-balance-sheet financial transactions in the normal course of business. These may expose the Authority to credit risks in excess of the amounts recognized on the balance sheet.

The Authority's exposure to credit loss in the event of nonperformance by the other party to the off-balance-sheet financial transactions is represented by the contractual amount of those instruments. Total credit exposure related to these items at June 30 is summarized below:

	Years ended June 30, 2011 Contract Amount	2010 Contract Amount
Loan commitments:		
Growth Fund	$ 636,126	$ 1,529,669
Connecticut Redevelopment Authority	500,000	--
Connecticut Works Fund ("A")	4,061,408	8,155,880
	$ 5,197,534	$ 9,685,549
Loan guarantees:		
Connecticut Works Fund ("A")	$ 2,615,725	$ 2,795,428
Connecticut Capital Access Fund	2,341,145	2,446,280
	$ 4,956,870	$ 5,241,708

Loan commitments, commitments to guarantee, and guarantees are generally made using the same underwriting standards as those funded and recorded on the balance sheet.

NOTE 12 - OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK AND COMMITMENTS (CONTINUED)

CONCENTRATIONS OF CREDIT RISK

The Authority has granted commercial loans and loan guarantees to customers in Connecticut. The majority of the Authority's loan portfolio is comprised of commercial mortgage loans secured by business assets located principally in Connecticut. Certain customers of the Authority also transact business with the State or its agencies.

NOTE 13 - OFFICE LEASES

The Authority had entered into a 60-month lease, which commenced June 1, 2002, for office space in Rocky Hill, Connecticut at an annual base rent of $50,019. With the acquisition of additional space during 2006, the amended lease, which continued to May 31, 2010, called for an increase of the base rent to $53,771. The current lease, which runs through May, 2015, calls for a base rent of $59,162 annually. Additionally, the Authority has lease agreements for certain office equipment. The future minimum lease payments under all leases at June 30, 2011 are:

2012	$	75,990
2013		71,688
2014		62,078
2015		54,231
	$	263,987

During 2011 and 2010, the Authority incurred lease expense of $81,329 and $75,325, respectively.

NOTE 14 - LITIGATION

The Authority is involved in litigation arising from its operations. After review of all significant matters with counsel, management believes that the resolution of these matters will not materially affect the Authority's financial position or results of operations.

NOTE 15 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2011 have been evaluated through September 30, 2011, the date that the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

CONNECTICUT DEVELOPMENT AUTHORITY

COMBINING STATEMENT OF NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Total All Funds Excluding XL Center	XL Center	Total All Funds
Assets			
Current Assets			
Unrestricted cash and cash equivalents	$ 20,536,955	$ --	$ 20,536,955
Cash and cash equivalents for loan commitments	5,197,534	--	5,197,534
Loans	5,669,402	--	5,669,402
Interest and other receivables	496,958	22,151	519,109
Prepaid and deferred expenses	129,687	751,739	881,426
Total Current Assets	32,030,536	773,890	32,804,426
Noncurrent Assets			
Restricted cash and cash equivalents	13,300,187	910,056	14,210,243
Marketable securities	--	3,008,095	3,008,095
Total Restricted Assets	13,300,187	3,918,151	17,218,338
Loans, less allowance of $9,601,456	49,672,652	--	49,672,652
Program investments	1,211,503	--	1,211,503
Capital assets, net	83,906	--	83,906
Prepaid and deferred expenses	252,622	--	252,622
Due from State of Connecticut	12,988,022	--	12,988,022
Total Noncurrent Assets	77,508,892	3,918,151	81,427,043
Total Assets	$ 109,539,428	$ 4,692,041	$ 114,231,469

