C·R·D·A

Capital Region
Development Authority

2013 – 2014 Annual Report

CAPITAL REGION DEVELOPMENT AUTHORITY
2013 - 2014 ANNUAL REPORT

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C•R•D•A
Capital Region
Development Authority

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September 19, 2014

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:

It is with pleasure that I report on the second year of operations of the Capital Region Development Authority (CRDA) in accordance with Connecticut General Statutes Section 32-605. Year two of the Agency was one of project initiation, with nearly 1000 new units of housing placed into the pipeline for downtown Hartford as well as capital upgrades at the XL Center, the Convention Center and Rentschler Field joining projects to build out state office space and the continuation of the efforts along Front Street.

During the year, 435 events were held attracting more than 1 million visitors to the various CRDA managed venues. Directly or through its operating managers, CRDA is responsible for 968 jobs, (138 FT/830 PT). New employment at Front Street adds another 132 positions. CRDA related construction activity over a three-year period will support an estimated 2,100 trade positions.

The Agency also acquired the License to operate and retain the Connecticut Tennis Open (formerly New Haven Open at Yale); assisted in securing the land transactions critical to launching the new downtown University of Connecticut Campus; and entered into its first regional contract by assisting the Town of Newington with the environmental cleanup of a major brownfield site in preparation for marketing and the development of the municipally owned site along the CTfastrak line. During the year, the responsibility to manage the Morgan Street Garage on behalf of the State was added, bringing the agency's operational responsibilities for parking to five garages and 6,025 spaces that combined with 9,300 at Rentschler now total in excess of 15,000 spaces.

Policy changes in the operation of the entertainment venues continue in an effort to improve their economies and impact on the community. Long term agreements have been negotiated with UConn for the XL Center including the expansion of the hockey program and new sales outreach and promotion.

The attached report includes greater detail on the finances, the operations and the various issues each of the CRDA initiatives dealt with over the last year.

Suzanne Hopgood
Chair, Capital Region Development Authority

Capital Region Development Authority

100 Columbus Boulevard, Suite 500
Hartford, CT
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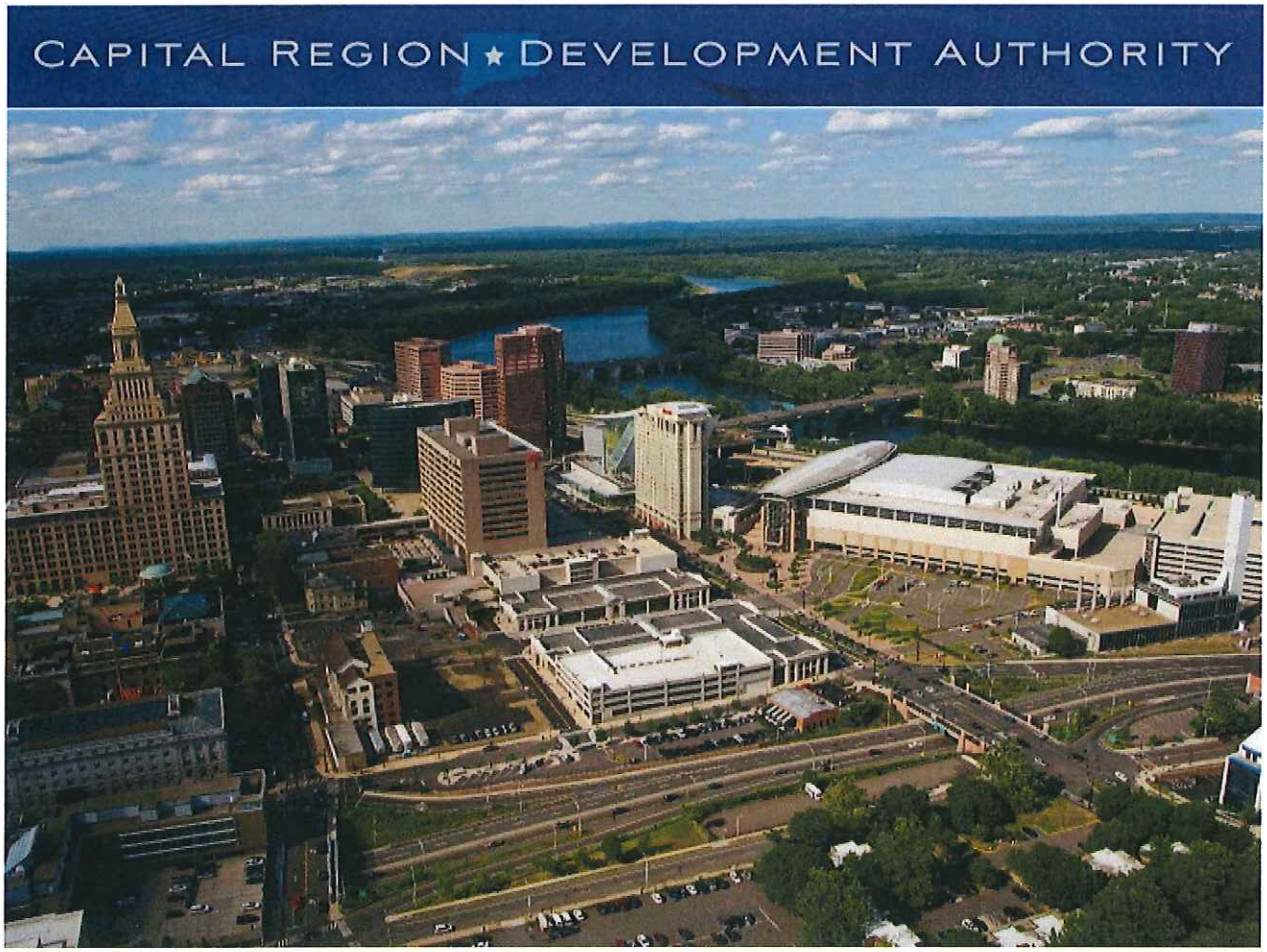
2013-2014 Fiscal Year Report

Pursuant to Connecticut General Statutes
§32-605

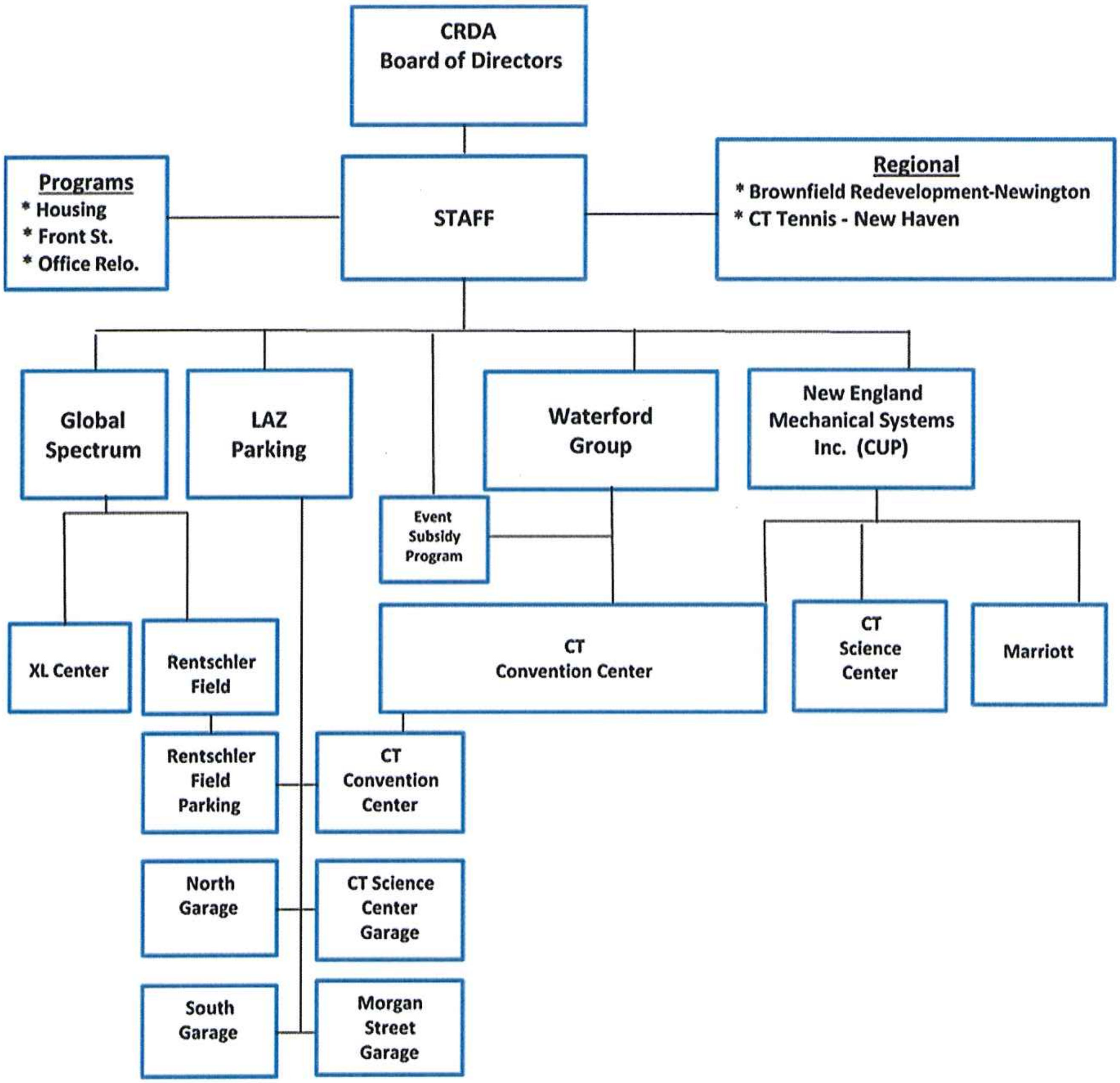
AN ANALYSIS OF THE AUTHORITY'S SUCCESS IN ACHIEVING PURPOSES



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), expanding its authorities and redefining its boundaries.

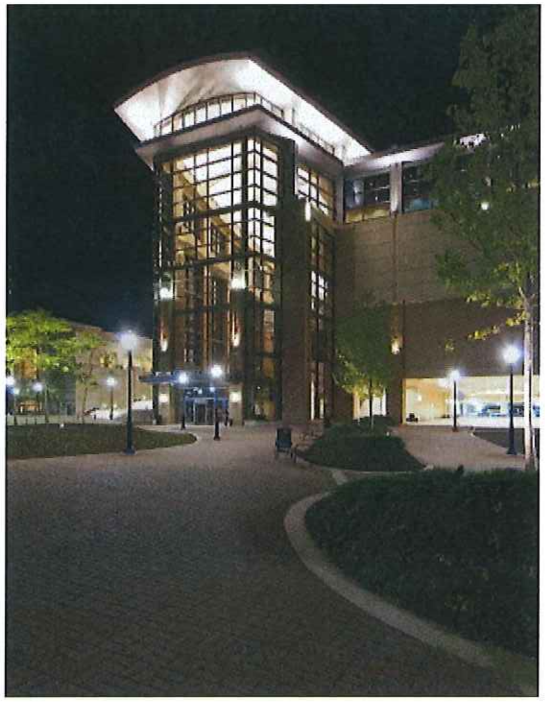
As stated in C.G.S. Section 32-602, the purpose of the Authority shall be: to stimulate new investment in Connecticut; attract and service conventions and events of similar nature; to encourage diversification of the state economy; to strengthen Hartford's role as the region's major business and industry 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. These State investments will pay returns that can be quantified in increased property value, economic activity, and municipal revenues.

