C·R·D·A

Capital Region
Development Authority

2012 – 2013 Annual Report

CAPITAL REGION DEVELOPMENT AUTHORITY
2012 - 2013 ANNUAL REPORT

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C·R·D·A
Capital Region
Development Authority

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September 19, 2013

To the Honorable Dannel P. Malloy, Governor State of Connecticut; Auditor of Public Accounts; and the Finance, Revenue and Bonding Committee of the General Assembly:

I am pleased to submit the 2012-13 Annual Report of the Capital Region Development Authority (CRDA) in accordance with Connecticut General Statutes Section 32-605. This is the first such report of CRDA as successor to the Capital City Economic Development Authority. During the past year, a newly created and appointed board took the reins, hired an executive director, transitioned with the existing staff, absorbed expanded duties within a wider district and implemented new policies, procedures and financial management systems.

Among the year's major accomplishments were the first steps in merging Hartford's three large entertainment venues (Rentschler Field, XL Center, The Connecticut Convention Center) into one management agency - CRDA, from three previously separate and distinct oversight structures (OPM, CDA/CI, CCEDA respectively). With the solicitation and selection of a new management team, the venues are now being cross marketed and promoted and operational economies have been programmed into the diverse budgets.

CRDA has also launched a housing fund for the downtown Hartford area, designed to increase the residential base of the center city and focused on the conversion of older commercial buildings into market rate residential opportunities. At year's end, nearly 700 units had been approved by both CRDA and the State Bond Commission and another 400 were in active review.

Progress continued within Adriaen's Landing as commercial tenants began to occupy the Front Street properties and the next phase of development secured the necessary financing for 121 residential units. CRDA has been tasked with advancing the State's office relocation program and has begun to discuss larger regional development opportunities along planned transit corridors.

The past year has been primarily an organizational year. The coming year will focus on physical improvements at the three large venues as well as in the downtown Hartford area.

Suzanne Hopgood

Suzanne Hopgood
Chairman, Capital Region Development Authority

CRDA

100 Columbus Boulevard, Suite 500
Hartford, CT
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2012-2013 Fiscal Year Report
Pursuant to Connecticut General Statutes
§32-605

LEGISLATIVE REPORT

The 2012-2013 Annual Report for Capital Region Development Authority, (CRDA) formerly the Capital City Economic Development Authority (CCEDA), details the activities and project status of the Authority as required by the current legislation.

➢ BONDS ISSUED DURING THE 2013 FISCAL YEAR AND THE ISSUES FACE VALUE AND NET PROCEEDS

During the previous fiscal year, the Authority did not issue any revenue bonds. However, the State of Connecticut Bond Commission through the Special Revenue Bond Fund established $60,000,000 for the purpose of providing grants or loans to encourage residential housing development, as provided in Section 32-617g of the Connecticut General Statutes.

	Total Authorized	Total Allocated FY 2012- 13	Total Allocated as of 6/30/13	Total Unallocated as of 6/30/13
Special Revenue Bond Fund	$60,000,000	$30,625,000	$30,625,000 [A]	$29,375,000

The history of the CRDA (formerly Capital City) Project bond authorizations as defined in Section 32-600 of the Connecticut General Statutes is presented in the following chart:

TOTAL BONDING AUTHORIZATIONS FOR CAPITAL CITY PROJECT

Project	FY 98	FY 99	FY 00	FY 01	FY 03	Total
Convention Center	$ 3,000,000	$187,000,000				$190,000,000
Downtown Higher Ed.		$30,000,000				$ 30,000,000
Civic Center	$15,000,000					$ 15,000,000
Riverfront	$ 3,000,000	$12,000,000		$ 4,880,000		$ 19,880,000[B]
Downtown Housing	$ 3,000,000		$14,000,000	$14,000,000	$4,000,000	$ 35,000,000
Demolition/Rehabilitation	$ 2,000,000	$ 7,000,000	$ 8,000,000	$ 5,000,000	$3,000,000	$ 25,000,000
Parking	$ 5,000,000	$ 5,000,000	$ 2,000,000			$ 12,000,000[C]
Totals	**$31,000,000**	**$241,000,000**	**$24,000,000**	**$23,880,000**	**$7,000,000**	**$326,880,000**

Note A: Although $30,625,000 has been allocated, it remains unalloted and unexpended.
Note B: $5.12 million cancelled by PA10-44, Section 37 effective July 1, 2010.
Note C: $3.0 million cancelled by PA10-44, Section 38 effective July 1, 2010

In addition to the General Obligation Bonds, the Authority is authorized to issue its bonds, notes and other obligations in amounts sufficient to complete the Convention Center Project. The following table provides a summary of the State Bond Commission authorizations which the Authority has recommended relating to the Capital City Projects. The amount of $12,000,000 remains available and committed for the residential component of the Front Street District development.

	Total Authorized	Total Allocated FY 2012-13	Total Allocated as of 6/30/13	Total Unallocated as of 6/30/13
Convention Center(GO Bonds)	$190,000,000		$190,000,000	$ -
CCEDA Revenue Bonds/Loan	$122,500,000		$122,500,000	$ -
Downtown Higher Ed Ctr.	$ 30,000,000		$ 30,000,000	$ -
Demolition/Rehabilitation	$ 25,000,000		$ 25,000,000	$ -
Parking	$ 12,000,000[D]		$ 12,000,000	$ -
Riverfront	$ 19,880,000[E]		$ 19,880,000	$ -
Civic Center	$ 15,000,000		$ 15,000,000	$ -
Downtown Housing	$ 35,000,000		$ 35,000,000	$ - [F]
Totals	**$449,380,000**	**$0**	**$449,380,000**	**$0**

Note D: PA10-44, Section 38 cancelled $3.0 million balance effective July 1, 2010.
Note E: PA10-44, Section 37 cancelled $5.12 million balance effective July 1, 2010.
Note F: Although $12,000,000 of the downtown housing funding has been allocated, allotted and fully committed, it remains unexpended.

➢ Outside Individuals and Firms, Including Principal and Other Major Stockholders, Receiving in Excess of $5,000 as Payment for Services

The following is a list of all outside individuals and firms that received more than $5,000 as payment for services during the July 1, 2012 through June 30, 2013 fiscal year. These payments occurred in the ordinary course of operations.

Vendor Name					
319 Networks, Inc.	AMT Enterprises, LLC	Bank of America	Brailsford & Dunlavey, Inc.	CL&P	CNG
Cole Design Group, Inc.	Desman Associates	Grant Thornton, LLP	Emcor Services of New England Mechanical	Intacct Corporation	Integrated Technical Systems, Inc.
IT Direct, Inc.	JMT Consulting Group, Inc.	LAZ Parking Management, LTD	Mahoney Sabol & Co., LLP	Marchese Consulting	McPhee Electric, LTD
Nalco Company	People's United Insurance Agency	Pullman & Comley, LLC	Sage Software, Inc..	Shipman & Goodwin	Siemens Industry, Inc.
SourceOne	The Hartford	The Metropolitan District	Trane	Waterford Venue Services Hartford, LLC	

The following vendor has a direct contract with the Authority and received more than $5,000 in payments for services. Funds were disbursed from various **development accounts** established to cover costs for the Convention Center and the Adriaen's Landing Projects. The funds were authorized to the Authority through the State Department of Economic and Community Development and the Office of Policy and Management.

VENDOR NAME
Waterford Development

In addition to the required information specified in Section 32-605 of the General Statutes, included are vendors doing business with Convention Center operators who received over $5,000 in payment for services. The Authority maintains that these subcontractors are not "state contractors" and provide services specific to the Convention Center as directed by Convention Center operations. The Convention Center Operating Agreement, which was the result of a bidding process, stipulates that the Convention Center has full autonomy in deciding what services to outsource and the selection of respective service providers. While the Authority funds a portion of the Convention Center operating budget and has the right of approval for the overall Convention Center budget, the Authority does not determine the amount of, or make direct payments to the subcontractors and is not a party to the subcontractors.

VENDOR NAME					
1000 Bulbs	ACE Janitorial Supplies Co.	Ad Hoc Design	ADP Inc.	Advance Food International, Inc.	Albert Uster Imports, Inc.
Allan S. Goodman, Inc.	Allegra Print & Imaging	American Medical Response	Ameripride	AT&T	A-Tech
Beecher Carlson/Master /Trust	Bell Simmons	Bemers	Brescome Barton, Inc.	Bright Business Media, LLC	Builders Hardware
C&C Janitorial Supplies	Cambridge Packing Company	Capital Equipment & Marine	Cashman & Katz	Champion Studios, LLC	Chief of Staff, LLC
CIGNA Corp.	Cintas Corp.	Cintas Fire Protection	City Fish Market	City of Hartford Fire and Protection	CL&P
Clear Channel Outdoor	CLR CT Labor Resources	CNG	Collinson Media & Events	Colonial Supplemental Insurance	Construction & General Laborers
Control Systems, Inc.	Corporate Payment Systems	Crescent Foods	CVENT, Inc.	CWPM	Daktronics, Inc.
Demers Exposition Services, Inc.	Designtex	Diana's Bakery	Digital Printing Systems	Due North Consulting, Inc.	Duplicating Methods Co.

Earthlink Business	Eastern Bag & Paper Co.	Eaton Electrical, Inc.	Electrical Wholesalers	Engineered Door Systems LLC	Environmental Systems Corp.
Facilities and Destinations	Fancy Faces, Inc.	Fast Signs	Freshpoint	Galaxy Desserts	GE Capital
Giovanni's	Glidden Professional Paint Center	Grainger	Grant Thornton, LLP	Hartford CPL CO-OP, Inc.	Hartford Distributors
Hartford Downtown Marriott	High Meadow	Hillard/Rovic	Hospitality Talent Scouts	JC Special T, LLC	John Annino
Jordan Paige	K&D Machine Service, LLC	Kittredge Equipment Company	LAZ Parking DBA	LAZ Parking Management, LTD	L.E. Whitford Co. Insurance
Liteo Enterprises, LLC	Lummus Webber Co.	Lutron Services Co.	Maintenance System	M. Brett Painting	Mahoney Sabol & Co., LLP
Martin Laniero Contractor, Inc.	Mayberry Associates, Inc.	Mayberry Material Handling	The Metropolitan District	Micros Systems, Inc.	Midamar Corporation
Modern Drywall	Morse Watchmans, Inc.	Mozzicato Bakery	Nationwide Security Corporation	Network Media Partners	New England Mechanical
New Leaf Interiors, Inc.	Newmarket International	Nurse Finders	Office Max, Inc.	Offshore Construction, Inc.	Omar Coffee Company
Orbitech Satellite Services, LLC	Otis Elevator Company	PCMA Services, Inc.	Peachtree Business Products	Pepsi-Cola	Perkins
PFG Springfield	Plumfire Mechanical, LLC	Presentation Services	Progressive Gourmet	R.A. Levine Company	Red Hawk
Reliable Flooring Contractor	Rogo Distributors	Ruotolo Mechanical, Inc.	Russo Lawn & Landscape, Inc.	Schindler Elevator Corporation	Securitas Security Services
Siegel, O'Connor, O'Donnel & Beck	Skyline Exhibits & Graphics, Inc.	Stageright Corporation	Stamats Meetings Media, Inc.	State of Connecticut Dept. of Const. Svcs.	Sunshine Laundry
Symon Communications, Inc.	SYSCO Food Services of Connecticut	Tactical Communication	Tee's & More on the Lake	Tennant Sales & Services Co.	Three-Way Communication
TPC Associates, Inc.	The Hartford	The Travelers	Titan Mechanical Contractors	Tradeshow Executive	Tri-State Window Cleaning, Inc.

United Healthcare Insurance Co.	Universal Business Equipment	Verizon Wireless	Waterford Hotel Group	Waterford Venue Services	West Electric LLC
Wilco Sales and Service, Inc.	Worth International Medical Group	WTNH	Zip Park, Inc.		

THE AUTHORITY'S CONTRIBUTION

The Authority issued $110,000,000 in revenue bonds and fully drew down $12,500,000 of the Travelers Loan. These funds were used to complete the Convention Center Project as defined in Section 32-600 of the General Statutes: The "Convention Center Project" means the development, design, construction, finishing, furnishing and equipping of the Convention Center facilities and related site acquisition and the site preparation. The following vendors were paid in excess of $5,000 from the revenue bonds construction proceeds and from the Travelers Loan:

VENDOR NAME

KPMG, LLP   Waterford Development

Listed below identifies certain other expenses associated with the Authority's revenue bonds. These expenses include the liquidity facility fees, remarketing fees, rating agency fees, and trustee fees. The following list reflects vendors paid in excess of $5,000 for such expenses:

VENDOR NAME

Bank of America

Merrill Lynch, Pierce, Fenner & Smith, Inc.

Standard & Poor's

U. S. Bank, N.A.

➢ THE ANNUAL FINANCIAL REPORT PREPARED IN ACCORDANCE WITH GAAP FOR GOVERNMENTAL ENTERPRISES

See Exhibit A attached hereto.

CUMULATIVE VALUE OF ALL BONDS AND THE AMOUNT OF THE STATE'S CONTINGENT LIABILITY

On July 21, 2004, the Authority issued $15.030 million of Series A and $57.470 million of Series B Parking and Energy Fee Revenue Bonds to pay a portion of the costs of construction of the Convention Center Project. The face value totaled $72.5 million and the net proceeds of these bonds were $72,481,056. In addition, on August 4, 2005, the Authority issued $15 million of Series C Parking and Energy Fee Revenue Bonds for the construction project. On December 16, 2008, the Authority issued $22.5 million of Series D Parking and Energy Fee Revenue Bonds as convention center completion bonds. These Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof other than the Authority or a pledge of the faith and credit of the State or of any such political subdivision other than the Authority, and shall not constitute bonds or notes issued or guaranteed by the State with the meaning of section 3-21 of the Connecticut General Statutes, but shall be payable solely from the Trust Estate. Neither the State of Connecticut nor any political subdivision thereof other than the Authority shall be obligated to pay the same or the interest thereon except from the Trust Estate, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

STATE CONTRACT ASSISTANCE

As authorized by the Act, the Authority and the State, acting by and through the Secretary of the Office of Policy and Management and the State Treasurer, entered into a Contract for Financial Assistance, pursuant to which the State will be obligated to pay to the Trustee on each principal and interest payment date an amount equal to debt service on the 2004 Series A Bonds, the 2004 Series B Bonds, the 2005 Series C Bonds and the 2008 Series D Bonds.

As more fully described in the Official Statement, the obligation of the State to make such payments does not require further appropriation and constitutes a full faith and credit obligation of the State. Such amounts, and the Authority's rights under the Contract, have been pledged by the Authority to the Trustee to secure payment of the 2004 Series A Bonds, the 2004 Series B Bonds and any other additional series of Bonds secured by such contract.

The Contract provides that the maximum amount payable pursuant to the Contract is currently limited to $9.0 million in any calendar year. The Authority has agreed with the State in the Contract and covenanted in the Indenture to enter into no obligation which would cause this limit to be exceeded.