CONNECTICUT DEVELOPMENT AUTHORITY

COMBINING STATEMENT OF NET ASSETS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	Total All Funds Excluding XL Center	XL Center	Total All Funds
Liabilities and Net Assets			
Liabilities			
Current liabilities:			
Current portion of bonds payable	$ 1,980,000	$ 1,525,000	$ 3,505,000
Accrued expenses and liabilities	1,273,979	29,070	1,303,049
Deferred revenue	33,366	405,018	438,384
Reserve for guarantee losses	730,852	--	730,852
Total Current Liabilities	4,018,197	1,959,088	5,977,285
Noncurrent liabilities:			
Escrow deposits	5,081,951	--	5,081,951
Bonds payable, net of current portion	9,245,000	3,050,000	12,295,000
Deferred revenue	--	703,279	703,279
Total Noncurrent Liabilities	14,326,951	3,753,279	18,080,230
Total Liabilities	18,345,148	5,712,367	24,057,515
Net Assets			
Invested in capital assets, net of related debt	83,906	--	83,906
Restricted	8,218,236	3,918,151	12,136,387
Unrestricted	82,892,138	(4,938,477)	77,953,661
Total Net Assets	91,194,280	(1,020,326)	90,173,954
Total Liabilities and Net Assets	$ 109,539,428	$ 4,692,041	$ 114,231,469

CONNECTICUT DEVELOPMENT AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Lending and Economic Development	XL Center	Total
Operating Revenues			
Northland AEG Contribution	$ --	$ 2,384,629	$ 2,384,629
Interest investment income	129,685	177,310	306,995
Other income	29,181	3,279	32,460
Whaler exit fee	--	700,000	700,000
Fees and premiums earned	1,061,799	--	1,061,799
Interest on loans	2,868,843	--	2,868,843
Total Operating Revenues	4,089,508	3,265,218	7,354,726
Operating Expenses			
CDA Contribution	--	1,575,000	1,575,000
Payroll and fringe benefits	3,767,229	--	3,767,229
Interest	611,672	262,586	874,258
Provision for loan and guarantee losses	900,000	--	900,000
Professional service fees	307,072	--	307,072
Marketing and development	140,218	--	140,218
General facility and office	389,786	2,384,629	2,774,415
Depreciation and amortization	130,437	--	130,437
Other	7,398	--	7,398
Total Operating Expenses	6,253,812	4,222,215	10,476,027
Operating Loss	(2,164,304)	(956,997)	(3,121,301)
Non-Operating Items			
Gain on investments	(16,508)	--	(16,508)
Change in Net Assets Before Transfers	(2,180,812)	(956,997)	(3,137,809)
Transfers	(2,662,879)	2,662,879	--
Change in Net Assets	(4,843,691)	1,705,882	(3,137,809)
Net Assets - Beginning	96,037,971	(2,726,208)	93,311,763
Net Assets - Ending	$ 91,194,280	$ (1,020,326)	$ 90,173,954

CONNECTICUT DEVELOPMENT AUTHORITY

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Lending and Economic Development	XL Center	Total
Cash Flows from Operating Activities			
XL Center revenues	$ --	$ 3,110,436	$ 3,110,436
Program fees collected	949,895	--	949,895
Guarantee/insurance fees collected	120,557	--	120,557
Interest from loans	2,908,821	--	2,908,821
Other fees collected	17,330	--	17,330
XL Center expenses	--	(4,160,436)	(4,160,436)
Payroll and fringe benefits paid	(3,917,993)	--	(3,917,993)
General and administrative expenses paid	(882,379)	--	(882,379)
Program and service fees paid	(21,550)	--	(21,550)
Loan principal collected	8,187,444	--	8,187,444
Loans funded	(7,917,459)	--	(7,917,459)
Cash from recovery of principal	13,476	--	13,476
Guarantees paid	(87,611)	--	(87,611)
Net Cash Used in Operating Activities	(629,469)	(1,050,000)	(1,679,469)
Cash Flows from Noncapital Financing Activities			
Decrease in escrow deposits	(3,605,411)	--	(3,605,411)
Principal payments on bonds	(1,900,000)	(1,021,750)	(2,921,750)
Interest payments on bonds	(638,693)	(182,638)	(821,331)
Net Cash Used in Noncapital Financing Activities	(6,144,104)	(1,204,388)	(7,348,492)
Cash Flows from Capital and Related Financing Activities			
Principal payments on bonds	--	(503,250)	(503,250)
Interest payments on bonds	--	(89,956)	(89,956)
Net Cash Used in Capital and Related Financing Activities	--	(593,206)	(593,206)
Cash Flows from Investing Activities			
Cash from interest on investments	129,834	177,344	307,178
Purchase of furniture and equipment	(51,572)	--	(51,572)
Transfers	(2,662,883)	2,662,883	--
Net Cash (Used in) Provided by Investing Activities	(2,584,621)	2,840,227	255,606