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 2,339 space garage. Now having completed its ninth year of operation, the CTCC has attracted more than 2.5 million guests and generated in excess of $59 million in revenues.



As the Connecticut Convention Center prepares for its tenth year of operations, it completed the year with 186 events, attracting 373,000 visitors and generating $10.3 million in revenues while its state operating appropriation ($4.358 million) remained flat at the previous year's level. Rebounding in 2014 as the economy improved, the building continues to produce more in tax revenue to the state than it receives in state operating support.

	FY 2012	FY 2013	FY 2014
State of Connecticut Tax Generation	**Actuals**	**Actuals**	**Actuals**
Sales & Use Tax	$3,268,403	$2,571,022	$2,833,775
Income Tax	2,189,230	1,792,998	1,935,873
Other Tax	1,206,501	993,449	1,069,706
Room Occupancy Tax	1,051,591	89,404	838,333
Total State of Connecticut Tax Generation	**$7,715,725**	**$5,446,873**	**$6,677,687**

At the completion of fiscal year 2014, the CTCC had revenues of $4.3 million, slightly ahead of budget expectations of $4.0 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. When the reach of the building's events is viewed in terms of attendees, the Convention Center has seen favorable results.

Operating Revenues	FY 2012 Actuals	FY 2013 Actuals	FY 2014 Actuals
Building Rental	$2,692,481	$2,190,560	$2,434,145
Event Services (net)	854,117	727,056	740,243
Food & Beverage (net)	978,913	990,616	937,492
Other	58,861	60,586	138,122
Total Operating Revenues	**$4,584,372**	**$3,968,818**	**$4,250,002**
Attendance			
Conventions/Tradeshows	91,659	98,740	81,201
Consumer Shows	147,857	129,042	158,997
Banquets/Receptions	22,820	22,971	19,738
Other Events	63,058	56,741	71,151
Meetings	40,191	37,014	41,786
Total Attendance	**365,585**	**344,508**	**372,873**

The CTCC continues to see a change in the event industry with a greater number of smaller events but with attendance to all events remaining steady. This has led to management strategies to combine events into existing dates, optimizing the operations by sharing expenses and thereby offering lower price points in order to remain competitive. As the New York Times reported in July 2014, the nation's convention space has an oversupply of facilities, causing increased competitive pressure, leading to an inability to 'move the needle in a market that is essentially flat'. The CTCC is constantly monitoring its policies and pricing to react to this dynamic.

Capital improvements have therefore become critical to the CTCC's long term health. Not only have the wear and tear of ten years begun to impact repair and maintenance accounts, but the increasing demand for the latest IT infrastructure; event sound, video and lighting features; and general amenities has led management to pursue building upgrades. This has been met in two ways: first, the building has begun to use its limited capital reserve to replace and upgrade building systems. Secondly, the General Assembly authorized bonding to undertake work totaling $1.315 million. Energy upgrades have resulted in utility cost savings while security and safety improvements have been the early targets of the capital program. Recent progress within other parts of the Adriaen's Landing District also contributes to the marketing and appeal of the CTCC with new offerings of entertainment, restaurants and increased general activity, most notably along Front Street.

Stadium at Rentschler Field

Constructed between 2001 and 2003 and hosting its first UConn game in August 2003, management of the Stadium at Rentschler Field was formally transferred to CRDA on July 1, 2013, pursuant to a Memorandum of Understanding with the Office of Policy and Management and Public Act 12-147. Like the CTCC, Rentschler Field is approaching its eleventh anniversary, requiring a re-look at operational procedures and the need to re-invest in the facility. Amendments to the underlying lease at Rentschler between the University of Connecticut, CRDA and State OPM were negotiated this past year to reflect the University's historic use of the building and changes in CRDA's approach to maintaining the structure that have led to economic savings for both CRDA and UConn.

Rentschler Field revenues and expenditures are managed through an Operating Account and an Enterprise Fund, special revenue funds of the State of Connecticut 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. During the past year, more than 265,000 attendees enjoyed Rentschler Field including the grounds surrounding the stadium. Of this group, 154,000 were attending for UConn events. The building operated at a break even during the last fiscal year and no additional sums were charged to UConn as a result. Non-UConn events led to earnings that were used to off-set a below par football attendance.

Financial results of the Stadium at Rentschler Field are reported within the operations of the Office of Policy and Management contained in the Consolidated Financial Statements for the State of Connecticut and are not included within the Financial Statements of CRDA.

Capital upgrades continue in order to maintain the facility at NCAA Division 1-A standards and to increase fan amenities as well as to achieve some operating economies in both 'day of game' expenses and overall facility costs. Structural work, including critical waterproofing of the building are underway.

XL Center

It was a difficult year for the XL Center. The building went through a management transition that led to one-time expenses and a diminished marketing window early in the year. Complicating the year's performance were fewer and lower attended UConn Basketball games in both the Women's and Men's divisions and the rebranding and initiation of a new AHL product. Building operations were more clearly identified in CRDA's first year of management of the building as significant expenses were experienced in utilities, police and fire services, and overall labor costs. Highly fatigued mechanical systems contributed to high repair, maintenance and operating expenses as well as significant inefficiencies. Forty years of operations have taken their toll on the building as well as its reception in the market place to tenants, promoters and the fans.

Revenues during the year were also impacted by a reduction in naming rights due to the change in athletic conferences, the number of games played in the building and the change in opponents. To some extent, upgrades to the 'point of sale' operations, including increased credit and debit card capacity and improved menus and concessions led to a per capita earnings increase through the fiscal year. In order to sustain its position in a highly competitive marketplace; one with casinos, greatly upgraded competitors and new facilities envisioned in nearby Springfield; a major investment in the building has had to be made. This investment is an interim effort designed to extend the life of the building for another 5-8 years while a more permanent long term strategy becomes clear for the facility. Therefore, during the fiscal year 2014, the planning, design and bidding to rehabilitate the building were undertaken, leading to the major work at the facility that is underway at the time of this report. Critical mechanical systems work, ADA compliance requirements, fan amenities, tenant improvements and a new IT backbone are included. Also included are increased and more flexible advertising medium, upgrades to concessions, life safety systems, and the audio/video infrastructure, and additional ways to increase event income capacity.

Simultaneous to the ongoing construction, a new lease with UConn for a five year period for men's and women's basketball as well as UConn hockey was negotiated for the new fiscal year. Inherent within this new lease structure is an increased effort by the XL Center management to market and sell UConn events as a supplement to general sales activity conducted by the University, thereby filling more seats and earning more in per capita sales. The General Assembly approved the repeal of the State Admissions Tax which will lower the XL Center's costs to promoters thereby helping in the ongoing competition with other facilities. The repeal of the admissions tax will also lower the cost of the AHL teams operations which will fall directly to the bottom line savings of the overall building.

Connecticut Science Center

The Connecticut Science Center had a very strong year in 2013, serving more than 325,000 people through both on-site and outbound educational experiences, supporting school-based science learning and growing as a major tourist and family destination for Connecticut. Supporting student science achievement and earning exemplary visitor satisfaction scores, the Science Center has now served close to 1.7 million people since opening in 2009, routinely including visitors from every Connecticut city and town. Led by attendees from Western Massachusetts, upwards of 15% of the Science Center's audience brings out-of-state revenues to Connecticut as it contributes to the growth of the state and the capital region as a tourism destination.

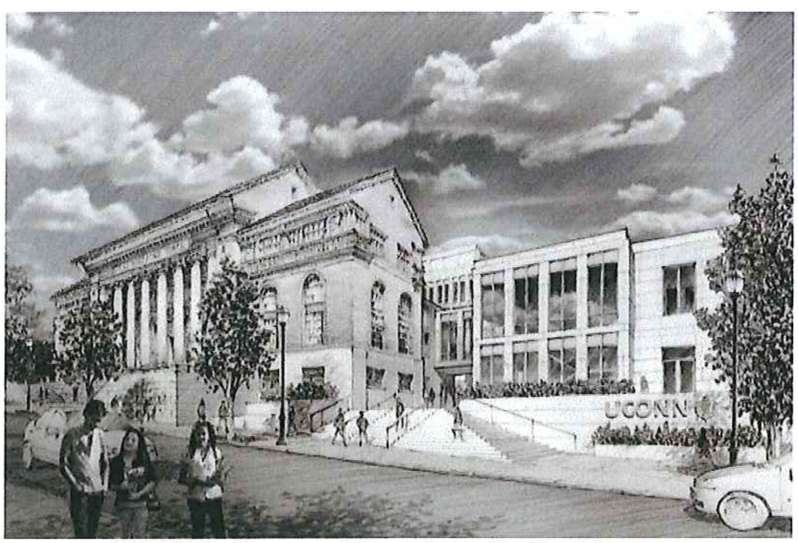
The Science Center has set forth an ambitious plan for new science exhibits and learning labs paired with the rapid growth of its direct work in support of schools through the Mandell Academy for Teachers, curricular support and student programs. These activities are integral to the Science Center's effort to prepare schools throughout the state for new science education requirements and advance a science and technology-ready workforce for the future. Known as Science Forward, this initiative will be supported by private donations as well as new funding designated in the FY2014-2015 state budget. The Science Center's exterior plaza, completed in 2013, greeted visitors with completed landscaping for the first time in the summer of 2014, and a new cafe concept was added to serve Science Center visitors as well as convention attendees and surrounding office employees.

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

Front Street District

Within the Front Street area, tenant activity increased during the last fiscal year with Ted's Montana Grill and the Capital Grille joining the Spotlight Theatres and Bistro while Nix's Seafood and the Infinity Theatre neared completion. Construction of the 121-unit market rate housing project that includes 14,750 square feet of retail space linking Prospect Street to Front Street got underway. By year's end, the Third Phase of the Front Street redevelopment plan was amended to incorporate the new UConn Greater Hartford campus, which entered predevelopment phase in June. CRDA continued to expend the "ESPN" grant that allowed for tenant fit out expenses as well as capital improvements to the general area. These funds have essentially been fully disbursed at the close of 2014 fiscal year. Pilot payments began to accrue per the statutory structure envisioned for Adriaen's Landing and are being used to operate and maintain the public infrastructure investment made in the area.