➢ AFFIRMATIVE ACTION POLICY STATEMENT

The Authority recognizes the purpose and need for a strong Affirmative Action Program to overcome the effects of past practices, policies or barriers to equal employment opportunity. The Authority is committed to achieving the full and fair participation of women, Blacks, Hispanics and any other protected groups found to be underutilized in the workforce or affected by policies or practices having an adverse impact. The Authority will, to the best of its ability, follow a policy of equal employment opportunity throughout its employment process including, but not limited to, recruitment, hiring, training, upgrading and promotions, benefits, compensation, discipline, layoffs and terminations. In addition, the Authority pledges that all the services and programs provided will be done in a fair and impartial manner.

The Authority will enforce this plan through the application of Connecticut General Statutes, section 46a-60(a) (1) and the federal constitutional provisions, laws, regulations, guidelines and executive orders mandating Affirmative Action for equal opportunity.

RECRUITMENT PROCESS

Since July 1, 2007, the established recruitment process for the Authority is handled internally under the direction of the Authority's Board of Directors and managed by the Executive Director. The process includes identifying vacancies, development of job descriptions, position posting or advertising, applicant screening, candidate interviews and final selection. The Department of Administrative Services, (DAS) has been consulted regarding the Authority's recruiting process and no opposition or concerns were expressed by DAS. Throughout the '12-'13 fiscal year, the Authority employed eleven staff members. As of June 30, 2013, the Authority has a staff of eight full-time and one half-time employees. They are as follows:

NAME	RACE	GENDER	OCCUPATION
Michael W. Freimuth *	White	Male	Executive Director
Jim Abromaitis **	White	Male	Executive Director
Anthony L. Lazzaro Jr.	White	Male	Deputy Director, General Counsel
Joseph Geremia ***	White	Male	Chief Financial Officer
Joseph P. Savidge ****	White	Male	Chief Financial Officer
Dorine F. Channing	White	Female	Assistant Controller
Kimberly S. Cooke	White	Female	Part-time Accounting Assistant
Jennifer Gaffey	White	Female	Office Manager
Kimberly Hart	White	Female	Venue Director
Terryl Mitchell Smith	Black	Female	Director of Marketing and Public Relations
Robert Saint	White	Male	Director of Construction Services

* Michael W. Freimuth became Executive Director on October 1, 2012.

** Jim Abromaitis served as Executive Director until his departure on September 28, 2012.

*** Joseph Geremia became Chief Financial Officer on February 4, 2013.

**** Joseph P. Savidge served as Chief Financial Officer until his departure on December 14, 2012.

On June 15, 2012, Public Act 12-147 of the 2012 legislative session established the Capital Region Development Authority, (CRDA or the Authority) to replace the Capital City Economic Development Authority, (CCEDA). The Capital Region Development Authority's 13-member Board replaced the CCEDA Board of Directors. The CRDA Board includes the mayors of Hartford and East Hartford with the Department of Economic and Community Development Commissioner, OPM Secretary and the Department of Transportation Commissioner serving as Ex-officio members. The balance of the Board is made up of two appointees of the Mayor of Hartford, (a city employee and a city resident), one from the legislative minority leadership, one from the legislative majority leadership and four gubernatorial appointments. The CRDA Board of Directors is as follows as of 6/30/13:

NAME	RACE/ETHNICITY	GENDER	BOARD POSITION
Suzanne Hopgood	White	Female	Chairman/Governor Appointee *
Andy Bessette	White	Male	Vice Chairman/Governor Appointee *
OPM Secretary Benjamin Barnes	White	Male	Treasurer/Ex-Officio *
Hartford Mayor Pedro Segarra	Hispanic	Male	Secretary/Legislated *
DOT Cmsr. James Redeker	White	Male	Member/Ex-Officio
DECD Cmsr. Catherine Smith	White	Female	Member/Ex-Officio
East Hartford Mayor Marcia Leclerc	White	Female	Member/Legislated
Thomas Deller	White	Male	Member/Hartford City Employee
Floyd Green	Black	Male	Member/Hartford Resident
David Jorgensen	White	Male	Member/Governor Appointee
Michael Matteo	White	Male	Member/Legislative Minority Appointee
Pamela Trotman Reid	Black	Female	Member/Governor Appointee
Vacant			Member/Legislative Majority Appointee

* Executive Committee member

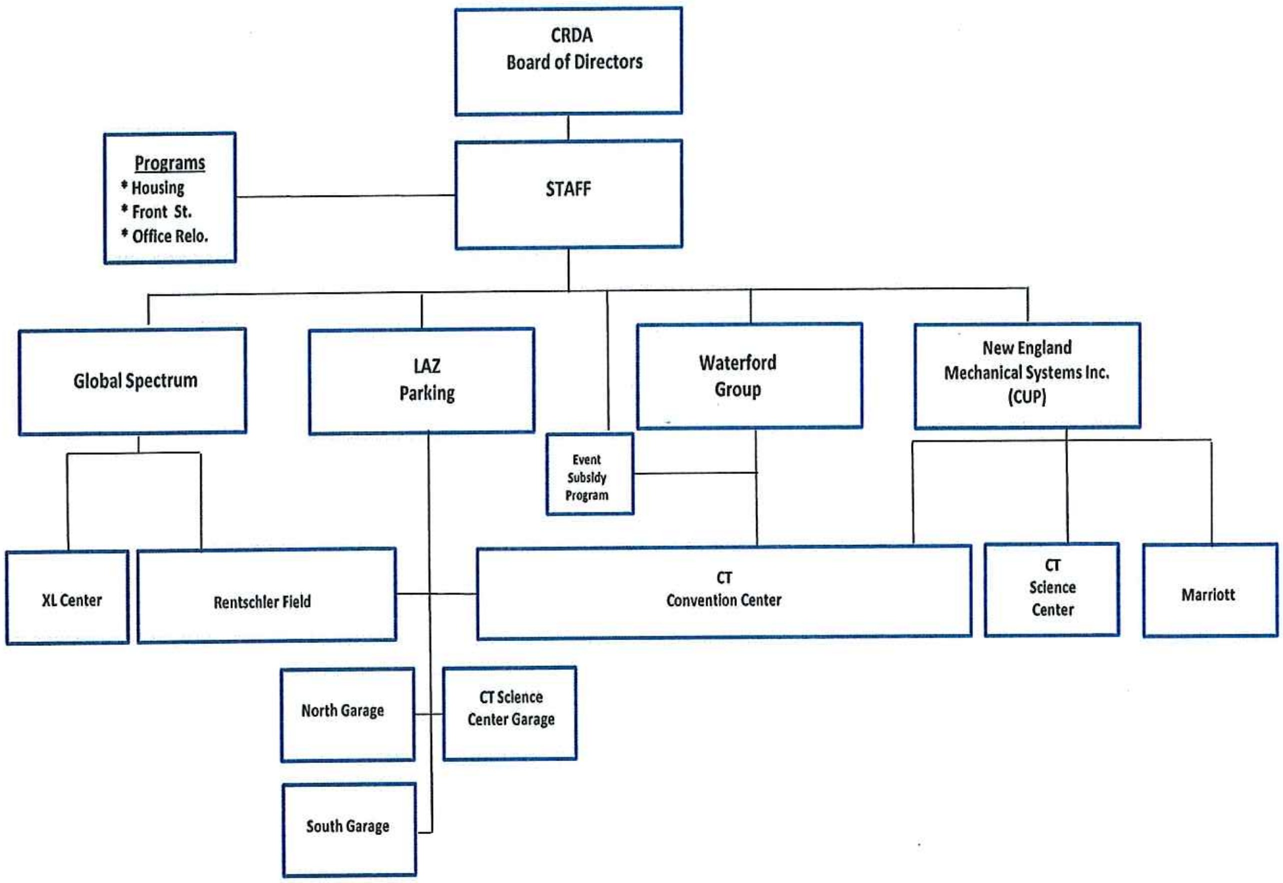
➢ An Analysis of the Authority's Success in Achieving Purposes

CAPITAL REGION ★ DEVELOPMENT AUTHORITY

On June 15, 2012, Public Act 12-147 of the 2012 legislative session established the Capital Region Development Authority, (CRDA or the Authority) by changing the name of the Capital City Economic Development Authority, (CCEDA or the Authority).

As stated in C.G.S. Section 32-602, the purpose of the Authority shall be: to stimulate new investment in Connecticut; attract and service conventions and events of similar nature; to encourage diversification of the state economy; to strengthen Hartford's role as the region's major business and industry employment center and the state's seat of government; and, to encourage residential housing development in downtown Hartford. With respect to the convention center, the purpose of CRDA is to construct, operate, maintain and effectively market the project. The overall goal is to enable Hartford to become a major, regional family-oriented center for arts, culture, education, sports and entertainment. The result of these efforts is to create new jobs, increase benefits to the state's hospitality industry, broaden the base of Connecticut's overall tourism effort and stimulate substantial surrounding economic development and corresponding increased tax revenues to the state. While the mission of CRDA includes the oversight of the original Capital City Project, the true test of the effectiveness of the state's investment is the degree to which Hartford regains its vibrancy and attracts private investment. Ultimately, these State investments will pay returns that can be quantified.

The CRDA organization and corporate management partners are displayed in the chart below.



Connecticut Convention Center (CTCC)

Since its first full year of operation in 2006, the Connecticut Convention Center has served as the anchor venue of the Adriaen's Landing District. The building offers 140,000 square feet of exhibit space, a 40,000 square foot ballroom; an additional 25,000 square feet of meeting space and a 2339 space garage. Now having completed its eighth year of operation, the CTCC has attracted over 2.2 million guests, generated in excess of $49 million in revenues and over 235,000 hotel room nights.

During the last year, the building held 175 events drawing 344,508 people. The building receives a $ 4.4 million annual state appropriation to cover its operating costs. However, the building on average generates approximately $6 million in state tax revenue (hotel, sales, and payroll tax) annually. It employs 332 individuals, (82 full time, 250 part time).

State of Connecticut Tax Generation	KPMG FY 2008 Estimates	CTCC FY 2012 Actuals	CTCC FY 2013 Actuals
Sales & Use Tax	4,000,000	3,268,403	2,571,022
Personal Income Tax	1,718,000	2,189,230	1,792,998
Corporate Business Tax	470,000	1,206,500	993,449
Room Occupancy Tax	1,657,000	1,051,591	689,404
Total State of Connecticut Tax Generation	**7,845,000**	**7,715,724**	**6,046,873**

At the completion of fiscal year 2013, the CTCC had revenues of $3.9 million, slightly ahead of budget expectations of $3.8 million with gross operating profit showing losses less than projected. When fixed charges, debt service and reserves are included, the CTCC ended the year at a negative Net Operating Income of $4.358 million, requiring the state appropriation subsidy. The building was impacted at several points during the year by major weather events (Storm Sandy, early February blizzard) that resulted in event cancellations, re-scheduling and reduced attendance that reduced revenues and increased expenses.

An initial assessment was conducted by the State to understand the market and potential performance of a convention center (Market and Financial Analysis for a Proposed Convention Center at Adriaen's Landing, by KPMG, 1/31/2000). When these projections are compared to the Convention Center's operating results for fiscal years 2013 and 2012, the building has generated the operating revenues as projected, $4 million and $4.6 million respectively, compared to a projection of $4.1 million annually. However, these revenues have been generated in slightly different categories with increased earnings in Food and Beverage revenue and decreased earnings in the Other Revenue category.

When the reach of the building's events is viewed in terms of attendees, the Convention Center has seen favorable results with attendance numbers at 344,508 and 365,585 for fiscal years 2013 and 2012 compared to an annual projection of 271,450.

Operating Revenues	KPMG FY 2008 Estimates	CTCC FY 2012 Actuals	CTCC FY 2013 Actuals
Building Rental	2,555,000	2,692,481	2,190,560
Event Services (net)	692,000	854,117	727,056
Food & Beverage (net)	727,000	978,913	990,616
Other	173,000	58,861	60,586
Total Operating Revenues	**4,147,000**	**4,584,372**	**3,968,818**
Attendance			
Convention/Tradeshows	79,200	91,659	98,740
Consumer Shows	108,000	147,857	129,042
Banquests/Receptions	20,250	22,820	22,971
Other Events	39,000	63,058	56,741
Meetings	25,000	40,191	37,014
Total Attendance	**271,450**	**365,585**	**344,508**

The nature of the building's usage has differed from the initial KPMG expectations. The pattern is more reflective of consumer shows and banquets/receptions versus tradeshows and meetings. The New York Times ran an article on August 26, 2013 relating to convention center business. In it, they quote a report by Cvent, a large technology-based meetings-management company. Mr. Eric Eden, Cvent's marketing vice president states, "(The meetings industry) is a huge industry, and it has become very,very competitive. The biggest reason is because of the investment that a city itself makes...doing major improvements to their downtown areas." The Connecticut Convention Center continues to compete locally and nationally for events.

Stadium at Rentschler Field

Constructed between 2001 and 2003, hosting its first UConn game in August 2003, the Stadium at Rentschler Field was formally transferred to CRDA on July 1, 2013, pursuant to an MOU with the Office of Policy and Management and Public Act 12-147. Over the last year, CRDA sought and contracted with a new management team (Global Spectrum) for the operations of the Stadium, as well as the XL Center. This allows for shared management, marketing and operations and, as a consequence, greater economies to the State.

Rentschler Field revenues and expenditures are managed through an Operating Account and an Enterprise Fund specifically dedicated to the Stadium. This mechanism assures that ticket sales and event revenues are dedicated to the venue's operating expenses and the facility does not have to seek support from the State General Fund. Non-UConn events must produce revenues in excess of expenses and any earnings are retained by the Enterprise Fund for the facility. Should a shortfall exist, retained earnings and/or a supplemental charge to UConn based on attendance below a certain threshold are utilized. During FY13, the stadium earned $2,177,539, expensed $2,667,630 and surcharged UConn $257,616 resulting in a net reduction to retained earnings by the end of the fiscal year.

In 2013, the General Assembly approved $3 million for capital improvements for the Stadium during FY14 and FY15. Of this allocation, $2.8 million was bonded in July 2013 and will be used to replace the scoreboard, to upgrade the electrical system and generators, and to repair water leaks and other wear and tear matters that have occurred since the facility opened ten years ago.

Pursuant to the terms of the Facilities Management Agreement signed with Global Spectrum, the new management team is required to invest some $2.75 million in the Stadium and the XL Center. While the bulk of this funding will go into the XL Center, some $285,000 will be used at the Stadium for improvements to concession operations.

XL Center

At the close of fiscal year 2013, the XL Center which is owned by the City of Hartford but leased to the Connecticut Development Authority which in turn subleased it to AEG Facilities, came to the conclusion of various contracts. Like Rentschler Field, the XL Center was included within the General Statutes to be managed by CRDA along with the Connecticut Convention Center and other properties within the

Adriaen's Landing District. Further, such authority presumed a continued relationship with the City of Hartford for the management of the venue by a state authority.

In anticipation of the expiration of various agreements and in consideration of recent legislative changes, CRDA issued a Request for Proposals to select a management company for the XL Center (along with Rentschler Field for reasons cited above). CRDA also negotiated and signed a lease agreement with the City of Hartford for a ten year period beginning July 1, 2013 with two five year extensions and contracted with Global Spectrum for the same ten year period.

Several components of the City Lease and the Global Spectrum Agreement are important to note including the requirement to assess the long term future within three years for the venue. Net Operating Income at the close of the fiscal year is to flow to the City as a rental payment, supplemented by OPM for the first two years up to $3 million. The building does not have a debt service obligation and as such, its revenues can be dedicated to operating costs.