CONNECTICUT DEVELOPMENT AUTHORITY

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	Lending and Economic Development	XL Center	Total
Net Change in Cash and Cash Equivalents	$ (9,358,194)	$ (7,367)	$ (9,365,561)
Cash and Cash Equivalents - Beginning	48,392,870	917,423	49,310,293
Cash and Cash Equivalents - End	$ 39,034,676	$ 910,056	$ 39,944,732
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating loss	$ (2,164,304)	$ (956,997)	$ (3,121,301)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Interest expense on bonds and note payable	611,672	262,586	874,258
Interest income on investments and cash and cash equivalents	(129,685)	(177,310)	(306,995)
Depreciation	82,200	--	82,200
Amortization of deferred bond issue expense net of special items	48,237	--	48,237
Amortization of bond issue premium	--	(3,279)	(3,279)
Provision for loan and insurance losses	900,000	--	900,000
Recoveries of loan principal	13,476	--	13,476
Guarantees paid	(87,611)	--	(87,611)
Change in assets and liabilities:			
Loans receivable	227,362	--	227,362
Interest and other receivables	26,404	(1)	26,403
Due from State of Connecticut	31,309	--	31,309
Accrued expenses	(198,200)	175,000	(23,200)
Other assets	1,119	(375,806)	(374,687)
Unearned insurance premium	8,552	--	8,552
Deferred revenue	--	25,807	25,807
Net Cash Used in Operating Activities	$ (629,469)	$ (1,050,000)	$ (1,679,469)

CONNECTICUT DEVELOPMENT AUTHORITY

INDIVIDUAL FUNDS - STATEMENT OF NET ASSETS

JUNE 30, 2011

Assets	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding Hartford XL Center	XL Center	Total all Funds
Current Assets											
Cash and cash equivalents	$ 20,536,955	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 20,536,955	$ --	$ 20,536,955
Cash and cash equivalents for loan commitments	5,197,534	--	--	--	--	--	--	--	5,197,534	--	5,197,534
Loans	385,417	345,734	--	345,734	1,435,206	3,503,045	--	--	5,669,402	--	5,669,402
Interest and other receivables	1,030	285,171	--	285,171	43,014	167,743	--	--	496,958	22,151	519,109
Prepaids and deferred expenses	129,687	--	--	--	--	--	--	--	129,687	751,739	881,426
Total Current Assets	26,250,623	630,905	--	630,905	1,478,220	3,670,788	--	--	32,030,536	773,890	32,804,426
Noncurrent Assets											
Restricted assets											
Restricted cash and cash equivalents	9,939,115	128,494	--	128,494	--	--	--	3,232,578	13,300,187	910,056	14,210,243
Marketable securities	--	--	--	--	--	--	--	--	--	3,008,095	3,008,095
Total Restricted Assets	9,939,115	128,494	--	128,494	--	--	--	3,232,578	13,300,187	3,918,151	17,218,338
Loans	3,848,331	9,468,695	--	9,468,695	12,029,371	33,927,711	--	--	59,274,108	--	59,274,108
Allowance for possible loan losses	--	(355,540)	(151,087)	(506,627)	(2,131,380)	(6,963,449)	--	--	(9,601,456)	--	(9,601,456)
Loans, net	3,848,331	9,113,155	(151,087)	8,962,068	9,897,991	26,964,262	--	--	49,672,652	--	49,672,652
Program investments	--	--	--	--	736,503	475,000	--	--	1,211,503	--	1,211,503
Bond investment - CBRA	--	1,000,000	--	1,000,000	--	--	--	--	1,000,000	--	1,000,000
Bonds Payable - CBRA	--	(1,000,000)	--	(1,000,000)	--	--	--	--	(1,000,000)	--	(1,000,000)
CBRA investment, net	--	--	--	--	--	--	--	--	--	--	--
Capital assets, net (General Operations)	83,906	--	--	--	--	--	--	--	83,906	--	83,906
Capital assets, net (XL Center)	--	--	--	--	--	--	--	--	--	--	--
Prepaids and deferred expenses	252,622	--	--	--	--	--	--	--	252,622	--	252,622
Due from State of Connecticut	324,335	--	--	--	--	9,975,008	--	2,688,679	12,988,022	--	12,988,022
Total Noncurrent Assets	14,448,309	9,241,649	(151,087)	9,090,562	10,634,494	37,414,270	--	5,921,257	77,508,892	3,918,151	81,427,043
Total Assets	$ 40,698,932	$ 9,872,554	$ (151,087)	$ 9,721,467	$ 12,112,714	$ 41,085,058	$ --	$ 5,921,257	$109,539,428	$ 4,692,041	$114,231,469

