CONNECTICUT STATE COLLEGES & UNIVERSITIES
BOARD OF REGENTS FOR HIGHER EDUCATION

MEETING OF THE AUDIT COMMITTEE

Board of Regents for Higher Education
Board Room – Ground Floor
61 Woodland Street, Hartford, Connecticut

Tuesday, December 11, 2018 at 10:00 AM

AGENDA

1. Approval of the Minutes of October 16, 2018

2. Update on audits of the Auditors of Public Accounts (APA) (M. Schwalbach)

3. Year End Reports and Discussion
    a. Report by Management (C. Forster)
        i. GASB Update (M. Moriarty)

    b. Report by Grant Thornton (C. Esten, Partner)
        i. Required Communications

    c. Distribution of Financial Statements (Hard copies distributed at meeting)
        i. Charter Oak State College June 30, 2018 Annual Report
        ii. Connecticut State Universities June 30, 2018 Annual Report
        iii. Connecticut Community Colleges June 30, 2018 Annual Report

4. Management Report of Audited Foundation Financial Statements (all institutions) (C. Forster)

5. Adjournment

Meeting of the
Audit Committee
Connecticut State Colleges and Universities
Board of Regents for Higher Education
61 Woodland Street
Hartford, CT
Tuesday, October 16, 2018 @10:00

MINUTES

Regents Present
Elease Wright, Chair
Aviva Budd
JoAnn Ryan

BOR Staff Present
Erika Steiner, Chief Financial Officer; Chris Forster, Controller; Michael Moriarty, CFO Charter Oak College; Keith Epstein, Vice President for Facilities and Infrastructure Planning; Joe Tolisano, Chief Information Officer (telephone)

Guests
Frederick Hughes, Virendra Shah – Blum Shapiro; Hassan Khan, Justin Morrow, Brian Hopkins, Dave Murphy – Grant Thornton

With a quorum present, Chair Wright called the meeting to order at 10:05 a.m.

1. Approval of the Minutes of May 22, 2018

Motioned by Regent Ryan, seconded by Regent Budd, the minutes of the May 22, 2018 meeting were approved as submitted.

2. Status of Year-End Financial Statements

Chris Forster, Controller, commented on the close of FY18, development of the financial statements and the FY18 audit work is currently running 1-2 weeks behind schedule. It is anticipated that the delay can be overcome in the remaining weeks of the audit and financial statement development. A few critical items and challenges were faced that are being worked through.

- **Charts of Accounts** - Successfully implemented a unified chart of accounts that is in place for FY19. The year-end took longer to work through than in a normal fiscal year as a result.

- **Banner –** Last fiscal year shifted our banner instance to a cloud based hosting with our vendor Ellucian. Due to the complexity of the community college accounting structure coupled with the significant number of customizations implemented over time to improve efficiencies, the Ellucian team was not fully prepared to properly support the college Banner instance as configured.
- **Other Post-Employment Benefits (OPEB) -** for FY18 GASB 75 requires us to book the net OPEB liability associated with the retiree health benefits. This liability in addition to the net pension liability will put all three of our financial statements into a negative net position.
- **Component Units -** As part of the financial statements, we have to include certain component units of the CSCU system. This includes the foundations and Great Path Academy magnet school. Staff is actively working with the magnet school administration managed by the Hartford Public Schools to ensure their information is accurate and responsive to the auditor's requests. We are also waiting on the annual reports from nine of our foundations.

Each of these challenges have been or are being addressed and the financial statements are expected to be on time for the December 11th Audit Committee meeting.

Mike Moriarty, CFO, Charter Oak State College, reported on the assets true-ups. There is no standardization across the board. The librarians used new software and two universities finished with software. Currently, Charter Oak is the only institution not on Banner and is scheduled to go on Banner in 2020.

3. CSCU 2020 Audit Report by Blum Shapiro

Frederick Hughes, Virendra Shah, and Joseph Queno of Blum Shapiro reported on the independent auditor's report on expenditures paid during the year ended June 30, 2018 of CSCU 2020 construction expenditures – cash basis of the Connecticut State Colleges and Universities System. It is the opinion of the auditors that the Schedule presents fairly, in all material respects, the construction expenditures related to identified CSCU 2020 projects of the System that were paid during the year ended June 30, 2018 in conformity with the cash basis of accounting.

The Cost Schedule of the CSCU 2020 construction expenditures and the draft communication letter were reviewed and discussed. CFO Steiner noted that by Statute we are required to change auditors every five years. This requirement will be addressed with the legislature and we will seek to have the Statute changed.

Motion by Regent Budd, seconded by Regent Ryan, that the Acceptance of CSCU 2020 Audit Report for the Year-Ended June 30, 2018 be approved as stated in the amended resolution. The motion carried.

4. Interim Report by Grant Thornton

Hassan Khan, Justin Morrow, Brian Hopkins, and Dave Murphy of Grant Thornton provided a mid-audit report update on the colleges and universities. The on-campus audit fieldwork began mid-September at the Universities, September 24 at the Community Colleges and October 1 at Charter Oak. Everything is on track in all audit areas with no audit adjustments to date.

An important component of the audit approach is to understand how IT is used in supporting business operations and producing financial reports. The testing of System Office, Community Colleges and Central instance of Banner has been completed and is currently going through the quality review process and any findings will be communicated to management later this month. The testing of Charter Oak system (Jenzabar) has been completed and is moving through the quality review process.

It was noted that the technology support for the System of Colleges, Universities and Charter Oak is compared to European standards. Three distinct interface of security, Banner and Jenzabar. All five Banner systems are on the Cloud with Charter Oak moving to the Cloud in 2020.

Regent Wright thanked CFO Steiner for her services during her four years on the Audit Committee and commented on the great progress that has been made.

There being no further business, on motion of Regent Budd, seconded by Regent Ryan, the meeting adjourned at 11:35 a.m.

Required Communication to the Audit Committee of the Board of Regents of the Connecticut State Colleges and Universities in connection with the audit of fiscal year ended June 30, 2018

December 11, 2018

Open items as of December 5, 2018

- All entities
  - Attorney general legal confirmation
  - Management representation letter
  - Final draft of financial statements
  - Final review of pension and other post employment benefits liabilities
- CSU
  - Independence letters for ECSU and SCSU Foundations (to be obtained from external audit firm)
  - Review of consolidation is in process
  - Testing of capital appropriations revenue
- CCC
  - Resolution of potential GPA adjustment and related control finding
  - Partner and Manager review of GPA testing to be completed
  - Finalizing testing based on Manager and Partner review of CCC

This is a "representative list" of the significant open items; there are additional open items that are less significant but still necessary to address in order to complete the audits. Upon finalization of these items, GT will perform updating inquiries with management prior to issuance. When we complete the remaining open items, any matters that are required to be communicated to the Audit Committee will be included in an addendum to this document within 45 days of issuance of our reports.

Grant Thornton

Significant risks and other areas of focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Results
Tuition and Fee Revenue (Including CTDLC Fees) and related receivables/deferred revenues	• Performed detailed transaction testing over tuition revenue (including tuition fees/room & board) • Tested a selection of student receivable balances • Reviewed management's allowance for doubtful accounts No exceptions noted
Grant revenue and accounts receivable	• Tested a selection of grant receivable and grant deferred revenue balances • Performed detailed transaction testing over grant revenue No exceptions noted
Net Pension Liability (and related deferred inflows/outflows and pension expense)	• Reviewed management's methodology and journal entries to record pension liability and related accounting • Reviewed the reports issued by the Auditors of Public Accounts No exceptions noted

Grant Thornton

Significant risks and other areas of focus (continued)

Areas of focus	Results
State and Capital Appropriations	• Reconciled amounts to the GL, including confirmation of certain amounts with the State No exceptions noted
Capital Assets	• Tested a roll forward of capital asset balances and recalculated depreciation expense CSU: Management at CCSU identified an adjustment related to capitalization of costs for library materials in fiscal year 2016 and prior that warranted a write down as there is no residual useful life or value associated with them (Exhibit A.1). This also applies to the other three Universities, but given immateriality, the potential amount has been recorded as a passed adjustment (Exhibit A.2). No other exceptions noted
Cash and cash equivalents, Investments, and Bonds Payable	• Confirmed all material cash balances, and reconciled confirmed balances to the GL • Confirmed all arrangements with third party institutions and validated the arrangements were adequately disclosed in the financial statements. • For debt, performed a recalculation of interest expense. No exceptions noted

Grant Thornton

Significant risks and other areas of focus (continued)

Areas of focus	Results
Net position and presentation of revenues within net position classes	• Obtained the roll forward at the campus and entity level and performed testing over activity to ensure accuracy of the classification within net position. No exceptions noted
Adoption of new accounting pronouncements	• Obtained management's analysis of the adoption accounting in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and performed testing over the completeness and accuracy of the accounting and disclosures. No exceptions noted

Grant Thornton

Use of the Work of Others

Other Auditors

Foundations: GT noted that each of the Foundations at the Universities, Charter Oak and Community Colleges have a separate auditor. In our auditor's report on each entity's financial statements, we make reference to the audits performed by the other unaffiliated auditors.

Net Pension and OPEB Liabilities: Management engages the State Auditor of Connecticut to perform the audit of the valuation prepared by independent actuaries as part of recording the Net Pension Liability and related deferred inflows/outflows and pension expense.

Specialists

Tax – The audit team includes a Not for Profit Tax Specialist to review any unrelated business income, uncertain tax positions, as well as the financial statements of the entities to ensure their tax structure is adequately presented.

IT – The audit team includes IT specialists who performed design effectiveness testing of Banner at Eastern, Banner at System office (including CCC), as well as Jenzabar at Charter Oak. Results of that portion of the audit were communicated at the previous meeting of the audit committee.

Grant Thornton

Summary of Adjustments

Recorded Adjustments

Refer to Exhibit A.1 for the list of adjustments identified by the audit team and recorded by management in the financial statements.

Unrecorded Adjustments

Refer to Exhibit A.2 for the list of adjustments identified by management or Grant Thornton which are not reflected in the financial statements.

The unrecorded adjustments have been evaluated by management of the System to determine whether the financial statements are materially accurate as presented. Management has concluded these errors are immaterial.

Disclosure adjustments

There were no adjustments to disclosure identified during the audit that were made by the System.

Omitted disclosures

There were no omitted or incomplete disclosures identified during the audit that were not made by the System.

Internal Controls Matters

Responsibility

We are responsible for obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing 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 Company's internal control. Accordingly, we express no such opinion. Control deficiencies that are of a lesser magnitude than a significant deficiency will be communicated to management.

Definitions

- A deficiency in internal control ("control deficiency") 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, 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 company's annual or interim financial statements will not be prevented or detected 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 responsible for oversight of the company's financial reporting.

Grant Thornton

Internal Controls Matters

Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, might be significant deficiencies. Therefore, significant deficiencies may exist that were not identified. However, we consider the following identified control deficiencies to be significant deficiencies.

Significant deficiency	Recommendations
CSU – Accounting for costs associated with acquisition of library materials During FY18, CCSU identified assets capitalized in fiscal year 2016 and prior that warranted a write down as there is no residual useful life or value associated with these assets, which consisted of subscriptions of electronic media that are no longer accessible by the University due to the expiration of the license. These assets should have been expensed at inception, instead they were incorrectly capitalized and depreciated over an extended period of time. For the recorded adjustment booked by CCSU, refer to Appendix A.1. This also impacted the other Universities, however, given immateriality, they did not book the potential adjustment; refer to Appendix A.2 for the passed adjustment.	Management should ensure all Universities have a clearly documented fixed asset policy, which should be reviewed on a regular basis for consistency and proper application.
CCC – Accounting for certain Accrued Compensated Absences The accrued compensated absences balance is based on the vacation and sick time balances received by the State of Connecticut Comptroller's office, as the State maintains control over the reporting of time for all State employees. The report received for FY18 did not accurately reflect certain concessions afforded to employees under a historical agreement between labor unions and the administration, resulting in an error in the amount recorded by CCC. Given immateriality of the error, an adjustment was not booked; refer to Appendix A.2 for the passed adjustment.	For reports that are relied upon from the State, management should implement a process to review these reports in greater detail to verify accuracy and completeness of information provided.

Our assessment of control deficiencies related to open areas such as accounting of GPA transactions remains open and will be communicated to the audit committee at a later date, if required.

Grant Thornton

Other Required Communications

Professional standards require that we communicate the following matters to you, as applicable.

Going concern matters • None noted
Fraud and noncompliance with laws and regulations • None noted
Significant deficiencies and material weaknesses in internal control over financial reporting • Refer to page 7 & 8
Use of other auditors • Refer to page 5
Use of internal audit • N/A
Related parties and related party transactions • No transactions outside the ordinary course of business were identified

Grant Thornton

Other Required Communications
(continued)

Disagreements with management • None noted
Management's consultations with other accountants • There were no consultations with other accountants other than the accountants engaged to audit certain related entities and valuation's performed by independent actuaries as discussed on page 5 of this presentation
Significant issues discussed with management • None noted
Significant difficulties encountered during the audit • None noted

Grant Thornton

Other Required Communications
(continued)

Other significant findings or issues that are relevant to you and your oversight responsibilities • None noted
Modifications to the auditor's report • Adoption of GASB 75, OPEB
Other information in documents containing audited financial statements • We have reviewed the University's annual report, which contains the audited financial statements, and we did not identify any material inconsistencies or misstatements of fact related to other information

Grant Thornton

Quality of Accounting Practices

Accounting policies

There were no significant changes in the accounting policies utilized by the System during the period other than the adoption of accounting for OPEB.

Significant accounting estimates

- Net pension and OPEB liability and related deferred inflows/outflows
- Fair value of investments
- Liability for compensated absences
- Assumptions used in worker's compensation accrual
- Useful lives of depreciable assets
- Allocation of expenses among functional expense classifications

Disclosures

All required disclosures are presented within the financial statements in a clear and concise manner

Grant Thornton

This communication is intended solely for the information and use of management and those charged with governance of Connecticut State Universities and Colleges and is not intended to be and should not be used by anyone other than these specified parties.

CSCU
Summary of Misstatements- recorded by management
June 30, 2018

EXHIBIT A.1

		Description	Assets	Liabilities	Net Position	Operating Revenue	Operating Expenses	Nonoperating
					Increase (Decrease) to:			
Recorded adjustments - management identified								
COSC	1	Capital Assets - Software	432,976					
		Operating Expenses - Software					432,976	
		To record software related fixed assets that were incorrectly expensed.						
CSUS	2	Loss on disposal of assets					3,600,000	
		Fixed Assets - Library Books (NBV)	(3,600,000)					
		To write net book value (NBV) of library materials that have no remaining useful life or value associated with them.						

CSCU
Summary of Misstatements- unrecorded
June 30, 2018

EXHIBIT A.2

				Increase (Decrease) to:			
	Description	**Assets**	**Liabilities**	**Net Position**	**Operating Revenue**	**Operating Expenses**	**Nonoperating**
Unrecorded adjustments - auditor identified							
CCC	1 Compensation Expense					1,084,268	
	Accrued Compensated Absences		1,084,268				
	To adjust the compensated absences accrual to properly include hours for employees that were part of the SEBAC settlement.						
	Total FY18 Unrecorded Misstatements	-	1,084,268	-	-	1,084,268	-
	Per F/S (rounded)	932,057,000	1,722,266,000	(594,636,000)	144,142,000	431,221,000	378,062,000
	% Impact	0%	0.1%	0%	0%	0.3%	0%
Unrecorded adjustments - management identified							
CSUS	2 Loss on disposal of assets					2,756,202	
	Fixed Assets - Library Books (NBV)	(2,756,202)					
	To write off net book value of library materials as ECSU, SCSU, and WCSU that have no remaining useful life or value associated with them.						
	Total FY18 Unrecorded Misstatements	(2,756,202)	-	-	-	2,756,202	-
	Per F/S (rounded)	1,752,969,145	2,421,883,359	(383,581,215)	434,320,754	853,691,671	301,235,928
	% Impact	-0.2%	0%	0%	0%	0.3%	0%

2018

CSCU Charter Oak State College

Financial Statements

including

Required Supplementary Information

Additional Supplemental Information

June 30, 2018

Connecticut State Colleges & Universities

Charter Oak State College Mission Statement

As part of the Connecticut State Colleges & Universities ("CSCU") system, Charter Oak State College, the state's only public, online, degree-granting institution, provides affordable, diverse and alternative opportunities for adults to earn undergraduate and graduate degrees and certificates. The College's mission is to validate learning acquired through traditional and non-traditional experiences, including its own courses. The college rigorously upholds standards of high quality and seeks to inspire adults with the self-enrichment potential of non-traditional higher education.

Members of the Board of Regents for Higher Education

(Between 7/1/17 – 6/30/18)

- Thirteen members: nine appointed by the Governor; four appointed by legislative leaders
- Two students chosen by their peers (Chair and Vice Chair of Student Advisory Committee)
- Six non-voting, ex-officio members:
  - Four CT commissioners appointed by the Governor from the Departments of Public Health, Education, Economic and Community Development, and Labor
  - Chair and Vice Chair of the Faculty Advisory Committee

Regents as of 6/30/18

(three vacancies: two student regents; one legislative)
Matt Fleury, Chairman **(appt to Chair 7/1/17)**
Yvette Meléndez, Vice Chair
Richard J. Balducci
Aviva D. Budd
Naomi K. Cohen
Lawrence J. DeNardis
Felice Gray-Kemp
Merle W. Harris
Holly Howery **term began 4/19/18**
David R. Jimenez
JoAnn Ryan – **term began 4/19/18**
Elease E. Wright
Ex-Officio, Non-voting members
William Lugo – Chair of the Faculty Advisory Committee **term began 1/1/18**
Del Cummings – Vice Chair of the Faculty Advisory Committee **term began 1/1/18**
Raul Pino – Commissioner of the CT Department of Public Health
Dianna R. Wentzell – Commissioner of the State Board of Education
Catherine Smith – Commissioner of the CT Department of Economic and Community Development
Commissioner Kurt Westby – Commissioner of the CT Department of Labor – term began June 2018

Former Board members (who served between 7/1/17 – 6/30/18)

William J. McGurk; **term ended 4/19/18**
JoAnn H. Price **term ended 4/19/18**
Holly Palmer (COSC Student; **term ended December, 2017**)
Joseph Young (CC student; **term ended June 30, 2017**)
Hector Navarro (CC student; elected in June 2017; **left Board in May 2018**)
Juan Carlos Leal (CSU student; elected in December 2017; **left Board in May 2018**)
Barbara E. Richards – Chair of the Faculty Advisory Committee – **term ended 12/31/17**
Stephen Adair – Vice Chair of the Faculty Advisory Committee – **term ended 12/31/17**
Scott Jackson – Commissioner of the CT Department of Labor – **left the Board June 2018**

Charter Oak State College
55 Paul Manafort Drive
New Britain, CT 06053

Ed Klonoski, President

Connecticut State Colleges & Universities
61 Woodland Street
Hartford, CT 06105

Mark E. Ojakian, President

Introduction

Management Discussion & Analysis provides an overview of the financial position and activities of the Charter Oak State College ("COSC" or "Combining Unit") and its component units for the fiscal year ended June 30, 2018, along with certain comparative information for the prior fiscal years ended June 30. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Community Colleges and Charter Oak State College, effective July 1, 2011. The Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees" for the Universities and Colleges.

COSC's role is to serve both residents of Connecticut and nonresidents with a variety of credit aggregation mechanisms, credit for prior learning, testing, and the acceptance of a high level of transfer credits to assist adults to complete their college degrees. This role evolved in 1998 with the introduction of online courses to complete degrees. COSC, which is the State's online college, was authorized by Section 28, 10a-143 (c) of the CT general statutes. It offers four General Studies degrees: Associate of Arts, Associate of Science, Bachelor of Arts, and Bachelor of Science. In addition, COSC is offers Master's Degrees and certificate programs.

Courses are offered in three semesters during the year by COSC; fall, spring, and summer. The fall and spring semesters offer courses in three time formats: 15 weeks, two eight-week, and three-five week offerings. In the summer, two eight-week and two five-week offerings are available. Students are accepted into a program during three time periods throughout the year; fall, spring, and summer.