As noted above, Global Spectrum and its affiliates will invest nearly $2.5 million in the XL Center and the General Assembly authorized up to $35 million in capital funds in FY2014 to be used to address building deficiencies, to reduce operating expenses, to increase sources of revenues (signage, concessions, seating) and to improve the level of amenities within the building, all within the context of the ten year agreement.

CRDA negotiated to maintain an AHL franchise for the building for the next five years and has begun conversations with Northland Investment Corporation, the developer of Hartford 21 and co-developer of the retail portion of the XL Center, to improve its use and occupancy. Global is to produce several plans to CRDA in late 2013 to increase community participation at the XL Center, to utilize more Connecticut products and services, a staffing plan with a priority for Hartford and East Hartford residents, and promotional tie-ins with local merchants and restaurants.

An outstanding federal ADA lawsuit was settled by CI, the City, AEG Facilities, UConn and the U.S. Justice Department as part of the early termination of the AEG Facilities operating Agreement. This early termination agreement with AEG Facilities allowed Global to synch the hiring and operations of Rentschler with the XL Center and to minimize the disruption to AEG as it experienced the phase down of staff. In exchange, AEG continued to work with Global to transition staff and to maintain summer event activity. AEG was compensated for two events that it had partnered and promoted for the XL Center and settled an outstanding capital program matter with CI releasing a portion of its letter of credit held as part of its sublease agreement with CI.

Connecticut Science Center

The Connecticut Science Center has celebrated its fourth anniversary, having served approximately 1.2 million people since opening in 2009. The Science Center's audience represents visitors from every Connecticut city and town each year, and visitors from every state in the nation as well as many international visitors. The largest proportion of the Science Center's customers enjoy its exhibits and programs at the Science Center's iconic facility in Downtown Hartford and many others benefit from its growing outreach programs. Eighty-five percent (85%) of the Science Center's visitors are from Connecticut, and the Center has observed a gradual increase in the percentage of visitors from out-of-state, with the largest concentration of interstate visitors coming from the Western Massachusetts area. The Science Center is increasing its educational impact through the expansion of its highly regarded professional development programs for educators.

The Science Center in 2013 concluded a mediated settlement of claims emerging from the design and construction of the project. Among other benefits, this resolution enabled the Center to remedy waterproofing issues on its external plaza to protect the garage below and enable the Center to install long-awaited landscaping around the facility. Looking forward, the Science Center has secured a robust schedule of world-class traveling exhibitions that will be featured over the coming years, signed a content partnership for new films from National Geographic, and is planning a significant installation of permanent exhibits and public programs regarding the emerging field of genomic sciences.

CRDA owns and manages the 460 space garage that is the base for the building and adopted a special Science Center member parking rate for the FY2013-2014 operating budget.

Front Street District

The Front Street District achieved major milestones this past year as the 261 space Front Street South Garage opened for service; the Spotlight Theatre and Bistro opened; tenant fit out construction began for The Capital Grille and the Infinity Theatre; and financing was secured for the rental housing phase to be located at the intersection of Front Street and Prospect Street that will contain 121 newly constructed units at market rates.

During the past year, CRDA spent down $2,406,199 of the 'ESPN grant,' primarily for tenant fit out expenses related to the Spotlight Theatre and Bistro. These funds resulted from the decision by ESPN not to advance a retail/entertainment franchise at the complex.

Front Street was envisioned to accommodate visitors to the other Adriaen's Landing venues and to connect City Hall and the Wadsworth Atheneum on Main Street to the Convention Center area. The new housing building will also include 25,000 square feet of additional retail space and will serve to knit together the development area and maintain an active streetscape.

Housing –Downtown

777 Main Street

201 Ann Street

Legislatively, CRDA's mission was expanded from that of its predecessor agency to encourage the development of new housing in the downtown Hartford area, and $60 million in State capital funds were authorized to be used to promote this activity. In the past, CCEDA had invested in select projects in the downtown as well as citywide. The new housing initiative was designed to create a new market in the city's core in order to sustain over the long term, retail, entertainment and restaurant investments.
The CRDA board adopted several policy goals for this housing initiative which recognized that the primary goal is to re-establish housing investment patterns in the city center while optimizing discretionary spending and long term property values. This resulted in an agency goal to provide 80% of the units at market rates and no more than 20% rent restricted.

Secondly, CRDA has opted to make long term loans. In lieu of grants, CRDA will also consider equity investments designed to be paid back through cash flow participation. In this way, the funds can be re-circulated into other projects upon their repayment.

Third, CRDA recognized that the primary gaps in housing development funds come in two forms: the gap between the cost to create the units and their actual value upon completion; and the gap between the final value and the amount that can be assembled thru traditional mortgages and equity raises. CRDA works to address both gaps and fill the holes that other financing within a capital stack cannot. In this way, it is meant to be a creative and less risk-averse tool for the real estate market seeking to build in Hartford.

Finally, the agency has looked to serve as a way to stimulate the change in use of buildings that no longer have a market. Many downtown commercial 'B' buildings are vacant or have very low effective rents. Converting these structures to new uses such as rental housing, appreciably increases their revenue potential that in turn increases their value and ultimately will generate higher taxes. Smaller unit configurations will not produce large school age populations nor significant public service demands and as such, CRDA has focused on the creation of efficiency and one bedroom units. Not coincidentally, these are the units in greatest demand.

CRDA has also recognized that there will be increased demand from growing student populations, both those attending existing downtown colleges such as St. Joseph and Capital Community College, but also those who will eventually attend a new downtown UConn campus. Finally, the national demographic patterns show increased demand by the younger generation for urban living opportunities that are close to work and play. At present, the central city inventory with its small size and current 3% vacancy rate is insufficient to meet this trend.

At the close of the first fiscal year, CRDA's Housing Committee was analyzing over a dozen deals totaling over 1100 potential units. Six deals were approved by the Board, five of which had advanced to approval by the State Bond Commission. These deals were both large and small in scale and include those listed in the table below. Inclusive of the Front Street residential phase project, these deals represent over 700 units that will begin construction during the fiscal year 2013-14.

Project	# Units	TDC	TDC/Unit	CRDA'Ask'	CRDA $/Unit	Mkt/Aff Split	Structure
777 Main	286	$78.8M	$275K	$17.7M	$61.8K	80/20	$7.5M equity $10.2M 2nd mortgage
201 Ann	22	$4.45M	$202K	$3.8M/$750K	$34K	100	initial constr. note $3.8M convert to 2nd mortgage at $750,000
179 Allyn	63	$14.7M	$233K	$6.5M	$103K	100	$3.25M equity, $3.25M 2nd Loan
Front Street	121	$35.7M	$310K	$12M	$99.1K	100	DECD grant, not part of $60M
283-291 Asylum	16	$1.7M	$106K	$575K/$518K	$32.3K	100	construction note bought down to 2nd mortgage
Sonesta	193	$23.9M	$123K	$2.05M	$10.6K	85/15	Bridge HTC
99 Pratt	26	$6.03M	$232K	$1.8M	69.2K	100	mixed use office/residential

Hartford 21 Apartments

Main & Temple Apartments

Trumbull on the Park

CCEDA was the conduit for state funds allocated to developers for financing of the various types of market-rate housing projects including the Hartford 21, The Lofts at Main and Temple, and Trumbull on the Park. The Authority played a major role in the development of these downtown apartments with complementary components. This housing is intended to get "people on the street", which should be a catalyst for further development. The original goal was 1,000 units in downtown. The results as of June 30, 2013 are:

PROJECT NAME: (as of 6/30/13)	HOUSING Available	Leased	%Leased	RETAIL/OTHER COMMERCIAL Available	Leased
Hartford 21	262 units	261	99.6%	161,475 sq. ft.	70%
Main & Temple (Sage Allen)	78 units	77	98.7%	13,378 sq. ft	100%
Trumbull on the Park	100 units	100	100%	8,000 sq. ft.	84%

Parking

CRDA manages nearly 3800 parking spaces in four garages, a surface lot and on the street in the downtown. The largest single garage is the 2339 space facility attached to the Convention Center. The Front Street North and Front Street South garages serve surrounding businesses with long term leasing of spaces as well as district visitors, residents and patrons of the Wadsworth Atheneum. The Science Center Garage is used by local corporations but primarily dedicated to visitors to the center. These parking facilities operate under a $3.5 million budget and are managed day to day by Laz Parking.
In East Hartford, CRDA with Laz and Global-Spectrum manage an additional 9300 state owned spaces for the Rentschler Field Stadium.

Parking is an issue for most cities and Hartford is no exception. The State of Connecticut has provided funding for a great deal of additional parking to help accommodate the current and future demand. The Authority has been involved in the construction and management of parking facilities as shown below:

CRDA-Managed Parking Facilities

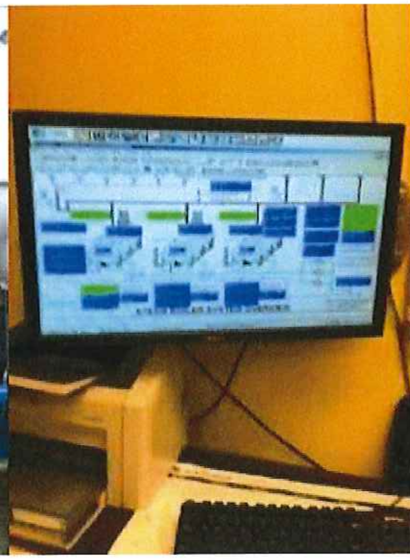
SITE	SPACES
CT Convention Center	2,339
CT Science Center	468
Front Street North	657
Front Street South	261
Rentschler Field	9,300
Total	**13,025**

Other City-wide Parking Facilities

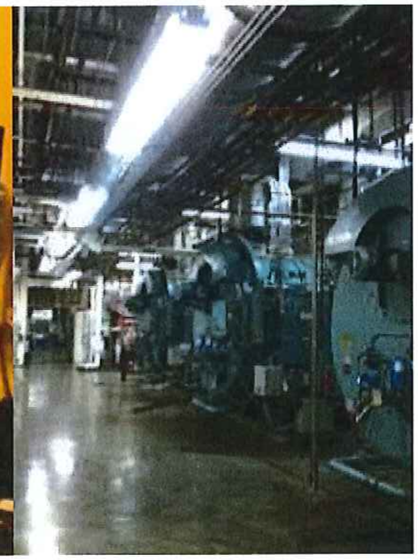
SITE	SPACES
Morgan Street	2,300
Main & Temple Street	343
Trumbull on the Park	600 (retail/residential)
Hartford 21	744 (373 public/371 residential
Total	**3,987**

Central Utility Plant

Chilled Water System



Control Room Systems



Steam Boiler System

In order to efficiently and effectively supply most of Adriaen's Landing with heating and cooling capabilities, a central utility plant ("CUP") was built within the Convention Center. CRDA's role is to manage and maintain it in order to provide a consistent, dedicated and reliable source of heating and cooling to Adriaen's Landing. The CUP supplies heating capabilities to the Convention Center, two outdoor snow-melt systems, the Marriott Hotel and the CT Science Center. It further provides chilled water to these facilities to maintain air temperatures and provide refrigerants for its food storage lockers.

The CUP is composed of a 9,500 square foot structure located on the mezzanine level of the Convention Center, housing steam generating equipment, central plant chillers, chilled water and condenser pumps and a control room. The total cost of the plant, and its later expansion in 2009 to include the CT Science Center, was $16.2 million. The CUP maintains operations 24/7 and 365 days a year. It has no employees of its own, using the services of outside consultants (New England Mechanical Services) and various intelligent systems to properly maintain and manage it.

The CUP is governed by an energy sharing agreement, administrated by CRDA, between the Convention Center, Marriott Hotel and the CT Science Center whereby each party is required, among other things, to fund a certain portion of the CUP's operations, debt service and capital needs. The annual budget is $3.1 million and the Convention Center funds approximately $1.7 million each year. CRDA administers the accounting and billing for the CUP, ensuring that each party is represented in its operating decisions and funds its portion of the overall need.

State Office Relocation

The State has initiated a program to purchase additional buildings in the downtown Hartford area and is in the process of planning for the relocation of nearly 3300 state employees to these facilities. During FY 2012-13, the State purchased the 239,000 square foot office and 547 space garage complex at 55 Farmington Ave. CRDA entered into a Memorandum of Understanding with the State Office of Policy and Management (OPM) to manage the redesign and reconstruction of this building to accommodate state agencies. It is expected that this role will continue and expand during FY 2013-14 as the state proceeds with the planned acquisition of the 558,000 square foot CT River Plaza complex.

Regional Initiatives

CRDA was created to also serve as a regional agency, able to provide redevelopment assistance to any of the seven municipalities abutting the City of Hartford upon their request (Wethersfield, Newington, West Hartford, Bloomfield, Windsor, South Windsor, East Hartford). In such a role, CRDA can act to administer other state agency funds that may be allocated to a community and such federal funds that might become available. The agency would serve as an adjunct to the municipal planning and development officials and act to manage the redevelopment by providing legal, accounting, construction and management services on a project by project basis. CRDA would participate in projects that serve a regional role or need. During fiscal year 2012-13, this task was still very much in development and conversations were initiated by three abutting communities. It is expected that the agency will develop greater policy guidelines during the next fiscal year and may enter at least one such service agreement currently in discussion.

Career Opportunities

Another stated purpose in C.G.S. Section 32-602 is to create new jobs and stimulate substantial surrounding economic development and corresponding increased tax revenues to the state. To help achieve these objectives, the Jobs Funnel Program was created to help individuals in Hartford avail themselves of career opportunities generated by CRDA and other development projects.

The Jobs Funnel Program (formerly known as the Hartford Jobs Funnel and/or Hartford Construction Jobs Initiative) provides a wide array of services that include outreach/recruitment, assessment, pre-employment preparation, case management, job placement and retention services for residents of Hartford who are interested in preparing to enter the construction field.

The Jobs Funnel Program is a public/private effort overseen by the Jobs Funnel Steering Committee and under the administration of Capital Workforce Partners (North Central Region Workforce Investment Board). Services to participants are delivered in partnership with various community based organizations, minority contractors and labor trade organizations. The program is funded by: The State of CT Office for Workforce Competitiveness, Hartford Foundation for Public Giving, Capital Workforce Partners and Laborers Education and Training Fund. Integral to the success of the program are the in-kind services provided by CT Light & Power, CT Department of Labor and members of the Greater Hartford-New Britain Building Trades Council.