CONNECTICUT DEVELOPMENT AUTHORITY

INDIVIDUAL FUNDS - STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2011

Liabilities and Net Assets	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding Hartford XL Center	XL Center	Total all Funds
Liabilities											
Current liabilities											
Current portion of bonds payable	$ 1,980,000	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 1,980,000	$ 1,525,000	$ 3,505,000
Premium on bonds payable	--	--	--	--	--	--	--	--	--	3,279	3,279
Accrued interest	165,936	11,611	--	11,611	--	--	--	--	177,547	29,070	206,617
Accrued expenses	1,040,034	--	--	--	103	56,195	--	100	1,096,432	--	1,096,432
Deferred revenue	5,000	--	--	--	--	--	--	--	5,000	401,739	406,739
Reserve for guarantee losses	--	--	--	--	--	150,000	--	580,852	730,852	--	730,852
Unearned guarantee/insurance premiums/fees	--	--	7,591	7,591	--	20,775	--	--	28,366	--	28,366
Total Current Liabilities	3,190,970	11,611	7,591	19,202	103	226,970	--	580,952	4,018,197	1,959,088	5,977,285
Noncurrent liabilities											
Escrow deposits	5,081,951	--	--	--	--	--	--	--	5,081,951	--	5,081,951
Bonds payable, net of current portion	9,245,000	--	--	--	--	--	--	--	9,245,000	3,050,000	12,295,000
Premium on bonds payable	--	--	--	--	--	--	--	--	--	3,279	3,279
Deferred fees	--	--	--	--	--	--	--	--	--	700,000	700,000
Total Noncurrent Liabilities	14,326,951	--	--	--	--	--	--	--	14,326,951	3,753,279	18,080,230
Total Liabilities	17,517,921	11,611	7,591	19,202	103	226,970	--	580,952	18,345,148	5,712,367	24,057,515
Net Assets											
Invested in capital assets, net of related debt	83,906	--	--	--	--	--	--	--	83,906	--	83,906
Restricted	4,857,164	128,494	--	128,494	--	--	--	3,232,578	8,218,236	3,918,151	12,136,387
Unrestricted	18,239,941	9,732,449	(158,678)	9,573,771	12,112,611	40,858,088	--	2,107,727	82,892,138	(4,938,477)	77,953,661
Total Net Assets	23,181,011	9,860,943	(158,678)	9,702,265	12,112,611	40,858,088	--	5,340,305	91,194,280	(1,020,326)	90,173,954
Total Liabilities and Net Assets	$ 40,698,932	$ 9,872,554	$ (151,087)	$ 9,721,467	$ 12,112,714	$ 41,085,058	$ --	$ 5,921,257	$109,539,428	$ 4,692,041	$114,231,469