Using The Financial Statements

COSC's financial report includes the following financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35 established standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of COSC as a whole. As required by GASB Statements No. 34 and 35, a condensed comparative analysis of fiscal year 2018 to prior reporting periods in included. Full financial statements and footnotes for fiscal year 2018 is also presented, both for the COSC *primary institution*, as well as for certain other organizations that have a significant related party relationship with COSC (the "component units").

The COSC Foundation is the only component unit of COSC. The Foundation is a legally independent, tax-exempt non-profit organization separate from college control, founded to foster and promote the growth, progress and general welfare of the College and to solicit, receive and administer donations for such purposes.

Financial Highlights

Charter Oak State College had total assets of $7.6 million, deferred outflows of $12.2 million, liabilities of $49.9 million, and a total net position balance of ($32.4) million as of June 30, 2018. Of this amount, ($36.0) million is classified as unrestricted net position, a $28.6 million decrease from 2017. The negative balance in unrestricted net position is a result of the pension and other post-employment benefit liabilities, as discussed within this report.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $10.6 million, a 2% increase over the previous year. Operating expenses were $19.3 million, a 3% increase from the previous year, resulting in an operating loss of $8.7 million during the year ended June 30, 2018. Net non-operating revenues and other changes were $7.5 million, down 7% from the previous year, reflecting a $0.3 million decrease in general fund appropriations which was offset partially by increases in Pell. Capital appropriations were $1.3 million, up from $0.2 million in fiscal 2017.

Cash and cash equivalents were $3.6 million at June 30, 2018, including $0.5 million of cash equivalents in the form of State bond appropriations restricted for capital expenditures. Total current assets were $4.5 million as of June 30, 2018. At June 30, 2017, cash and cash equivalents were $3.0 million and total current assets were $4.2 million. The ratio of unrestricted current assets of $3.1 million to current liabilities of $2.4 million was 1.7:1 in 2018 as compared to 1.6:1 in fiscal 2017. The current ratio reflects a financial position sufficient to provide short term liquidity. Non-current liabilities increased 8% from $44.2 million at June 30, 2017 to $47.5 million at June 30, 2018. The majority of this significant liability is composed of the net pension and other post-employment benefit liabilities. These large and essentially unfunded liabilities represent long-term obligations that are paid by the State of Connecticut and not COSC individually. The remaining long term liability of $0.7 million represents the long-term portion of the accrued value of vacation and sick time benefits earned by employees which must be paid out when they retire or otherwise terminate service in the future (net of the estimated amounts to be paid out in the upcoming year).

Statement of Net Position

The Statement of Net Position presents the overall financial position of COSC at the end of the fiscal year, and includes all assets and liabilities of Charter Oak State College, including capital assets net of depreciation.

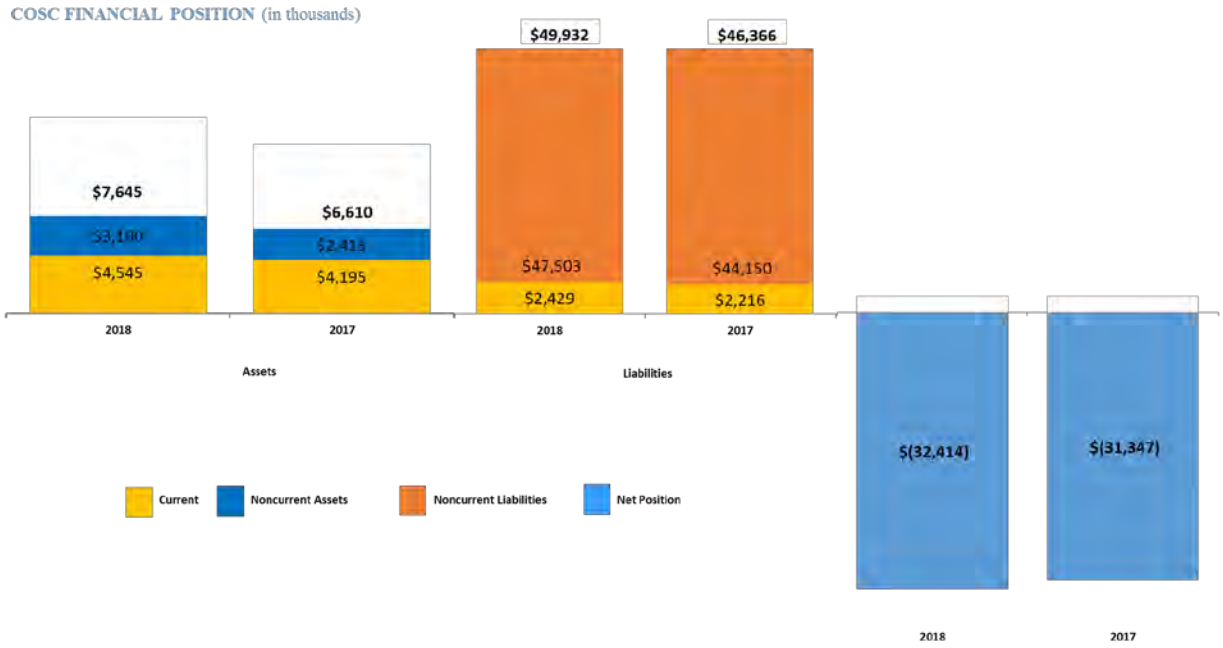
Condensed Statements of Net Position as of June 30
(in thousands)

	2018	2017 *	% Change
ASSETS			
Current assets	$ 4,545	$ 4,195	8%
Non-current assets	3,100	2,415	28%
Total assets	7,645	6,610	16%
DEFERRED OUTFLOWS OF RESOURCES	12,264	8,409	46%
LIABILITIES			
Current liabilities	2,429	2,216	10%
Noncurrent liabilities	47,503	44,150	8%
Total liabilities	49,932	46,366	8%
DEFERRED INFLOWS OF RESOURCES	2,391	-	N/M
NET POSITION			
Invested in capital assets	3,100	2,415	28%
Restricted-expendable	535	575	-7%
Unrestricted	(36,049)	(34,291)	5%
Total net position	(32,414)	(31,301)	4%

*Net position and non-current liabilities were restated to reflect the net OPEB liability at June 30, 2017 of $27.9 million as if the GASB No. 75 liability was recorded in 2017.

N/M - Not meaningful

Current assets consist of cash, cash equivalents, accounts receivable and prepaids. The $0.4 million increase in current assets from the previous year is largely attributable to an increase in cash held offset by decreases in net accounts receivable and prepaids. Accounts receivable totaled $0.3 million at the end of fiscal year 2018. This is a $0.1 million decrease from the $0.4 million of accounts receivable at the end of fiscal year 2017, primarily as a result of an increase in the bad debt allowance. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short-Term Investment Fund ("STIF") on behalf of State agencies. COSC does not carry any other separate investments.



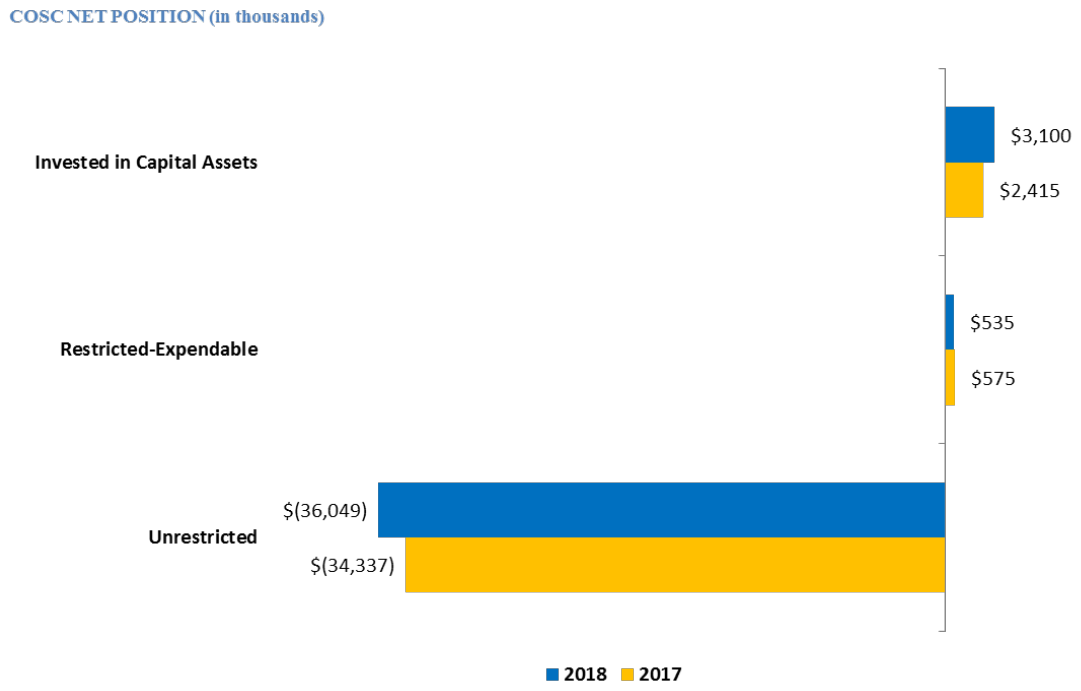
Non-current assets increased 28% from $2.4 million at June 30, 2017, to $3.1 million at June 30, 2018. Net capital assets account for all the non-current assets. At June 30, 2018, capital assets in service totaled $7.2 million, offset by $4.1 million in accumulated depreciation; this compared with $6.3 million and $3.9 million, respectively, at the end of fiscal year 2017. The increase in fiscal 2018 was related to the refresh of a technological data center.

Current liabilities consist primarily of accrued payroll and related benefits, unearned revenue, and accounts payable. Total current liabilities were $2.4 million at the end of fiscal year 2018, representing a $0.2 million increase from fiscal year 2017. The most significant current liabilities were employee salary and fringe benefits payable of $1.2 million and unapplied payments of $0.6 million, primarily collected in advance for the following summer semester. Additional current liabilities include vendor accounts payable of $0.1 million, and $0.6 million for the estimated value of accrued compensated absences (sick and vacation time benefits) that will be paid within the coming year to employees who terminate or retire.

Non-current liabilities consist of $20.8 million in pension liability, $26.0 million in other post-employment benefit liabilities and long-term accrued compensated absences ("ACA") of $0.7 million– to be paid out to terminating employees over time in the future beyond one year. The increase in non-current liabilities is related to the increases in the pension liability of $5.2 million. The total ACA liability coupled with the pension and other post-employment benefit liabilities exceed the assets of COSC, and causes the unrestricted net position balance to be negative. In

practice, however, the ACA liability represents the total payout should 100% of the employees resign immediately while the pension and other post-employment benefit liabilities are funded through historical contributions paid to the State of Connecticut and State of Connecticut general fund dollars not allocated to COSC rather than through COSC's net position.

The total *net position* balance includes $3.1 million *Invested in capital assets, net of depreciation*. Charter Oak State College does not carry capital debt. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in COSC's financial statements.

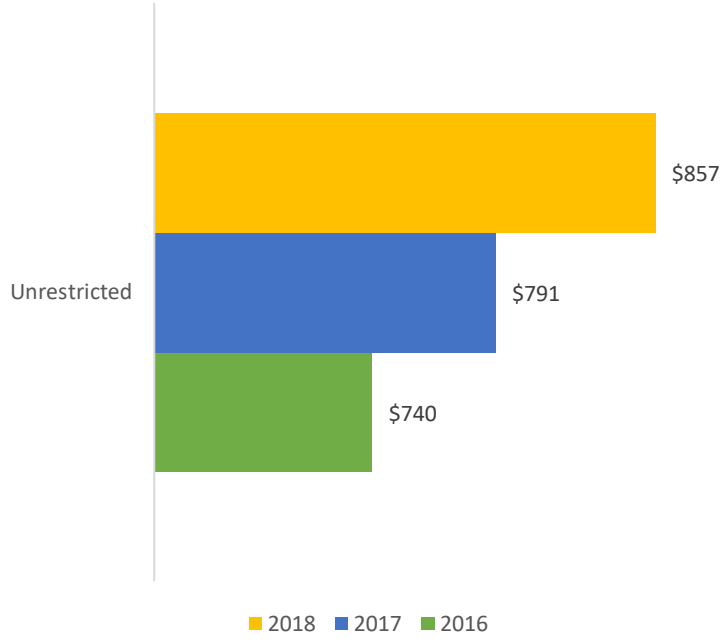


Restricted-Expendable net position represents primarily bond fund appropriation balances at June 30, 2018 and unexpended funds held for certain minor grant program activities. There were no significant changes in restricted-expendable net position year over year.

Unrestricted net position ("UNP") has shifted to a negative balance with the recognition of the pension liability in fiscal year 2015 which is further exacerbated by the recognition of the other post-employment benefit liability in fiscal 2018. Excluding the pension and other post-employment benefit liabilities, UNP increased by $0.1 million to $0.9 million during fiscal year 2018. The table below illustrates the fluctuations in aggregate COSC UNP over the past several years:

	FY13	FY 14	FY 15	FY 16	FY 17	FY 18
UNP Excluding Pension and OPEB Liability	$1.6	$1.5	$1.2	$0.7	$0.8	$0.9
UNP Adjusted for Pension Liability:	-	-	($6.1)	($6.7)	($7.4)	($8.9)
UNP Adjusted for Pension & OPEB Liability:	-	-	-	-	($34.3)	($36.0)

COSC's UNRESTRICTED NET POSITION EXCLUDING PENSION & OPEB LIABILITIES (in thousands)



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents COSC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2018 were $10.6 million, up 2% from $10.4 million in fiscal year 2017. *Student tuition and fees* of $10.7 million represent the largest portion of operating revenue on a gross basis, but are offset by student financial aid and waivers resulting in net tuition and fee revenue of $8.4 million after scholarship allowances. These revenues reflect a FTE credit enrollment decrease offset by tuition rate increases and additional revenue from the introduction of the Graduate program.

Condensed Combined Statements of Revenues, Expenses and Changes in Net Position for the Year Ended June 30 (in thousands)

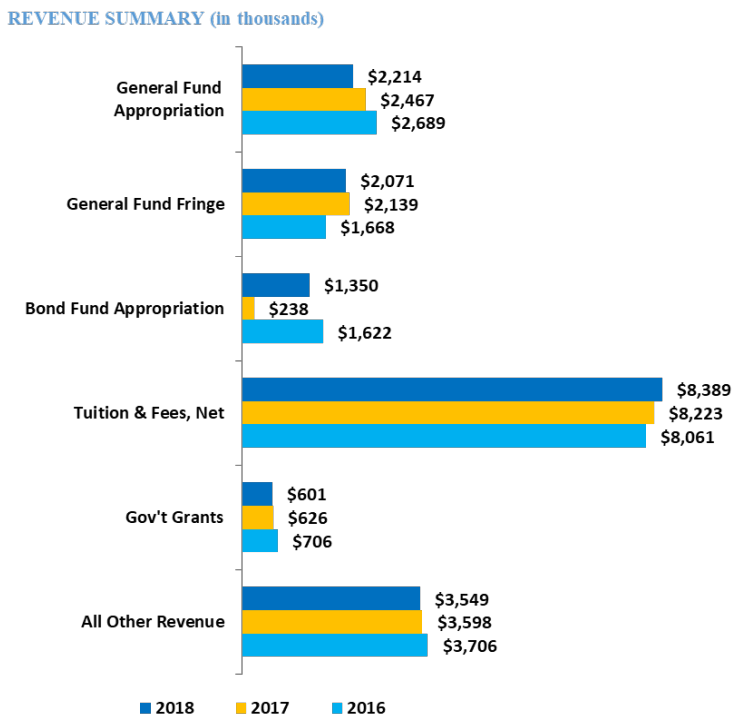
	2018	2017*	% Change
OPERATING REVENUES			
Tuition and fees, net	8,389	8,223	2%
Government grants and contracts	602	626	-4%
Additional operating revenues	1,650	1,579	4%
Total operating revenues	10,641	10,428	2%
OPERATING EXPENSES			
Expenses before depreciation	18,847	18,122	4%
Depreciation	440	618	-29%
Total operating expenses	19,287	18,740	3%
Operating loss	(8,646)	(8,312)	4%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund **	4,285	4,605	-7%
State appropriations - bond fund	1,350	238	467%
PELL Grants	1,866	1,673	12%
Other non-operating revenues (expenses), net	32	347	-91%
Net non-operating revenues	7,533	6,863	10%
NET POSTION			
Change in net position	(1,113)	(1,449)	-23%
Net position, beginning of year	(31,301)	(29,852)	5%
Net position, end of year	$ (32,414)	$ (31,301)	4%

* Net position was restated to reflect the net OPEB liability at June 30, 2017 of $27.9 million as if the GASB No. 75 liability was recorded in 2017.

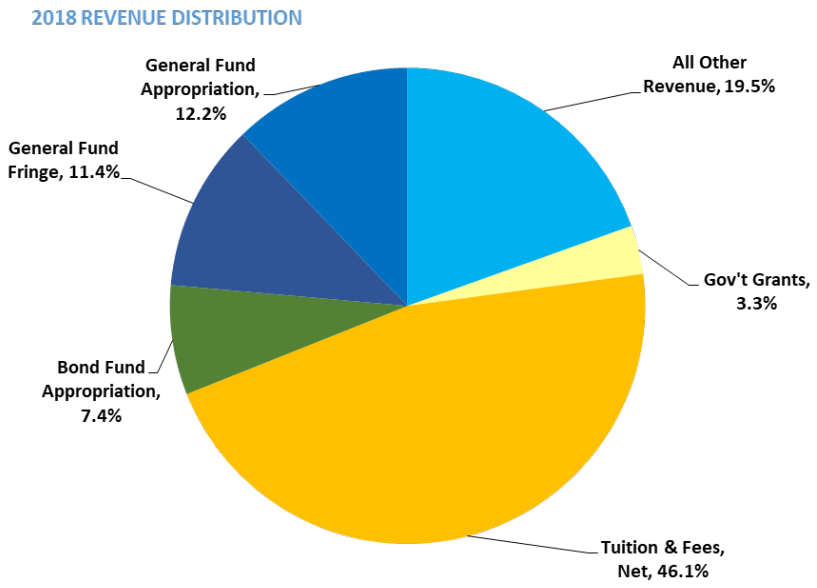
** Including non-cash fringe benefit expenditures

Charter Oak State College recorded an operating loss of $8.6 million during the year ended June 30, 2018. The primary contributing factors of the increase in loss year over year relates to declining enrollment coupled with the increase in employee fringe benefit costs. In addition, State bond fund appropriations and Pell grant revenue being classified as *non-operating revenues* under GASB 35 although the expenditures of these resources on personnel, non-capital equipment, depreciation and scholarships are considered to be an operating expense contributes to the operating loss.