The following represents the various entities currently encompassing Adriaen's Landing and their respective staff makeup[1] :

Connecticut Convention Center – 2013

Total employees =	332
Total Hartford residents =	108 (32.5%)
Total Minority (men) =	122 (36.7%)
Total women employees =	150 (45.1%)
Total Minority (women) =	60 (18.0%)

Convention Center Parking Facilities (LAZ Parking) -- 2013

Total employees =	56
Total Hartford residents =	23 (41.07%)
Total Minority (males) =	33 (58.93%)
Total women employees =	19 (33.93%)
Total Minority (women) =	18 (32.14%)

Hartford Marriott Downtown - 2013

Total employees =	244
Total Hartford residents =	67 (27%)
Total Minority (males) =	56 (23%)
Total women employees =	142 (58%)
Total Minority (women) =	71 (29%)

Connecticut Science Center – 2013

Total employees =	80
Total Hartford residents =	8 (10.0%)
Total Minority (males) =	3 (0.375%)
Total women employees =	50 (62.5%)
Total Minority (women) =	11 (13.75%)

[1] Entities are as follows: Connecticut Convention Center; Convention Center Parking Facilities (LAZ Parking); the Hartford Marriott Downtown; and the Connecticut Science Center

CAPITAL REGION DEVELOPMENT AUTHORITY
(A Component Unit of the State of Connecticut)

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT AUDITORS

JUNE 30, 2013 AND 2012

CAPITAL REGION DEVELOPMENT AUTHORITY

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June 30, 2013 and 2012

Mahoney Sabol & Company, LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Capital Region Development Authority
Hartford, Connecticut

We have audited the accompanying financial statements of the Capital Region Development Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Capital Region Development Authority, as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the Authority as of June 30, 2012 were audited by other auditors whose report dated September 28, 2012, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages EA-3 through EA-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
September 24, 2013

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2013 and 2012

Management's Discussion and Analysis ("MD&A") of the financial performance and activities of the Capital Region Development Authority (the "Authority" or "CRDA") is intended to provide an introduction to the financial statements of the Authority as of and for the fiscal years ended June 30, 2013 and June 30, 2012. Following the MD&A are the financial statements of the Authority together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a quasi-public agency established in 1998 by the Connecticut General Assembly to direct state-supported development projects in Hartford, Connecticut. In 2012, the General Assembly renamed the Authority (it had formerly been called the Capital City Economic Development Authority) and expanded its powers to serve as a regional planning authority. The Authority is funded by appropriations from the State of Connecticut (the "State") and its financial statements are included as a component unit in the State's Comprehensive Annual Financial Report.

The Authority's financial statements use proprietary fund reporting and report its financial position, changes in financial position and cash flows in three financial statements: (1) the Balance Sheet, (2) the Statement of Revenues, Expenses and Changes in Net Position, and (3) the Statement of Cash Flows.

The Balance Sheet presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities. Net position represents the difference between total assets and the sum of total liabilities and deferred inflows of resources. Over time, increases or decreases in the Authority's net position 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 Position presents information showing how the Authority's net position changed during the year.

2013 FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities and deferred inflows of resources by $154,896,340 at June 30, 2013. The net position of the Authority totaled $4,391,970 unrestricted and $6,933,919 restricted for capital projects. The Authority's net investment in capital assets totaled $143,570,451, which is approximately 2.2% less than the previous year. Although investments were made in capital assets, these investments were offset by depreciation and contract assistance advances from the State of Connecticut for debt repayment.

- The net position of the Authority decreased by $5,746,743 for the year ended June 30, 2013. This was a 3.6% decrease from the prior year.

- The loss from operations for the year ended June 30, 2013 was $10,168,227. Of this amount, $5,572,402 relates to development costs for the construction of the Front Street District including land remediation, tenant fit-out, consulting fees and reimbursements, and project audit review.

- The Convention Center's 2013 net operating loss of $3,262,258 was $469,475 or 17% greater than the prior year. This net operating loss is reduced to $2,846,920 after normalizing it by $415,338 due to the inclusion of the marketing services contract previously held by the Greater Hartford Convention and Visitors Bureau and not included within the Convention Center's FY2012 net operating loss. The remaining variance was the result of five fewer events than in the previous year with a 12% decrease in attendance due to the impact of major weather events at several points during the year.

- CRDA parking facilities reported net income of $3,518,493. Parking revenue of $6,735,461 in fiscal year 2013 increased by $102,125 compared to fiscal year 2012. This was the result of higher monthly parker income and Front Street South Garage transient revenue being offset with decreases in transient revenue from the Convention Center and Front Street North garages.

2012 FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities and deferred inflows of resources by $160,643,083 at June 30, 2012. The net position of the Authority totaled $4,398,527 unrestricted and $9,439,450 restricted for capital projects. The Authority's net investment in capital assets totaled $146,805,106, which is approximately 4.8% less than the previous year. Although investments were made in capital assets, these investments were offset by depreciation and contract assistance advances from the State of Connecticut for debt repayment.

- The net position of the Authority decreased by $8,487,577 for the year ended June 30, 2012. This was a 5.0% decrease from the prior year.

- The loss from operations for the year ended June 30, 2012 was ($5,211,437), a reduction when compared to a profit of $299,431 in the prior year. After normalizing FY2011 for a $5 million restricted grant, operating revenues increased by $2,408,545 or 10.3% while operating expenses, after consideration of development costs associated with that restricted grant, increased $1,703,905 or 6.1%.

- The Convention Center's 2012 net operating loss decreased by $316,243 from ($3,109,026) in fiscal year 2011 to ($2,792,783) in fiscal year 2012. This was due to greater building utilization, higher combined revenues from rentals, event services and other convention and trade show revenue on slightly lower food & beverage revenue, partially offset by higher operating activity's expense.

- Parking net income increased by $970,510 from $2,587,547 in fiscal year 2011 to $3,558,057 in fiscal year 2012. Overall parking revenues increased by $559,415 in fiscal year 2012 over 2011 on greater transient parking from convention volume driven in part by 9.2% higher attendance on flat rates in FY2012. Operating expenses decreased by $411,095 or 11.8% in fiscal year 2012 over 2011 primarily due to lower costs for snow removal and utilities.

The following table summarizes the condensed Balance Sheets as of June 30, 2013, 2012 and 2011.

				Increase/(decrease)	
	2013	2012*	2011*	2013 v 2012	2012 v 2011
ASSETS:					
Current assets	$ 6,782,420	$ 6,840,081	$ 5,711,448	$ (57,661)	$1,128,633
Noncurrent assets:					
Restricted cash and cash equivalents	5,902,659	8,302,646	9,960,151	(2,399,987)	(1,657,505)
Bond issuance costs, net	1,381,331	1,463,401	1,545,470	(82,070)	(82,069)
Capital assets, net	275,416,557	277,989,378	284,311,507	(2,572,821)	(6,322,129)
Derivative instrument-swap	1,976,338	3,543,221	3,876,030	(1,566,883)	(332,809)
Total assets	$291,459,305	$298,138,727	$305,404,606	($6,679,422)	($7,265,879)
LIABILITIES:					
Current liabilities	$ 6,071,578	$ 5,970,064	$ 5,394,110	$ 101,514	$ 575,954
Non-current liabilities	128,515,049	127,982,359	127,003,806	532,690	978,553
Total liabilities	134,586,627	133,952,423	132,397,916	634,204	1,554,507
DEFERRED INFLOWS OF RESOURCES-Accum. increase In fair value of interest rate swap	1,976,338	3,543,221	3,876,030	(1,566,883)	(332,809)
NET POSITION:					
Net investment in capital assets	143,570,451	146,805,106	154,238,757	(3,234,655)	(7,433,651)
Restricted	6,933,919	9,439,450	11,005,064	(2,505,531)	(1,565,614)
Unrestricted	4,391,970	4,398,527	3,886,839	(6,557)	511,688
Total net position	154,896,340	160,643,083	169,130,660	(5,746,743)	(8,487,577)
Total liabilities, deferred inflows of resources and net position	$291,459,305	$298,138,727	$305,404,606	($6,679,422)	($7,265,879)

* As described more fully in Note 2, certain reclassifications have been made to the prior year amounts to conform to current year presentation.

2013 BALANCE SHEET ANALYSIS

- Total assets as of June 30, 2013 decreased by $6,679,422 or 2.2% compared to the same period in 2012. Restricted non-current cash levels decreased $2.4 million compared to the prior year due to increased grants and construction related to the Front Street District.
- Current assets, principally cash and cash equivalents, decreased by $57,661 or 1%, from timing of the use of operating funds for the convention center.
- Non-current assets decreased by $6,621,761 or 2.3% as a result of reductions in construction in progress and the charge for depreciation expense on capital assets, as well as the change in fair value of the interest rate swap (i.e., derivative instrument-interest rate swap under non-current assets on the balance sheet), and increased development costs.
- Total liabilities and deferred inflows of resources decreased by $932,679 when compared to the prior year. This decrease was primarily due to the reduction in bonds and loans payable and the change in fair value of the interest rate swap partially offset with an increase in the obligation to the State for contract assistance.

2012 BALANCE SHEET ANALYSIS

- Total assets as of June 30, 2012 decreased by $7,265,879 or (2.4%) compared to the same period in 2011. Restricted non-current cash levels decreased $1.6 million compared to the prior year due to decreased grants and there were reductions in construction in progress due to capitalization of costs for the Mayor Mike Peters' pedestrian bridge and the true-up of construction costs associated with the Science Center garage.
- Current assets, principally cash and cash equivalents, increased by $1,128,633 or 19.8%, resulting from the timing of the use of operating funds for the convention center as well as parking and energy expenses.
- Non-current assets decreased by $8,394,512 or (2.8%) as a result of reductions in construction in progress and the charge for depreciation expense on capital assets, as well as the change in fair value of the interest rate swap (i.e., deferred outflow of resources under non-current assets on the balance sheet), partially offset by increased development costs.
- Total liabilities and deferred inflows of resources increased by $1,221,698 when compared to the prior year. This increase was primarily due to an increase in the obligation to the State for contract assistance which was partially offset by a reduction in bonds and loan payable and the change in fair value of the interest rate swap.

The following table summarizes the changes in net position for the fiscal years ended June 30, 2013, 2012 and 2011.

	2013	2012	2011
Operating revenues:			
Grants-State of Connecticut			
Operational	$ 987,200	$ 862,773	$ 755,000
Development district and subsidy	4,932,945	5,237,227	10,435,000
On-behalf payments	271,546	167,230	96,378
Combined Facilities	18,091,273	19,578,411	17,145,288
Other operating revenue	11,063	-	5,430
Total operating revenues	24,294,027	25,845,641	28,437,096
Operating expenses:			
Personnel and general	1,101,899	778,935	566,459
On-behalf pension	271,546	167,230	96,378
Combined Facilities	23,427,094	20,667,511	18,260,461
Depreciation and amortization expense	9,661,715	9,443,402	9,214,367
Total operating expenses	34,462,254	31,057,078	28,137,665
Income (loss) from operations	(10,168,227)	(5,211,437)	299,431
Non-operating revenue (expense):			
Interest income	15,922	22,309	31,379
Interest expense	(4,691,207)	(4,821,206)	(4,997,921)
Non-operating (expense), net	(4,675,285)	(4,798,897)	(4,966,542)
Loss before capital transfer in - State of CT	(14,843,512)	(10,010,334)	(4,667,111)
Capital transfer in - State of Connecticut	9,096,769	1,522,757	-
Change in net position	(5,746,743)	(8,487,577)	(4,667,111)
Net position, beginning of year	160,643,083	169,130,660	173,797,771
Net position, end of year	$ 154,896,340	$ 160,643,083	$ 169,130,660

2013 OPERATING ACTIVITY HIGHLIGHTS

- Operational grant revenue, primarily derived from an appropriation from the State of Connecticut in the amount of $5.9 million, provides funding for the operations of the Authority ($987,200), and the Convention Center Project ($4,932,945), which includes the operations of the Convention Center, Front Street District maintenance and marketing costs. Total appropriations from the State declined by $179,855 or 3% in FY2013 when compared to FY2012.

- Revenues from Combined Facilities decreased by $1,487,138 or 8% in fiscal year 2013 when compared to fiscal year 2012, primarily driven by the decreased utilization of the Convention Center building with five fewer events over the prior year. After the consideration of the expenses associated with the decreased number of events, expenses from the operation of these facilities decreased $1,520,143 or 8%, deriving similar operating results in fiscal year 2013 compared to fiscal year 2012.

2012 OPERATING ACTIVITY HIGHLIGHTS

- Operational grant revenue, primarily derived from an appropriation from the State of Connecticut in the amount of $6,100,000, provides funding for the operations of the Authority ($862,773), and the Convention Center Project ($5,237,227), which includes the operations of the Convention Center, Front Street District Maintenance and marketing costs. Total appropriations from the State declined by $90,000 or 2% in FY2012 when compared to FY2011. Grant revenue also declined due to a one-time $5 million restricted use gift, received in FY2011, from The Walt Disney Company and ESPN towards eligible costs as defined in a pledge agreement for the development and operations of the Front Street District.

- Revenues from Adriaen's Landing Facilities operations increased by $2,433,123 or 14.2% in FY2012 when compared to FY2011, primarily driven by the increased utilization of the building for conventions and trade shows, combined with a 9.2% increase in attendance. After consideration of certain development costs associated with the one-time restricted grant, expenses from the operation of these facilities increased $1,676,635 or 6.0% from the prior year due primarily to servicing the increased activities of the facilities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2013 and 2012 totaled $275,416,557 and $277,989,378, respectively (net of accumulated depreciation). This investment in capital assets includes general operating equipment, building and improvements, building equipment and furnishings, and construction in progress. The investment in capital assets at June 30, 2013 decreased by $2,572,821, and resulted from the capitalization of assets ($15.1 million) that was offset by a decrease in construction in progress (-$8.1 million) and the reduction from the depreciation of the capital assets (-$9.5 million).

Major capital asset events during the current and immediate prior two fiscal years included outlays for the completion of the Front Street South garage and public improvements, the Mayor Mike Peters' pedestrian bridge, and Connecticut Science Center garage, and to a lesser extent building improvements and equipment for the Convention Center, Central Utility Plant, and parking garages.

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2013, 2012 and 2011

	2013	2012	2011
Construction in progress	$ 1,400	$ 8,175,946	$ 16,929,382
General operating equipment	96,489	102,083	132,930
Buildings and improvements, equipment and furnishings	275,318,668	269,711,349	267,249,195
Total	$ 275,416,557	$ 277,989,378	$ 284,311,507

Additional information on the Authority's capital assets can be found in Note 5 beginning on page EA-23 of this report.

Long Term Debt

Bonds Payable

The Authority issued $110 million of Parking and Energy Fee Revenue Bonds to pay a portion of the costs of construction of the Convention Center Project. The revenue bonds are payable from the parking and energy revenues from facilities associated with the Convention Center. The Authority and the State, acting by and through the Secretary of the Office of Policy and Management and the State Treasurer, entered into a Contract for Financial Assistance, pursuant to which the State is obligated to pay to the Trustee on each principal and interest payment date an amount equal to debt service on the 2004 Series A, the 2004 Series B Bonds, the 2005 Series C Bonds, and the

Bonds Payable *(Continued)*

2008 Series D Bonds. The obligation of the State to make such payments does not require further appropriation and constitutes a full faith and credit obligation of the State. The Contract currently provides that the maximum amount payable pursuant to the Contract is limited to $9.0 million in any calendar year. The Authority has agreed with the State in the Contract and covenanted in the Indenture to enter into no obligation which would cause this limit to be exceeded. For the fiscal year ended June 30, 2013 and 2012, the Authority utilized the contract assistance in the amount of $3,863,201 and $4,179,921, respectively.

Scheduled debt repayments of $2,730,000 and $2,620,000 (principal) reduced the bonded debt outstanding of the Authority to $94,805,000 and $97,535,000, respectively, at the end of the fiscal years 2013 and 2012.