CONNECTICUT DEVELOPMENT AUTHORITY

INDIVIDUAL FUNDS - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding Hartford XL Center	XL Center	Total all Funds
Operating Revenues											
XL Center revenues	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 3,265,218	$ 3,265,218
Application fees	37,000	--	--	--	1,250	3,000	--	--	41,250	--	41,250
Acceptance fees	859,950	--	--	--	5,000	37,650	--	--	902,600	--	902,600
Premiums earned	--	--	23,417	23,417	--	39,232	--	55,300	117,949	--	117,949
Interest on loans	287,855	382,748	--	382,748	544,906	1,644,925	--	8,409	2,868,843	--	2,868,843
Interest income from investments	74,380	55,305	--	55,305	--	--	--	--	129,685	--	129,685
Other	11,890	--	--	--	10,277	7,014	--	--	29,181	--	29,181
Total Operating Revenues	1,271,075	438,053	23,417	461,470	561,433	1,731,821	--	63,709	4,089,508	3,265,218	7,354,726
Operating Expenses											
XL Center expenses	--	--	--	--	--	--	--	--	--	4,222,215	4,222,215
Interest	556,672	55,000	--	55,000	--	--	--	--	611,672	--	611,672
Payroll and fringe benefits	3,767,229	--	--	--	--	--	--	--	3,767,229	--	3,767,229
Credit investigation	15,958	--	--	--	--	--	--	--	15,958	--	15,958
Legal	117,983	--	--	--	--	--	--	--	117,983	--	117,983
Accounting	40,000	--	--	--	--	--	--	--	40,000	--	40,000
Consulting	129,906	--	--	--	--	--	--	--	129,906	--	129,906
Travel and conferences	20,414	--	--	--	--	--	--	--	20,414	--	20,414
Personnel development	4,341	--	--	--	--	--	--	--	4,341	--	4,341
Marketing	115,463	--	--	--	--	--	--	--	115,463	--	115,463
General facility	150,237	--	--	--	--	--	--	--	150,237	--	150,237
Telephone	7,044	--	--	--	--	--	--	--	7,044	--	7,044
Maintenance	61,764	--	--	--	--	--	--	--	61,764	--	61,764
Leased equipment	22,167	--	--	--	--	--	--	--	22,167	--	22,167
Insurance expense	111,152	--	--	--	--	--	--	--	111,152	--	111,152
Office supplies	37,422	--	--	--	--	--	--	--	37,422	--	37,422
Depreciation	82,200	--	--	--	--	--	--	--	82,200	--	82,200
Trustee and service fees	3,225	--	--	--	--	--	--	--	3,225	--	3,225
Amortization of deferred bond issue expenses	48,237	--	--	--	--	--	--	--	48,237	--	48,237
Provision for loan and guarantee losses	--	--	--	--	425,000	475,000	--	--	900,000	--	900,000
Loan work-out	--	--	--	--	3,455	3,912	--	--	7,367	--	7,367
Other	--	--	--	--	--	--	--	31	31	--	31
Allocation of intra-fund administrative expenses	(4,020,339)	383,053	32,702	415,755	1,449,829	2,154,755	--	--	--	--	--
Total Operating Expenses	1,271,075	438,053	32,702	470,755	1,878,284	2,633,667	--	31	6,253,812	4,222,215	10,476,027

CONNECTICUT DEVELOPMENT AUTHORITY

INDIVIDUAL FUNDS - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding Hartford XL Center	XL Center	Total all Funds
Operating Income (Loss)	$ --	$ --	$ (9,285)	$ (9,285)	$ (1,316,851)	$ (901,846)	$ --	$ 63,678	$ (2,164,304)	$ (956,997)	$ (3,121,301)
Non-Operating Items					--						
Loss on investments	--	--	--	--	(16,508)	--	--	--	(16,508)	--	(16,508)
Change in Net Assets Before Transfers	--	--	(9,285)	(9,285)	(1,333,359)	(901,846)	--	63,678	(2,180,812)	(956,997)	(3,137,809)
Transfers	(4,130,159)	(521,828)	9,932	(511,896)	2,045,056	(125,147)	3	59,264	(2,662,879)	2,662,879	--
Change in Net Assets	(4,130,159)	(521,828)	647	(521,181)	711,697	(1,026,993)	3	122,942	(4,843,691)	1,705,882	(3,137,809)
Net Assets - Beginning	27,311,170	10,382,771	(159,325)	10,223,446	11,400,914	41,885,081	(3)	5,217,363	96,037,971	(2,726,208)	93,311,763
Net Assets - Ending	$ 23,181,011	$ 9,860,943	$ (158,678)	$ 9,702,265	$ 12,112,611	$ 40,858,088	$ --	$ 5,340,305	$ 91,194,280	$ (1,020,326)	$ 90,173,954