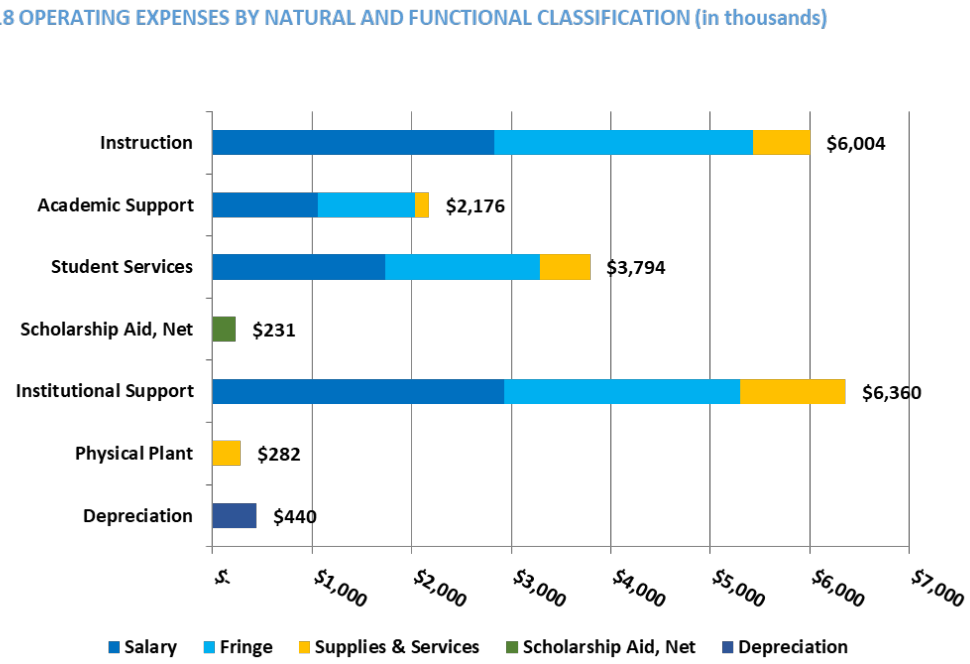
Government grant revenues are comprised of the federally funded Supplemental Education Opportunity Grant ("SEOG") and the Adult Education grants together with other state government grants which fund various program-related activities. Government grant revenues at June 30, 2018 were $0.6 million with federal and state dollars consistent with the previous fiscal year. *Additional operating revenues* totaled $1.7 million in 2018, up 4% from $1.6 million in fiscal year 2017 which are primarily made up of fees earned by the CTDLC for services, and fees for other services offered by the college such as testing and credit reviews under the Connecticut Credit Assessment Program ("CCAP").



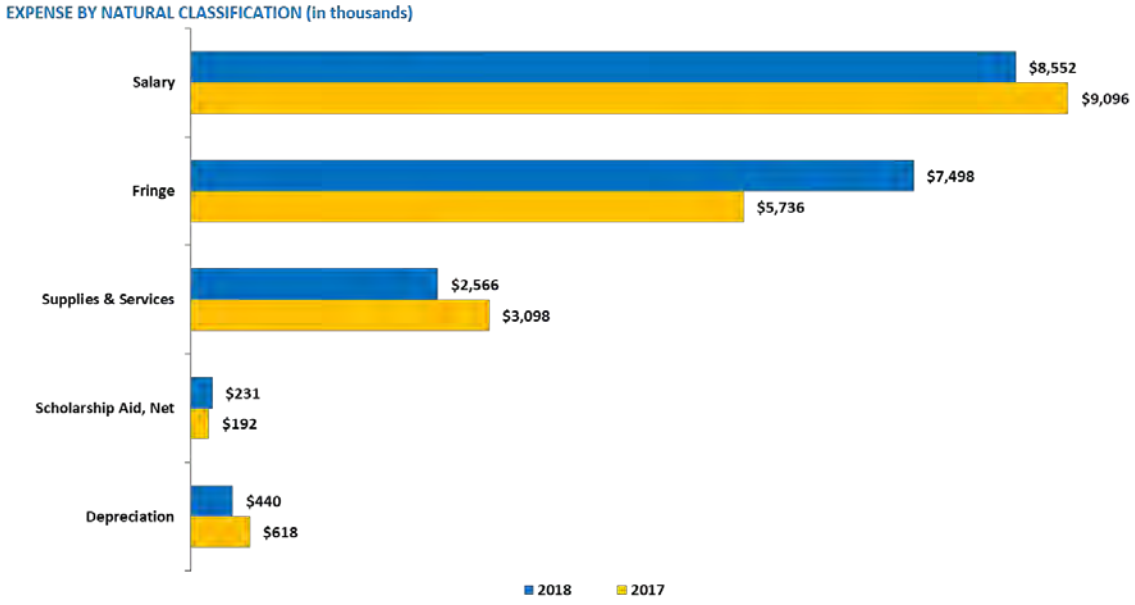
The State general fund appropriation for salaries decreased by 10.0% to $2.2 million while associated State of Connecticut reimbursements to cover fringe benefit costs decreased by 3% to $2.1 million. Bond fund appropriation revenues increased from $0.2 million in 2017 to $1.4 million in 2018 as funding for replacement equipment for COSC's data center was received by COSC from the State of Connecticut. Other non-operating activity in fiscal year 2018 was limited to income earned on cash balances invested by the State treasurer's office.



Total operating expenses for fiscal year 2018 were $19.3 million. This reflects an operating expense increase of 3% from $18.7 million in fiscal year 2017. The increase in fiscal year 2018 reflects increases in personnel fringe expenses offset partially through expense reductions across remaining categories.



Supplies and services include expenditures for non-capital telecommunications and information technology-related services and supplies; premises and property-related expenses including utilities, security, maintenance and repairs, custodial and grounds, and other related costs, and all other non-personnel costs of operating the college.



Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. Major sources of *operating activity* cash inflows include receipts of student tuition and fees of $8.3 million and receipts from government grants and contracts of $0.6 million which trended in line with the prior fiscal year. Cash is also received from other miscellaneous activities such as testing and CCAP. The largest operating cash outflows include salaries paid to employees of $11.8 million, down 2% from prior year. Operating cash outflows also include vendor payments of $2.4 million, down 14% from prior year. Payments to students of $0.2 million for financial aid refunds was consistent with prior year. Net cash used by operating activities decreased significantly in fiscal year 2018 when compared to fiscal year 2017, a 14% reduction reflecting lower personnel costs because of staff resignations and retirements. The State of Connecticut also directly covered a portion of the cost of fringe benefits for employees valued at $2.1 million representing a non-cash transaction for COSC.

Capital and related financing cash flows are derived from capital appropriations from the state. During fiscal year 2018, COSC received capital funding of $1.3 million offset by capital expenditures of $1.1 million with net cash provided by capital financing activities equal to $0.2 million. The cash receipts and expenditures were primarily utilized to replace the data center supporting all technology components of COSC. Cash provided by *investing activities* represents small amounts of interest income earned on operating fund cash balances invested by the State treasurer on behalf of COSC, and distributed quarterly.

Condensed Combined Statements of Cash Flows

Year Ended June 30

(in thousands)

	2018	2017	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	$ (3,816)	$ (4,418)	-14%
Noncapital financing activities	4,115	4,476	-8%
Capital and related financing activities	247	142	74%
Investing activities	33	11	200%
Net change in cash and cash equivalents	579	211	174%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	3,045	2,834	7%
Cash and cash equivalents, end of year	$ 3,624	$ 3,045	19%

Enrollment Table

Charter Oak State College will confront significant challenges and opportunities in the years ahead similar to other higher education institutions and State of Connecticut agencies. The factors that will have the greatest financial impact on COSC are declining student course enrollments. The following table illustrates the Integrated Postsecondary Education Data System ("IPEDS") unduplicated headcount and full-time equivalent ("FTE") student attendance at COSC:

Year Ended June 30	Unduplicated Headcount	% Change	FTE	% Change
2018	2,270	-4.8%	878	-5.2%
2017	2,384	-4.9%	926	-2.5%
2016	2,507	-14.0%	950	-11.2%
2015	2,915	17.1%	1070	18.1%
2014	2,489	-4.0%	906	-1.2%
2013	2,592	-1.7%	917	4.0%
2012	2,637	-	882	-

Economic Outlook

As indicated above, COSC has experienced declining headcount and FTE enrollments after a short period of growth associated with the Go Back to Get Ahead initiative. With the continued emphasis on affordability keeping tuition and fee increases as low as possible, COSC and CSCU leadership has met with the State of Connecticut to advocate, challenge and develop mutual solutions to fit the needs of the students. On May 9, 2018 the Connecticut General Assembly revised the fiscal year 2019 appropriation allocated to COSC to $2.9 million up from $2.2 million, a 32% increase from fiscal 2018. This additional funding of $0.7 in fiscal year 2019 million will also carry an additional $0.6 million of fringe benefit reimbursements that will be paid to COSC by the State of Connecticut to offset the increase in fringe benefit expenditures expected during the upcoming fiscal period.

Connecticut will have a new governor and new state administration, as well as a number of new legislators and political appointees beginning in January 2019. With such changes will undoubtedly come both new risks and new opportunities for Charter Oak. In order to provide new state administration with an informative view of Charter Oak and CSCU, management has prepared a white paper detailing the system's economic and social value to the state. This document includes investments which we believe are necessary to further develop programs and degrees which will further the economic recovery of Connecticut. The new state biennium budget will be developed shortly after administration is in place, and advocating for CSCU institutions is particularly important at this time. Through several institutional efforts COSC was able to slightly improve its unrestricted net position (exclusive of net pension and other post-employment benefit liabilities) in fiscal year 2018 in the face of declining enrollment. The combination of identifying additional revenue sources and rationalization of expenditures represents a strengthening of COSC's operating cash position affording greater opportunity than historical periods. COSC has additionally developed a strategic plan in fiscal year 2018 which identifies several areas of growth and development prioritized through a cost / benefit assessment. Leadership is currently developing an implementation for these strategies.

Additional Information

This financial report is designed to provide a general overview of COSC's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to Michael Moriarty, Chief Financial Officer (860-515-3760).

Hold for Independent Auditors Report

Hold for Independent Auditors Report

Charter Oak State College

Statement of Net Position

As of June 30, 2018

		2018
Assets		
Current assets:		
Cash and cash equivalents	$	3,624,526
Accounts receivable, net		262,182
Other current assets		658,107
Total current assets		4,544,815
Noncurrent assets:		
Capital assets, net		3,100,479
Total noncurrent assets		3,100,479
Total assets		7,645,294
Deferred outflows of resources:		
Deferred pension		11,076,758
Deferred other post-employment benefits		1,187,694
Total deferred outflows of resources		12,264,452
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		70,023
Accrued payroll		1,156,316
Unearned tuition revenues		557,681
Accrued employee compensated absences		645,146
Total current liabilities		2,429,166
Noncurrent liabilities		
Accrued employee compensated absences		724,013
Net pension liability		20,752,751
Net other post-employment benefit liability		26,026,160
Total noncurrent liabilities		47,502,924
Total liabilities		49,932,090
Deferred inflows of resources:		
Deferred pension		39,626
Deferred other post-employment benefits		2,351,594
Total deferred inflows of resources		2,391,220
Net Assets		
Invested in capital assets, net of related debt		3,100,479
Restricted expendable		534,700
Unrestricted		(36,048,744)
Total net position (deficit)	$	(32,413,565)

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

Charter Oak State College

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2018

		2018
Operating revenues:		
Student tuition and fees	$	10,720,325
Less: scholarships and fellowships		(2,331,678)
Net tuition and fees		8,388,647
Federal grants and contracts		362,046
State and local grants and contracts		239,614
Nongovernmental grants and contracts		120,890
Other operating revenues		1,529,708
Total operating revenues		10,640,905
Operating expenses:		
Personnel services and fees		16,051,094
Professional services and fees		280,441
Travel expenses		88,131
Operation and maintenance of plant		281,615
Student aid		230,528
Other operating expenses		1,781,165
Bad debt expense		134,226
Depreciation		439,850
Total operating expenses		19,287,050
Net operating income (loss)		(8,646,145)
Nonoperating revenues (Expenses):		
State appropriations		4,285,358
Investment income		32,510
Gain (loss) on disposal of capital assets		(6,102)
Other nonoperating revenues/expenses		6,044
Pell grants		1,865,831
Net nonoperating revenues		6,183,641
Increase (decrease) in net position before capital appropriations		(2,462,504)
Capital appropriations		1,349,638
Increase (decrease) in net position		(1,112,866)
Net position:		
Net assets - beginning of year (restated - see note 1)		(31,300,679)
Net assets - end of year	$	(32,413,545)

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

Charter Oak State College

Statement of Cash Flows

Year ended June 30, 2018

		2018
Cash flows from operating activities		
Tuition and fees	$	8,271,484
CTDLC fees		1,506,287
Grants and contracts		722,550
Payments to employees		(11,777,169)
Payments to suppliers and vendors		(2,390,241)
Payments to students		(229,906)
Other operating receipts		93,772
Net cash used in operating activities		(3,803,223)
Cash flows from non-capital financing activities		
State appropriations		2,214,049
Pell grants		1,865,831
Other		22,887
Net cash provided by non-capital financing activities		4,102,767
Cash flows from capital financing activities		
Capital appropriations		1,349,638
Purchases of capital assets		(1,102,253)
Net cash provided by capital financing activities		247,385
Cash flows from investing activities		
Interest on cash held by the State		32,510
Net increase (decrease) in cash and equivalents		579,439
Cash and equivalents, beginning of year		3,045,087
Cash and equivalents, end of year		3,624,526
Reconciliation of net operating loss to net cash used in operating activities		
Net operating loss		(8,646,145)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation		439,850
Fringe benefits provided by the state		2,071,309
Changes in assets and liabilities:		
Accounts receivable		117,162
Other Current assets		112,759
Accounts payable		14,135
Accrued payroll		234,207
Accrued employee compensation and benefits		191,065
Unearned tuition revenues		(114,908)
Net pension obligation		1,514,766
Net other post-employment benefit obligation		262,577
Net cash used for operating activities	$	(3,803,223)
Non-cash transaction		
Fringe benefits provided by the state	$	2,071,309

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

Charter Oak State College

Statement of Financial Position and Activities – Component Unit (in 000's)

As of and for the year ended June 30, 2018

Statement of Activities

	2018
Revenues and support	
Contributions	$ 117
Investment income	59
Gain(loss) on investments, net	69
Other nonoperating revenues	6
Total revenues and support	251
Expenses	
Program services - scholarships and grants	105
Supporting services	28
Total expenses	133
Change in net assets	118
Net position	
Net assets - beginning of year	1,983
Net assets - end of year	$ 2,101

Statement of Activities

	2018
Revenues and support	
Contributions	$ 117
Investment income	59
Gain(loss) on investments, net	69
Other nonoperating revenues	6
Total revenues and support	251
Expenses	
Program services - scholarships and grants	105
Supporting services	28
Total expenses	133
Change in net assets	118
Net position	
Net assets - beginning of year	1,983
Net assets - end of year	$ 2,101

1. Summary of Significant Accounting Policies

Organization

The Connecticut State Colleges and Universities System ("CSCU") was established by the State of Connecticut (the "State") in 2011 via Public Act 11-48 as amended by Public Act 11-61. This brought together the governance structure for the Connecticut State University System ("CSUS"), the Connecticut State College System ("CCC") and Charter Oak State College ("COSC" or "College") under the newly formed Board of Regents for Higher Education. The financial statements presented herein represent only the financial activities of COSC. Separate financial statements are issued for CSUS and CCC.

CSCU consists of seventeen separate institutions including four state universities, twelve community colleges and Charter Oak State College. CSCU also includes the Connecticut Distance Learning Consortium ("CTDLC") as part of COSC, which provides services and support to help educational institutions and other learning-focused organizations develop and deliver technology enhanced learning opportunities to promote workforce training and development. The CSCU system offers associate degrees, baccalaureate, graduate and certificate programs, applied doctoral degree programs in education as well as short-term certificates and individual coursework in both credit and noncredit programs.

Basis of Presentation

The financial statements for the COSC and the CTDLC have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. These financial statements include the statements of COSC, CTDLC, and a discretely presented component unit.

COSC's financial statements include three statements: the combined statements of net position, revenues, expenses, and changes in net position, and cash flows.

- The combined statements of net position present information on all of COSC's assets, liabilities, deferred outflows and inflows, and net position.
- The combined statements of revenues, expenses and changes in net position present information showing how the COSC's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).
- The combined statements of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to COSC in support of their programs. Although COSC does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds, and invests, is restricted to the activities of COSC by the donors. Since these

restricted resources held by the Foundation can only be used by, or for the benefit of, COSC, the Foundation is considered a component unit of COSC.

The Foundation is a private nonprofit organization that report under FASB standards, which includes guidelines for *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's separately audited financial statements information in COSC's financial reporting entity for these differences.

Net Position
Resources are classified for reporting purposes into the following four net position categories:

- **Invested in Capital Assets**
  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Similar net assets are included in unrestricted net assets in the statements of the component units.

- **Restricted Expendable**
  Net position whose use by COSC is subject to externally imposed stipulations that can be fulfilled by actions of COSC pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the BOR or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic initiatives, and capital programs.

Classification of Assets and Liabilities
COSC presents short-term and long-term assets and liabilities in the statements of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30. Cash and cash equivalents and investments presented as short-term in the statements of net position include balances with a maturity of one year or less from June 30. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, and balances that have externally imposed restrictions as to use.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of COSC by the State Treasurer and has original maturities of three months or less (see Note 2).

Allowance for Doubtful Accounts
Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

Investments
The Foundation invests in mutual funds which are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of the investment securities will occur and that such changes could materially affect the amounts reported in the statement of net position.

Fair Value of Financial Instruments
Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable and accounts payable.

Investment in Plant
Capital assets of the Combining Unit are stated at historical cost. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life, which range from 5 to 40 years. Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

Accrued Compensated Absences ("ACA")
Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statements of net position reflect the accrual for the amounts earned as of year-end.

Pension & Other Post Employment Obligations
COSC records pension and other post-employment obligations equal to the net pension for its defined benefit and retiree health plans. These net liabilities are measured as the total pension and health liability, less the amount of the respective plan's fiduciary net position. The total liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Because there are other state entities participating in the plans, the net liability recorded by COSC is based on an allocation of the total net liability, as determined by an independent actuary.

Pension and other post-employment benefit expenses are recognized for benefits earned during the period, interest on the unfunded liability, and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows of resources and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years. Refer to the GASB pronouncements effective in fiscal year 2018 for additional information on the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Unearned Tuition, Fees and Grant Revenues
Unearned tuition, fees and grant revenues consist primarily of tuition and fees that have been collected as of June 30, but are applicable to classes held thereafter.

Tuition and Fees Revenue
Student tuition and fees revenue is recognized in the period earned. Student tuition and fee revenue is presented net of scholarship allowance and waivers in accordance with GASB Statement No. 35. Student aid for scholarships recorded in the statement of revenues, expenses and changes in net position includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees is reflected as a scholarship allowance**.**

CTDLC Fees
Revenue represents services that CTDLC provides to other organizations in developing distance learning programs and is recognized in the accounting period in which the contracted services are earned.

Operating Activities
Operating activities as reported on the statements of revenue, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of COSC expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, Pell grants, gifts and investment income.

Income Taxes
COSC is a component unit of the State of Connecticut and is exempt from federal and state income taxes under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. COSC qualifies as a public charity eligible to receive charitable contributions under Section 170(b)(1)(A)(ii) of the Internal Revenue Code, as amended (the "Code").

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes at June 30 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, pension and other post-employment benefit liabilities, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

GASB Pronouncements Effective for Fiscal Year 2018
In June 2015, the GASB released Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment

benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. COSC adopted this accounting pronouncement in fiscal year 2018 and was retroactively recorded through an adjustment to beginning of year net position and deferred outflows of resources as follows:

Net Position		
Net position, June 30, 2017 (as reported)	$	(4,419,672)
Impact of Adoption (net liability)		(27,881,428)
Impact of Adoption (contributions after the measurement date)		1,000,421
Net position, June 30, 2017 (restated)	$	(31,300,679)

Refer to Note 9 for additional disclosures related to Other Post-Employment Benefits

In March 2016, the GASB released Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments and may include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. This standard was adopted in fiscal year 2018 and there was no impact as a result of the adoption. In March 2017, the GASB released Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This standard was adopted in fiscal year 2018 and there was no impact as a result of the adoption.

In May 2017, the GASB released Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This

Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This standard was adopted in fiscal year 2018 and there was no impact as a result of the adoption.

GASB Pronouncements Effective in Future Fiscal Years

In November 2016, GASB released Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to address accounting for legally enforceable liabilities associated with the retirement and future activities of a capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 with earlier application encouraged.

In January 2017, GASB released Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged

At various dates in 2018, GASB released Statements 88-90. The requirements of these Statements in addition to Statements 83, 84 and 87 are effective for future reporting periods and management is evaluating the impact these pronouncements will have.

Subsequent Events

In accordance with generally accepted accounting principles, COSC has evaluated subsequent events for the period after June 30, 2018, through December 12, 2018, the date the financial statements were issued noting the following event:

On July 1, 2018 the CTDLC was placed into runoff whereby pre-existing commitments for services would be fulfilled but no new service contracts would be entered into. Future amounts associated with CTDLC fee revenues, expenditures, assets and liabilities are expected to reduce over time.