The Authority's 2004 Series A revenue bonds are rated AA, A2, and AA- by Standard & Poor's Corporation, Moody's Investor Service, and Fitch Ratings, respectively. The Authority's 2004 Series B, and 2008 Series D revenue bonds are rated AA and AA- by Standard & Poor's Corporation and Fitch Ratings, respectively.

Additional information on the Authority's bonded debt can be found in Note 8 beginning on page EA-26 of this report.

Loan Payable

At the end of fiscal years 2013 and 2012, the Authority had a loan payable to The Travelers Indemnity Company of $10,296,645 and $10,768,558, respectively. The loan payable decreased by $471,913 and $448,944 at June 30, 2013 and 2012, respectively, due to principal repayments made during the two fiscal years.

Additional information on the Authority's loan payable can be found in Note 8 on page EA-33 of this report.

The following table is a three year comparison of bonded and other long term debt:

Long Term Debt
As of June 30, 2013, 2012 and 2011

	2013	2012	2011
Due to State of Connecticut:			
- contract assistance	$ 27,069,137	$ 23,205,936	$ 19,026,014
Bonds payable, net	94,480,324	97,209,778	99,829,233
Loan payable	10,296,645	10,768,558	11,217,503
Total	$ 131,846,106	$ 131,184,272	$ 130,072,750

CURRENTLY KNOWN FACTS

ENTERTAINMENT/RETAIL/RESIDENTIAL/DEVELOPMENT PROJECT

Construction of the first phase of the Front Street project was completed in the summer of 2010. There is approximately 65,000 square feet of entertainment and commercial space in Phase I supported by an adjacent 261 space garage owned by the Authority and operated by LAZ Parking. An agreement was signed with Spotlight Theatres and discussions with other prospective tenants are in progress for Phase I, with tenant fit-out expected in fiscal year 2013.

Design plans for Phase II of the development include market-rate rental housing, restaurants and retail shops. The Front Street development is an important link between Adriaen's Landing and downtown Hartford. The Front Street District was designed with the goal of attracting not only patrons of the other properties in Adriaen's Landings, such as convention attendees and hotel guests, but also area residents and regional visitors to the area.

MAYOR MIKE PETERS' PEDESTRIAN BRIDGE

Construction on the 270 square foot pedestrian bridge connecting The Connecticut Convention Center with the Connecticut Science Center began on April 20, 2009 and was completed in July of 2011. The bridge provides access to the Connecticut Riverfront and the Founder's Bridge to East Hartford. It is a convenient causeway for convention and conference attendees who are staying in hotels just across the Connecticut River in East Hartford.

TRAVELERS LOAN

During fiscal year 2005, the Authority entered into a Construction and Term Loan agreement with The Travelers Indemnity Company (Travelers) to provide up to $12.5 million in funding for a parking garage located adjacent to the Travelers office building known as the Front Street North garage. No advancements had been made under this agreement because the Authority had constructed the garage using other funds. During fiscal year 2008, the Authority entered into an Amended and Restated Term Loan Agreement with Travelers and the full $12.5 million was advanced. Repayment of this loan is secured by a first call on parking revenues payable by Travelers to the Authority under its parking agreement.

CONNECTICUT SCIENCE CENTER GARAGE

The Connecticut Science Center garage is located directly under the building and is now owned and operated by the Authority. It has been designed to contain 468 parking spaces. The garage opened concurrently with the Connecticut Science Center in May 2009. The Authority was authorized by the State Bond Commission to issue an additional $22.5 million of its Parking and Energy Fee Revenue Bonds for the permanent financing of this garage and components of the central utility plant. These bonds were issued during fiscal year 2009. The Authority's currently outstanding revenue bonds are backed by a state contract assistance agreement that was amended to include these additional bonds. The amended agreement increased the limit of assistance to $9 million (up from $6.75 million) in any calendar year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This 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 for the appropriations that it receives. If you have questions about this report or need additional financial information, contact the Capital Region Development Authority at 100 Columbus Boulevard Suite 500, Hartford, CT 06103-2819 or visit our website www.crdact.net.

CAPITAL REGION DEVELOPMENT AUTHORITY

Balance Sheets

June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Unrestricted cash and cash equivalents	$ 5,049,238	$ 4,649,045
Restricted cash and cash equivalents	1,031,260	1,136,804
Accounts receivable, net	518,403	869,406
Inventory	100,386	108,941
Prepaid expenses	83,133	75,885
Total current assets	6,782,420	6,840,081
Non-current assets:		
Restricted cash and cash equivalents	5,902,659	8,302,646
Capital assets not being depreciated:		
Construction in progress	1,400	8,175,946
Capital assets being depreciated:		
General Operations, net	96,489	102,083
Combined Facilities, net	275,318,668	269,711,349
Bond issuance costs, net	1,381,331	1,463,401
Derivative instrument-interest rate swap	1,976,338	3,543,221
Total non-current assets	284,676,885	291,298,646
Total assets	$ 291,459,305	$ 298,138,727
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,557,709	$ 2,564,953
Accrued interest payable	182,812	203,198
Current portion of bonds payable	2,835,000	2,730,000
Current portion of loan payable	496,057	471,913
Total current liabilities	6,071,578	5,970,064
Non-current liabilities:		
Due to State of Connecticut-contract assistance	27,069,137	23,205,936
Bonds payable, net	91,645,324	94,479,778
Loan payable	9,800,588	10,296,645
Total non-current liabilities	128,515,049	127,982,359
Total liabilities	134,586,627	133,952,423
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of interest rate swap	1,976,338	3,543,221
NET POSITION:		
Net investment in capital assets	143,570,451	146,805,106
Restricted	6,933,919	9,439,450
Unrestricted	4,391,970	4,398,527
Total net position	154,896,340	160,643,083
Total liabilities, deferred inflows of resources and net position	$ 291,459,305	$ 298,138,727

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

CAPITAL REGION DEVELOPMENT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Grants - State of Connecticut/Other:		
Operational	$ 987,200	$ 862,773
Development district and subsidy	4,932,945	5,237,227
On-behalf payments	271,546	167,230
Combined Facilities:		
Convention Center	10,033,507	11,551,579
Parking	6,735,461	6,633,336
Central utility plant	1,322,305	1,393,496
Other income	11,063	-
Total operating revenues	24,294,027	25,845,641
Operating expenses:		
Authority operations:		
Personnel	718,495	579,451
General and administrative	383,404	199,484
On-behalf pension	271,546	167,230
Combined Facilities:		
Convention Center	13,295,765	14,819,362
Parking	3,216,968	3,075,279
Front Street	114,094	138,099
Central utility plant	714,951	853,186
Bond administration	512,914	538,807
Development costs	5,572,402	1,242,778
Depreciation and amortization	9,661,715	9,443,402
Total operating expenses	34,462,254	31,057,078
Loss from operations	(10,168,227)	(5,211,437)
Non-operating revenue/(expense):		
Interest income	15,922	22,309
Interest expense	(4,691,207)	(4,821,206)
Non-operating (expense), net	(4,675,285)	(4,798,897)
Loss before capital transfer in - State of Connecticut	(14,843,512)	(10,010,334)
Capital transfer in – State of Connecticut	9,096,769	1,522,757
Change in net position	(5,746,743)	(8,487,577)
Net position, beginning of year	160,643,083	169,130,660
Net position, end of year	$ 154,896,340	$ 160,643,083

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

CAPITAL REGION DEVELOPMENT AUTHORITY

Statements of Cash Flows

For the years ended June 30, 2013 and 2012

		2013		2012
Cash flows from operating activities:				
Receipts from:				
Grants	$	5,920,145	$	6,100,000
Customers		18,564,877		19,194,110
Payments to:				
Employees		(688,286)		(585,885)
Contractors		(5,572,402)		(1,242,778)
Suppliers		(18,385,779)		(19,149,908)
Net cash used in operating activities		(161,445)		4,315,539
Cash flows from investing activities:				
Interest income on cash and cash equivalents		15,922		22,309
Purchases of capital assets		(7,006,825)		(3,022,324)
Net cash used in investing activities		(6,990,903)		(3,000,015)
Cash flows from capital and related financing activities:				
Advances from State of Connecticut-contract assistance		3,863,201		4,179,921
Capital transfers in		9,096,769		1,522,757
Principal paid on loan		(471,913)		(448,944)
Interest paid on loan payable		(527,710)		(550,680)
Principal paid on bonds		(2,730,000)		(2,620,000)
Interest paid on bonds payable		(4,183,337)		(4,275,439)
Net cash used in financing activities		5,047,010		(2,192,385)
Net decrease in cash and cash equivalents		(2,105,338)		(876,861)
Cash and cash equivalents, beginning of year		14,088,495		14,965,356
Cash and cash equivalents, end of year	$	11,983,157	$	14,088,495
Cash and cash equivalents, end of year:				
Unrestricted cash and cash equivalents	$	5,049,238	$	4,649,045
Restricted cash and cash equivalents (current)		1,031,260		1,136,804
Restricted cash and cash equivalents (non-current)		5,902,659		8,302,646
	$	11,983,157	$	14,088,495
Reconciliation of operating loss to net cash provided by operating activities:				
Loss from operations	$	(10,168,227)	$	(5,211,437)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization		9,661,715		9,443,402
(Increase)/decrease in operating assets:				
Accounts receivable		351,003		(400,530)
Inventory		8,555		3,571
Prepaid expenses		(7,248)		48,971
Increase/(decrease) in operating liabilities:				
Accounts payable and accrued expenses		(7,243)		431,562
Net cash used in operating activities	$	(161,445)	$	4,315,539
Non-cash operating activity:				
On-behalf pension payments	$	271,546	$	167,230
Non-cash capital and related financing activities				
Change in fair value of interest rate swap		(1,566,883)		(332,809)

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

Note 1 – Organization

The Capital Region Development Authority (the "Authority") was established in 1998 under Title 32, Chapter 600 of the General Statutes of the State of Connecticut (the "Act"), as amended, and was created as a body politic and instrumentality of the State of Connecticut (the "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. In 2012, the General Assembly renamed the Authority (the Capital Region Development Authority had formerly been called the Capital City Economic Development Authority) and expanded its powers to serve as a regional planning authority. The powers of the Authority are vested in its thirteen member Board of Directors appointed pursuant to C.G.S. § 32-601.

The purpose of the Authority shall be: (1) to stimulate new investment within the capital region and provide support for multicultural destinations and the creation of a vibrant multidimensional downtown; (2) to work with the Department of Economic and Community Development to attract through a coordinated sales and marketing effort with the capital region's major sports, convention and exhibition venues large conventions, trade shows, exhibitions, conferences, consumer shows and events; (3) to encourage residential housing development; (4) to operate, maintain and market the convention center; (5) to stimulate family-oriented tourism, art, culture, history, education and entertainment through cooperation and coordination with city and regional organizations; (6) to manage facilities through contractual agreement or other legal instrument; (7) to stimulate economic development in the capital region; (8) upon request from the legislative body of a city or town within the capital region, to work with such city or town to assist in the development and redevelopment efforts to stimulate the economy of the region and increase tourism; (9) upon request of the Secretary of the Office of Policy and Management, may enter into an agreement for funding to facilitate the relocation of state offices within the capital city economic development district; (10) in addition to the authority set forth in subdivision (9) of section 32-600, as amended by the act, to develop and redevelop property within the town and city of Hartford; and (11) to market and develop the capital city economic development district as a multicultural destination and create a vibrant, multidimensional downtown.

The Authority is to coordinate the use of all state and municipal planning and financial resources that are or can be made available for any Capital City Project, as defined in the Act, including any resources available from any quasi-public agency. While the Authority is charged with the oversight of the development of the Capital City Projects, as defined in C.G.S. 32-600, the Authority's obligation is limited to recommending that applications for funding be approved by the agency of cognizance. The Authority has entered into Memoranda of Understanding with appropriate fiduciary agents to manage these projects.

Under the Act, "Capital City Project" means any or all of the following: (A) A convention center project as defined in subdivision (3) of this section; (B) a downtown higher education center; (C) the renovation and rejuvenation of the civic center and coliseum complex; (D) the development of the infrastructure and improvements to the riverfront; (E) (i) the creation of up to three thousand downtown housing units through rehabilitation and new construction, and (ii) the demolition or redevelopment of vacant buildings; (F) the addition to downtown parking capacity; (G) development and redevelopment; and (H) the promotion of and attraction to in-state professional and amateur sports and sporting events in consultation with the Sports Advisory Board established under section 10-425. All capital city projects shall be located or constructed and operated in the capital city economic development district, as defined in the Act, provided any project undertaken pursuant to subparagraph (G) of this paragraph may be located anywhere in the town and city of Hartford, and any project undertaken pursuant to subparagraph (D) or (E) (ii) of this paragraph may be located anywhere in the city of Hartford or town of East Hartford, and any project undertaken pursuant to subparagraph (H) of this subdivision may be located anywhere in the state.

Specific conditions are imposed by the enabling legislation, including submission of reports to the Legislature and their acceptance of ongoing progress, in order for certain Capital City Projects to continue to proceed.

Note 1 – Organization *(Continued)*

Section 32-666 of the General Statutes allows the Authority and the secretary of the State of Connecticut Office of Policy and Management ("OPM") to jointly designate land on the Adriaen's Landing site in Hartford as a "private development district." As a result of such designation, the Authority is conferred the power to negotiate an agreement with a private developer or an owner or lessee of any building or improvement in the district for payments in lieu of real property taxes (PILOT) to the Authority.

The Authority is authorized to issue bonds, notes and other obligations. Bonds, notes or other obligations of the Authority shall not be deemed to constitute a debt of the State or any other political subdivision thereof other than the Authority.

Note 2 – Significant Accounting Policies:

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Authority is considered to be a proprietary fund type. Proprietary funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services on a continuing basis are financed or recovered primarily through user charges.

The Authority's financial statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the operations of the Convention Center Project. The principal operating revenues of the Authority are State of Connecticut grants, revenues generated from the Connecticut Convention Center and revenues generated from the Connecticut Convention Center's parking facilities. Operating expenses include salaries and benefits, utilities, marketing and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position – The net position of the Authority are presented in the following three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds and loans that are attributable to the acquisition, construction, or improvement of those assets and further reduced by amounts due to the State of Connecticut for contract assistance payments.

- Restricted consists of amounts whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted represents those which do not meet the definition of the two preceding categories.

Note 2 – Significant Accounting Policies *(Continued)*

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including the State of Connecticut Short-Term Investment Fund) with an original maturity of three months or less to be cash equivalents.

Restricted Assets – Unexpended proceeds from the sale of revenue bonds and cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties are classified as restricted assets in the accompanying balance sheets.

Bond Issuance Costs and Original Issue Premium or Discount – Bond issuance costs are deferred and amortized over the life of the related bonds using the straight line method and are reported as deferred charges. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the straight line method, which approximates the effective interest method. Revenue bonds payable are reported net of the original issue bond premium or discount, as appropriate, and deferred amounts on refundings, as applicable. At June 30, 2013 and 2012, bond issuance costs are as follows:

	2013	2012
Bond issuance costs	$ 2,023,800	$ 2,023,800
Less: accumulated amortization	(642,469)	(560,399)
	$ 1,381,331	$ 1,463,401

Capital assets – Capital assets, which include general operating equipment, buildings and improvements, building equipment and furnishings, and construction in progress are defined by the Authority as assets with an initial individual cost of more than $2,500 and an estimated useful life exceeding one year. Such assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
General operating equipment	3 – 10
Buildings and improvements	19 – 39
Building equipment and furnishings	3 – 10

Note 2 – Significant Accounting Policies *(Continued)*

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority only has one type of item, the *accumulated increase in the fair value of interest rate swap*, that qualifies for reporting in this category.