CONNECTICUT DEVELOPMENT AUTHORITY

INDIVIDUAL FUNDS - STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding Hartford XL Center	XL Center	Total all Funds
Cash Flows from Operating Activities											
XL Center revenues	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 3,110,436	$ 3,110,436
Program fees collected	896,950	--	--	--	6,250	40,650	--	6,045	949,895	--	949,895
Guarantee/insurance fees collected	--	--	22,775	22,775	--	48,427	--	49,355	120,557	--	120,557
Interest from loans	287,855	435,647	--	435,647	555,160	1,621,750	--	8,409	2,908,821	--	2,908,821
Other fees collected	40	--	--	--	10,277	7,013	--	--	17,330	--	17,330
XL Center expenses	--	--	--	--	--	--	--	--	--	(4,160,436)	(4,160,436)
Payroll and fringe benefits paid	(3,917,993)	--	--	--	--	--	--	--	(3,917,993)	--	(3,917,993)
General and administrative expenses paid	(882,379)	--	--	--	--	--	--	--	(882,379)	--	(882,379)
General and administrative expenses allocated to programs	4,020,339	(383,053)	(32,702)	(415,755)	(1,449,829)	(2,154,755)	--	--	--	--	--
Program and service fees paid	(12,400)	--	--	--	(5,281)	(3,838)	--	(31)	(21,550)	--	(21,550)
Loan principal collected	410,000	469,201	--	469,201	1,962,585	5,345,658	--	--	8,187,444	--	8,187,444
Loans funded	--	--	--	--	(3,126,268)	(4,791,191)	--	--	(7,917,459)	--	(7,917,459)
Cash from recovery of principal	--	--	--	--	2,050	--	11,426	--	13,476	--	13,476
Guarantee's paid	--	--	--	--	--	--	--	(87,611)	(87,611)	--	(87,611)
Net Cash Provided by (Used in) Operating Activities	802,412	521,795	(9,927)	511,868	(2,045,056)	113,714	11,426	(23,833)	(629,469)	(1,050,000)	(1,679,469)
Cash Flows from Noncapital Financing Activities											
Decrease in escrow deposits	(3,605,411)	--	--	--	--	--	--	--	(3,605,411)	--	(3,605,411)
Cash paid for Brownsfield funding	--	--	--	--	--	--	--	--	--	--	--
Principal payments on bonds	(1,900,000)	--	--	--	--	--	--	--	(1,900,000)	(1,021,750)	(2,921,750)
Interest payments on bonds	(583,693)	(55,000)	--	(55,000)	--	--	--	--	(638,693)	(182,638)	(821,331)
Net Cash Used in Noncapital Financing Activities	(6,089,104)	(55,000)	--	(55,000)	--	--	--	--	(6,144,104)	(1,204,388)	(7,348,492)
Cash Flows from Capital and Related Financing Activities											
Principal payments on bonds	--	--	--	--	--	--	--	--	--	(503,250)	(503,250)
Interest payments on bonds	--	--	--	--	--	--	--	--	--	(89,956)	(89,956)
Net Cash Used in Capital and Related Financing Activities	--	--	--	--	--	--	--	--	--	(593,206)	(593,206)