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents is invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. COSC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet COSC's daily cash flow requirements.

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2018 was 1.98%.

Investments are pooled by the State and separate accounting is maintained as to the amounts allocable to the various funds and programs.

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. COSC is only invested in the State of Connecticut Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. There is low risk to these types of investments.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. The majority of COSC's total cash, cash equivalents and investments was invested in the STIF and the State's pooled, interest credit program accounts as of June 30, 2018.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. There is no significant exposure to interest rate risk as cash and cash equivalents are held in STIF which is comprised of short-term money market instruments.

3. Accounts Receivable

Accounts receivable consist of the following at June 30, 2018 (in thousands):

Student accounts receivable	$	827
Other receivable		9.2
Gross accounts receivable		836.3
Less: allowance for doubtful accounts		(574.1)
Accounts receivable, net	$	262

4. Capital Assets

Capital Asset activity for the year ended June 30, 2018 is as follows (in thousands):

	Estimated life (in years)	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not depreciated:					
Art		$ 15.0	$ -	$ -	$ 15.0
Capital assets, depreciated:					
Buildings and improvements	10-40	2,509.0	-	-	2,509.0
Furnishings and equipment	5	3,232.3	698.9	(214.6)	3,716.6
Software	5	534.6	432.9	-	967.5
Total depreciable assets		6,275.9	1,131.8	(214.6)	7,193.1
Total capital assets		6,290.9	1,131.8	(214.6)	7,208.1
Less: accumulated depreciation					
Buildings and Improvements		1,232.0	74.0	-	1,306.0
Furnishings and equipment		2,109.8	319.6	(208.6)	2,220.8
Software		534.6	46.2	-	580.8
Total accumulated depreciation		3,876.4	439.8	(208.6)	4,107.6
Capital assets, net		$ 2,414.5	$ 692.0	$ (6.0)	$ 3,100.5

5. Long Term Liabilities

Long-term liabilities at June 30, 2018 consist of (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other long-term liabilities					
Vacation	$ 868.2	$ 709.5	$ (536.7)	$ 1,041.0	$ 623.1
Sick	309.9	74.8	(56.6)	$ 328.1	22.0
Net pension liability	15,609.5	5,143.3	-	20,752.8	-
Net other post-employment liability	-	26,026.2	-	26,026.2	-
Total long-term liabilities	$ 16,787.6	$ 31,953.8	$ (593.3)	$ 48,148.1	$ 645.1

These accruals represent estimated amounts earned by all eligible employees through June 30, 2018. The ACA will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of COSC. The current portion of compensated absences is estimated based on recent past history.

6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to the State of Connecticut's General Fund. There were no transfers made during fiscal year 2018.

Accrued salaries and related fringe benefit costs for CSCU employees within COSC, whose salaries will be charged to the State of Connecticut General Fund represent a related party balance. The accompanying statements of net position includes balances among related parties. Significant balances for the year ended June 30, 2018 relate to Cash and Cash equivalents held by the State Treasurer.

7. Commitments, Contingencies and Leases

COSC makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. COSC is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of COSC.

CSCU is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that eventual liability, if any, will not have a material effect on COSC's financial position.

COSC may have outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30, 2018. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances as of June 30, 2018 were not material.

COSC leases various equipment under operating lease agreements. The following summarizes future minimum payments under non-cancelable leases subsequent to the year ended June 30, 2018 (in thousands):

Fiscal Years Ending June 30,	Operating Leases
2019	$ 96.3
2020	85.3
2021	84.8
2022	-
2023	-
	$ 266.4

Rent expense for operating leases was $80,216 for the year ended June 30, 2018.

8. Pension Plans

Plan Description

All regular full-time employees participate in one of two retirement plans. The State of Connecticut is statutorily responsible for the pension benefits of COSC employees who participate in the State Employees' Retirement System ("SERS"). SERS is the administrator of a single employer defined benefit public employee retirement system ("PERS"). SERS provides retirement, disability, death benefits and annual cost of living adjustments to plan members and their beneficiaries. Plan benefits, cost of living adjustments, contribution requirements of plan members and the State and other plan provisions are described in the General Statutes. SERS does not issue standalone financial reports. Information on the plan is currently publicly available in the State of Connecticut's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller.

Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, or TRS depending on several factors.

Employees hired after July 1, 2011 but before July 31, 2017 were eligible to participate in Tier III or the Hybrid Plan, the 2 primary SERS plan options available (some employees are eligible to elect the Teachers Retirement System - "TRS"). The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the State of Connecticut and the State Employee Bargaining Agent Coalition ("SEBAC"), provides a retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a 5% employer match and 4% interest in lieu of a defined benefit.

Employees hired after July 1, 2017 are eligible to participate in Tier IV as a result of the 2017 SEBAC agreement. The SERS Tier IV plan is comprised of both a traditional Defined Benefit component and a new Defined Contribution component. The Tier IV Defined Benefit component provides a pre-defined monthly retirement income for life, with the amount being affected by years of service, retirement age, and the member's final average earnings for members that satisfy the Tier IV minimum age and service eligibility requirements. The Tier IV Defined Contribution component establishes an account consisting of an accumulation of employee and employer contributions both set equal to 1%, as well as investment gains or losses. Each Tier IV member will have an account with the third party administrator of the State of Connecticut Alternate Retirement Program (ARP). COSC makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is managed by Prudential. Under this arrangement, plan participants contribute 5.5% of their pay and the State contributes 7.5% to individual participants' investment accounts managed by Prudential. COSC pays a fringe benefit charge to the State which includes the 7.5% employer contribution, employee health benefits and an administrative charge. The aforementioned 2011 SEBAC agreement provides COSC employees who were both hired before July 1, 2011 and participating in ARP with a one-time irrevocable option through December 31, 2018 of electing to transfer their

membership from ARP to the SERS Tier II/IIA or Hybrid Plan and purchasing credit in the plan for their prior services at full actuarial cost.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining.

Tier I Plan B regular and Plan B Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base, respectively, plus 5% above that level. Tier I Plan C and Hybrid Plan members are required to contribute 5% of their annual salary. Tier IIA Plan and Tier III Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. Tier IV employees contribute 5% of their salary (8% for hybrid and hazardous duty members) plus 1% into the defined contribution component.

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 56.58% for SERS in the fiscal year ended June 30, 2018 resulting in a contribution of $1.52 million on behalf of COSC, equal to the required contribution that year.

Net Pension Liability

COSC's net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2018 was measured and valued as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that. COSC's proportion of the net pension liability was based on a projection of COSC's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the SERS plan, COSC's proportion was 0.1% as of June 30, 2018.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to COSC is calculated separately. The net pension liability for COSC as of June 30, 2018 for SERS was $20.8 million. COSC has no net pension liability associated with the TRS due to COSC's proportional size to the overall plan.

Actuarial Assumptions for SERS:

The total pension liability was determined using the following actuarial assumptions, applied to all periods:

Measurement Year	2017
Inflation	3.75%
Salary increases including inflation	4.00% to 20.00%
Investment rate of return net of pension plan investment expense, including inflation	8.00%

Mortality rates were based on the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females.

The actuarial assumptions used in the June 30, 2017 valuation (which was the basis for recording the June 30, 2018 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class as of 2017 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income	8%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	4%	3.7%
TIPS	5%	1.0%
Cash	4%	0.4%
	100%	

Discount Rate for SERS:

The discount rate used to measure the total pension liability was 6.9% in the 2017 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate

The following presents the current-period net pension liability of COSC calculated using the current-period discount rate assumption of 6.9% for SERS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.9%)	Current Discount (6.9%)	1% Increase (7.9%)
SERS	$ 24,000,139	$ 20,752,744	$ 16,707,322

Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pension Plan

For the year ended June 30, 2018, COSC recognized pension expense of $1.5 million. A schedule of deferred outflows and inflows of resources as of June 30, 2018 has been maintained in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to COSC that will be recognized in pension expense during the next five years is as follows (in thousands):

Fiscal Years Ending June 30,	SERS	TRS	Total
2018	$ 2,506	$ 7	$ 2,513
2019	$ 2,572	$ 7	$ 2,579
2020	$ 2,234	$ 7	$ 2,241
2021	$ 1,664	$ 5	$ 1,669
2022	$ 606	$ 2	$ 609
Total	$ 9,582	$ 28	$ 9,610

9. Other Post-Employment Benefits

The State of Connecticut provides post-retirement health care and life insurance benefits to eligible COSC employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at the time of retirement. The State finances the cost of post-retirement health care and life insurance benefits

There is a single State sponsored defined benefit OPEB plan open to CSCU employees, the State Employee OPEB Plan (SEOPEBP). The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees

who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions.

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of CSCU who are receiving benefits from any State-sponsored retirement system. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

Funding Policy

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees' unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund outside of COSC. COSC contributes and helps fund the annual appropriation based upon a designated fringe rate established by the State.

Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the State's Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The best estimates of rates of return for each major asset class as of 2017 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income	8%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	4%	3.7%
Inflation Linked Bonds	5%	1.0%
Cash	4%	0.4%
	100%	

Net OPEB Liability

COSC's net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2018 was measured and valued as of June 30, 2017 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. COSC's proportion of the net OPEB liability was based on a projection of COSC's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined.

For the SEOPEBP plan, at June 30, 2018 COSC's proportion was 0.15%. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately. The net OPEB liability for COSC as of June 30, 2018 for SEOPEBP was $26.0 million.

Actuarial Assumptions:

The OPEB liability was determined using the following actuarial assumptions, applied to all periods:

Measurement Year	2017
Payroll growth rate	3.50%
Salary increases	3.25% to 19.50% varying by years of service and retirement system
Discount rate	3.68% as of June 30, 2017 and 2.96% as of June 30, 2016
Healthcare cost trend rates:	
Medical	6.5% graded to 4.5% over 4 years
Prescription drug	8.0% graded to 4.5% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

Mortality rates for the State Employees OPEB Plan were based on the RP-2000 Healthy Annuitant Mortality Table for male rates projected 15 years (set back 2 years) and female rates projected 25 years (set back one year) under Scale AA.

The discount rate used to measure the total OPEB liability for SEOPEBP was 3.68%. The projection of cash flows used to determine the discount was performed in accordance with GASB pronouncements.

The following presents the current period net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate utilized:

Discount rate sensitivity:

	1% Decrease (2.68%)	Current Discount (3.68%)	1% Increase (4.68%)
OPEB	$ 30,208,566	$ 26,026,160	$ 22,637,520

Healthcare cost trend sensitivity:

	1% Decrease	Current Discount	1% Increase
OPEB	$ 22,366,267	$ 26,026,160	$ 30,662,762

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, COSC recognized OPEB expense of $0.27 million. A schedule of deferred outflows and inflows of resources as of June 30, 2018 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to COSC that will be recognized in pension expense during the next five years is as follows (in thousands):

Fiscal Years Ending June 30,	OPEB	Total
2019	$ (532,733)	$ (532,733)
2020	(532,733)	(532,733)
2021	(532,733)	(532,733)
2022	(532,736)	(532,736)
2023	(220,657)	(220,657)

10. Unearned Revenue

Unearned revenues for the year ended June 30, 2018 amounted to $557,681 with $509,331 attributable to unearned tuition revenue and $48,350 attributable to unearned CTDLC fees.

11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows (in thousands):

	Salary	Fringe	Supplies & Services	Scholarship Aid, Net	Depreciation	Total
Depreciation	-	-	-	-	440	440
Physical Plant	-	-	282	-	-	282
Institutional Support	2,926	2,374	1,060	-	-	6,360
Scholarship Aid, Net	-	-	-	231	-	231
Student Services	1,737	1,547	510	-	-	3,794
Academic Support	1,057	979	140	-	-	2,176
Instruction	2,832	2,598	574	-	-	6,004
Total operating expenses	8,552	7,498	2,566	231	440	19,287

12. Bonds Payable

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities of COSC. The State obtains its funds for these construction projects from general obligation bonds which it issues from time to time. The State is responsible for all repayments of the bonds in accordance with bond indentures. Debt service on bonds issued by the State to finance educational and general facilities is funded by the General fund of the State, which is in the custody of the State Treasurer. These bonds do not require repayment by COSC and, accordingly, the State's debt obligation attributable to COSC educational and general facilities is not reported as COSC debt.

13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2018:

	SERS	TRS	Total Pension	OPEB	Total Deferred
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$ 496	$ -	$ 496	$ -	$ 496
Changes of assumptions or other inputs	3,180	-	3,180	-	3,180
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,946	28	5,974	-	5,974
Employer contributions after measurement date	1,415	12	1,427	1,188	2,615
Total	$ 11,037	$ 40	$ 11,077	$ 1,188	$ 12,265
					0
DEFERRED INFLOWS OF RESOURCES					0
Changes of assumptions or other inputs	$ -	$ -	$ -	$ 624	$ 624.4
Net difference between projected and actual earnings on pension plan investments	40	-	40	29	69
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	1,698	1,697.7
Total	$ 40	$ -	$ 40	$ 2,352	$ 2,391

REQUIRED SUPPLEMENTARY INFORMATION

Charter Oak State College

Schedule of Net Pension Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2018, 2017, 2016, 2015 and 2014

Schedule of The Combining Unit's Proportionate Share of The Net Pension Liability
State Employee Retirement System Plan
(in thousands)
Last 10 Fiscal Years [1]

	2018	2017	2016	2015	2014
COSC's proportion of the net pension liability	0.10%	0.07%	0.06%	0.06%	0.05%
COSC's proportionate share of the net pension liability	$ 20,753	$ 15,610	$ 10,043	$ 9,130	$ 7,870
COSC's covered-employee payroll	$ 3,793	$ 2,529	$ 2,199	$ 1,988	$ 1,592
COSC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	547%	617%	457%	459%	494%
Plan Fiduciary net position as a percentage of the total pension liability	36.25%	31.69%	39.23%	39.54%	Unavailable[1]

Schedule of The Combining Unit's Contributions
State Employee Retirement System Plan
(in thousands)
Last 10 Fiscal Years [1]

	2018	2017	2016	2015	2014
Contractually required contribution	$ 1,519	$ 1,021	$ 834	$ 727	$ 503
Contributions in relation to the contractually required contribution	(1,519)	(1,021)	(834)	(723)	(502)
Contribution deficiency (excess)	$ -	$ -	$ -	$ 4	$ 1
COSC's covered-employee payroll	$ 3,793	$ 2,529	$ 2,199	$ 1,988	$ 1,592
Contributions as a percentage of covered employee payroll	40.05%	40.36%	37.91%	36.38%	31.54%

[1] Until a full 10-year trend is compiled, COSC is presenting only information for years for which information is available.

1. Changes in Benefit Terms for State Employee Retirement System Plan

For the June 30, 2017 valuation, the following changes in benefit terms were included:

- A 3-year freeze on all salary increases for fiscal years ending 2017, 2018 and 2019.
- The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in CPI-W from 0.0% to 2.0%, plus 60% of the annual rate of increase in CPI-W from 3.33% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6.0% and with a cap on the COLA rate of 7.5%.
- A COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.
- Increase to all non-Tier IV members' contribution rates by 1.5% of compensation effective July 1, 2017 and an additional 0.5% of compensation effective July 1, 2019.
- In years where employer contribution increase due to poor asset returns, half the increase is applied to Tier IV member contribution rate of up to 2% in total.
- Tier IV Hybrid Plan Structure for All New Hires (Non-Hazardous and Hazardous) after July 1, 2017:
    - i. Non-Hazardous has same retirement eligibility as Tier III
    - ii. Non-hazardous benefit multiplier is 1.30% with no breakpoint
    - iii. Hazardous duty requires 25 years of service to retire
    - iv. Employees contribute 3% more than Tier III employees into the DB Plan.
    - v. Employers contribute 1% and employees must contribute at least 1% to DC portion of Hybrid Plan.

Charter Oak State College

Schedule of OPEB Liability and Related Ratios (Unaudited)

Schedule of Contributions (Unaudited)

June 30, 2018

Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years [1]

	2018	2017
COSC's proportion of the net OPEB liability	0.12%	0.13%
COSC's proportionate share of the net OPEB liability	$ 25,846,053	$ 27,927,904
COSC's covered-employee payroll	$ 6,053,317	$ 6,171,250
COSC's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	427%	453%
Plan Fiduciary net position as a percentage of the total OPEB liability	3.03%	1.94%

Schedule of Contributions
Other Post Employment Benefits

Last 10 Fiscal Years [1]

	2018	2017
Contractually required contribution	$ 1,000,421	$ 985,748
Contributions in relation to the contractually required contribution	(1,000,421)	(985,748)
Contribution deficiency (excess)	$ -	$ -
System's covered-employee payroll	$ 6,053,317	$ 6,171,250
Contributions as a percentage of covered employee payroll	16.53%	15.97%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

DRAFT 12-4-18

2018

CSCU Connecticut State Universities

Financial Statements

including

Required Supplementary Information

Additional Supplemental Information

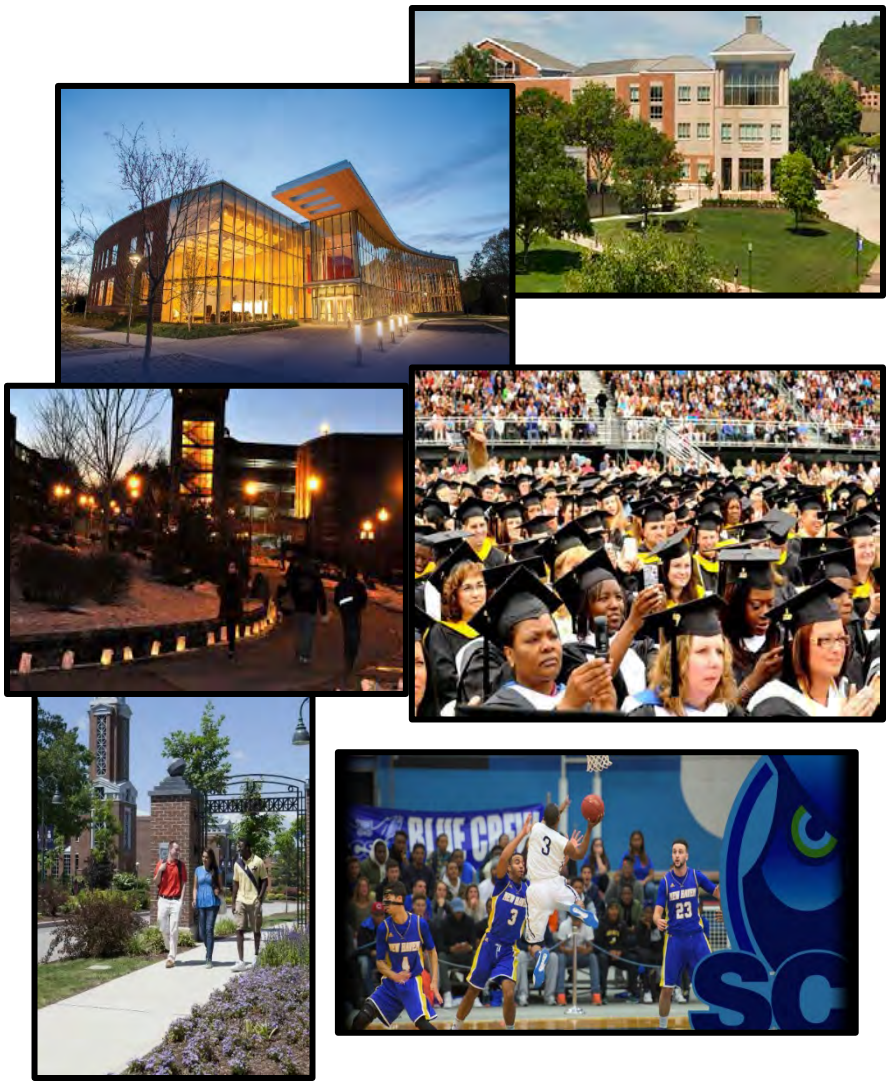
June 30, 2018

Connecticut State Colleges & Universities

CSCU

Connecticut State Universities Mission Statement

As part of the Connecticut State Colleges & Universities (CSCU) system, the four Connecticut State Universities offer exemplary and affordable undergraduate and graduate instruction leading to degrees in the liberal arts, sciences, fine arts, applied fields, and professional disciplines. They advance and extend knowledge, research, learning and culture while preparing students to enter the workforce and to contribute to the civic life of Connecticut's communities. Through a variety of living and learning environments, the Universities ensure access and diversity to meet the needs of a broad range of students. They support an atmosphere of inter-campus learning, the exploration of technological and global influences and the application of knowledge to promote economic growth and social justice