The location of the UConn campus will capitalize on investments already made by the State including the parking facilities as well as the Science Center and portions of the Front Street commercial space. The campus will also have linkages to the city library as well as the Wadsworth Atheneum and will support the downtown housing initiatives.



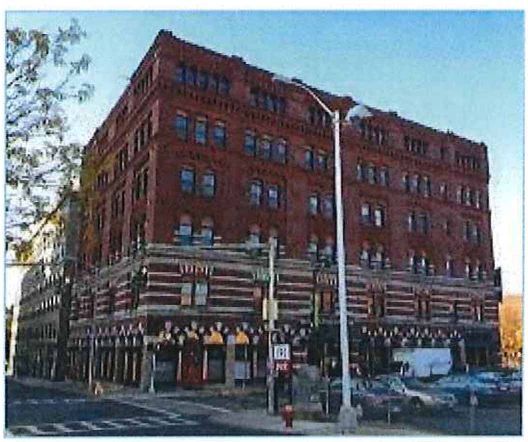
UCONN's Proposed Downtown Hartford Campus

Housing –Downtown

CRDA was authorized to pursue the goal of 3,000 housing units in downtown Hartford and began awarding projects in 2013 with construction activity getting underway in earnest in late 2013/early 2014. At the close of the fiscal year, 981 units were awarded by the agency and 689 were in construction. Nearly 300 additional units were either in underwriting or near closing with their financial documents by the end of the year. CRDA has focused on delivering a blend of housing that is 80% market oriented and 20% restricted as affordable and has utilized a variety of federal and state programs to leverage private capital, both equity and debt into the downtown Hartford core.

777 Main Street

201 Ann Street



179 Allyn Street

Front Street Lofts

Sonesta (5 Constitution Plaza)

This investment in downtown Hartford housing now totals in excess of $247 million as a result of projects funded, in part, by CRDA. The agency has awarded $49.3 million of its initial $60 million authorization. A more detailed look at the CRDA housing program is provided below.

HOUSING PROJECTS IN CONSTRUCTION AS OF 06/30/14

Project	# Units	TDC	TDC/Unit	CRDA 'Ask'	CRDA $/Unit	Mkt/Aff Split	Structure
777 Main	286	$84.5M	$295K	$17.7M	$61.8K	80/20	$7.5M equity, $10.2M 2nd mortgage
201 Ann	26	$4.45M	$202K	$3.8M/$750K	$28.8K	100	Initial constr. note $3.8M Convert to 2nd mortgage at $750,000
179 Allyn	63	$14.89M	$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
Sonesta	193	$23.9M	$123K	$2.05M	$10.6K	85/15	Bridge HTC

HOUSING PROJECTS PENDING FINAL CLOSING AS OF 06/30/14

Project	# Units	TDC	TDC/Unit	CRDA 'Ask'	CRDA $/Unit	Mkt/Aff Split	Structure
99 Pratt	27	$6.03M	$232K	$1.8M	66.6K	100	Loan – 2nd mortgage mixed use office/residential
3 Constitution	49	$17.7M	$361K	$4.28M	$87.3K	84/16	Loan and equity, commercial 20k sq.ft.
Capewell	72	$26M	$359K	$5M	$68K	80/20	Construction financing/converted to mortgage note
390 Capitol	112	$30.6M	$273K	$7M	$62.9K	80/20	Loan & equity
360 Main	20	$820K	$41K	$320K	$16K	100	Mini perm
38-42 Elm	6	$1.12M	$186K	$332,650	$55.4K	100	Loan
36 Lewis	6	$1.8M	$306K	$550K/300K	$50K	100	Construction loan/perm loan

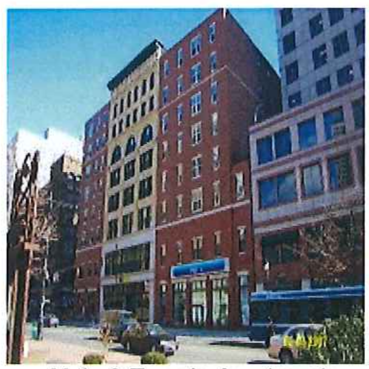
The housing pipeline is delivering a mix of units to the marketplace, attempting to serve multiple price points and unit size demands. CRDA is also spreading its risk by offering rehabilitated units, new construction high amenity properties and other less elaborate high rises and walk ups, historic rehabs as well as modern design projects underway in the downtown Hartford core and projects on the edge of the central business district, serving neighborhoods to the south and southwest. The unit configuration is predominately one bedroom units. Efficiencies and micro units offer the second highest type of unit with two bedrooms representing only 13% of the market. This is shown below.

Housing Pipeline by Unit								
Project	**# Units**	**Split Mkt/Aff**	**Unit Configuration**				**Avg. Monthly Rent**	**Target Occupancy**
			Studio	1 BR	2 BR	3 BR		
777 Main	286	227/59	65	199	22	-	$714-$1,900	Early 2015
201 Ann	26	26	-	26	-	-	$1,575	Fall 2014
179 Allyn	63	50/13	-	63	-	-	$925-$1,025	Late 2014
Front Street	121	121	36	75	10	-	$1,516	Fall 2015
Sonesta	193	161/32	54	125	14	-	$833-$1,800	May 2015
99 Pratt	27	27	-	27	-	-	$1,500	TBD
3 Constitution	49	41/8	-	33	16	-	$825-$2,400	Spring 2016
Capewell	72	57/15	16	34	20	2	$1,042-$2,500	Fall 2016
390 Capitol	112	89/23	-	71	41	-	$900-$1,250	Spring 2017
360 Main	20	20	16	-	4	-	$750-$1,400	Mid to Late 2015
38-42 Elm	6	6	2	2	2	-	$900-$1,850	Mid 2016
36 Lewis	6	6	-	4	2	-	$1,750-$2,100	Mid 2016
Totals	**981**	**831/150**	**189**	**659**	**131**	**2**		

CRDA is also responsible for the continued monitoring of initiatives launched by its predecessor agency, CCEDA, which helped underwrite the developments at Hartford 21; the Lofts at Main and Temple; and Trumbull on the Park. These 440 units have been well received by the marketplace and enjoy some of the highest rents per square foot and highest occupancy rates in the city of Hartford. As of 6/30/14, the units were as follows:

PROJECT NAME: (as of 6/30/13)	**HOUSING**			**RETAIL/OTHER COMMERCIAL**	
	Available	**Leased**	**%Leased**	**Available**	**Leased**
Hartford 21	262 units	252	96%	161,475 sq. ft.	77%
Main & Temple (Sage Allen)	78 units	78	100%	13,378 sq. ft	100%
Trumbull on the Park	100 units	99	99%	8,000 sq. ft.	84%

Hartford 21 Apartments



Main & Temple Apartments

Trumbull on the Park

Parking

CRDA manages in excess of 15,000 spaces. The greatest single facility is the 9,300 spaces in East Hartford at Rentschler Field. In the downtown Hartford market, the agency manages 5 garages totaling 6,025 spaces (including surface spaces on Front Street). The single largest facility is the garage attached to the Convention Center that serves downtown businesses, the Marriott and activity at the CTCC. It generated $4.247 million during the fiscal year with operating expenses of $2.302 million and contributing $1.945 million towards debt retirement. The Science Center Garage also houses downtown business, accepts the overflow from the CTCC but is primarily used to support the Science Center. During the past year, $852,000 in revenue met $291,000 in operating expenses and debt service. Two garages serve Front Street, the North and South Garages while the Morgan Street Garage serves the downtown campus of the community college as well as the needs of commercial buildings in its vicinity. The Morgan Street Garage was purchased by the State to serve future state office buildings at 450 Columbus Blvd. The CRDA garages are managed day to day by Laz Parking under a contract that will expire in late 2014 with a re-bid scheduled for the fall of 2014.

CRDA-Managed Parking Facilities

SITE	SPACES
CT Convention Center	2,339
CT Science Center	468
Front Street North	657
Front Street South	232
Morgan Street	2,300
Rentschler Field	9,300
Total	**15,296**

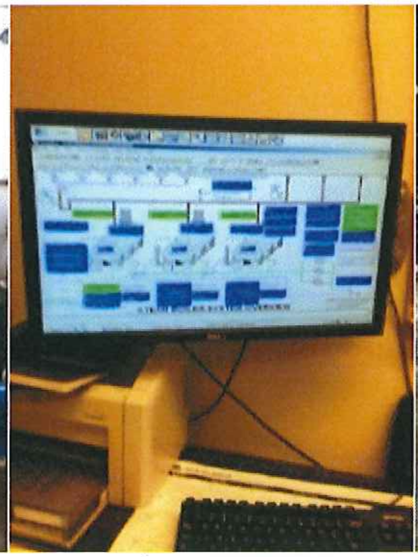
Other City-wide Parking Facilities

SITE	SPACES
Main & Temple Street	343
Trumbull on the Park	600 (retail/residential)
Hartford 21	744 (373 public/371 residential
Total	**1,687**

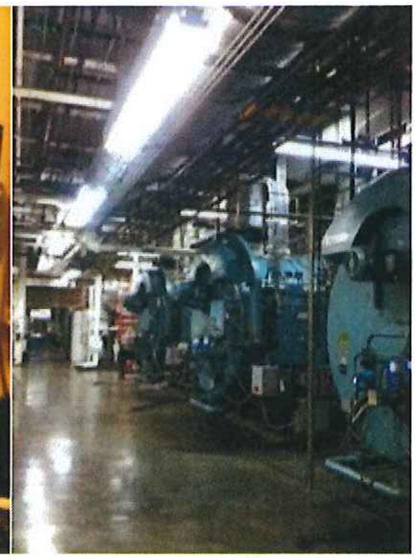
Central Utility Plant

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.

Chilled Water System



Control Room Systems



Steam Boiler System

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 operators (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 million of which the Convention Center pays approximately $705,000 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. Plant upgrades this past year include: boiler instrumentation service and tank repairs, free cooling heat exchange maintenance, chiller eddy current testing, and repairs to the cooling tower and oxygen probes.

State Office Relocation

Through a Memorandum of Agreement with the State OPM, CRDA managed the preparation of the recently acquired commercial complexes slated to become the new and updated homes for various state offices. In May 2014, CRDA delivered the first of three buildings to the State DAS for occupancy. This property, located at 50/55 Farmington Avenue was updated and renovated by CRDA and was delivered on time within an eleven month construction period and under its projected budget of $19.5 million, of which approximately $7.5 million was contracted with Small Business Employers (SBE's). The construction project for this 12 story, 239,000 square foot office building involved cooling tower and roofing replacement, interior renovations, elevator modernization, IT and security improvements as well as new energy efficient lighting, waterproofing and concrete restoration of a multi-level underground parking structure for 547 vehicles. At the close of the fiscal year, 1,024 state employees had relocated to their new offices representing seven departments.