CONNECTICUT DEVELOPMENT AUTHORITY

INDIVIDUAL FUNDS - STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	General Operating Fund	Wholly-Owned CBRA Subsidiary	Insurance Program Fund	CBRA Insurance Sub-total	Growth Fund	Connecticut Works Fund ("A")	Connecticut Works Guarantee Fund ("B")	Connecticut Capital Access Fund	Total all Funds Excluding Hartford XL Center	XL Center	Total all Funds
Cash Flows from Investing Activities											
Proceeds from sale of program investments	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Cash from interest on investments	74,523	55,311	--	55,311	--	--	--	--	129,834	177,344	307,178
Purchase of furniture and equipment	(51,572)	--	--	--	--	--	--	--	(51,572)	--	(51,572)
Transfers	(4,130,160)	(521,828)	9,927	(511,901)	2,045,056	(113,714)	(11,426)	59,262	(2,662,883)	2,662,883	--
Net Cash (Used in) Provided by Investing Activities	(4,107,209)	(466,517)	9,927	(456,590)	2,045,056	(113,714)	(11,426)	59,262	(2,584,621)	2,840,227	255,606
Net Change in Cash and Cash Equivalents	(9,393,901)	278	--	278	--	--	--	35,429	(9,358,194)	(7,367)	(9,365,561)
Cash and Cash Equivalents - Beginning	45,067,505	128,216	--	128,216	--	--	--	3,197,149	48,392,870	917,423	49,310,293
Cash and Cash Equivalents - End	$ 35,673,604	$ 128,494	$ --	$ 128,494	$ --	$ --	$ --	$ 3,232,578	$ 39,034,676	$ 910,056	$ 39,944,732
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities											
Operating income (loss)	$ --	$ --	$ (9,285)	$ (9,285)	$ (1,316,851)	$ (901,846)	$ --	$ 63,678	$ (2,164,304)	$ (956,997)	$ (3,121,301)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:											
Interest expense on bonds and notes payable	556,672	55,000	--	55,000	--	--	--	--	611,672	262,586	874,258
Interest income on investments and cash and cash equivalents	(74,380)	(55,305)	--	(55,305)	--	--	--	--	(129,685)	(177,310)	(306,995)
Depreciation	82,200	--	--	--	--	--	--	--	82,200	--	82,200
Amortization of deferred bond issue expense	48,237	--	--	--	--	--	--	--	48,237	--	48,237
Amortization of bond issue premium	--	--	--	--	--	--	--	--	--	(3,279)	(3,279)
Provision for loan and insurance losses	--	--	--	--	425,000	475,000	--	--	900,000	--	900,000
Recoveries of loan principal	--	--	--	--	2,050	--	11,426	--	13,476	--	13,476
Guarantees paid	--	--	--	--	--	--	--	(87,611)	(87,611)	--	(87,611)
Change in assets and liabilities:											
Decrease in loans receivable	410,000	469,202	--	469,202	(1,163,683)	511,843	--	--	227,362	--	227,362
(Increase) decrease in interest & other receivables	(419)	52,898	--	52,898	10,254	(36,429)	--	100	26,404	(1)	26,403
Due from State of Connecticut	31,309	--	--	--	--	--	--	--	31,309	--	31,309
Accrued expenses	(252,326)	--	--	--	(1,826)	55,952	--	--	(198,200)	175,000	(23,200)
Other assets	1,119	--	--	--	--	--	--	--	1,119	(375,806)	(374,687)
Unearned insurance premium	--	--	(642)	(642)	--	9,194	--	--	8,552	--	8,552
Deferred revenue	--	--	--	--	--	--	--	--	--	25,807	25,807
Net Cash Provided by (Used in) Operating Activitie	$ 802,412	$ 521,795	$ (9,927)	$ 511,868	$ (2,045,056)	$ 113,714	$ 11,426	$ (23,833)	$ (629,469)	$ (1,050,000)	$ (1,679,469)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Connecticut Development Authority

We have audited the financial statements of Connecticut Development Authority's (a component unit of the State of Connecticut) as of and for the year ended June 30, 2011 and have issued our report thereon dated September 30, 2011. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Connecticut Development Authority is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered Connecticut Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connecticut Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Connecticut Development Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Connecticut Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. These laws and regulations included the provisions of Connecticut Public Act No. 88-266 Section 41 (the Act) which address affirmative action, personnel practice, the purchase of goods and services, the use of surplus funds, the issuance and retirement of bonds and the award of loans. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the Board of Directors and the State of Connecticut and is not intended to be and should not be used by anyone other than those specified parties.

Marcum LLP

Hartford, CT
September 30, 2011