CSCU

Members of the Board of Regents for Higher Education
(Between 7/1/17 – 6/30/18)

- Thirteen members: nine appointed by the Governor; four appointed by legislative leaders
- Two students chosen by their peers (Chair and Vice Chair of Student Advisory Committee)
- Six non-voting, ex-officio members:
  - Four CT commissioners appointed by the Governor from the Departments of Public Health, Education, Economic and Community Development, and Labor
  - Chair and Vice Chair of the Faculty Advisory Committee

Regents as of 6/30/18 *(three vacancies: two student regents; one legislative)*

Matt Fleury, Chairman **(appt to Chair 7/1/17)**
Yvette Meléndez, Vice Chair
Richard J. Balducci
Aviva D. Budd
Naomi K. Cohen
Lawrence J. DeNardis
Felice Gray-Kemp
Merle W. Harris
Holly Howery **term began 4/19/18**
David R. Jimenez
JoAnn Ryan – **term began 4/19/18**
Elease E. Wright

Ex-Officio, Non-voting members

William Lugo – Chair of the Faculty Advisory Committee **term began 1/1/18**
Del Cummings – Vice Chair of the Faculty Advisory Committee **term began 1/1/18**
Raul Pino – Commissioner of the CT Department of Public Health
Dianna R. Wentzell – Commissioner of the State Board of Education
Catherine Smith – Commissioner of the CT Department of Economic and Community Development
Commissioner Kurt Westby – Commissioner of the CT Department of Labor – term began June 2018

Former Board members (who served between 7/1/17 – 6/30/18)
William J. McGurk; **term ended 4/19/18**
JoAnn H. Price **term ended 4/19/18**
Holly Palmer (COSC student; **term ended 12/31/17**)
Joseph Young (CCC student; **term ended 6/30/17**)
Hector Navarro (CCC student; elected in June 2017; **left Board 5/1/18**)
Juan Carlos Leal (CSU student; elected in December 2017; **left Board 5/1/18**)
Barbara E. Richards – Chair of the Faculty Advisory Committee – **term ended 12/31/17**
Stephen Adair – Vice Chair of the Faculty Advisory Committee – **term ended 12/31/17**
Scott Jackson – Commissioner of the CT Department of Labor – **left the Board 6/1/18**

Connecticut State Universities

Central Connecticut State University (CCSU)
1615 Stanley Street
New Britain, CT 06050
Dr. Zulma Toro, President

Eastern Connecticut State University (ECSU)
83 Windham Street
Willimantic, CT 06226
Dr. Elsa Nunez, President

Southern Connecticut State University (SCSU)
501 Crescent Street
New Haven, CT 06515
Dr. Joseph Bertolino, President

Western Connecticut State University (WCSU)
181 White Street
Danbury, CT 06810
Dr. John B. Clark, President

System Office, Connecticut State Colleges & Universities
61 Woodland Street
Hartford, CT 06105
Mark E. Ojakian, President

Connecticut State University System
Index to Financial Statements
June 30, 2018

Introduction

Management's Discussion and Analysis provides an overview of the financial position and results of activities of the Connecticut State University System ("CSUS" or "System") and its component units for the fiscal year ended June 30, 2018. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Connecticut Community Colleges and Charter Oak State College, effective July 1, 2011. The new Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees for the Connecticut State University System."

CSUS is a state-wide public university system of higher learning in the State of Connecticut with 33,033 enrolled students. The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 147 subject areas and provide extensive opportunities for internships, community service and cultural engagement. In total, CSUS employed approximately 3,100 full time employees at June 30, 2018.

The CSUS system is composed of four primary Universities that make up the primary reporting entity. The System's four Universities include:

- Central Connecticut State University (CCSU) in New Britain,
- Eastern Connecticut State University (ECSU) in Willimantic,
- Southern Connecticut State University (SCSU) in New Haven, and
- Western Connecticut State University (WCSU) in Danbury

As comprehensive, fully accredited Universities, CSUS institutions are Connecticut's Universities of choice for students of all ages, backgrounds, races and ethnicities. CSUS provides affordable and high quality, active learning opportunities, which are geographically and technologically accessible. CSUS graduates think critically, acquire enduring problem-solving skills and meet outcome standards that embody the competencies necessary for success in the workplace and in life.

Using the Financial Statements

CSUS's financial report includes the following financial statements: the Statement of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35 established standards for external financial reporting for public colleges and Universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of the System as a whole. As required by GASB Statements No. 34 and 35, fiscal year 2018 financial data is presented, both for the CSUS *primary institution*, as well as for certain other organizations that have a significant related party relationship with CSUS (the "component units").

The component units are the CCSU Foundation, Inc., the ECSU Foundation, Inc., the Southern Connecticut State University Foundation, Inc., the Western Connecticut State University Foundation Inc. and the Connecticut State University System Foundation, Inc. (collectively, the "Foundations"). The Foundations are legally independent, tax-exempt non-profit organizations separate from university control, founded to foster and promote the growth, progress and general welfare of the Universities and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Universities' endowments. However, the assets of these component units are not available to CSUS for use at its discretion. This MD&A discusses the University's financial statements only and not those of its component units.

Financial Highlights

At June 30, 2018, total assets of the System were $1,752.9 million, an increase of $11.9 million or 0.7% over the prior year of $1,741.0 million, primarily due to an increase in amounts due from the State of $13.0 million.

Condensed Statements of Net Position
June 30, 2018 and 2017
(in millions)

	2018	2017 Restated*	% Change
ASSETS			
Current assets	$ 384.6	$ 377.6	1.9%
Non-current assets:			
Capital assets, net	1,179.5	1,179.4	0.0%
Other	188.8	184.0	2.6%
Total Assets	1,752.9	1,741.0	0.7%
DEFERRED OUTFLOWS OF RESOURCES	355.0	453.1	-21.7%
LIABILITIES			
Current liabilities	145.5	138.8	4.8%
Non-current liabilities	2,276.4	2,411.7	-5.6%
Total liabilities	2,421.9	2,550.5	-5.0%
DEFERRED INFLOWS OF RESOURCES	69.6	1.3	5253.8%
NET POSITION			
Invested in capital assets - net of related debt	1,029.8	1,015.1	1.4%
Restricted nonexpendable	1.2	0.5	140.0%
Restricted expendable	48.1	38.6	24.6%
Unrestricted	(1,462.7)	(1,411.9)	-3.6%
Total net position	(383.6)	(357.7)	-7.2%

*Net position and non-current liabilities were restated to reflect the net OPEB liability at June 30, 2017 of $1,021.3 billion as if the GASB No. 75 liability was recorded in 2017.

Total liabilities at June 30, 2018 of $2,421.9 million decreased by $128.6 million, primarily due to a decrease in the net pension liability of $96.7 million and a decrease in bonds payable of $21.0 million.

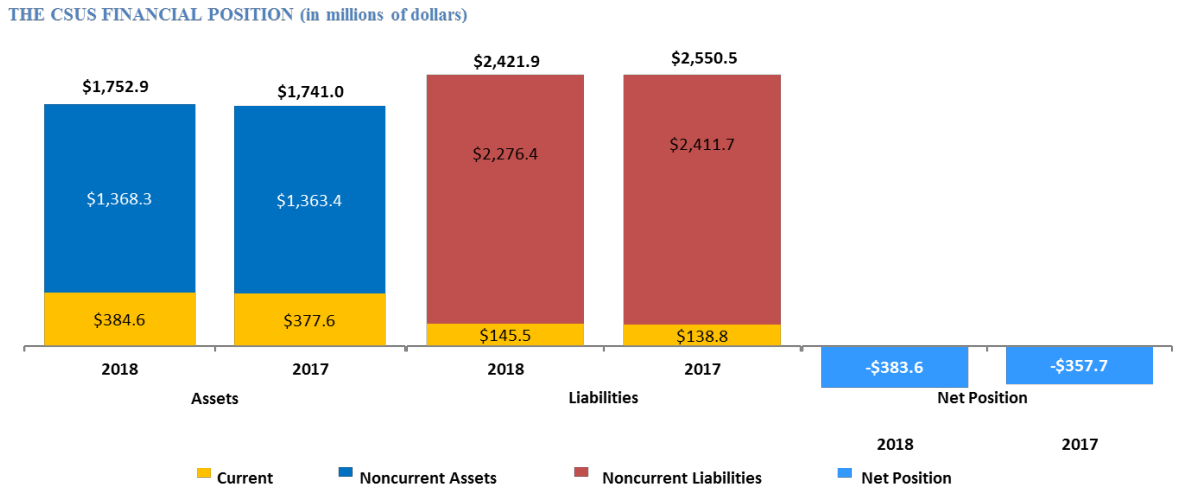
At June 30, 2018, total net position, which represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was ($383.6) million, a decrease of $25.9 million or 7.2% over fiscal year 2017's net position of ($357.7) million. This decrease was primarily due to a decrease in deferred outflows related to the pension that resulted in a net decrease of unrestricted net position of ($98.1) million.

The large negative balance in unrestricted net position was a result of the adoption of GASB 68 in fiscal year 2015 and GASB 75, *Other Post-Employment Benefits*, in fiscal year 2018. Adoption of GASB 68 required the System to recognize a liability for pension plans, which was previously disclosed only at the State level. The adoption of GASB 75 in fiscal year 2018 required the System to recognize the net liability for other post-employment benefits (OPEB). The offset to the pension and OPEB liabilities was a reduction in unrestricted net position as further discussed below. For purposes of comparison, fiscal year 2017 financial statements in the MD&A have been restated to reflect the financial information if GASB 75 had been adopted at the beginning of that year.

Statement of Net Position

The Statement of Net Position presents the overall financial position of the System at the end of the fiscal year, and includes all assets and liabilities of the Connecticut State University System, including capital assets net of depreciation.

Current assets at June 30, 2018 of $384.6 million increased by $7.0 million or 1.9% primarily due to the increase in amounts due from the state of $13.1 million and an increase in cash and cash equivalents of $6.9 million offset by a decrease in investments of $11.0 million. The System's current ratio of 2.6:1 at the end of fiscal year 2018 is a decrease from a ratio of 2.7:1 from the prior fiscal year end.



Total non-current assets at June 30, 2018, of $1,368.4 million increased by $5.0 million or 0.4% from the fiscal year 2017 level of $1,363.4 million primarily due to an increase in cash and cash equivalents of $7.3 million offset by a decrease in non-current investments of $2.0 million.

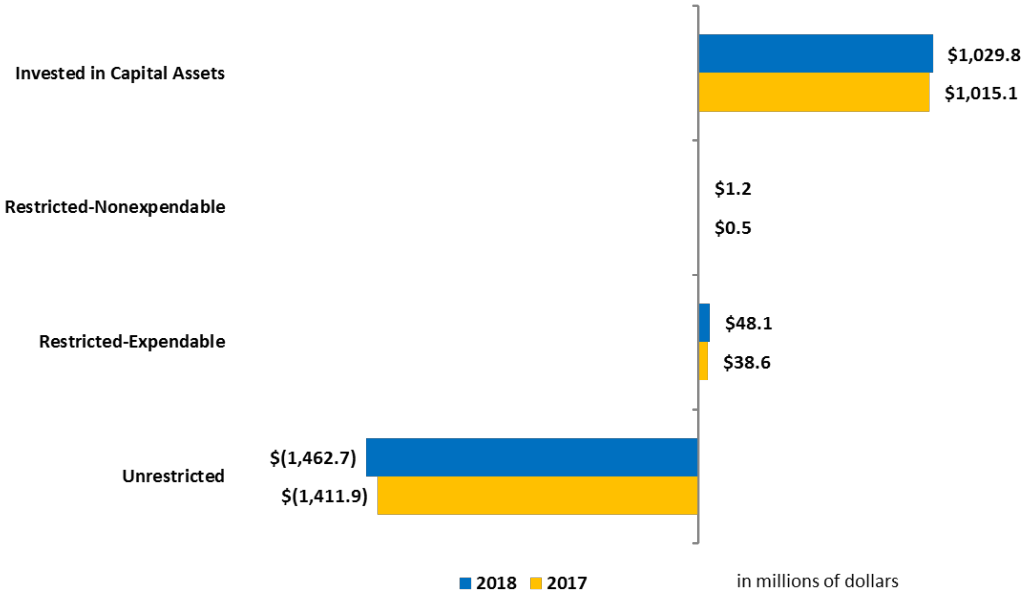
Current liabilities at June 30, 2018 of $145.5 million increased by $6.7 million, mainly due to the increase in accrued salaries and benefits of $12.1 million offset by a decrease in account payable of $2.9 million and a decrease in unearned tuition, fees and grant revenue of $2.6 million.

Non-current liabilities at June 30, 2018 of $2,276.4 million decreased by $135.3 million. This is mainly due to a decrease in net pension liability of $96.7 million, a decrease of bonds payable of $21.0 million and a decrease in the net OPEB liability of $18.3 million. *Pension liabilities* represent the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability. Other post-employment benefits liability represents the System's proportionate share of the State's OPEB liability as a whole.

Deferred inflows and outflows of resources are related to future periods. This is primarily related to the impact of recognizing net pension and net OPEB liabilities and refunding of debt. For pension and OPEB net liabilities they reflect differences between projected and actual assumptions and earnings, changes in actuarial assumptions, changes in proportion and differences between contributions and proportionate share of contributions and employer contributions subsequent to the measurement date. The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources (loss) or deferred inflow of resources (gain).

Net position invested in capital assets, net of related debt, represents the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

THE CSUS NET POSITION (in millions of dollars)



Restricted net position is divided into two classifications, expendable and nonexpendable. Restricted expendable net position is subject to externally imposed restrictions governing its use. In the System, restricted expendable net position primarily represents the residual balances of the System's unexpended grant funds. Restricted nonexpendable net position comprises the System's permanent funds such as the Endowment Fund. Most endowed funds are held with the individual instititons foundations for the benefit of the Universities.

Unrestricted net position (UNP) represents funds available to support CSUS activities and operations at the discretion of the Board of Regents, the President, and the University Presidents. Unrestricted net position is negative due to the System's share of the State's pension plan's net pension liability and OPEB. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the System's reserves are allocated for academic initiatives or programs and for capital and other purposes, including University fee receipts and parking fee receipts that have been designated by Universities to meet debt service obligations. Without reflecting the net pension liability and OPEB, unrestricted net position increased $0.4 million from 2017 to 2018. UNP adjusted for net pension liability beginning in FY 2014 and net OPEB liability beginning in FY 2017 is as follows:

	FY14	FY15	FY16	FY17	FY18
UNP:	$145.1	$115.1	$136.8	$143.1	$143.5
UNP Adjusted:	($382.4)	($370.5)	($361.6)	($1,411.9)	($1,462.7)

Unrestricted Net Position (less NPL) - in millions of dollars

At fiscal year end June 30, 2018, the System had an investment in plant assets of $2,076.1 million, an increase of $38.9 million or 1.9% over the fiscal year end 2017 level of $2,037.2 million. This increase was primarily due to the increase in construction in progress. The increase in investment in plant assets reflects the System's continued commitment to provide its students with state-of-the-art buildings and equipment as more CSUS projects continue to be started and/or completed.

During the June 30, 2018 fiscal year, CCSU identified assets capitalized in fiscal year 2016 and prior that warranted write down as there is no residual useful life or value associated with them. CCSU has recorded an adjustment of $3.6 million reflecting an impairment of these assets in accordance with GASB 42. Additional information can be found in Note 1.

Net Investment in Plant
June 30, 2018 and 2017
(in millions)

	2018	2017	% Change current yr
Land	$ 19.9	$ 19.9	0.0%
Buildings & improvements	1,643.2	1,610.9	2.0%
Land improvements	106.9	105.0	1.8%
Furniture, Fixtures & Equipment	148.2	154.5	-4.1%
Library books and materials	56.1	72.8	-22.9%
Construction in progress	101.8	74.1	37.4%
Total investment in plant	2,076.1	2,037.2	1.9%
Less accumulated depreciation	896.6	857.8	4.5%
Investment in plant, net of depreciation	$ 1,179.5	$ 1,179.4	0.0%

In 1997, Governor John Rowland committed to support $320 million in general obligation bonding for capital projects and information technology equipment over a five-year period for CSUS. It was extended an additional five years in 2001. In November 2007, Governor Rell signed Public Act 07-7, "An Act Authorizing and Adjusting Bonds of the State for Capital Improvements and Transportation Infrastructure Improvements and Concerning the Connecticut State University Infrastructure Act" which authorized $80 million for CSUS capital projects. The total amount of allocations to CSUS between 1997 and 2017 were $710.7 million.

Public Act 07-7 also established a $950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four Connecticut State Universities. Effective July 1, 2008, this program, known as "CSUS 2020", provided the CSU's with additional flexibility in the allocation of bond funds, through the one time allocation of $950 million, with allotments approved annually by the Governor. For fiscal year 2015, CSUS 2020 was renamed "CSCU 2020" with total funding increased to $1,053.5 million, to include some Community College fiscal year 2015 & fiscal year 2016 funding. The CSCU 2020 program was also extended to fiscal year 2020. In 2017, of the $95 million authorized, $40 million was received by the CSCU and $55 million was deferred to fiscal year 2018. In 2018, of the $150 million authorized, $40 million was received by the CSCU in FY 2019 and $110 million was deferred to a new program year, FY 2020. An additional $16 million was subsequently added to FY 2020 with a total FY 2020 funding allocation of $126 million. The total program funding was increased to $1.1 million. To date, the System has received $943.5 million.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the twentieth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Construction funds available from the Connecticut Health and Educational Facilities Authority ("CHEFA") revenue bond issues totaled $815,205,000, as of June 30, 2018. On September 13, 2016, CHEFA P series of bonds were issued totaling $74,560,000 which includes $19,530,000 for a refunding of selected maturities from prior CHEFA bond issues.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents CSUS' results of operations, as well as the non-operating revenues and expenses.