55 Farmington

450 Columbus Boulevard

CRDA also began the planning and design for the eventual state occupancy of the 558,000 square foot 450 Columbus Blvd. complex. These two towers will eventually house 2,250 state employees allowing for the consolidation of multiple offices and long term savings to the State due to the elimination of commercial leases.

Regional Initiatives

CRDA's regional role is envisioned through its authorization language. Such services can be offered to seven communities abutting Hartford, including: West Hartford, Newington, Wethersfield, East Hartford, South Windsor, Windsor and Bloomfield. Also per CGS Chapter 588X, CRDA is authorized to act to promote sports and entertainment venues on a state-wide basis.

THE CONNECTICUT OPEN:

In the summer of 2013, the Sanction to hold a United States Tennis Association event as part of the Women's Professional Tour WTA Premier Event was in jeopardy of being transferred out of New Haven, compromising the New Haven Open's economic impact, nearly eleven years of operations and eliminating the major use of the state constructed Connecticut Tennis Center located on the Yale campus. CRDA was awarded a $618,000 grant from the State DECD and utilized the funds to purchase the Sanction effective October 1, 2013. CRDA in turn licensed the event to the newly created not for profit Tennis Foundation of Connecticut (TFC) with a two year agreement on December 31, 2013 which proceeded to restructure its Board, staff, and its relationship with sponsors.

The event is now owned by the State of Connecticut, managed by the TFC and is subject to an annual review of the late August tournament, now known as the Connecticut Open. Along with the DECD Commissioner and the Secretary of OPM, CRDA is a member of the TFC executive committee and has worked with the TFC staff throughout the year to streamline its operations, design and implement capital improvements and to provide budget guidance. The Connecticut Open is aligned with major Connecticut corporations and institutions including UTC, Yale and Aetna as well as national and international corporations such as Coke and the Emirates Airline.

NEWINGTON, CT. NATIONAL WELDING SITE:

Early in 2014 CRDA entered into an agreement with the Town of Newington to oversee the environmental clean-up of a major industrial complex acquired by the town in a foreclosure. CRDA manages Brownfield funds granted by the State DECD to the Town for purposes of preparing the site for a transit oriented development opportunity as it is located directly on the CTfastrak line.

The project envisions the remediation and demolition of the former National Welding Site and eventual solicitation of a development partner to undertake a project consistent with the Town's master plan of development. CRDA serves as an extension of the Town's staff and has the ability to contract, procure, monitor and eventually close out the activity at the site on behalf of the Town and the State.

LEGISLATIVE REPORT

The 2013-2014 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 2014 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 2013- 14	Total Allocated as of 6/30/14	Total Unallocated as of 6/30/14
Special Revenue Bond Fund	$60,000,000	$11,089,977	$41,714,977	$18,285,023

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[A]
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[B]
Totals	**$31,000,000**	**$241,000,000**	**$24,000,000**	**$23,880,000**	**$7,000,000**	**$326,880,000**

Note A: $5.12 million cancelled by PA10-44, Section 37 effective July 1, 2010.
Note B: $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 BONDING RECOMMENDATIONS FOR CAPITAL CITY PROJECTS			
	Total Authorized	**Total Allocated FY 2013-14**	**Total Allocated as of 6/30/14**
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
Civic Center	$ 15,000,000	$ -	$ 15,000,000
Riverfront	$ 19,880,000[C]	$ -	$ 19,880,000
Downtown Housing	$ 35,000,000	$ -	$ 35,000,000
Demolition/Rehabilitation	$ 25,000,000	$ -	$ 25,000,000
Parking	$ 12,000,000[D]	$ -	$ 12,000,000
Totals	**$449,380,000**	**$-**	**$449,380,000**

Note C: PA10-44, Section 37 cancelled $5.12 million balance effective July 1, 2010.
Note D: PA10-44, Section 38 cancelled $3.0 million balance effective July 1, 2010.

➤ OUTSIDE INDIVIDUALS AND FIRMS, INCLUDING PRINCIPAL AND OTHER MAJOR STOCKHOLDERS, RECEIVING IN EXCESS OF $5,000 AS PAYMENT FOR SERVICES

CAPITAL REGION DEVELOPMENT AUTHORITY VENDOR LISTING

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, 2013 through June 30, 2014 fiscal year. These payments occurred in the ordinary course of operations.

CRDA VENDOR NAME					
Admiral Moving and Storage	Bank of America	Connecticut Light and Power	Connecticut Natural Gas Corporation	Control Systems, Inc.	Daktronics, Inc.
Emcor Services of New England Mechanical	Global Spectrum, L.P.	Intacct Corporation	IT Direct, LLC	JCJ Architecture	JMT Consulting Group, Inc.

Joseph Merritt & Company	LAZ Parking Management, LTD, LLC	Mahoney Sabol & Co., LLP	The Morganti Group, Inc.	Nalco Company	People's United Insurance Agency
Pullman & Comley, LLC	Robinson & Cole, LLP	Shipman & Goodwin	Siemens Industry, Inc.	SourceOne	Suburban Stationers
Tecton Architects, P.C.	The Hartford	The Lincoln National Life Insurance Company	The Metropolitan District	Three-Way Communications, Inc.	Trane
UIC Energy, LLC	Waterford Venue Services Hartford, LLC	West Electric, LLC	HBN Front Street District, Inc.		

CONNECTICUT CONVENTION CENTER VENDOR LISTING

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 Management 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.

CTCC Vendor Name					
Ad Hoc Design	ADP Inc.	Albert Uster Imports, Inc.	Allan S. Goodman, Inc.	American Furniture Rentals	American Medical Response CT
Ameripride Services	A-Tech	Bedrock Communications, Inc.	Beecher Carlson/Master Trust	Bemers	Borteck Industries
Brescome Barton, Inc.	Bright Business Media, LLC	Cambridge Packing Company	C&C Janitorial Supplies	CIGNA Corp.	Cintas Corporation
Cintas Fire Protection	City Fish Market	City of Hartford Fire and Police	CLR CT Labor Resources	Cognet Communications, Inc.	Collinson Media & Events
Colonial Supplemental Insurance	Connecticut Light and Power	Connecticut Natural Gas Corporation	Connecticut Radio, Inc.	Construction & General Laborers	Control Systems, Inc.
Corporate Payment Systems	Crystal Rock, LLC	CT Department of Revenue Service	Cummins Power Systems, Inc.	CVENT, Inc.	CWPM

Dell Marketing, LP	Demers Exposition Services, Inc.	Douglas Garage Door Center	Due North Consulting, Inc.	Dugmore & Duncan Group	Duplicating Methods Company
Earthlink Business	EBP Supply Solutions	Eaton Corporation	Ecochoice Termite and Pest Control	Ecolab Equipment Care	Electrical Wholesalers
Environmental Systems Corporation	Fancy Faces, Inc.	Fast Signs	Flow Tech, Inc.	Forbes Asphalt Maintenance	Freeman
Fresh Point	GE Capital	Giovanni's	Glidden Professional Paint Center	Gordon Food Service, Inc.	Grainger
Hartford CPL CO-OP, Inc.	Hartford Distributors	Hartford Downtown Marriott	High Meadow	Hillard/Rovic	Horizon Hospitality Association
Hubert Company	Imap Multimedia, Inc.	John Annino	John Watts Associates	Jordan Paige	K&D Machine Service, LLC
Kittredge Equipment Company	LAZ Parking DBA	LAZ Parking Management, LTD	Liteo Enterprises, LLC	Lummus Webber Co.	M. Brett Painting Company, Inc.
Mahoney Sabol & Company, LLP	Maintenance System	Mayberry Associates, Inc.	Mayberry Material Handling	McPhee Electrical, LTD	The Metropolitan District
Micros Systems, Inc.	Midamar Corporation	M. J. Daly, LLC	Mity-Lite, Inc.	MTS Seating	Mutuallink
The Network Support Company	New England Mechanical	New Leaf Interiors, Inc.	Newmarket International	Nurse Finders	Office Max, Inc.
Offshore Construction, Inc.	Omar Coffee Company	One Time	Otis Elevator Company	Overhead Door Company	Pasquariello Electric Corporation
PCMA Services, Inc.	Pepsi-Cola	PFG Springfield	Plumfire Mechanical, LLC	Presentation Services	Progressive Gourmet
R.A. Levine Company	RMG Networks	Rogo Distributors	Russo Lawn & Landscape, Inc.	Scales Industrial Technologies	Schindler Elevator Corporation
Schneider Publishing Company, Inc.	Securitas Security Services	Stageright Corporation	Stamats Meetings Media, Inc.	Connecticut Dept. of Construction Services	Strategic Building Solutions
Suburban Stationers	Sunshine Laundry	SYSCO Food Services of CT	T. S. Flooring, LLC	Tee's & More on the Lake	Tennant Sales & Service Company
The Hartford	The Lincoln National Life Insurance Company	The Walker Group	Three-Way Communications, Inc.		

XL CENTER VENDOR LISTING

Vendors doing business with the XL Center operators and who received over $5,000 in payment for services during the fiscal year are listed as follows:

XL CENTER VENDOR NAME					
ADP Inc.	Aero All Gas Co.	AFSCME Council 4 Local 1716	Alexander Global Promotions	All Waste, Inc.	American Medical Response
American Hockey League	American Gymnastics	AMI Graphics	ANC Sports Enterprises, LLC	Athletic & Performance Rigging	AT&T
Beaver Productions	Carbonhouse	Carrier Corporation	CBS Outdoor	CHLIC	City of Hartford
Clear Channel Broadcasting, Inc.	Connecticut Light and Power	Comcast	Comcast-Spectacor, LP	Comcast Spotlight	Commissioner of Revenue Services
Contemporary Services Corporation	Corsair Display Systems, LLC	Cox Media LLC	CT1 Media	Damon Slechta	Delta Dental of Pennsylvania
Demers Expo Services, Inc.	Dimeo Construction Company	Eastside Electric, Inc.	EBP Supply Solutions	Elite Renovations, LLC	Fan Interactive Marketing, LLC
Feld Entertainment, Inc.	Feld Motor Sports	Flyers Gear Zone	GE Capital	Go Graphix	Go Vision, LP
Green Line Group	Harlem Globetrotters, Inc.	Hartford Wolf Pack Community	Home Depot	Home Depot Credit Services	IATSE National Benefits Funds
IATSE Local 84	Inflatable Design Group	iPROMOTEu	IT Direct, LLC	JCJ Architecture	Katt Williams
Kone, Inc.	LAZ Parking, LTD	Les Vetements SP Apparel, Inc.	Lindsey Limousine	Live Nation Touring (USA), Inc.	Live Nation Worldwide, Inc.
L&L Equipment, Inc.	Madison Square Garden, LP	M-E Engineers, Inc.	Metropolitan Interactive, LTD	The Metropolitan District	Mid-Conn Youth Football & Cheer
Minuteman Press of Hartford	New Era Tickets	Nicks Enterprises, LLC	Norstan Communications, Inc.	Northland Tower Block, LLC	Ovations Food Services, LP
PC Connection Sales Corporation	Perfectemp, Inc.	Phish, Inc.	Pitney Bowes Global Financial	Praters Athletic Flooring	Purchase Power

RICOH USA, Inc.	Ringling Bros. & Barnum Bailey	RW Commerford & Sons, Inc.	Spectrum Arena, LP	Schindler Elevator Corporation	Scollon Productions, Inc.
SFX-LIC Operating, LLC	SimplexGrinnell, LP	Speedy Green, LLC	Success Promotions	Susan G. Komen Foundation	TS Sports #2
The Hartford Steam Company	United Site Services Northeast	University of Connecticut	USA Gymnastics	Verizon Wireless	Victor Advertising Service, LLC
WB Mason Company, Inc.	WCCT	WDRC-Buckley Broadcasting	Weld Power Service Company, Inc.	Wells Fargo Special Risks, Inc.	WFSB
Willis of Pennsylvania, Inc.	WRCH-FM	WTIC-FM	WTIC	WTNH	WVIT TV
WWE Entertainment, Inc.	Grainger	XL Color	XO Communications		

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
Connecticut Tank Removal

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	Lamont Financial	Merrill Lynch	Pierce, Fenner & Smith, Inc.	Standard & Poor's

➢ 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 to CRDA 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.