Inventory – Inventory is stated at the lower of cost (first-in, first-out method) or market. Inventory consists of various food and beverage items used in the operation of the Convention Center.

Accounts Receivable – Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. This estimate is based on history and current information regarding the credit worthiness of the debtors. The Authority does not require collateral or other forms of security from its customers. As of June 30, 2013 and 2012, the Authority had no provision for bad debts.

As of June 30, 2013, approximately 47% of accounts receivable is due from three customers. As of June 30, 2012, approximately 27% and 44% of accounts receivable was due from two and five customers, respectively.

Revenue recognition

Grants and capital contributions – Operational grant revenue, primarily derived from an appropriation from the State of Connecticut provides funding for the operations of the Authority, and the Convention Center Project, including the operations of the Convention Center, district maintenance, and marketing costs, and is recorded when the appropriation is made by the legislature. Contributions of capital assets by the State are reported as capital contributions at the same net book value as previously reported by the State as of the date of the transfer.

Convention Center – Convention Center revenues are generated principally from on-site facilities managed by a third party. The Convention Center recognizes revenue, including conference rental income and food and beverage income, from events daily as services are provided.

Parking – Parking revenues are generated principally from on-site facilities managed by a third party. Hourly parking fees are payable prior to exiting the parking garages, and the revenue is recognized at the time of receipt. Both individuals and private businesses may enter into monthly contracts, and related monthly fees are billed to the customer on the 15th of the month prior to the month to which the fees relate. Revenue on monthly contracts is recognized in the month the parking garages are used by the customer.

Central Utility Plant – The Authority recognizes revenue from billings to the Connecticut Convention Center, the adjacent Marriott Hotel and the adjacent Connecticut Science Center for each entities' share of the use and maintenance of the Central Utility Plant upon invoicing. Revenues associated with billings made to the Connecticut Convention Center have been eliminated in the accompanying statements of revenue, expenses and changes in net position for the years ended June 30, 2013 and 2012.

Note 2 – Significant Accounting Policies *(Continued)*

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

Reclassifications – Certain amounts in the fiscal year end June 30, 2012 financial statements have been reclassified to conform to the fiscal year ended June 30, 2013 presentation.

Note 3 – Funding

Since its inception, the Authority has received a line item appropriation for annual operating funding from the State of Connecticut. The Authority's appropriation for operational use for 2012-2013 increased to $987,200 from $862,773 in 2011-2012. Any unused funds are carried forward to be utilized in subsequent years.

In addition to annual operational funding, the Authority receives additional appropriations for Capital City Projects through state agencies (the Department of Economic and Community Development and the Office of Policy and Management), in accordance with the enabling legislation. During the fiscal years ended June 30, 2013 and 2012, the Authority was appropriated $4,932,945 and $5,237,227, respectively, to be expended for the Convention Center Project. The Authority also entered into a Memorandum of Understanding with the Office of Policy and Management, Department of Administrative Services and Department of Construction Services to facilitate the relocation of certain state offices within the CRDA district for a project fee in the amount of $374,000.

From time to time, the Authority receives funding from other sources. In fiscal year 2011, the Authority received a $5,000,000 restricted use gift from The Walt Disney Company and ESPN to use for eligible costs (as defined in the Pledge Agreement), associated with the construction and tenant fit-out of the Front Street District. As of June 30, 2013, the remaining balance from this gift is $1,261,976 and is included in restricted cash and cash equivalents, in the accompanying balance sheet.

The overall development plan for the Adriaen's Landing Project contemplates total budgeted capital expenditures of $522,149,115, exclusive of the Connecticut Science Center (formerly known as the Connecticut Center for Science and Exploration), contingency reserves and capitalized interest. The principal funding sources consist of $263,800,000 of general obligation bonds of the State, general fund appropriations of $113,642,835 and $113,973,942 in net proceeds from revenue bonds of the Authority and loans. The Authority and OPM have entered into a memorandum of understanding pursuant to which the Office of Policy and Management acts as the Authority's agent for entering into certain contracts. OPM manages the Adriaen's Landing project budget and the various funds needed to honor these contracts.

The Convention Center Project was turned over by the State to the Authority to operate in June 2005 at the time it commenced operations. A portion of the revenues of the Authority, consisting of parking revenues and energy charges for the central utility plant, which services the Connecticut Convention Center, the adjacent hotel, and the Connecticut Science Center, are pledged for the payment of the Authority's Parking and Energy Fee Revenue Bonds (*See Note 8*). Other revenues of the Authority from operation of the Connecticut Convention Center, and its other resources, are available to fund the expenses of operating the Connecticut Convention Center.

Note 4 – Cash Deposits and Investments

Cash and cash equivalents:

Cash and cash equivalents consist of the following as of June 30, 2013 and 2012:

		2013		2012
Unrestricted:				
Cash deposits	$	4,009,918	$	3,970,817
Cash equivalents:				
Short Term Investment Fund		1,039,320		678,228
		5,049,238		4,649,045
Restricted:				
Cash deposits		5,282,915		7,337,551
Cash equivalents:				
Short Term Investment Fund		1,651,004		2,101,899
		6,933,919		9,439,450
	$	11,983,157	$	14,088,495

Cash deposits – 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.

As of June 30, 2013 and 2012, the Authority's bank balance of cash deposits totaled $9,682,891 and $11,545,530, respectively. Of those balances, the following represents the amounts exposed to custodial credit risk:

		2013		2012
Uninsured but collateralized with securities held in the Authority's name *	$	3,827,198	$	3,774,182
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name		5,105,692		7,271,349
Total	$	8,932,890	$	11,045,531

* A pledge agreement was executed between the Authority and one of its banks, which requires that the Authority's deposit accounts in that financial institution be secured by granting to the Authority a perfected security interest. Therefore, the Authority's deposits in this particular institution are collateralized by a pledge of securities that enjoy the full faith and credit of the United States Government.

Note 4 – Cash Deposits and Investments *(Continued)*

Cash deposits – custodial credit risk (Continued)

All of the Authority's deposits were in qualified public institutions as defined by Connecticut General Statutes, which state that any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments in the Short-Term Investment Fund ("STIF") and a money market account as of June 30, 2013 and 2012 are included in cash and cash equivalents in the accompanying balance sheets. For purposes of disclosure under GASB Statement No. 40, such amounts in STIF are considered investments and are included in the investment disclosures that follow.

Investments

Interest rate risk

As of June 30, 2013 and 2012, the Authority's investments consisted of $2,690,324 and $2,780,127, respectively, in the Short Term Investment Fund ("STIF"). STIF is an investment pool of short-term money market instruments that may include adjustable-rate federal agency and foreign government securities whose interest rates vary directly with short-term money market indices and are generally reset daily, monthly, quarterly, and semi-annually. The adjustable-rate securities have similar exposures to credit and legal risks as fixed-rate securities from the same issuers. The balance in the pool is reported at net asset value, which is representative of the Authority's pool shares. With respect to interest rate risk, the Authority's investment policy follows Connecticut General Statutes. The Authority's money market account is a timed deposit which earns interest based on the rate posted by the bank, as such it is considered to have a maturity of less than one year.

As of June 30, 2013 and 2012, STIF had a weighted average maturity of less than 60 days, and as such the investment in STIF is considered to have a maturity of less than one year as of June 30, 2013 and 2012.

Credit risk

Connecticut General Statutes permit the Authority to invest any funds not needed for immediate use or disbursement in obligations issued or guaranteed by the United States of America or the State of Connecticut, including the Short Term Investment Fund and in other obligations which are legal investments for savings banks in this State and in time deposits or certificates of deposit or other similar banking arrangements secured in such manner as the Authority determines. With respect to credit risk, the Authority's investment policy follows Connecticut General Statutes.

As of June 30, 2013 and 2012, the Short Term Investment Fund had a AAAm rating from Standard & Poor's.

Note 4 – Cash Deposits and Investments *(Continued)*

Investments *(Continued)*

Custodial credit risk

For an investment, custodial credit risk is the risk that, in the event of a failure of the 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 invest in securities that are held by counterparties and as such, no custodial credit risk disclosures are required.

Concentrations of credit risk

With respect to concentrations of credit risk, the Authority's investment policy follows Connecticut General Statutes. As of June 30, 2012 and 2011, the Authority was 100% invested in STIF, which is rated in the highest rating category by Standard & Poor's and provides daily liquidity.

Note 5 – Capital Assets:

In accordance with an agreement executed with the State of Connecticut, the land and air rights on which the Connecticut Convention Center, parking garages and other related structures are built upon are leased to the Authority for $1 per year for a period of 99 years. As part of this agreement, ownership of these structures transfers to the Authority upon substantial completion.

A summary of capital assets as of June 30, 2013 is as follows:

	2013			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 8,175,946	$ 1,400	$ (8,175,946)	$ 1,400
Capital assets being depreciated:				
General operations:				
General operating equipment	$ 283,346	$ 25,282	$ -	$ 308,628
Less:accumulated depreciation	181,263	30,847	-	212,139
General operations, net	$ 102,083	$ (5,594)	$ -	$ 96,489
Adriaen's Landing:				
Buildings and improvements	$ 323,000,216	$ 14,595,948	$ -	$ 337,596,164
Equipment and furnishings	6,629,075	560,139	-	7,189,214
Total Adriaen's Landing	329,629,291	15,156,365	-	344,785,378
Less:accumulated depreciation	59,917,942	9,549,025	(257)	69,466,710
Combined Facilities, net	$ 269,711,349	$ 5,607,062	$ 257	$ 275,318,668

Capital asset additions of $7,006,825 in fiscal year 2013 were from Authority expenditures and capital contributions from the State of Connecticut. The Front Street South Garage and public improvements constituted the largest portion of these additions.

Note 5 – Capital Assets *(Continued)*

A summary of capital assets as of June 30, 2012 is as follows:

	2012			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 16,929,382	$ 900,740	$ (9,654,176)	$ 8,175,946
Capital assets being depreciated:				
General operations:				
General operating equipment	$ 283,661	$ -	$ (315)	283,346
Less:accumulated epreciation	150,731	30,847	(315)	181,263
General operations, net	$ 132,930	$ (30,847)	$ -	102,083
Adriaen's Landing:				
Buildings and improvements	$ 311,812,247	$ 11,187,969	$ -	$ 323,000,216
Equipment and furnishings	6,040,968	608,396	(20,289)	6,629,075
Total Adriaen's Landing	317,853,215	11,796,365	(20,289)	329,629,291
Less:accumulated epreciation	50,604,020	9,330,485	(16,563)	59,917,942
Combined Facilities, net	$ 267,249,195	$ 2,465,880	$ (3,726)	$ 269,711,349

Capital asset additions of $3,022,324 in fiscal year 2012 were from Authority expenditures and capital contributions from the State of Connecticut. The Mayor Mike Peters Pedestrian Bridge at Adriaen's Landing constituted the largest portion of these additions. There were no capital contributions from the State of Connecticut.

Note 6 – Contingent Assets

During the year ended June 30, 2003, the Authority recommended that the State Bond Commission authorize the State to issue $6,000,000 of bonds in conjunction with a residential apartment unit development in downtown Hartford known as Trumbull on the Park, LLC (TOTP). Bonds were issued and a Memorandum of Understanding (MOU) dated February 27, 2003 was entered into between the Authority and the Connecticut Housing Finance Authority (CHFA) whereby $6,000,000 of funding known as the Authority Housing Funds were used by CHFA to acquire the Class B Membership Interest in TOTP. The TOTP Class B Membership Interest provides for certain distributions from cash flow or capital proceeds, if any, available after prior payment of operating expenses, first mortgage indebtedness and certain agreed priority returns to other investors, including CHFA. The MOU provides that CHFA will have management control of TOTP, but requires the Authority's written consent for certain major actions. The MOU also provides that if at any time the Authority is granted the legal authority to hold the Class B Membership Interest in its own name, that CHFA will transfer the Class B Membership Interest to the Authority. There have been no Class B Distributions from TOTP and none are forecasted in the near future. The property began occupancy in 2005. The residential portion of the property is currently 100% occupied.

Note 6 – Contingent Assets *(Continued)*

During the year ended June 30, 2004, the Authority recommended that the State Bond Commission authorize the State to issue $30,500,000 of bonds in conjunction with a housing, retail and parking project to be located on the L-shaped, 4-acre parcel of land adjoining the Veterans' Memorial Coliseum in downtown Hartford known as Hartford 21. Bonds were issued and a Memorandum of Understanding dated June 30, 2004 was entered into between the Authority and the Connecticut Development Authority (CDA) whereby $13,000,000 of funding known as the Authority's Housing Funds and $2,500,000 of funding known as the Authority Parking Funds were used by CDA to acquire a Class C2 membership interest in Northland Two Pillars, LLC, ("NTP"); and $15,000,000 of funding known as the Authority Civic Center Funds will be used for a Class D Equity interest in NTP. The NTP Class C and D Membership Interests provide for certain distributions from cash flow or capital proceeds, if any, subject to any restrictions in the construction loan agreement, and certain agreed priority returns to other investors, including CDA. The MOU also provides that if at any time the Authority is granted the legal authority to hold these membership interests in its own name, that CDA will transfer these interests to the Authority. If the Authority is not legally authorized to receive and use the distributions, CDA and the Authority shall jointly identify one or more projects or programs supporting the Hartford Civic Center, housing or parking in downtown Hartford, and CDA shall use or apply the distributions in support of those projects. At this time there have not been any Class C or Class D Distributions from NTP. Residential occupancy is currently at 99.6%.

During the year ended June 30, 2005, the Authority recommended that the State Bond Commission authorize the State to issue $4,680,000 of bonds in conjunction with a mixed use apartment, retail, student/corporate housing and parking project in downtown Hartford known as Temple Street. Bonds were issued and a Memorandum of Understanding dated May 18, 2005 was entered into between the Authority and the Connecticut Housing Finance Authority (CHFA), whereby $4,000,000 of funding known as the Authority Housing Funds and $680,000 of funding known as the Authority Parking Funds has been advanced by CHFA in the form of a construction to permanent second mortgage loan from CHFA to 18 Temple Street LLC (Temple). The loan bears interest at a rate of 0.0% during construction and thereafter at .10%, for a term of 40 years, with interest payable currently and principal payable in full at stated maturity or upon earlier acceleration of the payment of principal, subject and subordinate to a first mortgage in favor of CHFA in a principal amount of $43,448,000. On December 8, 2006, the Authority board approved a resolution that $750,000 of additional Authority parking funds be authorized by CGS Section 32-616(b)5. On May 3, 2007, the second mortgage loan was amended to increase the amount of the Authority Parking Funds to $1,430,000 in order to increase the number of affordable parking spaces in the Temple Street parking garage from 40 to 80. The MOU provides that any interest payments made by Temple and collected by CHFA under the Second Mortgage are to be held by CHFA and remitted to the Authority at intervals agreed to by the parties. As for principal payments, CHFA will advise the Authority of CHFA's receipt of any second mortgage principal payments known as "distributions." If the Authority is legally authorized to receive and use such distributions, then CHFA will pay over to the Authority these distributions. If the Authority is not legally authorized to receive and use the distributions, then CHFA and the Authority shall jointly identify one or more projects or programs supporting or benefiting housing in downtown Hartford, and CHFA shall use or apply the distributions in support of those projects. There have been no distributions from Temple under the Second Mortgage. Interest pertaining to the property was received from CHFA on June 22, 2011 in the amount of $5,430. This project reached substantial completion on May 24, 2007. The apartment component of Temple Street, known as the Lofts, is currently 98.7% occupied, and the townhouse component (student housing) is currently 91.1% occupied.