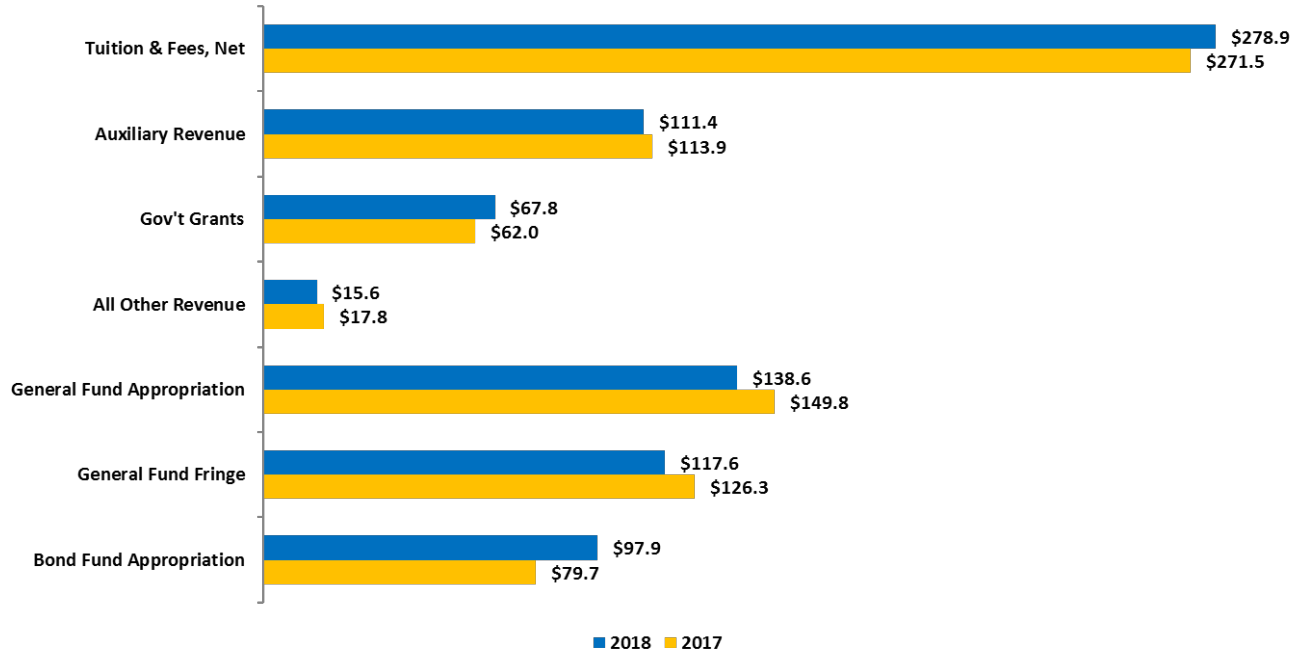
Condensed Statements of Revenues, Expenses and Changes in Net Position
June 30, 2018 and 2017
(in millions)

	2018	2017 Restated*	% Change
OPERATING REVENUES			
Tuition and fees, net	$ 278.9	$ 271.5	2.7%
Auxiliary revenues	111.4	113.9	-2.2%
Grants and indirect cost recoveries	23.8	21.7	9.7%
Other	20.2	22.1	-8.6%
Total operating revenues	434.3	429.2	1.2%
OPERATING EXPENSES			
Expenses before depreciation and amortization	787.4	811.2	-2.9%
Depreciation and amortization	66.3	65.0	2.0%
Total operating expenses	853.7	876.2	-2.6%
Operating loss	(419.4)	(447.0)	-6.2%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund	256.2	276.1	-7.2%
State appropriations - bond fund	97.9	79.7	22.8%
PELL grant revenue	44.0	40.3	9.2%
Investment income	6.4	3.2	100.0%
Other	(11.0)	(7.5)	46.7%
Total non-operating revenues (expenses)	393.5	391.8	0.4%
NET POSITION			
Change in net position	(25.9)	(55.2)	-53.1%
Net position, beginning of year	(357.7)	(302.5)	18.2%
Net position, end of year	$ (383.6)	$ (357.7)	7.2%

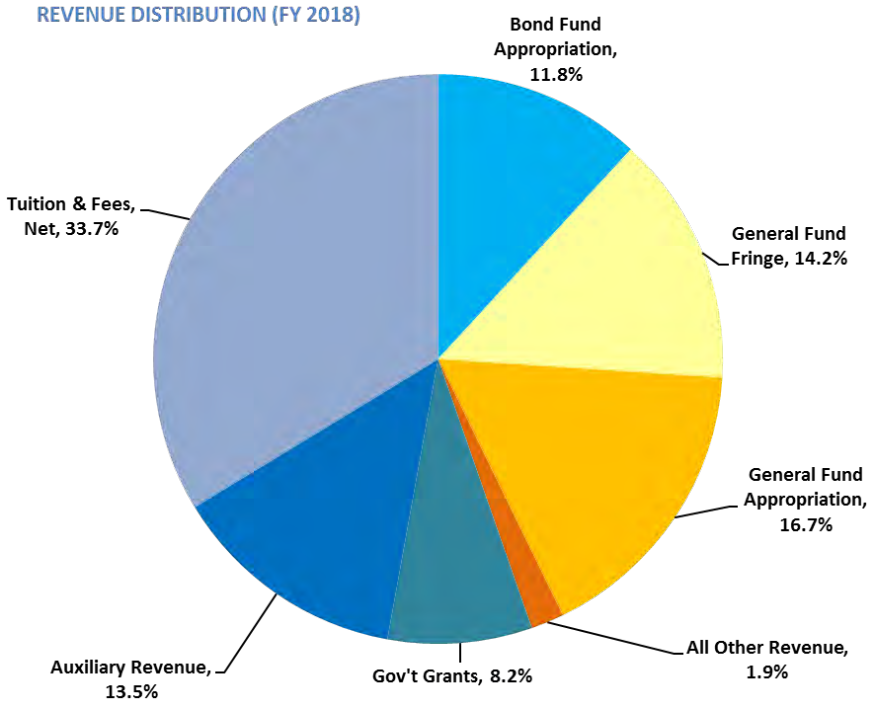
*Net position was restated to reflect the net OPEB liability at June 30, 2017 of $1,021.3 billion as if the GASB No. 75 liability was recorded in 2017.

In fiscal year 2018, state appropriations of $354.1 million, representing 42.8% of the System's total net revenues, were $1.7 million or 0.5% below fiscal year 2017. State appropriations are received for both operating and capital purposes. The majority of the State appropriation dollars for operating purposes are used to fund salaries and fringe benefits. Approximately 53.4% of the System's fiscal year 2018 salary and fringe benefit costs were funded from State appropriations. This compares to 54% in fiscal year 2017.

REVENUE SUMMARY (in millions of dollars)

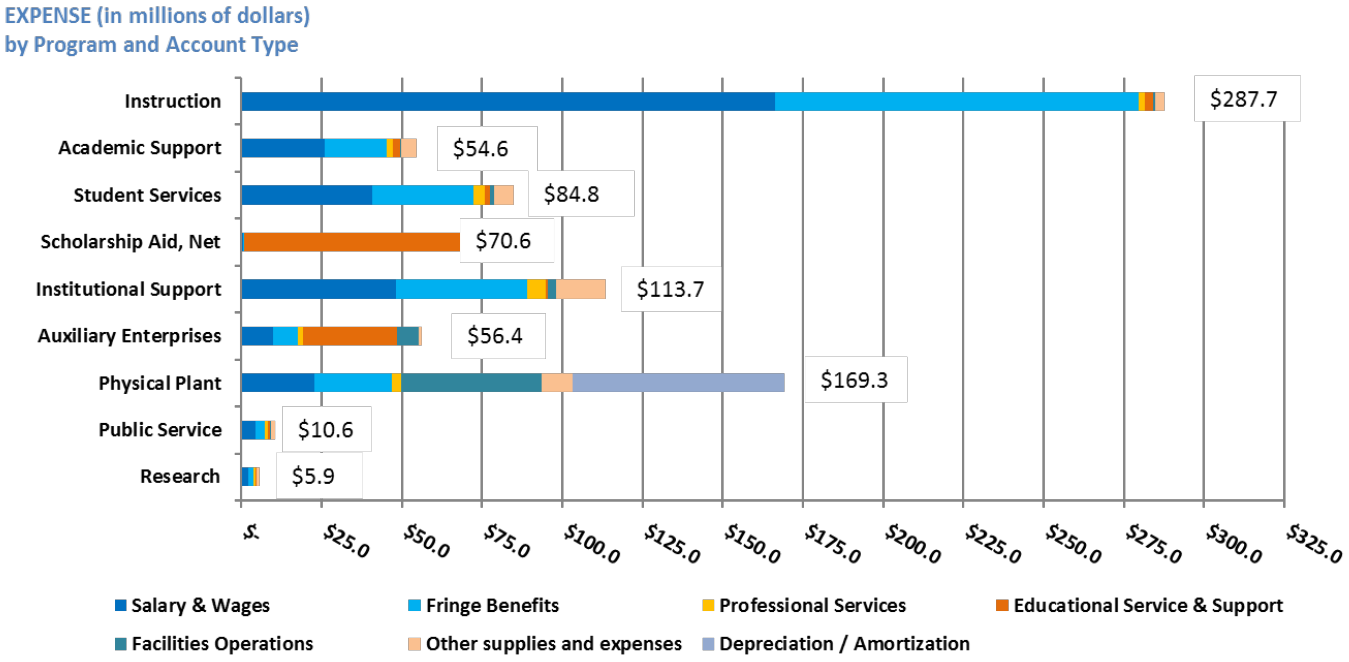


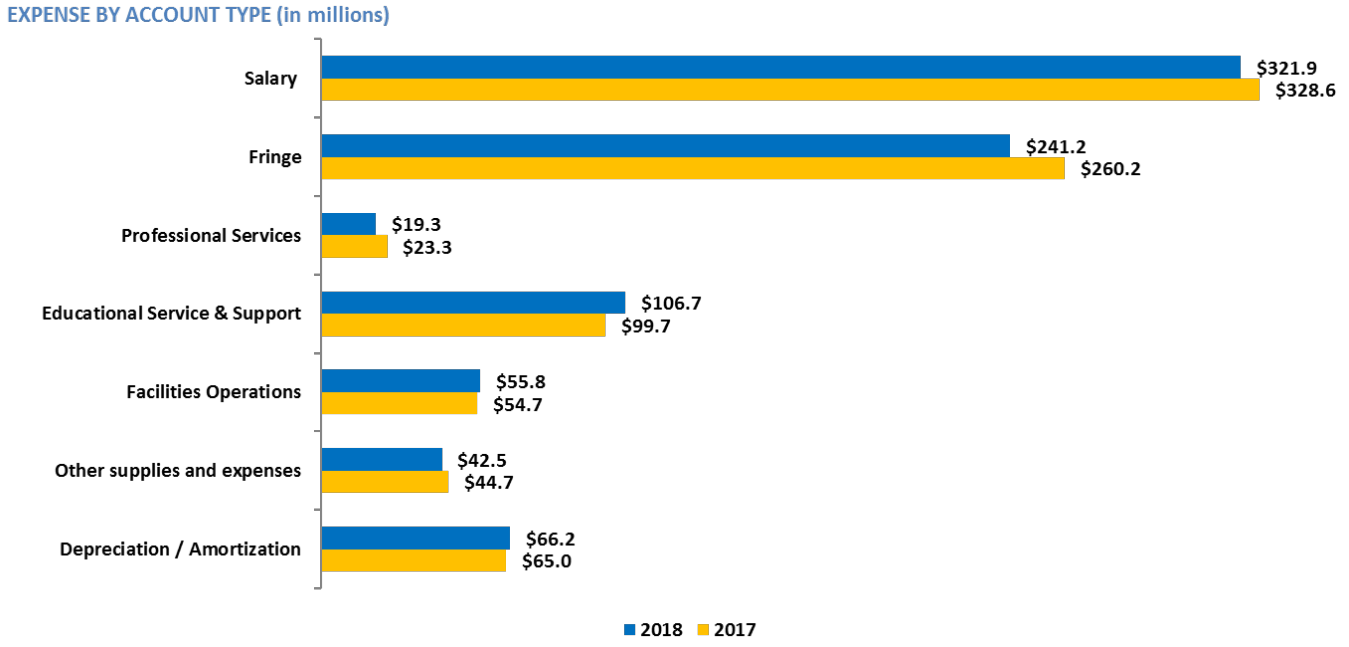
REVENUE DISTRIBUTION (FY 2018)



In fiscal 2018, total operating expenses less depreciation and amortization of $787.4 million decreased by $23.9 million or 2.9% from the prior fiscal year. The primary cause of the decrease was related to a decrease in pension expense of $44.6 million. This decrease in pension expense was offset by an increase in educational services and support costs of $7.0 million and an increase of operation of facilities costs of $1.1 million.

Note 13 to the financial statements details operating expenses by function. The following graph illustrates operating expenses by program & account type.





Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. The System's net change in cash and cash equivalents at June 30, 2018 increased $14.2 million or 4.0%. This increase was primarily driven by increased tuition and fee revenue related to a 4.0% increase in tuition and fees and a decrease in operating expenses as a result of budget tightening measures.

Condensed Statement of Cash Flows
June 30, 2018 and 2017
(in millions)

	2018	2017	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	$ (288.1)	$ (297.0)	-3.0%
Non-Capital financing activities	292.5	321.2	-8.9%
Capital & related financing activities	(9.4)	31.2	-130.1%
Investing activities	19.2	(42.9)	144.8%
Net change in cash and cash equivalents	14.2	12.5	13.6%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	353.9	341.4	3.7%
Cash and cash equivalents, end of year	$ 368.1	$ 353.9	4.0%

Economic Outlook

Connecticut will have a new governor and new state administration, as well as a number of new legislators and political appointees beginning in January 2019. With such changes will undoubtedly come both new risks and new opportunities for the CSUS. The governor-elect has called upon Dr. Elsa Nunez, President of Eastern Connecticut State University, to serve on his transition team.

In order to provide new state administration with an informative and favorable view of the CSUS and CSCU, management has prepared a white paper detailing the System's economic and social value to the State of Connecticut. This document includes investments which we believe are necessary to further develop programs and degrees which will further the economic recovery of Connecticut. The new state biennium budget will be developed shortly after the new administration is in place, and advocating for CSCU institutions is particularly important at this time. The outcome of the biennium budget will further shape the economic outlook of the CSUS.

The history of defunding public higher education along with other state agencies in order to manage significant state budget deficits has put pressure on the CSUS to tightly manage institutional budgets. The economic climate in the State of Connecticut may continue to be challenged; regardless of changes that may be made by new state government, it would be several years before the fiscal position of the state would be turned around. It is therefore incumbent upon CSCU to continue to tightly manage spending, which they have successfully done in the past years.

System and university management teams have developed some cost-savings initiatives under the strategic plan, "Students First", to mitigate the economic challenges; these projects are in various stages of implementation.

Detailed information concerning the consolidation of administrative areas is available on the CSCU website at http://www.ct.edu/studentsfirst.

The following table indicates historical enrollment of undergraduate and graduate students for the 2013-2014 through 2017-2018 academic years. Also indicated is full-time equivalent student enrollment.

Fall Headcount Enrollment and Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Full Time Equivalent	% Change
2018	27,661	-0.69%	5,372	0.71%	33,033	-0.46%	27,301	0.14%
2017	27,853	-2.04%	5,334	2.34%	33,187	-1.36%	27,263	-0.75%
2016	28,434	-0.53%	5,212	-5.51%	33,646	-1.33%	27,470	-0.95%
2015	28,585	-0.40%	5,516	2.85%	34,101	0.11%	27,734	-0.70%
2014	28,699	-2.08%	5,363	-2.77%	34,062	-2.19%	27,930	-1.98%

Enrollment in the last few years has remained relatively flat in spite of a continued decline in Connecticut high school graduates. The CSUS are regularly refreshing academic programs and curricula to remain current and relevant to the needs of Connecticut and the interests of the students.

The table below shows the total of new full-time freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of academic years 2014 through 2019.

Fall Semester First-Time Full-Time Student Admissions					
Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2018	27,806	66.98%	18,626	24.24%	4,515
2017	27,691	62.18%	17,219	26.00%	4,477
2016	27,321	61.18%	16,715	26.24%	4,386
2015	21,233	62.96%	13,369	31.96%	4,273
2014	19,055	67.45%	12,852	34.13%	4,386

The CSUS continue to see successful recruitment of first-time freshmen which has increased slightly over the past three years, in spite of fewer high school graduates in the state. The CSUS continue to work through strategies to enhance enrollment, including both Connecticut residents and out-of-state students, in order to counteract the impact of declining Connecticut high school graduates.

During fiscal year 2019, plans include completion of the design and the beginning of construction to renovate and add to Barnard Hall (CCSU), a new Engineering Building (CCSU), a new Health & Human Service Facility (SCSU) and a new Business School (SCSU). Projects currently in construction and scheduled to be completed in fiscal year 2019 include renovations to Willard and Diloretto Halls (CCSU), the new Kaiser Sports Center Annex (CCSU), Goddard Hall/Communications Building renovations (ECSU) and renovations to Higgins Hall (WCSU).

Additional Information

This financial report is designed to provide a general overview of CSUS's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to the CSCU Chief Financial Officer, Connecticut State Colleges & Universities (860-723-0251). University specific questions may also be directed to the Vice President for Finance at each individual University.

Hold for Independent Auidtors Report

Hold for Independent Auidtors Report

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Connecticut State University System

Statements of Net Position

June 30, 2018

	2018
Assets	
Current assets	
Cash and cash equivalents (Notes 2 and 6)	$ 219,593,668
Investments (Note 2)	65,404,398
Student receivables, net (Note 3)	4,530,889
Student loans receivable, net (Note 3)	1,632,941
Grants receivable, net (Note 3)	2,414,005
Miscellaneous receivables, net (Note 3)	1,814,550
Due from the State of Connecticut (Notes 6)	82,167,659
Prepaid expenses and other current assets	7,043,765
Total current assets	384,601,875
Noncurrent assets	
Cash and cash equivalents (Notes 2 and 6)	148,471,077
Investments (Note 2)	32,470,789
Student loans receivable, net (Note 3)	7,337,167
Other assets	568,364
Investment in plant, net of accumulated depreciation (Note 4)	1,179,519,873
Total noncurrent assets	1,368,367,270
Total assets	$ 1,752,969,145
Deferred outflows of resources	
Deferred pension (Note 13)	$ 305,364,155
Deferred other post employment benefits (Note 13)	49,356,655
Deferred loss on bond refunding	237,700
Total deferred outflows of resources	$ 354,958,510

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

Connecticut State University System

Statements of Net Position

June 30, 2018 (Continued)

	2018
Liabilities	
Current liabilities	
Accounts payable	$ 13,538,293
Accrued salaries and benefits	70,972,998
Accrued compensated absences (Note 5)	4,530,468
Due to the State of Connecticut	5,823,955
Unearned tuition, fees and grant revenue (Note 9)	22,146,648
Bonds payable (Note 12)	18,940,000
Accrued bond interest payable	2,250,984
Other liabilities	2,526,833
Depository accounts	4,797,619
Total current liabilities	145,527,798
Noncurrent liabilities	
Accrued compensated absences (Note 5)	60,018,160
Bonds payable (Note 12)	315,656,973
Federal loan program advances	9,107,511
Deferred compensation	256,974
Pension liability, net (Note 8)	888,342,894
Other post employment benefits, net (Note 9)	1,002,973,049
Total noncurrent liabilities	2,276,355,561
Total liabilities	$ 2,421,883,359
Deferred inflows of resources	
Deferred pension (Note 13)	$ 19,293,216
Deferred other post employment benefits (Note 13)	50,332,295
Total deferred inflows of resources	$ 69,625,511
Net Position	
Invested in capital assets, net of related debt	$ 1,029,842,958
Restricted	
Nonexpendable	1,210,934
Expendable	48,079,912
Unrestricted	(1,462,715,019)
Total net position	$ (383,581,215)

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

Connecticut State University System

Combined Statements of Financial Position – Component Units

June 30, 2018

	2018
Assets	
Cash and cash equivalents	$ 7,142,207
Investments	139,356,507
Contributions and other receivables	5,828,413
Prepaid expenses and other assets	333,854
Investment in plant, net	4,151,914
Total assets	$ 156,812,895
Liabilities	
Accounts payable	$ 355,286
Custodial obligation payable	47,369
Other liabilities	1,083,207
	1,485,862
Net assets	
Unrestricted	5,905,860
Temporarily restricted	53,841,097
Permanently restricted	95,580,076
Total net assets	155,327,033
Total liabilities and net assets	$ 156,812,895

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

Connecticut State University System

Statements of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

	2018
Operating revenues	
Tuition and fees	
Tuition and fees (Note 1)	$ 328,319,520
Less	
Scholarships allowance	(33,119,144)
Waivers	(16,232,859)
Tuition and fees, net of scholarship allowances and waivers	278,967,517
Federal grants and contracts	6,281,938
State and local grants and contracts	11,924,304
Nongovernment grants and contracts	5,019,921
Indirect cost recoveries	537,148
Auxiliary revenues (Note 1)	111,431,239
Other operating revenues	20,158,687
Total operating revenues	434,320,754
Operating expenses (Note 10)	
Salaries and wages	321,856,180
Fringe benefits	241,233,851
Professional services and fees	19,324,844
Educational services and support	106,694,459
Travel expenses	6,623,021
Operation of facilities	55,762,956
Other operating supplies and expenses	35,921,679
Depreciation expense	66,193,622
Amortization expense	81,059
Total operating expenses	853,691,671
Operating loss	(419,370,917)
Nonoperating revenues (expenses)	
State appropriations	256,188,053
Pell grant revenue	44,016,822
Gifts	3,793,722
Investment income	6,443,442
Interest expense	(11,262,558)
Other nonoperating revenues, net	2,056,447
Net nonoperating revenues	301,235,928
Loss before other changes in net position	(118,134,989)
Other changes in net position	
State appropriations restricted for capital purposes	97,906,550
Loss on disposal of capital assets	(5,667,432)
Net other changes in net position	92,239,118
Net change in net position	(25,895,871)
Net position	
Net position - beginning of year, as restated (Note 1)	(357,685,344)
Net position - end of year	$ (383,581,215)