CRDA Board of Directors

Pursuant to Public Act 13-234, the Commissioner of the Department of Housing was added to the Authority's Board of Directors as an ex officio member. The Authority's fourteen (14) member Board includes the mayors of Hartford and East Hartford with the Secretary of the Office of Policy & Management and the Commissioners of Housing, Transportation, and Economic & Community Development as ex-officio members of the Board. The balance of the Board consists of two appointees of the Mayor of Hartford (a city employee and a city resident), one from the legislative majority leadership, one from the legislative minority leadership, and four gubernatorial appointments. The Authority's Board of Directors is as follows as of June 30, 2014:

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 *
DOH Cmsr.Evonne Klein	White	Female	Member/Ex-Officio
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

CRDA Staff

As of June 30, 2014, the Authority has a staff of ten full-time and one half-time employees. They are as follows:

NAME	RACE	GENDER	OCCUPATION
Michael W. Freimuth	White	Male	Executive Director
Anthony L. Lazzaro Jr.	White	Male	Deputy Director, General Counsel
Joseph Geremia	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
Erica Levis	White	Female	Construction Program Assistant
Terryl Mitchell Smith	Black	Female	Director of Marketing and Public Relations
Robert Saint	White	Male	Director of Construction Services
Lauren Vaz	Black	Female	Senior Accounting Analyst

Hartford Jobs Funnel Program

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 – 2014

Total employees =	287
Total Hartford residents =	91 (31.7%)
Total Minority (men) =	105 (36.6%)
Total women employees =	126 (43.9%)
Total Minority (women) =	47 (16.4%)

Convention Center Parking Facilities (LAZ Parking) – 2014

Total employees =	56
Total Hartford residents =	23 (41.1%)
Total Minority (males) =	31 (55.4%)
Total women employees =	17 (30.4%)
Total Minority (women) =	16 (28.6%)

Hartford Marriott Downtown – 2014

Total employees =	233
Total Hartford residents =	62 (26%)
Total Minority (males) =	58 (25%)
Total women employees =	138 (59%)
Total Minority (women) =	68 (29%)

Connecticut Science Center – 2014

Total employees =	84
Total Hartford residents =	8 (9.5%)
Total Minority (males) =	8 (9.5%)
Total women employees =	51 (60.7%)
Total Minority (women) =	15 (17.9%)

[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

EXHIBIT A

JUNE 30, 2014 AND 2013

CAPITAL REGION DEVELOPMENT AUTHORITY

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June 30, 2014 and 2013

MahoneySabol
CPAs and Advisors

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Glastonbury
Middletown
Essex

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 years ended June 30, 2014 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

MahoneySabol
CPAs and Advisors

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, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The information on page 3 through 30 of the Authority's Annual Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014, 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, 2014

CAPITAL REGION DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2014 and 2013

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, 2014 and June 30, 2013. 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, deferred outflows and inflows of resources, and liabilities. Net position represents the difference between the sum of total assets and deferred outflows of resources with the sum of total liabilities. 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.

2014 FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities by $173.369 million at June 30, 2014. The net position of the Authority totaled $4.160 million unrestricted, $25.886 million restricted, and $143.323 million net investment in capital assets. The net position of the Authority is approximately 13% greater than the previous year.

- The loss from operations for the year ended June 30, 2014 was $5,675,159. Of this amount, $811,717 relates to maintenance and 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 2014 net operating loss of $3,127,598 was $134,660 or 4% less than the prior year. The variance was the result of a strong corporate meeting market which produced an 8% increase in attendance.

- CRDA parking facilities reported net income of $3,334,739. This was the result of an increase in transient revenue from the Science Center and Front Street garages offset with decreases in monthly rate revenue due to the reduction in two contracts and the closure of the Front Street outside lot.

- The XL Center's 2014 net operating loss was $3,821,081. The net operating loss was the result of the building going through a management transition that led to one-time expenses and a diminished marketing window early in the year. The building was also impacted by a reduction in naming rights due to the change in athletic leagues.

2013 FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources exceeded total liabilities by $153,515,009 at June 30, 2013. The net position of the Authority totaled $3,977,899 unrestricted and $5,966,659 restricted. 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 $5,664,673 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 $10,086,157. 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 $5,525 or 1% less 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.

- 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 parking income and Front Street South Garage transient revenue being offset with decreases in transient revenue from the Convention Center and Front Street North garages.

The following table summarizes the condensed Balance Sheets as of June 30, 2014 and 2013

		2014		2013*		Increase/(decrease) 2014 v 2013
ASSETS:						
Current assets	$	19,761,262	$	6,782,420	$	12,978,842
Noncurrent assets:						
Restricted cash and cash equivalents		5,089,603		5,902,659		(813,056)
Loans receivable-housing		20,473,793		-		20,473,793
Other assets		59,442		-		59,442
Capital assets, net		276,043,349		275,416,557		626,792
Total assets	$	321,427,449	$	288,101,636	$	33,325,813
DEFERRED OUTFLOWS OF RESOURCES-Accum. decrease in fair value of interest rate swap	$	-	$	1,976,338	$	(1,976,338)
Total assets and deferred outflows of resources	$	321,427,449	$	290,077,974	$	31,349,475
LIABILITIES:						
Current liabilities	$	18,814,753	$	6,071,578	$	12,743,175
Non-current liabilities		129,243,605		130,491,387		(1,247,782)
Total liabilities	$	148,058,358	$	136,562,965	$	11,495,393
NET POSITION:						
Net investment in capital assets	$	143,323,308	$	143,570,451	$	(247,143)
Restricted		25,885,758		5,966,659		19,919,099
Unrestricted		4,160,025		3,977,899		182,126
Total net position	$	173,369,091	$	153,515,009	$	19,854,082
Total liabilities and net position	$	321,427,449	$	290,077,974	$	31,349,475

* As described more fully in Note 2, certain reclassifications have been made to the prior year amounts to conform to current year presentation and amounts have been restated for the implementation of GASB Statement No. 65.

2014 BALANCE SHEET ANALYSIS

- Total assets as of June 30, 2014 increased by $33.326 million or 12% compared to the same period in 2013. Restricted non-current cash levels decreased $813,056 compared to the prior year due to increased construction related to the Front Street District.

- Current assets, principally cash and cash equivalents, increased by $12.979 million or 191%, from timing of the use of capital funds for facility building improvements and operating funds for the convention center and the XL Center.

- Non-current assets increased by $20.347 million or 7% as a result of an increase in construction in progress less the charge for depreciation expense on capital assets, as well as the inclusion of housing loans receivable.

- Total liabilities increased by $11.495 million when compared to the prior year. This increase was primarily due to the inclusion of the XL Center activity and timing related to the facility building improvements and State office relocation projects. Also affecting the change was the reduction in bonds and loans payable partially offset with an increase in the obligation to the State for contract assistance.

2013 BALANCE SHEET ANALYSIS

- Total assets as of June 30, 2013 decreased by $6,597,352 or 2.2% compared to the same period in 2012. Restricted non-current cash levels decreased by $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 $6,503,831 or 2.2% as a result of reductions in construction in progress and the charge for depreciation expense on capital assets as well as increased development costs.

- Total liabilities 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.

The following table summarizes the changes in net position for the fiscal years ended June 30, 2014 and 2013.

		2014		2013*		Increase/Decrease 2014 v 2013
Operating revenues:						
Grants-State of Connecticut						
Operational	$	1,377,645	$	987,200	$	390,445
Development district, subsidy & other		7,842,500		4,932,945		2,909,555
Restricted		446,877		-		446,877
On-behalf payments		725,555		271,546		454,009
Combined Facilities		35,183,266		18,091,273		17,091,993
Other operating revenue		184,830		11,063		173,767
Total operating revenues	$	45,760,673	$	24,294,027	$	21,466,646
Operating expenses:						
Personnel and general	$	1,265,275	$	1,101,899	$	(163,376)
On-behalf expenses		750,086		271,546		(478,540)
Combined Facilities		39,617,074		23,427,094		(16,189,980)
Depreciation and amortization expense		9,803,397		9,579,645		(223,752)
Total operating expenses	$	51,435,832	$	34,380,184	$	(17,055,648)
Income (loss) from operations		(5,675,159)		(10,086,157)		4,410,998
Non-operating revenue (expense):						
Interest income		105,916		15,922		89,994
Interest expense		(4,546,012)		(4,691,207)		145,195
Non-operating (expense), net	$	(4,440,096)	$	(4,675,285)	$	235,189
Loss before transfers in - State of CT		(10,115,255)		(14,761,442)		4,646,187
Capital contributions - State of Connecticut		7,745,544		9,096,769		(1,351,225)
Capital contributions - Other		1,750,000		-		1,750,000
Transfer – State of Connecticut Housing Loan Program		20,473,793		-		20,473,793
Change in net position	$	19,854,082	$	(5,664,673)	$	25,518,755
Net position, beginning of year, as originally reported		153,515,009		160,643,083		(7,128,074)
Adjustment (See Note 2)		-		(1,463,401)		1,463,401
Net position, beginning of year, as adjusted	$	153,515,009	$	159,179,682	$	(5,664,673)
Net position, end of year		173,369,091		153,515,009		19,854,082

* As described more fully in Note 2, certain reclassifications have been made to the prior year amounts to conform to current year presentation and amounts have been restated for the implementation of GASB Statement No. 65.

2014 OPERATING ACTIVITY HIGHLIGHTS

- Operational grant revenue, primarily derived from appropriations from the State of Connecticut in the amount of $9.2 million, provided funding for the operations of the Authority ($1,377,645), the Convention Center Project ($4,842,500), which included the operations of the Convention Center, and the Front Street District maintenance and marketing costs, and the XL Center ($3,000,000). Total appropriations from the State also included CRDA's support of the CT Tennis Center in the amount of $400,000 during fiscal year 2014.