Note 7 – Advances from State of Connecticut

The Authority's obligations are not debt of the State of Connecticut, and the State is not liable thereon. The Act provides that the State, acting by and through the Secretary of the Office of Policy and Management and the State Treasurer, and with the approval of the State Bond Commission, may enter into a contract with the Authority providing that the State shall pay contract assistance to the Authority pursuant to the provisions of Section 32-608. Such contract assistance is to be reimbursed by the Authority from parking and energy fee revenues, and is limited to an amount equal to the annual debt service on the outstanding amount of bonds to be issued pursuant to Section 32-607 to finance the costs of the Convention Center project, as defined in subdivision (3) of Section 32-600. The Authority and the State have entered into a Contract for Financial Assistance (the "Contract"), pursuant to which the State is obligated to pay an amount equal to debt service on the Authority's outstanding Bonds. Such amounts, and the Authority's rights under the Contract, have been pledged by the Authority to secure payment for bonds covered by the Contract. The Contract currently provides that the maximum amount payable pursuant to the Contract is limited to $9.0 million in any calendar year. The Authority has agreed with the State in the Contract and covenanted in the Indenture to enter into no obligation which would cause this limit to be exceeded.

For the fiscal years ended 2013 and 2012 respectively, amounts available from parking and energy fee revenues to reimburse the State for contract assistance payments were $3,863,201 and $4,179,921 less than the amount required to fully reimburse the State. *(See Note 8).* It is anticipated that for the fiscal year 2014, a shortfall of approximately $4 million will occur. The Authority remains obligated to repay these amounts that currently total $27,069,137 without interest, from parking and energy fee revenues as and if amounts are available.

Note 8 – Long Term Debt

Bonds Payable

The Act authorizes the Authority to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Authority will be necessary to provide sufficient funds for carrying out its purposes. As of June 30, 2013 the Authority was authorized to issue bonds and other obligations up to $122,500,000 and, as of that date, has issued four series of its Parking and Energy Fee Revenue Bonds in the original aggregate principal amount of $110,000,000 and a loan agreement with the Travelers Indemnity Company of $12,500,000. Proceeds from the bonds provide financing for the construction of the Adriaen's Landing Project.

The revenue bonds are secured by a pledge of parking and energy fee revenues (except for parking revenues from the Travelers parking agreement which are pledged for the Travelers loan), as well as certain other funds on deposit with the trustee, and are due in various installments through 2034. These revenues are available first to pay expenses of the parking facilities and the central utility plant, then for deposits towards debt service, for deposits to an operating expense reserve and a surplus fund, reimbursement to the State for any payments under the Contract not already reimbursed, any reserve established for renewal and replacement and thereafter are available for use by the Authority, including the funding of the Connecticut Convention Center. Pursuant to the Contract, in each year following completion of the Convention Center Project, the Authority is required to establish fees and charges such that the pledged revenues, after payment of operating expenses, are equal to 1.20 times debt service. At this time, the Convention Center Project is not considered completed. So long as payments required to be made pursuant to the Contract for Financial Assistance are being made, a failure to meet this requirement is not an event of default with respect to any series of bonds secured by such Contract for Financial Assistance.

Note 8 – Long Term Debt *(Continued)*

Bonds Payable *(Continued)*

Changes in bonds payable (in 000's) were as follows for the year ended June 30, 2013:

Issue	Balance, July 1, 2012	Increases	Decreases	Balance, June 30, 2013
2004 Series A, fixed rate bonds $15,030,000 due from June 2006 to June 2016 (interest rates ranging from 2.5% - 5.0%)	$ 6,620	$ -	$ 1,540	$ 5,080
2004 Series B, variable rate bonds $57,470,000 due from June 2017 to June 2034	57,470	-	-	57,470
2005 Series C, fixed rate bonds $15,000,000 due from June 2008 to June 2029 (interest rate 5.0%)	12,415	-	675	11,740
2008 Series D fixed rate bonds $22,500,000 due from June 2010 to June 2034 (interest rates ranging from 3.5%-7.0%)	21,030	-	515	20,515
Subtotal	97,535	-	2,730	94,805
Bond premium, 2004 Series A	68	-	17	51
Bond discount, 2009 Series D	(394)	-	(18)	(376)
Bonds payable	$ 97,209	$ -	$ 2,729	$ 94,480

Note 8 – Long Term Debt *(Continued)*

Bonds Payable *(Continued)*

Changes in bonds payable (in 000's) were as follows for the year ended June 30, 2012:

Issue	Balance, July 1, 2011	Increases	Decreases	Balance, June 30, 2012
2004 Series A, fixed rate bonds $15,030,000 due from June 2006 to June 2016 (interest rates ranging from 2.5% - 5.0%)	$ 8,080	$ -	$ 1,460	$ 6,620
2004 Series B, variable rate bonds $57,470,000 due from June 2017 to June 2034	57,470	-	-	57,470
2005 Series C, fixed rate bonds $15,000,000 due from June 2008 to June 2029 (interest rate 5.0%)	13,085	-	670	12,415
2008 Series D fixed rate bonds $22,500,000 due from June 2010 to June 2034 (interest rates ranging from 3.5%-7.0%)	21,520	-	490	21,030
Subtotal	100,155	-	2,620	97,535
Bond premium, 2004 Series A	86	-	18	68
Bond discount, 2009 Series D	(412)	-	(18)	(394)
Bonds payable	$ 99,829	$ -	$ 2,620	$ 97,209

Note 8 – Long Term Debt *(Continued)*

Bonds Payable *(Continued)*

The following tables provide a summary of debt service requirements and net swap payments for the next five years and in five-year increments thereafter (in 000's). The interest calculations are based on variable rates in effect on June 30, 2013, and may not be indicative of the actual interest expense pertaining to variable rate bonds that will be incurred. As rates vary, variable rate bond interest payments will vary.

Year ending June 30:	Fixed Rate Bonds (unswapped)		Variable Rate Bonds (swapped)			
	Principal	Interest	Principal	Interest	Swaps, net	Total
2014	$ 2,835	1,902	$ -	$ 69	$ 2,052	$ 2,121
2015	2,955	1,786	-	69	2,052	2,121
2016	3,095	1,644	-	69	2,052	2,121
2017	1,295	1,505	1,940	69	2,052	4,061
2018	1,330	1,445	2,040	67	1,983	4,090
2019-2023	7,485	6,191	11,695	294	8,749	20,738
2024-2028	9,355	4,090	14,445	218	6,477	21,140
2029-2033	7,415	1,647	22,200	116	3,438	25,754
2034-2035	1,570	90	5,150	5	182	5,337
	$ 37,335	$ 20,300	$ 57,470	$ 976	$ 29,037	$ 87,483

Year ending June 30:	Total Debt Service			
	Principal	Interest	Swaps, net	Total
2014	$ 2,835	1,971	$ 2,052	$ 6,858
2015	2,955	1,855	2,052	6,862
2016	3,095	1,713	2,052	6,860
2017	3,235	1,574	2,052	6,861
2018	3,370	1,512	1,983	6,865
2019-2023	19,180	6,485	8,749	34,414
2024-2028	23,800	4,308	6,477	34,585
2029-2033	29,615	1,763	3,438	34,816
2034-2035	6,720	95	182	6,997
	$ 94,805	$ 21,276	$ 29,037	$ 145,118

Note 8 – Long Term Debt *(Continued)*

Bonds Payable *(Continued)*

Interest Rate Swap

The Authority has entered into an agreement to moderate the effects of bond interest rate fluctuations through the use of contracts commonly known as interest rate swap agreements. The Authority has entered into a fully amortizing interest rate swap agreement, pursuant to which the Authority owes a fixed payment to the counterparty of the swaps. In return, the counterparty owes the Authority a payment based on the London Interbank Offered Rate ("LIBOR") that is comparable to the rates required by the Authority's bonds. Only the net difference in payments is actually exchanged with the counterparties. The Authority will continue to pay interest to the bondholders at the variable rates provided by the bonds. However, during the term of the swap agreement, and because of the net payment under the swap agreement, the Authority effectively pays a fixed rate on the debt. The Authority will be exposed to variable rates if the counterparties to the swap default or if the swaps are terminated. Termination of the swap agreements may also result in the Authority making or receiving termination payments. The notional amount of the swap will not be exchanged; it is only the basis on which payments are calculated. The Authority may terminate the swap at its option in 2014 without any termination payment.

Objective of the Interest Rate Swap

The Authority entered into the swap to establish synthetic fixed rates for a like amount of variable rate bond obligations. The Authority's interest rate swap transaction is structured such that the Authority pays a fixed interest rate while receiving variable interest rates from the counterparty, which are comparable to the rates required by the variable rate bonds. These synthetic fixed rates were lower than those available to the Authority for fixed rate obligations of comparable maturity.

Terms, fair value and credit risk

The notional amount of the swap matches the principal amount of the Series B bonds. The Authority's swap agreement contains scheduled reductions to the outstanding notional amounts that are expected to follow scheduled or anticipated reductions in bonds payable. The Authority did not pay or receive any cash when the swap transaction was initiated.

Note 8 – Long Term Debt *(Continued)*

Interest Rate Swap *(Continued)*

The terms, fair values, and credit ratings of the outstanding swap related to the 2004 Series B bonds as of June 30, 2013 are as follows:

Notional Amount	Original Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
$ 57,470,000	7/21/2004	3.96%	62% of LIBOR + 0.27%	($1,976,338)	6/15/2034	A-/Baa2/A

The terms, fair values, and credit ratings of the outstanding swap related to the 2004 Series B bonds as of June 30, 2012 were as follows:

Notional Amount	Original Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating
$ 57,470,000	7/21/2004	3.96%	62% of LIBOR + 0.27%	($3,543,221)	6/15/2034	A-/Baa2/A

The change in the fair value of the interest rate swap related to the 2004 Series B bonds for the years ended June 30, 2013 and 2012 totaled $1,566,883 and $332,809, respectively. Because the interest rate swap was determined to be an effective derivative hedging instrument, this change in fair value has been reported as a deferred inflows of resources in the accompanying balance sheets as of June 30, 2013 and 2012.

Fair Value

The valuation of the swap changes with movements in interest rate levels; generally, as interest rates lower, the fair value of the swap becomes lower. This is moderated by the Authority's termination option, whose value is also positively impacted as the time remaining to the option exercise date is reduced. The Authority's swap portfolio had an aggregate negative fair value of ($1,976,338) and ($3,543,221) as of June 30, 2013 and June 30, 2012, respectively. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk

Because the Authority's swap portfolio had a negative fair value, it was not exposed to credit risk for termination payments, which means in the event of termination, no counterparty would be obligated to make payments to the Authority. However, should interest rates change and the fair value of the swap become positive, the Authority will be exposed to credit risk in the amount of the swap's fair value.

Note 8 – Long Term Debt *(Continued)*:

Interest Rate Swap *(Continued)*

Basis Risk

Basis risk is the risk that there may be a difference between the floating rate component of the swap, which is based on LIBOR, and the rate on the Authority's variable rate bonds, which is based on rates specified in the bond issue. The swap exposes the Authority to basis risk should the relationship between LIBOR and the variable rate on the bonds converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination Risk

The counterparty to the Authority's interest rate swap agreement has default termination rights that may require settlement payments by the Authority to the counterparty based on the fair value of the swap at the date of termination. As of June 30, 2013 and 2012, no termination events had occurred.

Interest Rate Risk

The Authority is exposed to interest rate risk on its interest rate swap since, as LIBOR decreases, the Authority's net payment on the swap increases.

Rollover Risk

The Authority's interest rate swap agreement has limited rollover risk because the swap agreement contains scheduled reductions to outstanding notional amounts, which are expected to follow scheduled and anticipated reductions in the associated bonds payable. Because the swap terminates when the associated debt is fully paid, the Authority is only exposed to rollover risk if an early termination occurs.

Variable Rate Demand Bonds

These two agreements relate to the 2004 Series B bonds (variable rate Parking and Energy Fee Revenue Bonds of $57,470,000 due from June 2017 to June 2034). The remarketing agreement is between the Authority and Merrill Lynch. The standby bond purchase agreement is among the Authority, U.S. Bank National Association (as trustee and tender agent) and Bank of America National Association.

The bonds are subject to purchase based upon certain conditions contained in the bond indenture agreement on the demand of the holder at a price equal to par plus accrued interest. The Authority's remarketing agent is Merrill Lynch. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

Under a liquidity agreement dated March 1, 2009, as amended June 24, 2011, with Bank of America National Association (the "Bank"), the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. This liquidity agreement is in place through August 31, 2014, subject to being extended, and advances carry a variable interest rate equal to the highest of the prime rate, federal funds rate plus .5%, or 8% per annum.

The Authority is required to pay to the Bank an annual fee for the liquidity agreement equal to .80% per annum through July 1, 2011 and .73% per annum thereafter of the unused available commitment, with the rate subject

Note 8 – Long Term Debt *(Continued)*:

to change based upon the rating category assigned to the long-term, unenhanced general obligation bonds of the State of Connecticut. Liquidity fees amounted to $451,229 and $454,108 in fiscal years 2013 and 2012, respectively. The Authority may be subject to other fees in certain instances based upon meeting conditions outlined in the liquidity agreement. In addition, the remarketing agent receives an annual fee equal to .07% of the average aggregate principal amount of the bonds outstanding for the immediately preceding 3 month period. Remarketing fees were $40,169 and $40,289 for fiscal years 2013 and 2012, respectively.

Loan Payable

During the year ended June 30, 2005, the Authority entered into a Construction and Term Loan agreement with the Travelers Indemnity Company ("Travelers") to provide up to $12.5 million in funding for a parking garage. No advances were made under this agreement because the Authority had constructed the garage using other funds. During the year ended June 30, 2008, the Authority entered into an Amended and Restated Term Loan Agreement with Travelers, at which time the entire $12.5 million was advanced. This loan is secured by a first call on parking revenues generated by the separate parking contract the Authority has with Travelers and bears interest at a rate of 5.0% per annum.

Changes in the loan payable (in 000's) were as follows for the year ended June 30, 2013:

	Balance, July 1, 2012	Increases	Decreases	Balance, June 30, 2013
Traveler's Loan Payable	$ 10,769	$ -	$ 472	$ 10,297

Changes in the loan payable (in 000's) were as follows for the year ended June 30, 2012:

	Balance, July 1, 2011	Increases	Decreases	Balance, June 30, 2012
Traveler's Loan Payable	$ 11,218	$ -	$ 449	$ 10,769

The following table provides a summary of debt service requirements on the loan payable for the next five years and in five-year increments thereafter (in 000's).