Connecticut State University System

Statement of Activities – Component Units

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018
Revenues, gains and other support				
Contributions	$ 1,692,341	$ 3,911,952	$ 5,333,703	$ 10,937,996
State grants	-	93,600	793	94,393
Program income	161,393	501,125	8,458	670,976
Investment income	330,569	3,672,531	5,732	4,008,832
Gain (loss) on investments	132,277	5,561,444	524	5,694,245
Other income	776,996	(349,584)	-	427,412
Disposal of assets gain (loss)	(200,000)	-	-	(200,000)
Net assets released from restrictions and reclassifications	8,815,517	(8,815,317)	(200)	-
Total revenues, gains and other support	11,709,093	4,575,751	5,349,010	21,633,854
Operating expenses				
Scholarships and awards	1,404,906	-	-	1,404,906
University support	7,387,474	-	-	7,387,474
Auxiliary services	996,381	-	-	996,381
Academic enrichment	460,157	-	-	460,157
Fundraising	1,439,584	-	-	1,439,584
Management and general	1,184,451	-	-	1,184,451
Total operating expenses	12,872,953	-	-	12,872,953
Transfers between funds	(241,433)	(74,192)	315,625	-
Changes in net assets	(1,405,293)	4,501,559	5,664,635	8,760,901
Net assets				
Beginning of year	7,311,153	49,339,538	89,915,441	146,566,132
End of year	$ 5,905,860	$ 53,841,097	$ 95,580,076	$ 155,327,033

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

Connecticut State University System

CSCU

Statements of Cash Flows

Year Ended June 30, 2018

	2018
Cash flows from operating activities	
Tuition and fees	$ 277,536,058
Grants and contracts	22,897,700
Auxiliary revenues	110,512,033
Other operating revenues	25,473,355
Payments to employees for salaries and benefits	(496,806,748)
Payments to suppliers	(9,455,875)
Professional services and fees	(19,324,944)
Educational services and support	(106,694,460)
Travel expenses	(6,623,020)
Operation of facilities	(57,374,880)
Other operating supplies and expenses	(28,231,010)
Net cash used in operating activities	(288,091,791)
Cash flows from noncapital financing activities	
State appropriations	242,608,410
Gifts for other than capital purposes	3,793,724
Nonoperating grants and revenue other	46,073,271
Net cash provided by noncapital financing activities	292,475,405
Cash flows from investing activities	
Proceeds from sales and maturities of investments	45,230,773
Purchases of investments	(32,269,643)
Interest and dividends received on investments	6,224,354
Net cash provided by investing activities	19,185,484
Cash flows from capital and related financing activities	
Cash paid for capital assets	(74,008,048)
State capital appropriations received	98,615,747
Repayments of capital debt and leases	(20,055,000)
Interest paid on capital debt and leases	(13,943,238)
Net cash used in capital and related financing activities	(9,390,539)
Net increase in cash and cash equivalents	14,178,559
Cash and cash equivalents, beginning of year	353,886,186
Cash and cash equivalents, end of year	$ 368,064,745

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

Connecticut State University System

CSCU

Statements of Cash Flows

Year Ended June 30, 2018 (Continued)

	2018
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (419,370,917)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	66,193,622
Amortization	81,059
Changes in assets and liabilities:	
Receivables	2,166,630
Prepaid expenses and other	180,440
Accounts payable	(177,866)
Accrued salaries and benefits	12,071,167
Other liabilities	(1,229,432)
Due to/from the State of Connecticut	1,725,988
Unearned tuition, fees and grant revenues	(2,645,031)
Deferred compensation	50,000
Depository accounts	426,421
Accrued compensated absences	1,140,206
Pension Liability	(96,696,186)
Other post employment benefits	(18,268,659)
Changes in deferred outflows and inflows of resources	
Deferred pension contribution	108,758,210
Deferred other post employment benefit outflows	(10,803,330)
Deferred pension asset gains	17,973,592
Deferred other post employment benefit inflows	50,332,295
Net cash used in operating activities	$ (288,091,791)
Noncash financing activity	
Fixed assets included in accounts payable	$ 2,777,474
Reconciliation of cash and cash equivalents to the combined statements of net position	
Cash and cash equivalents classified as current assets	$ 219,593,668
Cash and cash equivalents classified as noncurrent assets	148,471,077
	$ 368,064,745

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

1. Summary of Significant Accounting Policies

Organization

The Connecticut State Colleges and Universities System ("CSCU") was established by the State of Connecticut (the "State") in 2011 via Public Act 11-48 as amended by Public Act 11-61. This brought together the governance structure for the Connecticut State University System ("CSUS"), the Connecticut Community College System ("CCC") and Charter Oak State College ("COSC") under the newly formed Board of Regents (BOR) for Higher Education. The financial statements presented herein represent only the financial activities of CSUS. Separate financial statements are issued for CCC and COSC.

CSCU consists of seventeen separate institutions including four state universities, twelve community colleges and Charter Oak State College. The CSCU system offers associate degrees, baccalaureate, graduate and certificate programs, applied doctoral degree programs in education as well as short-term certificates and individual coursework in both credit and noncredit programs.

The System Office administers certain activities centrally for the provision of management information systems and services to the Universities. Primary among these activities are administration of certain system-wide information systems, telecommunications, capital projects planning and rebudgeting, technical support and debt service. Costs of such activities, including the allocation of funds to the Universities from bond proceeds, are included in the activity of the System Office and supported by revenues from State appropriations and Universities' tuition and fee revenues which are allocated to the System Office through the budget allocation process. Such activities are eliminated in the statement of revenues, expenses and changes in net position.

Basis of Presentation

The financial statements for the CSUS institutions have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Government Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. These financial statements include the statements of CSUS institutions (the System) which include, Central Connecticut State University (CCSU), Eastern Connecticut State University (ECSU), Southern Connecticut State University (SCSU), Western Connecticut State University (WCSU), and System Office (SO) and their aggregate discretely presented component units (primarily the foundations that support the four universities).

CSUS's financial statements include three statements: the statements of net position, the statements of revenues, expenses, and changes in net position and the statements of cash flows.

- The statements of net position present information on all of the system's assets, liabilities, deferred outflows and inflows, and net position.
- The statements of revenues, expenses and changes in net position present information showing how the incumbent system's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are

reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).

- The statement of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

Several legally separate, tax-exempt, affiliated organizations (the "Foundations") must be considered component units of the CSUS and are presented discretely in these financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the Universities in support of their programs. Although the Universities do not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the Universities by the donors**.** Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the Universities, the Foundations are considered component units of CSUS primary institutions.

The Foundations are private nonprofit organizations that report under FASB standards, which include guidelines for *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The disclosures included in the financial statements address only the Universities and not the related Foundations. No modifications have been made to the Foundation's financial information in CSUS's financial reporting entity for these differences.

Net Position
Resources are classified for reporting purposes into the following four net position categories:

- **Invested in Capital Assets, Net of Related Debt**

  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Similar net assets are included in unrestricted net assets in the statements of the component units.

- **Restricted Nonexpendable**

  Net position subject to externally imposed stipulations that they be maintained in perpetuity by CSUS. Similar net assets are referred to as permanently restricted net assets in the statements of the component units.

- **Restricted Expendable**

  Net position whose use by CSUS is subject to externally imposed stipulations that can be fulfilled by actions of CSUS pursuant to those stipulations or that expire by the passage of time. Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.

- **Unrestricted**

  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management

or the BOR or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic and research programs and initiatives, and capital programs.

Classification of Assets and Liabilities
CSUS presents short-term and long-term assets and liabilities in the statements of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from the reporting date. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from the reporting date. Cash and cash equivalents and investments presented as short-term in the statements of net position include balances with a maturity of one year or less from the reporting date. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from the reporting date and balances that have externally imposed restrictions as to use.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of CSUS by the State Treasurer and has original maturities of three months or less (see Notes 2 and 6). CSUS has long-term investments which include debt service reserve funds which are restricted for purposes in accordance with CHEFA regulations. Interest income is recognized on the accrual basis.

The largest inflow of cash related to non-capital financing is State appropriations and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. The appropriation is treated as a cash equivalent for accounting and reporting purposes, and is included in the cash flow statement.

Fair Value of Financial Instruments
Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits. Investments are carried at fair value, based upon quoted market prices.

Investment in Plant
Capital assets of the primary institutions are stated at historical cost or, in the case of donated property, at acquisition value at the date of the gift. Land, capitalized collections, and construction in progress are not depreciated. Construction period interest costs in excess of earnings associated with related unspent debt proceeds are capitalized as a component of the fixed asset. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life. Useful lives assigned to assets are as follows:

Asset Class Description	Useful Life
Buildings	40 years
Site & Building Improvements	20 years
Technology	5 years
Library Materials	10 years
Vehicles	10 years
Software	5 years
Non-Collectible Artwork	10 years
Other Equipment	10 years

As of July 1, 2017, CSCU transitioned all institutions to the useful life table above. All assets placed in service prior to such date will continue to be depreciated on the previous useful life table. There was no material impact to the financial statements due to the implementation of this table.

During the June 30, 2018 fiscal year, several of the libraries across the CSCU Institutions implemented new curation software which transitioned legacy systems to a cloud based catalog platform. While the implementation was managed by each school, CCSU identified assets capitalized in fiscal year 2016 and prior that warranted write down as there is no residual useful life or value associated with them. These assets, which consist of subscriptions of electronic media are no longer accessible by the institution due to the expiration of the license. For the fiscal 2018 reporting period, CCSU has recorded an adjustment of $3.6 million reflecting an impairment of these assets in accordance with GASB 42.

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Division of Construction Services of the State of Connecticut ("DCS"). The cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Colleges and Universities when eligibility requirements are met. There were no such projects recognized at CSUS for the fiscal year ended June 30, 2018.

Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

Interest Capitalization

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of $12.3 million in the fiscal year ended June 30, 2018 and capitalized $1.4 million of that amount. The cumulative capitalized interest was $26.7 million as of June 30, 2018 and is being amortized over 35 years. Amortization of capitalized interest for the year ended June 30, 2018 was $0.8 million.

Accrued Compensated Absences (ACA)

Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statements of net position reflect the accrual for the amounts earned as of year-end.

Pension & Other Post Employment Obligations

The System records pension and other post-employment benefit obligations equal to the net liability for its defined benefit and retiree health plans. These net liabilities are measured as the total pension and health liability, less the amount of the respective plan's fiduciary net position. The total liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Because there are other state entities participating in the plans, the net liability recorded by CSUS is based on an allocation of the total net liability, as determined by an independent actuary.

Pension and other post-employment benefit expenses are recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between

expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows of resources and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

In June 2015 GASB released Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. The adoption of this accounting pronouncement occurred in fiscal year 2018 and was retroactively recorded through an adjustment to beginning of year net position and deferred outflows of resources as follows:

Net Position	
Net position, June 30, 2017 (as reported)	$ 625,003,039
Impact of Adoption (net liability)	(1,021,241,708)
Impact of Adoption (contributions after the measurement date)	38,553,325
Net position, June 30, 2017 (restated)	$ (357,685,344)

Refer to Note 9 for additional details related to Other Post-Employment Benefits

Unearned Tuition, Fees and Grant Revenues
Unearned tuition, fees and grant revenues consist primarily of tuition and fees that have been collected but are applicable to the summer and fall sessions held subsequent to the reporting date. Charges related to these sessions are reported in the period the tuition and fees are recognized as income.

Tuition and Fees Revenue
Student tuition and fees revenue is recognized in the period earned net of scholarship allowance and waivers. Student aid for scholarships recorded in the statement of revenues, expenses and changes in net position includes payments made directly to students. Any aid applied directly to the students' accounts in payment of tuition and fees, housing charges and dining services is reflected as a scholarship allowance.

Auxiliary Revenues
Auxiliary revenues consist of housing charges, dining services, fees for health and injury insurance coverage and telecommunication charges. The auxiliary revenues are recognized in the period earned.

Operating Activities
Operating activities as reported in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of CSCU expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, Pell, gifts and investment income.

Income Taxes
CSUS is a component unit of the State of Connecticut and is exempt from federal and state income taxes under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. CSUS qualifies as a public charity eligible to receive charitable contributions under Section 170(b)(1)(A)(ii) of the Internal Revenue Code, as amended (the Code).

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, pension and other post-employment benefit liabilities, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

GASB Pronouncements Effective for Fiscal Year 2018
In March 2016 GASB released Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments and may include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. This standard was adopted in fiscal year 2018 and there was no significant impact as a result of the adoption for CSUS.

In March 2017 GASB released Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This standard was adopted in fiscal year 2018 and there was no significant impact as a result of the adoption for CSUS.

In May 2017 GASB released Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other

monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This standard was adopted in fiscal year 2018 and there was no significant impact as a result of the adoption for CSUS.

GASB Pronouncements Effective in Future Fiscal Years

In November 2016, GASB released Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to address accounting for legally enforceable liabilities associated with the retirement and future activities of a capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 with earlier application encouraged.

In January 2017, GASB released Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In June 2017, GASB released Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged

At various dates in 2018, GASB released Statements 88-90. The requirements of these statements, in addition to Statements 83, 84 and 87, are effective for future reporting periods and management is evaluating the impact these pronouncements will have on the financial statements of CSUS.

Subsequent Events

In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2018, through December ?, 2018, the date the financial statements were issued and no items needing to be reported were noted.

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents are invested in the State of Connecticut Treasurer's Short-Term Investment Fund (STIF), a combined investment pool of high quality, short-term money market instruments. CSUS may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CSUS's daily cash flow requirements.

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2018 was 1.98%.

Cash, cash equivalents and investments at June 30 are as follows:

	2018	
	Cost	Fair value
Cash and cash equivalents	$ 368,064,745	$ 368,064,745
U.S. Mutual Funds- Governmental	83,309,891	83,309,891
Guaranteed Investment Contracts	14,565,296	14,565,296
	$ 465,939,932	$ 465,939,932

Investments are pooled by the State and separate accounting is maintained as to the amounts allocable to the various funds and programs.

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSUS is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSUS's guaranteed investment contracts was AA-, as rated by Standard & Poor's Ratings as of June 30, 2018.

Custodial Credit Risk – At June 30, 2018, the carrying amount of CSUS's bank deposits was $5.1 million as compared to bank balances of $7.2 million. The difference between the carrying amount and bank balances was primarily caused by outstanding checks and deposits in transit. Of such bank balances, $6.4 million was uninsured and uncollateralized and therefore subject to custodial credit risk as of June 30, 2018.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. 78% of CSUS total cash, cash equivalents and investments was invested in the STIF and the State's pooled interest credit program accounts as of June 30, 2018.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Interest rate risk is managed by establishing targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through target allocations to different asset classes.

Investment maturities of CSUS's debt securities at June 30 are as follows:

	2018				
		Investment Maturities (in years)			
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	$ 83,309,891	$ 83,309,891	$ -	$ -	$ -
Guaranteed Investment Contracts	14,565,296	-	5,363,526	9,201,762	8
	$ 97,875,187	$ 83,309,891	$ 5,363,526	$ 9,201,762	$ 8

GASB No. 72, "*Fair Value measurements and Application*" sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB No. 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CSUS has the ability to access.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly and include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement. Unobservable inputs are developed based on the best information available in the circumstances and may include the CSUS's own data.

All of the investments held at June 30, 2018 are Level 1. There are no liabilities subject to the fair value provisions of GASB No. 72.

3. Accounts Receivables

Receivables consisted of the following at June 30:

	2018
Student accounts receivable	$ 11,151,744
Student loans receivable	12,372,468
Grants receivable	2,414,005
Miscellaneous receivables	1,814,550
	27,752,767
Less allowance for doubtful accounts	(10,023,215)
Net accounts receivable	$ 17,729,552

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2018. The Program provides for cancellation of

a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the CSUS for amounts cancelled under these provisions.

CSUS has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans was $3.4 million as of June 30, 2018. As management determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the US Department of Education.

4. Capital Assets

Capital assets for the Universities consist of the following at June 30:

		Year ended June 30, 2018		
	Balance June 30, 2017	Additions	Retirements and Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 19,908,269	$ 18,000	$ -	$ 19,926,269
Capitalized collections	8,564,957	14,069	(2,500)	8,576,526
Construction in progress	74,054,901	63,249,606	(35,541,499)	101,763,008
Total capital assets not being depreciated	$ 102,528,127	$ 63,281,675	$ (35,543,999)	$ 130,265,803
Other capital assets:				
Land improvements	$ 105,035,345	$ 1,862,238	$ -	$ 106,897,583
Buildings and building improvements	1,610,917,957	34,598,267	(2,293,150)	1,643,223,074
Furniture, fixtures and equipment	154,516,326	6,797,837	(13,097,985)	148,216,178
Library materials	64,279,388	729,937	(17,444,259)	47,565,066
Total other capital assets	1,934,749,016	43,988,279	(32,835,394)	1,945,901,901
Less accumulated depreciation for:				
Land improvements	(66,380,172)	(4,821,631)	-	(71,201,803)
Buildings and building improvements	(638,457,538)	(46,923,131)	5,624,719	(679,755,950)
Furniture, fixtures and equipment	(106,564,726)	(11,168,148)	8,215,110	(109,517,764)
Library materials	(46,435,383)	(3,280,712)	13,543,781	(36,172,314)
Total accumulated depreciation	(857,837,819)	(66,193,622)	27,383,610	(896,647,831)
Other capital assets, net	$1,076,911,197	$ (22,205,343)	$ (5,451,784)	$ 1,049,254,070
Capital asset summary:				
Capital assets not being depreciated	$ 102,528,127	$ 63,281,675	$ (35,543,999)	$ 130,265,803
Other capital assets, at cost	1,934,749,016	43,988,279	(32,835,394)	1,945,901,901
Total cost of capital assets	2,037,277,143	107,269,954	(68,379,393)	2,076,167,704
Less accumulated depreciation	(857,837,819)	(66,193,622)	27,383,610	(896,647,831)
Capital assets, net	$1,179,439,324	$ 41,076,332	$ (40,995,783)	$ 1,179,519,873

5. Accrued Compensated Absences

Accrued compensated absences as of June 30 include:

	2018
Accrued vacation	$ 24,459,900
Accrued sick leave	24,982,185
Other accrued fringe benefits	15,106,543
	64,548,628
Less: current portion	4,530,468
Noncurrent portion	$ 60,018,160

Activity for compensated absences, as of June 30, includes:

Balance as of June 30, 2017	$ 63,408,422
Additions in FY 2018	5,749,985
Benefits paid to participants in FY 2018	(4,609,779)
Balance as of June 30, 2018	$ 64,548,628

These accruals represent estimated amounts earned by all eligible employees through June 30, 2018 and 2017. These accrued compensated absences will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of compensated absences is estimated based on recent past history and is presented in today's dollars.

6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to the State of Connecticut's General Fund. CSUS made no transfers to the State of Connecticut during fiscal year 2018 .

Accrued salaries and related fringe benefit costs for CSCU employees within CSUS, whose salaries will be charged to the State of Connecticut General Fund, represent a related party balance. CSUS has also recorded a receivable from the State of Connecticut related to allocated bond financing for capital projects when allotted by the Governor.