- The Authority developed and implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. $60,000,000 in appropriations from the State of Connecticut was authorized under this Act. As of June 30, 2014, the Authority closed four housing loan projects providing a commitment for $30,050,000 in loans. The Authority disbursed $20,473,793 in loans during fiscal year 2014 and recognized a transfer in of this amount from the State of Connecticut.

- Revenues from Combined Facilities increased by $17.1 million in fiscal year 2014 when compared to fiscal year 2013, primarily driven by the inclusion of the XL Center's activities ($16.6 million) and an increased utilization of the Convention Center building over the prior year. After the consideration of the increase in expenses associated with these facilities of $16.2 million, $20.5 million from the operations at the XL Center offset with a decrease in development costs, the following net operating results by facility were derived in fiscal year 2014: Convention Center $(3,127,598), Parking $3,334,739, Central utility plant $522,802 and the XL Center $(3,821,081).

- In November 2013, the Subsidy program at the Convention Center went under Board review. At that time, the program's history and current operating procedures were reviewed with the Board. Of the Convention Center's operating revenues in fiscal year 2014, $243,780 of the $10.6 million was due to subsidies granted to events. This in turn generated $1.975 million in revenue to the building in additional business (rent, food & beverage, and ancillary revenue) otherwise not available plus $1.7 million in State taxes (Sales tax, income tax, and bed tax) to the economic region.

2013 OPERATING ACTIVITY HIGHLIGHTS

- Operational grant revenue, primarily derived from an appropriation from the State of Connecticut in the amount of $5.9 million, provided funding for the operations of the Authority ($987,200), and the Convention Center Project ($4,932,945), which included funding for the operations of the Convention Center, and the Front Street District maintenance and marketing costs. Total appropriations from the State declined by $179,855 or 3% in fiscal year 2013 when compared to fiscal year 2012.

- 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets as of June 30, 2014 and 2013 totaled $276,043,349 and $275,416,557, respectively (net of accumulated depreciation). This investment in capital assets includes general operating equipment, building and leasehold improvements, building equipment and furnishings, and construction in progress. The Authority's investment in capital assets at June 30, 2014 increased by $626,792, and resulted from the capitalization of assets ($1.0 million), an increase in construction in progress ($8.8 million) and the purchase of an indefinite lived intangible asset ($600 thousand), offset by a reduction from the depreciation of the capital assets (-$9.8 million).

Major construction projects and improvements occurred during fiscal year 2014 at the Convention Center and the XL Center. The Authority was authorized $36,315,000 in appropriations from the State of Connecticut for the purpose of alterations, renovations and improvements at the Connecticut Convention Center and the XL Center in the amounts of $1,315,000 and $35,000,000, respectively. In addition, building improvements were made to and equipment was purchased for the Central Utility Plant and parking garages, each utilizing their respective capital reserve fund.

Capital Assets, Net of Accumulated Depreciation
As of June 30, 2014, 2013 and 2012

	2014	2013	2012
Intangible assets	$ 600,000	$ 0	$ 0
Construction in progress	8,825,582	1,400	8,175,946
General operating equipment	121,467	96,489	102,083
Buildings, equipment and furnishings	266,496,300	275,318,668	269,711,349
Total	$ 276,043,349	$ 275,416,557	$ 277,989,378

Additional information on the Authority's capital assets can be found in Note 5 beginning on page EA-24 of this report.

Loans Receivable - Housing

As a result of the Connecticut General Assembly passing Public Act #189, 2012, as amended, the Authority developed and implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. These construction loans earn interest at rates ranging from 0.5% to 3.5%. The Authority earns a loan closing fee upon issuance of the loans. As of June 30, 2014, the Authority closed four housing loan projects providing a commitment for $30,050,000 in loans, of which $20,473,793 had been disbursed as of year end and is being carried by the Authority at its principal balance outstanding.

Long Term Debt

Bonds Payable

The Authority has 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 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, 2014 and 2013, the Authority received contract assistance in the amount of $4,204,447 and $3,863,201, respectively.

Scheduled debt repayments of $2,835,000 and $2,730,000 (principal) reduced the bonded debt outstanding of the Authority to $91,970,000 and $94,805,000, respectively, at the end of the fiscal years 2014 and 2013.

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.

Loans Payable

At the end of fiscal years 2014 and 2013, the Authority had a loan payable to The Travelers Indemnity Company of $9,800,588 and $10,296,645, respectively. The loan payable decreased by $496,057 and $471,913 at June 30, 2014 and 2013, respectively, due to principal repayments made during the two fiscal years.

During fiscal year 2014, the Authority commenced operations of the XL Center that led to one-time expenses in the amount of $1,351,363. These expenses were funded by the management company and are expected to be repaid by the Authority prior to June 30, 2015. The balance outstanding totaled $674,734 as of June 30, 2014.

Additional information on the Authority's loans 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, 2014, 2013 and 2012

	2014	2013	2012
Due to State of Connecticut:			
- contract assistance	$ 31,273,584	$ 27,069,137	$ 23,205,936
Bonds payable, net	91,645,869	94,480,324	97,209,778
Loans payable	10,475,322	10,296,645	10,768,558
Total	$ 133,394,775	$ 131,846,106	$ 131,184,272

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 232 space garage owned by the Authority and operated by LAZ Parking. To date, several restaurants have opened at Front Street including The Capital Grille, Spotlight Theatre and Bistro, Ted's Montana Grill, Infinity Music Hall & Bistro, and Nix's Seafood.

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.

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 owned and operated by the Authority. It contains 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.

UNIVERSITY OF CONNECTICUT GREATER HARTFORD CAMPUS

The University of Connecticut has announced that it will relocate its Greater Hartford Campus to the Front Street District incorporating the iconic Hartford Times Building into its urban campus. Classes are slated to begin in the fall of 2017 with 2,300 commuter students expected to attend the downtown branch where 250 faculty members and staff will be based. The new campus will also include up to 18,000 square feet of entertainment/commercial space owned and leased by the HB Nitkin Group.

CURRENTLY KNOWN FACTS *(Continued)*

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, 2014 and 2013

		2014		2013 (Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Unrestricted cash and cash equivalents	$	12,866,735	$	5,049,238
Restricted cash and cash equivalents		5,462,082		1,031,260
Accounts receivable, net		973,509		518,403
Other current assets		458,936		183,519
Total current assets	$	19,761,262	$	6,782,420
Non-current assets:				
Restricted cash and cash equivalents	$	5,089,603	$	5,902,659
Loans receivable-housing		20,473,793		-
Other assets		59,442		-
Capital assets not being depreciated:				
Construction in progress		8,825,582		1,400
Intangible asset, net		600,000		-
Capital assets being depreciated:				
General Operations, net		121,467		96,489
Combined Facilities, net		266,496,300		275,318,668
Total non-current assets	$	301,666,187	$	281,319,216
Total assets	$	321,427,449	$	288,101,636
DEFERRED OUTFLOWS OF RESOURCES:				
Accumulated decrease in fair value of interest rate swap		-		1,976,338
Total assets and deferred outflows of resources	$	321,427,449	$	290,077,974
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and accrued expenses	$	14,473,619	$	2,557,709
Accrued interest payable		189,964		182,812
Current portion of bonds payable		2,955,000		2,835,000
Current portion of loan payable		1,196,170		496,057
Total current liabilities	$	18,814,753	$	6,071,578
Non-current liabilities:				
Derivative instrument-interest rate swap	$	-	$	1,976,338
Due to State of Connecticut-contract assistance		31,273,584		27,069,137
Bonds payable, net		88,690,869		91,645,324
Loan payable		9,279,152		9,800,588
Total non-current liabilities	$	129,243,605	$	130,491,387
Total liabilities	$	148,058,358	$	136,562,965
NET POSITION:				
Net investment in capital assets	$	143,323,308	$	143,570,451
Restricted		25,885,758		5,966,659
Unrestricted		4,160,025		3,977,899
Total net position	$	173,369,091	$	153,515,009
Total liabilities and net position	$	321,427,449	$	290,077,974

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, 2014 and 2013

		2014		2013 (Restated)
Operating revenues:				
Grants - State of Connecticut/Other:				
Operational	$	1,377,645	$	987,200
Development district, subsidy and other		7,842,500		4,932,945
Restricted		446,877		-
On-behalf payments		725,555		271,546
Combined Facilities:				
Convention Center		10,631,742		10,033,507
Parking		6,574,064		6,735,461
Central utility plant		1,328,822		1,322,305
XL Center		16,648,638		-
Other income		184,830		11,063
Total operating revenues	$	45,760,673	$	24,294,027
Operating expenses:				
Authority operations:				
Personnel	$	854,998	$	718,495
General and administrative		410,277		383,404
On-behalf pension		750,086		271,546
Combined Facilities:				
Convention Center		13,759,340		13,295,765
Parking		3,239,325		3,216,968
Central utility plant		806,020		714,951
XL Center		20,469,719		-
Front Street		144,992		114,094
Bond administration		530,953		512,914
Development costs		666,725		5,572,402
Depreciation and amortization		9,803,397		9,579,645
Total operating expenses	$	51,435,832	$	34,380,184
Loss from operations		(5,675,159)		(10,086,157)
Non-operating revenue/(expense):				
Interest income		105,916		15,922
Interest expense		(4,546,012)		(4,691,207)
Non-operating expense, net	$	(4,440,096)	$	(4,675,285)
Loss before capital contributions and transfers		(10,115,255)		(14,761,442)
Capital contributions – State of Connecticut		7,745,544		9,096,769
Capital contributions – Other		1,750,000		-
Transfer – State of Connecticut Housing Loan Program		20,473,793		-
Change in net position	$	19,854,082	$	(5,664,673)
Net position, beginning of year, as originally reported		153,515,009		160,643,083
Adjustment (See Note 2)		-		(1,463,401)
Net position, beginning of year, as adjusted	$	153,515,009	$	159,179,682
Net position, end of year	$	173,369,091	$	153,515,009