Year ending June 30:	Principal	Interest
2014	$ 496	$ 504
2015	521	478
2016	548	452
2017	576	423
2018	606	394
2019-2023	3,526	1,472
2024-2028	4,024	478
	$ 10,297	$ 4,201

Note 9 – Pension Plans

Defined Benefit Pension Plan

Employees of the Authority participate in the Connecticut State Employees' Retirement System ("SERS"), which is administered by the State Employees' Retirement Commission. The annual required contribution is contributed directly by the State on behalf of the Authority, and therefore, the Authority is not required to and does not make contributions on its own, and does not record a liability for pension costs. Actuarial valuations are performed on the SERS as a whole and do not provide separate information for employees of the Authority. Information about the funding status and progress, annual required contributions and trend information can be found in the State of Connecticut'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 to 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers: Tier I requires an employee contribution of either 2%, 4% or 5% of salary, depending on the plan; Tier II is a non-contributory plan for all members except those designated as hazardous duty; Tier II hazardous duty members contribute 4% of salary. Tier IIA requires an employee contribution of 2% of salary for non-hazardous duty members and 5% for designated hazardous duty members. Members who joined the retirement system on or before July 1, 1984 are generally enrolled in Tier I. Members who joined the retirement system on or after July 2, 1984 are enrolled in Tier II. Employees first hired on or after July 1, 1997 are members of Tier IIA. Employees rehired on or after July 1, 1997 are also members of Tier IIA unless the application of SERS service bridging provisions mandates their return to membership in either Tier I or Tier II.

Benefit Provisions: Tier I members may retire with a normal benefit at age 65 with at least 10 years of credited service, at age 55 with at least 25 years of credited service, or at age 70 with at least 5 years of credited service. Normal retirement benefits for Tier I, Plan B members who have not reached their full retirement age under the Social Security Act or received a Social Security disability award are calculated based on a formula equal to 2% times their credited service times the average of their three highest years' earnings; upon their attainment of full retirement age under the Social Security Act or receipt of a Social Security disability award, if earlier, normal benefits for Tier I, Plan B members are calculated based on a formula equal to 1% times their years of credited service times $4,800 plus 2% times their credited service times the average of their three highest years' earnings greater than $4,800. Tier I, Plan C members' normal retirement benefits are calculated based on a formula equal to 2% times their credited service times the average of their three highest years' earnings. Tier I members may retire at age 55 with a reduced benefit with at least 10 years of actual State service but less than 25 years of credited service or at age 60 with 10 years but less than 25 years of a combination of certain types of credited service; the reduced benefit is calculated using the same formula but with a reduced percentage determined using the member's age and years of service.

Tier II and Tier IIA members may retire with a normal benefit at age 62 with at least 5 years of actual state service or at least 10 years of vesting service; Tier II and Tier IIA members may also retire with a normal benefit at age 60 with 25 years of service. Normal retirement benefits for Tier II and Tier IIA members are calculated based upon a formula equal to 1 and 1/3 % times the average of their three highest years' earnings plus 1/2 of 1 % of the average of their three highest years' earnings in excess of the salary breakpoint for the year in which they are retiring times their credited service up to a maximum of 35 years plus 1 and 5/8% times the average of their three highest years' earnings times their credited service over 35 years. Tier II and Tier IIA members may retire with a reduced benefit at age 55 with at least 10 years of vesting service; the reduced benefit is calculated using the same formula reduced by 1/4 of 1% for each month the member retires prior to attaining age 60 with at least 25 years of vesting service or age 62 with at least 10 but less than 25 years of vesting service. Tier I members are vested if they have at least 10 years of service and have been continuously employed with the State for the last 5 years, without a severance of a year or more. Tier II and

Note 9 – Pension Plans *(Continued)*

Tier IIA members are vested if they have at least 5 years of actual State service or 10 years of vesting service. Tier I, Tier II and Tier IIA hazardous duty members may retire at any age with at least 20 years of hazardous duty service and receive benefits calculated based on a formula equal to 50% of the average of their three highest years' earnings plus 2% times any service over 20 years times the average of their three highest years' earnings. Most Tier I, Plan B hazardous duty members' benefits are reduced upon attainment of full retirement age under the Social Security Act or receipt of a Social Security disability award, if earlier, based on two different formulas with consideration of service rendered prior to July 1, 1988 only. All three Tiers provide for death and disability benefits provided certain conditions are met.

Contributions: Contributions made by the State on behalf of the Authority are determined by applying the annually determined State mandated percentage to eligible salaries and wages. The State calculated percentage for the years ended June 30, 2013 and 2012 was approximately 37.82% and 28.86%, respectively. Payroll for employees of the Authority for the years ended June 30, 2013 and 2012 was $718,495 and $579,451 respectively.

In accordance with GASB No. 24, the Authority has recorded on behalf payments of $271,546 and $167,230 made by the State of Connecticut into the plan as grant revenue and Authority operations expense in the accompanying statements of revenue, expenses and change in net position for the years ended June 30, 2013 and 2012, respectively.

Defined Contribution Pension Plan

During fiscal year 2008, the Authority adopted the State of Connecticut's defined contribution 457 (b) Plan, which allows its employees to participate in the State of Connecticut's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Authority holds no fiduciary responsibility for the plan. Such authority rests with the State Comptroller's office.

Note 10 – Commitments and Contingencies

Lease agreements

The Authority has been charged with the construction and operation of the Connecticut Convention Center facilities, which includes the related parking garages and a central heating and cooling plant. On May 31, 2005, the Connecticut Convention Center reached substantial completion. In accordance with the Airspace Lease between the State of Connecticut and the Authority dated as of September 16, 2003, the Authority took possession of the Connecticut Convention Center. The term of the lease is for 99 years and one day, requires a lease payment of $1 per year, and provides that the Authority own and operate the Connecticut Convention Center and the related garages and associated improvements. The Connecticut Convention Center facilities are a component of Adriaen's Landing in downtown Hartford.

On November 3, 2008, the Authority and the State of Connecticut entered into a site lease for Tract 1 with the HBN Front Street District, Inc. The term of the lease is for 96 years and the required lease payment is $1 per

Note 10 – Commitments and Contingencies *(Continued)*

year. On June 12, 2009, the Authority and the State of Connecticut entered into a lease for the State Attraction Parcel with the Connecticut Science Center, Inc. The term of the lease is for 95 years, terminates on August 31, 2104 and requires a lease payment of $1 per year.

Management and other agreements

As part of the development, operation, and marketing of the Connecticut Convention Center, the Authority has entered into the following agreements with third parties:

- Facilities management agreement for the Connecticut Convention Center, including a portion of sales and marketing - The management agreement's term is for a period of five years, cancelable by the Authority after the completion of the third year. Fees paid for fiscal years ended June 30, 2013 and 2012 was $190,558 and $179,889, respectively.

- Catering and concessions agreement for the Connecticut Convention Center - The management agreement's term is for a period of five years, cancelable by the Authority after the completion of the third year. Catering and concession fees paid for the fiscal years ended June 30, 2013 and 2012 were $114,140 and $107,749, respectively.

- Parking management agreement for all the Authority's owned parking at Adriaen's Landing - The management agreement's term is for a period of three years, with options to extend for two additional years. Fees paid for management of the Parking Facilities totaled $79,568 and $77,250 for the years ended June 30, 2013 and 2012, respectively.

- Central Utility Plant ("CUP") operations and maintenance agreement - The agreement commenced on April 1, 2008 and has been extended through March 31, 2014. Fees paid under this agreement totaled $399,052 and $391,865 for the fiscal years ended June 30, 2013 and 2012, respectively. In addition, the Authority has entered into an energy services agreement for the purpose of sharing costs with the adjacent Marriott Hartford Downtown hotel which is not owned by the Authority. During the fiscal year ended 2009, the energy services agreement was amended to include the sharing of costs with the Connecticut Science Center as it is using heating and cooling services generated from the central utility plant.

- Services and marketing contract - For the fiscal year ended 2012, the Authority contracted with the Greater Hartford Convention and Visitors Bureau as the provider of housing management services, convention services and regional marketing. For the fiscal year ended June 30, 2012, fees paid to the GHCVB totaled $475,000. No contract costs were incurred during fiscal year 2013.

Effective July 1, 2010 the Authority took over responsibility for sales and sales administration for the Convention Center from the Greater Hartford Convention and Visitors Bureau. This responsibility includes ensuring that all conditions of the Authority's charter are met and that the Convention Center's assets are fully utilized. As such, from time to time the Authority or its designee will enter into non-binding arrangements with potential customers for current and future period events whereby certain inducements or subsidies may be offered in cases that meet acceptable levels of area participation, profitability and attendance for the purpose of scheduling and holding selected future dates. These proposed inducements or subsidies are intended to assist

Note 10 – Commitments and Contingencies *(Continued)*

Management and other agreements *(Continued)*

potential customers in defraying costs or to be competitive with other city's offers for the express intent of entering into a sales contract to provide convention services. Currently, the Authority has provided such non-binding arrangements to potential customers, and subject to final contracts stipulating acceptable area participation and attendance, has proposed inducements or subsidies not yet committed of approximately $860,680 for fiscal years 2014 through 2018. The Authority records these subsidies as a reduction to revenues once contracts are executed in the year the services are provided. In fiscal years 2013 and 2012, $178,106 and $165,015, respectively, was paid and expensed under these subsidies.

Note 11 – Development Costs

During the years ended June 30, 2013 and 2012, the Authority was obligated to fund the payment of certain development-related costs associated with projects that, when completed, will not be designated assets of the Authority. These costs included land remediation, tenant fit-out, project management fees and expense reimbursement, and audit review fees related to the development of the Front Street District. Such costs totaled $5,572,402 and $1,242,778 for the years ended June 30, 2013 and 2012, respectively, and are reported as development costs in the accompanying statements of revenues, expenses and changes in net position.

Note 12 – Risk Management

The Authority is subject to normal risks associated with its operations including property damage, personal injury, and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses and no decreases in insurance coverage over the last three years.

Note 13 – Segment Information

The Authority has issued various revenue bonds to provide financing for the construction of the Convention Center Project (*See Note 8*). The revenue bonds are secured by a pledge of parking and energy fee revenues (except for parking revenues from the Travelers parking agreement which are pledged for the Travelers loan), as well as certain other funds on deposit with the trustee. Financial segment information as required by the Authority's continuing disclosure requirements is presented below for the years ended June 30, 2013 and 2012, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position				
Pledged revenues:		2013		2012
Parking:				
Bond pledge	$	5,735,837	$	5,633,712
Traveler's loan pledge		999,624		999,624
Total Parking		6,735,461		6,633,336
Energy		2,984,959		3,041,963
Other		3,939		5,121
Total pledged revenues		9,724,359		9,680,420
Operating expenses:				
Parking		3,208,721		3,076,673
Energy		1,663,963		1,690,144
Other		512,678		538,807
Total operating expenses		5,385,362		5,305,624
Net revenue over expenses		4,338,997		4,374,797
Available for the Traveler's loan repayment		999,624		999,624
Available for debt service	$	3,339,373	$	3,375,173

The above table has been prepared using the accrual basis of accounting and is not intended to reflect actual cash flow position.

Note 14 – Litigation:

On or about November 1 2004, Capital Properties Associates, L.P. ("Capital Properties") brought an action against the State of Connecticut, Office of Policy and Management and the Authority in Connecticut Superior Court for breach of contract, breach of the implied covenant of good faith dealing and violation of the Connecticut Unfair Trade Practices Act. It is the State's and Authority's position that Capital Properties relinquished or forfeited its development rights and that Capital Properties' conduct constituted a material breach of and default under the amended Development Agreement. Based on Capital Properties' conduct and its failure to act, the State and the Authority terminated its rights under the amended Development Agreement.

Thereafter, on September 1, 2005, the State of Connecticut, Office of Policy and Management and the Authority countersued Capital Properties in Connecticut Superior Court. By its complaint, the State and the Authority assert claims of anticipatory breach of contract/repudiation, breach of contract, breach of the implied covenant of good faith and fair dealing, conversion, violation of the Connecticut Unfair Trade Practices Act and respondeat superior/general partner liability. Both suits relate to the failed construction on the residential, retail and entertainment district located at Adriaen's Landing in Hartford, Connecticut by Capital Properties.

On or about July 18, 2012, the Superior Court in Hartford rendered a decision, based on liability only, that

Note 14 – Litigation *(Continued)*

Capital Properties was entitled to a hearing in damages. Therefore, OPM and the Authority have been held liable for breach of contract. The case is on appeal and the outcome is unknown.

Management believes that the resolution of all matters will not materially affect the Authority's financial position or results of operations.

Note 15 – Recent Accounting Pronouncements

New Pronouncements Implemented During The Year Ended June 30, 2013:

The Authority implemented the following new pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. GASB 62 incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989:

- FASB Statements and Interpretations;
- Accounting Principles Board Opinions; and
- Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure.

By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports. In addition, GASB 62 is expected to improve financial reporting by eliminating the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of relevant guidance in financial statements of state and local governments. Further, GASB 62 contributes to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they can be found within a single source.

The GASB has issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). GASB 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. GASB 63 also amends certain provisions of GASB Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

The implementation of the above standards had no impact on the Authority's net position or changes in the net position as of and for the years ending June 30, 2013 and 2012. However, the formats used for the financial statements for all periods presented have been revised to reflect the requirements of GASB Statement 63.

Note 15 – Recent Accounting Pronouncements *(Continued)*

Pronouncements Issued But Not Effective:

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, which replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014 and early adoption is permitted. The Authority is currently evaluating the impact of this standard on its financial statements.

The GASB has issued Statement No. 66, *Technical Corrections – 2012*, which amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for 1) operating lease payments that vary from a straight-line basis, 2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and 3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The provisions in GASB 66 are effective for periods beginning after December 15, 2012 and early adoption is permitted. The Authority is currently evaluating the impact of this standard on its financial statements.

The GASB has issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of GASB 65 are effective for periods beginning after December 15, 2012 and early adoption is permitted. The Authority is currently evaluating the impact of this standard on its financial statements.

Note 16 – Subsequent Events

At the close of fiscal year 2013, the XL Center, which is owned by the City of Hartford but leased to the Connecticut Development Authority which in turn subleased it to AEG Facilities, came to the conclusion of various contracts. In accordance with recent legislation, the XL Center and Rentschler Field were included within the General Statutes to be managed by the Authority along with the Connecticut Convention Center and other properties within the Adriaen's Landing District. Further, such authority presumed a continued relationship with the City of Hartford for the management of the venue by a state authority.

Note 16 – Subsequent Events *(Continued)*

In anticipation of the expiration of various agreements and in consideration of recent legislative changes, the Authority issued a Request for Proposals to select a management company for the XL Center and for Rentschler Field. The Authority also negotiated and signed a lease agreement with the City of Hartford for a ten year period beginning July 1, 2013 with two five year extensions and contracted with Global Spectrum for the same ten year period. The lease with the City of Hartford requires annual rent of $3,000,000 for the first two lease years and $2,600,000 thereafter. The contract with Global Spectrum requires annual management fees of $460,000 for the first year, then increased each year thereafter in accordance with the percentage increase in the CPI over the previous twelve month period.

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INDEPENDENT AUDITORS' 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 of the
Capital Region Development Authority
Hartford, Connecticut

We have audited, 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, the financial statements of the Capital Region Development Authority (the "Authority"), a component unit of the State of Connecticut, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
September 24, 2013