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, 2014 and 2013

		2014		2013 (Restated)
Cash flows from operating activities:				
Receipts from:				
Grants	$	9,667,022	$	5,920,145
Customers		38,090,222		18,564,877
Payments to:				
Employees		(805,517)		(688,286)
Contractors		(666,725)		(5,572,402)
Suppliers		(37,285,509)		(18,385,779)
Housing developers		(20,473,793)		-
Net cash used in operating activities	$	(11,474,300)	$	(161,445)
Cash flows from investing activities:				
Interest income on cash and cash equivalents	$	33,596	$	15,922
Purchases of capital assets		(8,254,561)		(7,006,825)
Net cash used in investing activities	$	(8,220,965)	$	(6,990,903)
Cash flows from non-capital and related financing activities:				
Transfer in – State of Connecticut Housing Loan Program	$	22,786,130	$	-
Net cash provided by non-capital and related financing activities	$	22,786,130	$	-
Cash flows from capital and related financing activities:				
Advances from State of Connecticut-contract assistance	$	4,204,447	$	3,863,201
Capital contributions – State of Connecticut		9,584,589		-
Capital contributions – Other		1,750,000		9,096,769
Principal received on loans		1,351,363		-
Principal paid on bonds and loans		(4,007,686)		(3,201,913)
Interest paid on bonds and loans		(4,538,315)		(4,711,047)
Net cash provided by financing activities	$	8,344,398	$	5,047,010
Net increase/(decrease) in cash and cash equivalents	$	11,435,263	$	(2,105,338)
Cash and cash equivalents, beginning of year		11,983,157		14,088,495
Cash and cash equivalents, end of year	$	23,418,420	$	11,983,157
Cash and cash equivalents, end of year:				
Unrestricted cash and cash equivalents	$	12,866,735	$	5,049,238
Restricted cash and cash equivalents (current)		5,462,082		1,031,260
Restricted cash and cash equivalents (non-current)		5,089,603		5,902,659
	$	23,418,420	$	11,983,157
Reconciliation of operating loss to net cash provided by operating activities:				
Loss from operations	$	(5,675,159)	$	(10,086,157)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation and amortization		9,803,398		9,579,645
(Increase)/decrease in operating assets:				
Accounts receivable		(455,106)		351,003
Other assets		(262,540)		1,307
Loans receivable - Housing		(20,473,793)		-
Increase/(decrease) in operating liabilities:				
Accounts payable and accrued expenses		5,588,900		(7,243)
Net cash used in operating activities	$	(11,474,300)	$	(161,445)
Non-cash operating activity:				
On-behalf pension payments	$	515,902	$	271,546
On behalf healthcare and taxes		209,653		-
Contributed services		402,892		-
Capital assets recorded through an increase in accounts payable and accrued expense		2,175,629		-
Cash recorded through an increase in accounts payable and accrued expense		4,150,836		-
Non-cash capital and related financing activities:				
Change in fair value of interest rate swap	$	(1,976,338)	$	(1,566,883)

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 C.G.S. § 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; (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 C.G.S. § 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)*

C.G.S. § 32-666 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 and the XL Center. The principal operating revenues of the Authority are State of Connecticut grants, revenues generated from the Connecticut Convention Center, revenues generated from the CRDA's parking facilities, and revenues generated from the XL Center. 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)*

New Pronouncements Implemented During the Year Ended June 30, 2014 - The Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB 65 reclassified certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources and generally require that debt issuance costs be expensed as incurred. Prior to implementing GASB 65, bond issuance costs were classified as an asset. These costs were deferred and amortized over the life of the related bonds using the straight line method and reported as deferred charges. With the Authority's adoption of GASB 65, these costs are now expensed when incurred and are classified as an operating expense in the Statement of Revenues, Expenses and Changes in Net Position. The implementation of GASB 65 resulted in a restatement of the Authority's beginning Net Position as of July 1, 2012 in the amount of $1,463,401 to write-off the unamortized bond issuance costs previously reported as an asset. In addition, the Authority restated its fiscal year 2013 Statement of Revenues, Expenses and Changes in Net Position to remove the portion of the bond issuance costs amortized to expense in the amount of $82,070.

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 Original Issue Premium or Discount – 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.

Loans Receivable - Housing – Housing loans are carried at their principal balance net of allowance for losses. Interest on loans is accrued and credited to operations based on the principal amount outstanding. These housing loans earn interest at rates ranging from 0.5% to 3.5% and mature at various dates ranging from November 2015 to October 2055. The Authority's interest in the housing properties is held as collateral for these loans.

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.

Note 2 – Significant Accounting Policies *(Continued)*

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

Deferred Outflows of Resources - This 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) until then. The Authority had one type of item for fiscal year 2013, the *accumulated decrease in the fair value of interest rate swap*, that qualified 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, 2014 and 2013, the Authority had no provision for bad debts.

Other Assets – Other Assets include inventory, prepaid expenses, and other receivables.

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. An appropriation in the amount of $3,000,000 from the State of Connecticut provided funding for the operations of the XL Center during fiscal year 2014. 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.

Note 2 – Significant Accounting Policies *(Continued)*

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, 2014 and 2013.

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

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, 2013 financial statements have been reclassified to conform to the fiscal year ended June 30, 2014 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 fiscal year 2014 increased to $1,377,645 from $987,200 in fiscal year 2013. 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, including the XL Center, 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, 2014 and 2013, the Authority was appropriated $4,842,500 and $4,932,945, respectively, to be expended for the Convention Center Project and $3,000,000 for the XL Center during the fiscal year ended June 30, 2014. The Authority also entered into two Memorandums of Understanding with the Office of Policy and Management, Department of Administrative Services and Department of Construction Services between fiscal years 2013 and 2014 to facilitate the relocation of certain state offices within the CRDA district for a project fee in the amount of $374,000 to be received over a ten month period beginning May 2013 for the first project and $38,000 to be received monthly for the duration of the second project.

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, 2014, the remaining balance from this gift is $633,202 and is included in restricted cash and cash equivalents, in the accompanying balance sheet.

Note 3 – Funding *(Continued)*

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 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.

As a result of Public Act #189, 2012, as amended, the Authority developed and implemented a program for the purpose of providing grants or loans to encourage residential housing development within the capital region. $60,000,000 in appropriations from the State of Connecticut is authorized under this Act. As of June 30, 2014, the Authority closed four housing loan projects providing a commitment for $30,050,000 in loans. The Authority disbursed $20,473,793 in loans during fiscal year 2014 and recognized a transfer in of this amount from the State of Connecticut.

As a result of Public Act #239, 2013, the Authority was authorized $39,122,000 in appropriations from the State of Connecticut for the purpose of alterations, renovations and improvements at the Connecticut Convention Center, XL Center, and Rentschler Field in the amounts of $1,315,000, $35,000,000, and $2,807,000, respectively. Of these appropriations, the Authority made disbursements in the amounts of $478,602, $3,087,266, and $2,620,288, respectively.

Note 4 – Cash Deposits and Investments

Cash and cash equivalents:

Cash and cash equivalents consist of the following as of June 30, 2014 and 2013:

		2014		2013
Unrestricted:				
Cash deposits	$	10,910,523	$	4,009,918
Cash equivalents:				
Short Term Investment Fund		1,956,212		1,039,320
		12,866,735		5,049,238
Restricted:				
Cash deposits		8,018,910		5,282,915
Cash equivalents:				
Short Term Investment Fund		2,532,775		1,651,004
		10,551,685		6,933,919
	$	23,418,420	$	11,983,157

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

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, 2014 and 2013, the Authority's bank balance of cash deposits totaled $19,754,629 and $9,682,891, respectively. Of those balances, the following represents the amounts exposed to custodial credit risk:

	2014	2013
Uninsured but collateralized with securities held in the Authority's name *	$ 4,099,345	$ 3,827,198
Uninsured but collateralized with securities held by the pledging bank's trust department or agent but not in the Authority's name	14,905,284	5,105,692
Total	$ 19,004,629	$ 8,932,890

* 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.

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") as of June 30, 2014 and 2013 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.

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

Investments

Interest rate risk

As of June 30, 2014 and 2013, the Authority's investments consisted of $4,488,987 and $2,690,324, 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.

As of June 30, 2014 and 2013, 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, 2014 and 2013.

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, 2014 and 2013, the Short Term Investment Fund had an AAAm rating from Standard & Poor's.

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, 2014 and 2013, 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.

Construction in progress in fiscal year 2014 consisted of building and leasehold improvements at the Convention Center and the XL Center. In addition, the Authority purchased a U.S. Tennis Association/Women's Tennis Association tournament sanction. The cost of the sanction has been presented as an intangible asset with an indefinite life.

A summary of capital assets as of June 30, 2014 is as follows:

	2014			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible assets	$ -	$ 600,000	$ -	$ 600,000
Construction in progress	1,400	8,824,182	-	8,825,582
Capital assets being depreciated:				
General operations:				
General operating equipment	$ 308,628	$ 59,329	$ -	$ 367,957
Less: accumulated depreciation	212,139	34,351	-	246,490
General operations, net	$ 96,489	$ 24,978	$ -	$ 121,467
Combined facilities:				
Buildings and improvements	$ 337,596,164	$ 158,799	$ -	$ 337,754,963
Equipment and furnishings	7,189,214	787,880	-	7,977,094
Total Combined facilities	344,785,378	946,679	-	345,732,057
Less: accumulated depreciation	69,466,710	9,769,047	-	79,235,757
Combined facilities, net	$ 275,318,668	$ (8,822,368)	$ -	$ 266,496,300

Note 5 – Capital Assets *(Continued)*

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	30,876	-	212,139
General operations, net	$ 102,083	$ (5,594)	$ -	$ 96,489
Combined facilities:				
Buildings and improvements	$ 323,000,216	$ 14,595,948	$ -	$ 337,596,164
Equipment and furnishings	6,629,075	560,139	-	7,189,214
Total Combined facilities	329,629,291	15,156,087	-	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 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. On March 28, 2014, CHFA, with the Authority's consent, sold its membership interest in TOTP to an unrelated third party for the sales price of $1. The sales terms required the purchaser to assume the $22 million HUD-insured mortgage encumbering the entity at the time of sale.

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 ("MOU") dated June 30, 2004 was entered into between the Authority and the Connecticut Development Authority ("CDA"), currently known as Connecticut Innovations ("CI"), 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 96%.

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 C.G.S § 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 has been no distributions from Temple under the Second Mortgage. Accumulative interest pertaining to the property has been received from CHFA totaling $21,924 through June 30, 2014. This project reached substantial completion on May 24, 2007. The apartment component of Temple Street, known as the Lofts, is currently 100% occupied, and the townhouse component (student housing) is currently 96% 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 C.G.S § 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 C.G.S § 32-607 to finance the costs of the Convention Center project, as defined in subdivision (3) of C.G.S § 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 2014 and 2013 respectively, amounts available from parking and energy fee revenues to reimburse the State for contract assistance payments were $4,204,446 and $3,863,201 less than the amount required to fully reimburse the State *(See Note 8)*. It is anticipated that for the fiscal year 2015, a shortfall of approximately $1.2 million will occur. The Authority remains obligated to repay these amounts that currently total $31,273,584 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, 2014 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, 2014:

Issue	Balance, July 1, 2013	Increases	Decreases	Balance, June 30, 2014
2004 Series A, fixed rate bonds $15,030,000 due from June 2006 to June 2016 (interest rates ranging from 2.5% - 5.0%)	$ 5,080	$ -	$ 1,600	$ 3,480
2004 Series B, variable rate bonds $57,470,000 due from June 2017 to June 2034 (interest rates ranging from 1% - 2.5% as of June 30, 2014)	57,470	-	-	57,470
2005 Series C, fixed rate bonds $15,000,000 due from June 2008 to June 2029 (interest rate 5.0%)	11,740	-	710	11,030
2008 Series D fixed rate bonds $22,500,000 due from June 2010 to June 2034 (interest rates ranging from 3.5%-7.0%)	20,515	-	525	19,990
Subtotal	94,805	-	2,835	91,970
Bond premium, 2004 Series A	51	-	17	34
Bond discount, 2009 Series D	(376)	-	(18)	(358)
Bonds payable	$ 94,480	$ -	$ 2,834	$ 91,646

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 2034 (interest rates ranging from 1% - 2.5% as of June 30, 2013)	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)*

The following tables provide a summary of debt service requirements 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, 2014, 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		Variable Rate Bonds		
	Principal	Interest	Principal	Interest	Total
2015	$ 2,955	1,786	$ -	$ 46	$ 46
2016	3,095	1,644	-	46	46
2017	1,295	1,505	1,940	46	1,986
2018	1,330	1,444	2,040	44	2,084
2019	1,375	1,381	2,140	43	2,183
2020-2024	7,870	5,815	12,150	185	12,335
2025-2029	9,765	3,596	15,100	133	15,233
2030-2034	6,815	1,226	24,100	62	24,162
	$ 34,500	$ 18,397	$ 57,470	$ 605	$ 58,075

Year ending June 30:	Total Debt Service		
	Principal	Interest	Total
2015	$ 2,955	$ 1,832	$ 4,787
2016	3,095	1,690	4,785
2017	3,235	1,551	4,786
2018	3,370	1,488	4,858
2019	3,515	1,424	4,939
2020-2024	20,020	6,000	26,020
2025-2029	24,865	3,729	28,594
2030-2034	30,915	1,288	32,203
	$ 91,970	$ 19,002	$ 110,972

Note 8 – Long Term Debt *(Continued)*

Bonds Payable *(Continued)*

Interest Rate Swap

The Authority 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 entered into a fully amortizing interest rate swap agreement, pursuant to which the Authority owed a fixed payment to the counterparty of the swaps. In return, the counterparty owed 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 was actually exchanged with the counterparties. The Authority continued 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 paid a fixed rate on the debt. The Authority terminated the swap agreement at its option on June 19, 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 was structured such that the Authority paid a fixed interest rate while receiving variable interest rates from the counterparty, which were 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 matched the principal amount of the Series B bonds. The Authority's swap agreement contained scheduled reductions to the outstanding notional amounts that were 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 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%	($1,976,338)	6/19/2014	A-/Baa2/A

The change in the fair value of the interest rate swap related to the 2004 Series B bonds for the year ended June 30, 2013 totaled $1,566,883. Because the interest rate swap was determined to be an effective derivative hedging instrument, this change in fair value was reported as a deferred outflows of resources in the accompanying balance sheet as of June 30, 2013.

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) as of June 30, 2013. The fair value was estimated using the zero-coupon method. This method calculated 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 were 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 was obligated to make payments to the Authority.

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 exposed 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 occurred that resulted in the rates moving to convergence, the expected cost savings may not be realized.

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

Interest Rate Swap *(Continued)*

Interest Rate Risk

The Authority, prior to exercising the swap termination, was exposed to interest rate risk on its interest rate swap since, as LIBOR decreased, the Authority's net payment on the swap increased.

Rollover Risk

The Authority's interest rate swap agreement had limited rollover risk because the swap agreement contained scheduled reductions to outstanding notional amounts, which were 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 was 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 (*See Note 16*).

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 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 $451,229 in fiscal years 2014 and 2013, 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 $40,229 and $40,169 for fiscal years 2014 and 2013, respectively.

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

Loans 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.

During fiscal year 2014, the Authority commenced operation of the XL Center that led to one-time expenses in the amount of $1,351,363. These expenses were funded by the management company and are payable by the Authority at interest rates ranging from 4.0% - 5.0% per annum. The amount payable is due on demand and is expected to be repaid by the Authority prior to June 30, 2015.

Changes in the loan payable (in 000's) were as follows for the year ended June 30, 2014:

	Balance, July 1, 2013	Increases	Decreases	Balance, June 30, 2014
Traveler's Loan Payable	$ 10,297	$ -	$ 496	$ 9,801
XL Center Loan Payable	-	1,351	676	675
	$ 10,297	$ 1,351	$ 1,172	$ 10,476

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

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
2015	$ 1,196	$ 498
2016	548	452
2017	576	423
2018	606	394
2019	637	363
2020-2024	3,706	1,292
2025-2028	3,207	296
	$ 10,476	$ 3,718

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 C.G.S. § 5-152 to 5-192. Employees are covered under one of five 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. The State Employee Bargaining Agent Coalition (SEBAC) 2011 provides for two new retirement plans for State employees first hired on and after July 1, 2011, Tier III employees which requires a contribution of 2% of salary for non-hazardous duty members and 5% for designated hazardous duty members. For unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education only, the Hybrid Plan which requires employees to contribute 3% higher than the contribution required for the applicable Tier II/IIA/III. SEBAC 2011 also provides a one-time, irrevocable opportunity for current members of the Connecticut Alternate Retirement Program to transfer membership to the new Hybrid Plan and purchase credit for their prior State service in that plan at the full actuarial cost.

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

Note 9 – Pension Plans *(Continued)*

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 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.

Tier III Hazardous duty members may retire with 25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service and receive 2.5% of final average earnings (FAE) times years of service up to 20 years plus 2% for each year of service in excess of 20. All other Tier III and the Hybrid Plan members may retire at the earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service. Normal retirement benefits are based on FAE based on a formula equal to 1.33% of FAE plus 0.50% of FAE in excess of the year's breakpoint times years of service up to 35 years and 1.625% of FAE times any years of service in excess of 35 years. FAE is defined as the average salary of the five highest paid years of service, provided that one year's earnings can be greater than 130% of the average of the preceding two years. Effective July 1, 2014, this limit will be 150% for Tier III and the Hybrid Plan members with mandatory overtime earnings.

Contributions: For fiscal year 2014, contributions made by the State on behalf of the Authority were determined on a pay period basis through the Authority's use of the State's system for payroll processing and reporting. For fiscal years prior to fiscal year 2014, contributions made by the State on behalf of the Authority were determined by applying the annually determined State mandated percentage to eligible salaries and wages. The State calculated percentage for the year ended June 30, 2013 was approximately 37.82%. Payroll for employees of the Authority for the years ended June 30, 2014 and 2013 was $854,998 and $718,495 respectively.

The Authority has recorded total on behalf payments of $725,555 and $271,546 made by the State of Connecticut 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, 2014 and 2013, 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 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.

Effective July 1, 2013 the Authority signed a lease agreement with the City of Hartford for a ten year period with two five year extensions. The lease requires annual rent of $3,000,000 for the first two lease years and $2,600,000 thereafter, subject to the XL Center's legally available funds. For fiscal year 2014, the Authority recognized only $2,035,000 of rent expense due to a shortfall in legally available funds. Payment of the remainder of the rent for the first lease year in the amount of $965,000 is not deemed probable by the Authority prior to the termination of the lease. The Authority will review this determination yearly and will recognize any additional rent expense in the period in which payment of such rent is deemed probable.

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 expiring on June 30, 2015, cancelable by the Authority after the completion of the third year. Fees paid for fiscal years ended June 30, 2014 and 2013 was $193,928 and $190,558 respectively.

- Catering and concessions agreement for the Connecticut Convention Center - The management agreement's term is for a period of five years expiring on June 30, 2015, cancelable by the Authority after the completion of the third year. Catering and concession fees paid for the fiscal years ended June 30, 2014 and 2013 were $116,159 and $114,140, 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 extended to December 31, 2014. Fees paid for management of the Parking Facilities totaled $81,954 and $79,568 for the years ended June 30, 2014 and 2013, respectively.

Note 10 – Commitments and Contingencies *(Continued)*

Management and other agreements *(Continued)*

- Central Utility Plant ("CUP") operations and maintenance agreement - The agreement commenced on April 1, 2008 and has been extended through September 30, 2014. Fees paid under this agreement totaled $403,744 and $399,052 for the fiscal years ended June 30, 2014 and 2013, 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 (*See Note 16*).

- Facilities management agreement for the XL Center - The management agreement's term expires on June 30, 2023, cancelable by the Authority for default or special termination events as defined by the agreement. Fees paid for fiscal year ended June 30, 2014 was $360,000.

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 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 $671,630 for fiscal years 2015 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 2014 and 2013, $336,031 and $178,106, respectively, was paid and expensed under these subsidies. These subsidies generated approximate tax revenue for the State of $1.7 million and $1.0 million, respectively for the same period of time.

Note 11 – Development Costs

During the years ended June 30, 2014 and 2013, 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 $666,725 and $5,572,402 for the years ended June 30, 2014 and 2013, 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 that exceeded 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, 2014 and 2013, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position				
Pledged revenues:		2014		2013
Parking:				
Bond pledge	$	5,574,440	$	5,735,837
Traveler's loan pledge		999,624		999,624
Total Parking		6,574,064		6,735,461
Energy		2,914,412		2,984,959
Other		4,777		3,939
Total pledged revenues		9,493,253		9,724,359
Operating expenses:				
Parking		3,239,325		3,208,721
Energy		1,610,942		1,663,963
Other		530,953		512,678
Total operating expenses		5,381,220		5,385,362
Net revenue over expenses		4,112,033		4,338,997
Available for the Traveler's loan repayment		999,624		999,624
Available for debt service	$	3,112,409	$	3,339,373

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 February 27, 2014, a settlement, requiring the State to make a payment of $6.2 million to Capital Properties was presented to the General Assembly and deemed approved by operation of law after the passage of thirty days. On June 3, 2014, the Parties executed the settlement agreement and general releases. There was no financial impact on the Authority through this settlement.

Note 15 – Recent Accounting Pronouncements

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.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68*, ("GASB 71"). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of GASB 71 on its financial statements.

Note 16 – Subsequent Events

On August 8, 2014, the Authority extended its variable rate demand bonds agreement with U.S. Bank National Association and Bank of America, N.A. to August 28, 2015. The Authority is required to pay to the Bank an annual fee for the liquidity agreement equal to .45% per annum of the unused available commitment.

The Authority extended its Operating and Maintenance Agreement with EMCOR/New England Mechanical Systems, Inc. for the Central Utility Plant through September 30, 2014. On or after September 18, 2014, the Authority expects to contract with EMCOR/New England Mechanical Systems, Inc. in an Operating and Maintenance Agreement for the Central Utility Plant for the period of October 1, 2014 through September 30, 2019.

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INDEPENDENT AUDITOR'S 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, 2014, 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, 2014.

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*.

MahoneySabol
CPAs and Advisors

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, 2014