Amounts due from the State of Connecticut as of June 30 are comprised of the following:

	2018
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	$ 35,747,585
State appropriations for capital projects	46,420,074
	$ 82,167,659

The accompanying statements of net position includes balances among related parties. Significant balances for the year ended June 30, were as follows:

	2018
Cash balances held with the State of Connecticut on behalf of the CSUS	$ 271,127,790
Amounts invested in the State of Connecticut Short-Term Investment Fund (STIF)	91,854,896
	$ 362,982,686

7. Commitments and Contingencies

CSUS makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. CSUS is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of CSUS.

CSUS is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that the eventual liability, if any, will not have a material effect on CSUS's financial position.

CSUS had outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances at June 30, 2018 were as follows:

System Office	$ 2,540,573
Central Connecticut State University	3,267,484
Eastern Connecticut State University	4,997,680
Southern Connecticut State University	4,394,177
Western Connecticut State University	4,864,138
	$20,064,052

8. Pension Plans

Plan Description

All regular full-time employees participate in one of two retirement plans. The State of Connecticut is statutorily responsible for the pension benefits of CSCU employees who participate in the State Employees' Retirement System ("SERS"). SERS is the administrator of a single employer defined benefit public employee retirement system ("PERS"). SERS provides retirement, disability, death benefits and annual cost of living adjustments to plan members and their beneficiaries. Plan benefits, cost of living adjustments, contribution requirements of plan members and the State and other plan provisions are described in the General Statutes. SERS does not issue standalone financial reports. Information on the plan is currently publicly available in the State of Connecticut's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller.

Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, or TRS depending on several factors.

Employees hired after July 1, 2011 but before July 31, 2017 were eligible to participate in Tier III or the Hybrid Plan, the 2 primary SERS plan options available (some employees are eligible to elect the Teachers Retirement System - "TRS"). The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the State of Connecticut and the State Employee Bargaining Agent Coalition ("SEBAC"), provides a retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a 5% employer match and 4% interest in lieu of a defined benefit.

Employees hired after July 1, 2017 are eligible to participate in Tier IV as a result of the 2017 SEBAC agreement. The SERS Tier IV plan is comprised of both a traditional Defined Benefit component and a new Defined Contribution component. The Tier IV Defined Benefit component provides a pre-defined monthly retirement income for life, with the amount being affected by years of service, retirement age, and the member's final average earnings for members that satisfy the Tier IV minimum age and service eligibility requirements. The Tier IV Defined Contribution component establishes an account consisting of an accumulation of employee and employer contributions both set equal to 1%, as well as investment gains or losses. Each Tier IV member will have an account with the third party administrator of the State of Connecticut Alternate Retirement Program (ARP). CSCU makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is managed by Prudential. Under this arrangement, plan participants contribute 6.5% of their pay or they can opt out and contribute 5% and the State contributes 6.5% to individual participants' investment accounts managed by Prudential. CSCU pays a fringe benefit charge to the State which includes the 7.5% employer contribution, employee health benefits and an administrative charge. The aforementioned 2011 SEBAC agreement provides CSCU employees who were both hired before July 1, 2011 and participating in ARP with a one-time irrevocable option through December 31, 2018 of electing to transfer their membership from ARP to the Hybrid Plan and purchasing credit in the Hybrid Plan for their prior services at full actuarial cost.

Funding Policy
The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining.

Tier I Plan B regular and Plan B Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base, respectively, plus 5% above that level. Tier I Plan C and Hybrid Plan members are required to contribute 5% of their annual salary. Tier IIA Plan and Tier III Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. Tier IV employees contribute 5% of their salary (8% for hybrid and hazardous duty members) plus 1% into the defined contribution component.

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 56.58% for SERS and 27.41% for TRS for the fiscal years ended June 30, 2018. The State contributed $64.1 million and $0.6 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2018, equal to 98.3% and 100% of the required contributions that year.

Net Pension Liability
The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2018 was measured and valued as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the TRS plan, the CSUS System's proportion was 0.09% as of June 30, 2018. For the SERS plan, the CSUS System's proportion was 3.81% as of June 30, 2018.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to the CSUS System is calculated separately. The net pension liability for the CSUS System as of June 30, 2018 for SERS and TRS was $876.0 million and $12.3 million, respectively.

Actuarial Assumptions for SERS:
The total pension liability was determined using the following actuarial assumptions, applied to all periods:

Measurement Year	**2017**
Inflation	3.75%
Salary increases including inflation	4.00% to 20.00%
Investment rate of return net of pension plan investment expense, including inflation	8.00%

Mortality rates were based on the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females.

The actuarial assumptions used in the June 30, 2017 valuation (which was the basis for recording the June 30, 2018 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class as of the 2017 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income	8%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	4%	3.7%
TIPS	5%	1.0%
Cash	4%	0.4%
	100%	

Actuarial Assumptions for TRS:
The total pension liability was determined using the following actuarial assumptions, applied to all periods:

Measurement Year	2017
Inflation	3.00%
Salary increases including inflation	3.75% to 7.00%
Investment rate of return net of pension plan investment expense, including inflation	8.50%

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income	7%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	5%	3.7%
Inflation Linked Bonds	3%	1.0%
Cash	6%	0.4%
	100%	

Discount Rate for SERS:
The discount rate used to measure the total pension liability was 6.9% in the 2017 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate for TRS:
The discount rate used to measure the total pension liability was 8.0% in the 2017 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate
The following table presents the current-period net pension liability of the CCC System calculated using the current-period discount rate assumption of 6.9% for SERS and 8.0% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands):

	1% Decrease (SERS -5.9%) (TRS - 7.0%)	Discount (SERS - 6.9%) (TRS - 8.0%)	1% Increase (SERS - 7.9%) (TRS - 9.0%)
SERS	$ 1,013,104,363	$ 876,023,924	$ 705,256,775
TRS	15,407,558	12,309,255	9,689,835

Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pension Plan

For the year ended June 30, 2018, the CSUS System recognized pension expense of $90.1 million. A schedule of deferred outflows and inflows of resources as of June 30, 2018 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to the CSUS System that will be recognized in pension expense during the next five years is as follows (in thousands):

	SERS	TRS	Total
2019	$ 70,677,971	$ 365,507	$ 71,043,478
2020	72,776,050	560,750	73,336,800
2021	55,180,330	384,240	55,564,570
2022	27,367,396	67,426	27,434,822
2023	(1,502,944)	133,289	(1,369,655)
Thereafter	$ -	$ (16,818)	(16,818)

9. Other Post-Employment Benefits

The State of Connecticut provides post-retirement health care and life insurance benefits to eligible CSCU employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at the time of retirement. The State finances the cost of post-retirement health care and life insurance benefits

There is a single State sponsored defined benefit OPEB plan open to CSCU employees, the State Employee OPEB Plan (SEOPEBP). The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions.

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of CSCU who are receiving benefits from any State-sponsored retirement system. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

Funding Policy
The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees' unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund outside of the CSCU entities. CSCU contributes and helps fund the annual appropriation based upon a designated fringe rate established by the State.

Investments
The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the State's Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income	8%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	4%	3.7%
Inflation Linked Bonds	5%	1.0%
Cash	4%	0.4%
	100%	

Net OPEB Liability
The Systems' net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2018 of $1,003.0 million was measured and valued as of June 30, 2017 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net OPEB liability was based on a projection of the System's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities and the State, actuarially determined.

For the SEOPEBP plan, at June 30, 2018 the System's proportion was 5.78%. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately. The net liability for the CSU System as of June 30, 2018 for SEOPEBP was $1,003.0 million.

Actuarial Assumptions:
The total OPEB liability was determined by actuarial valuations as of June 30, 2017, using the following actuarial assumptions:

Measurement Year	2017
Payroll growth rate	3.50%
Salary increases	3.25% to 19.50% varying by years of service and retirement system
Discount rate	3.68% as of June 30, 2017 and 2.96% as of June 30, 2016
Healthcare cost trend rates:	
Medical	6.5% graded to 4.5% over 4 years
Prescription drug	8.0% graded to 4.5% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

Mortality rates for the State Employees OPEB Plan were based on the RP-2000 Healthy Annuitant Mortality Table for male rates projected 15 years (set back 2 years) and female rates projected 25 years (set back one year) under Scale AA.

The discount rate used to measure the total OPEB liability for SEOPEBP was 3.68%. The projection of cash flows used to determine the discount was performed in accordance with GASB pronouncements.

The following presents the current period net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate utilized:

Discount rate comparison:	1% Decrease (2.68%)	Current Discount (3.68%)	1% Increase (4.68%)
Net OPEB Liability	$ 1,164,150,896	$ 1,002,973,049	$ 872,384,623
Health care trend rate comparision:	**1% Decrease**	**Current Discount**	**1% Increase**
Net OPEB Liability	$ 1,181,654,275	$ 1,002,973,046	$ 861,931,338

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2018, the CSUS System recognized OPEB expense of $66.0 million. A schedule of deferred outflows and inflows of resources as of June 30, 2018 is disclosed in Note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to the CSUS System that will be recognized in pension expense during the next five years is as follows:

	OPEB	Total
2019	$ (10,378,901)	$ (10,378,901)
2020	(10,378,901)	(10,378,901)
2021	(10,378,901)	(10,378,901)
2022	(10,379,016)	(10,379,016)
2023	(4,239,948)	(4,239,948)
Thereafter	$ -	-

10. Unearned Tuition, Fees and Grant Revenue

Unearned tuition, fees and grant revenue consists of the following at June 30:

	2018
Unearned tuition and fees	20,258,357
Grants and contracts	1,491,554
Other	396,737
	$ 22,146,648

11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

	Year ended June 30, 2018 Natural Classification									
	Salaries and wages	Fringe benefits	Professional services and fees	Educational services and support	Travel expense	Operation of facilities	Other operating supplies and expenses	Depreciation expense	Amortization expense	Total
Academic support	$ 25,993,642	$ 19,361,164	$ 2,026,293	$ 2,207,219	$ 1,463,187	$ 322,806	$ 3,226,503	$ -	$ -	$ 54,600,814
Auxiliary enterprises	9,873,083	7,865,397	1,636,575	28,964,863	37,566	7,020,760	976,207	-	-	56,374,451
Institution support	48,274,551	40,728,547	5,810,629	598,734	665,118	2,534,877	15,053,991	-	-	113,666,447
Instruction	166,382,159	113,355,392	1,681,045	2,786,939	915,660	405,169	2,216,093	-	-	287,742,457
Physical plant	22,868,278	23,910,591	3,036,290	59,337	13,892	43,750,355	9,387,554	66,192,857	81,059	169,300,213
Public service	4,451,451	2,973,732	868,555	545,071	911,428	338,083	520,707	-	-	10,609,027
Research	2,345,990	1,460,929	572,645	366,256	507,146	90,912	562,740	-	-	5,906,618
Scholarships, loans and refunds	714,535	83,258	204,370	69,524,812	1,045	1,260	118,763	-	-	70,648,043
Student services	40,952,491	31,494,841	3,488,442	1,641,228	2,107,979	1,298,734	3,859,121	765	-	84,843,601
Total expenses	$ 321,856,180	$ 241,233,851	$ 19,324,844	$ 106,694,459	$ 6,623,021	$ 55,762,956	$ 35,921,679	$ 66,193,622	$ 81,059	$ 853,691,671

12. Bonds, Notes Payable and Capital Lease Obligations

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities at CSCU. The State obtains its funds for these construction projects from general obligation bonds which it issues from time to time. The State is responsible for all repayments of the bonds in accordance with bond indentures.

Debt service on bonds issued by the State to finance educational and general facilities is funded by the General Fund of the State, which is in the custody of the State Treasurer. These bonds do not require repayment by CSCU and, accordingly, the State's debt obligation attributable to CSCU's educational and general facilities is not reported as CSCU debt in the accompanying financial statements.

Principal outstanding of the CHEFA Bonds at June 30 was as follows:

CHEFA Series	Issue Date	Issuance Amount	Mature in Years:	Interest Rates Varying From:	Outstanding Principal 2018
I	4/18/07	$ 62,760,000	2008 - 2033	3.00% - 5.25%	$ 59,840,000
J	6/22/11	27,035,000	2012 - 2031	2.00% - 4.00%	20,570,000
K	6/22/11	14,010,000	2012 - 2020	3.00% - 4.00%	9,505,000
L	4/4/12	49,040,000	2012 - 2029	2.50% - 4.00%	45,545,000
M	1/10/13	34,060,000	2014 - 2033	3.00% - 5.00%	28,505,000
N	10/23/13	80,340,000	2015 - 2034	4.10% - 5.00%	69,935,000
O	9/11/14	21,240,000	2015 - 2031	2.00% - 4.00%	16,830,000
P-1	9/12/16	55,030,000	2016 - 2036	2.50% - 5.00%	53,320,000
P-2	9/12/16	$ 19,530,000	2016 - 2036	2.50% - 5.00%	$ 14,640,000
					$ 318,690,000

Note: Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

In connection with the fiscal year 2017 refunding of portions of Series G and H, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position as of June 30, 2017. Assets held in the trust accounts had an aggregate fair value of $19.6 million at June 30, 2017. The outstanding amount of the refunded bonds totaled $14.7 million at June 30, 2018. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.6 million. The difference, which is recorded as a deferred loss on bond refunding, is being charged to interest expense over the remaining life, before the refunding, of the Series H bond . As a result of the defeasance, CSUS reduced its aggregate debt service payments by $2.0 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $1.8 million.

In connection with the fiscal year 2015 refunding of portions of Series F and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. Assets held in

the trust accounts had an aggregate fair value of $22.0 million at June 30, 2015. The outstanding amount of the refunded bonds totaled $17.8 million at June 30, 2018. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.8 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of the new bonds (Series O) using the straight-line method. As a result of the defeasance, CSUS reduced its aggregate debt service payments by $2.2 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $1.5 million.

In connection with the fiscal year 2012 refunding of portions of Series B and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $53.6 million at June 30, 2012. The outstanding amount of the refunded bonds totaled $45.9 million at June 30, 2018. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.5 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of defeasance, CSUS reduced its aggregate debt service payments by $8.6 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $4.2 million.

In connection with the fiscal year 2011 advance refunding of portions of Series E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds will be considered to be defeased and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair market value of $15.5 million at June 30, 2011. The outstanding amount of the refunded bonds totaled $10.0 million at June 30, 2018. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.5 million. The difference, which was recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of defeasance, CSUS reduced its aggregate debt service payments by $1.0 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of $0.9 million.

In connection with the fiscal year 2007 advance refunding of portions of Series D, E and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $63.8 million at June 30, 2007. The outstanding amount of these refunded bonds totaled $58.0 million at June 30, 2018.The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.4 million. The difference, which was recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method.

In connection with the fiscal year 2005 advance refunding of portions of Series B, C, D and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate fair value of $52.8 million at June 30, 2005. The refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. The refunding of

the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3.1 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled $10.0 million at June 30, 2018.

Revenue bond interest is payable to the bondholders on May 1 and November 1 of each year. Revenue bonds mature on November 1, in the years set forth below:

Maturity	Principal	Interest
2019	$ 18,940,000	$ 13,089,006
2020	19,520,000	12,244,431
2020	19,350,000	11,345,706
2022	20,115,000	10,424,631
2023	20,820,000	9,480,156
2024-2028	88,690,000	35,045,744
2029-2033	99,640,000	15,136,656
2034-2037	31,615,000	1,226,603
	$ 318,690,000	$ 107,992,933

Long-term liabilities activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Bonds payable	$ 338,745,000		$ (20,055,000)	$ 318,690,000
Premium on bonds payable	20,457,569		(2,351,001)	18,106,568
Discount on bonds payable	(2,494,328)	-	294,733	(2,199,595)
Total bonds payable	$ 356,708,241	-	$ (22,111,268)	$ 334,596,973

13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2018:

As of June 30, 2018	SERS	TRS	OPEB	Debt Refunding	Total
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$ 20,913,820	$ -	$ -	$ -	$ 20,913,820
Changes of assumptions or other inputs	134,227,854	1,425,083	-	-	135,652,937
Net difference between projected and actual earnings on pension plan investements	-	167,593	-	-	167,593
Changes in proportion and differences between employer contributions and proportionate share of contributions	87,407,641	1,144,422	4,576,629	-	93,128,692
Employer contributions after measurement date	58,842,120	1,235,622	44,780,026	-	104,857,767
Loss on bond refunding	-	-	-	237,700	237,700
Total	**$301,391,435**	**$ 3,972,720**	**$ 49,356,655**	**$ 237,700**	**$354,958,510**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$ -	$ 241,983	$ -	$ -	$ 241,983
Changes of assumptions or other inputs	-	-	24,062,057	-	24,062,057
Net difference between projected and actual earnings on pension plan investements	1,672,729	-	1,135,339	-	2,808,068
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,377,780	1,000,724	25,134,899	-	42,513,403
Total	**$ 18,050,509**	**$ 1,242,707**	**$ 50,332,295**	**$ -**	**$ 69,625,511**

Connecticut State University System

Supplemental Financial Information

June 30, 2018 - 2014

Connecticut State University System

Schedule of Net Pension Liability and Related Ratios (Unaudited)

June 30, 2018 - 2014

State Employee Retirement System Plan

Last 10 Fiscal Years [1]

	2018	2017	2016	2015	2014 [1]
System's proportion of the net pension liability	3.81%	4.23%	3.96%	3.61%	3.12%
System's proportionate share of the net pension liability	$ 876,023,924	$ 972,052,721	$ 653,585,476	$ 577,889,607	$ 516,857,599
System's covered-employee payroll	$ 144,700,282	$ 152,194,773	$ 154,782,123	$ 140,369,452	$ 119,305,259
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	605%	639%	422%	412%	433%
Plan Fiduciary net position as a percentage of the total pension liability	36.25%	31.69%	39.23%	39.54%	N/A [1]

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Connecticut State University System

Schedule of Net Other Post Employment Benefits and Related Ratios (Unaudited)

June 30, 2018 - 2014

Teachers Retirement System Plan

Last 10 Fiscal Years [1]

	2018	2017	2016	2015	2014 [1]
System's proportion of the net pension liability	0.09%	0.09%	0.10%	0.10%	0.10%
System's proportionate share of the net pension liability	$ 12,309,255	$ 12,986,359	$ 10,523,910	$ 9,727,277	$ 10,728,942
State's proportionate share of the net pension liability associated with the System	$ 12,986,445	$ 12,986,447	$ 10,523,916	$ 9,714,654	
Total	$ 25,295,700	$ 25,972,806	$ 21,047,826	$ 19,441,931	$ 10,728,942
System's covered-employee payroll	$ 3,652,263	$ 4,127,906	$ 3,930,206	$ 3,813,448	$ 3,063,073
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	337%	315%	268%	255%	350%
Plan Fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.56%	N/A [1]

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years [1]

	2018	2017
System's proportion of the net OPEB liability	4.62%	4.73%
System's proportionate share of the net OPEB liability	$ 996,032,245	$1,021,241,708
System's covered-employee payroll	$ 251,238,643	$ 260,590,503
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	396%	392%
Plan Fiduciary net position as a percentage of the total OPEB liability	3.03%	1.94%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Connecticut State University System

Schedule of Contributions (Unaudited)

June 30, 2018 - 2014

State Employee Retirement System Plan

Last 10 Fiscal Years [1]

	2018	2017	2016	2015	2014
Contractually required contribution	$ 64,638,177	$ 64,086,201	$ 54,526,224	$ 45,788,758	$ 33,007,798
Contributions in relation to the contractually required contribution	(64,121,072)	(63,573,511)	(54,253,593)	(45,788,758)	(32,974,790)
Contribution deficiency (excess)	$ 517,105	$ 512,690	$ 272,631	$ -	$ 33,008
System's covered-employee payroll	$ 144,700,282	$ 152,194,773	$ 154,782,123	$ 140,369,452	$ 119,305,259
Contributions as a percentage of covered employee payroll	44.31%	41.77%	35.05%	32.62%	27.64%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Connecticut State University System

Schedule of Contributions (Unaudited)

June 30, 2018 - 2014

Teachers Retirement System Plan

Last 10 Fiscal Years [1]

	2018	2017	2016	2015
Contractually required contribution	922,727	$ 889,376	$ 943,917	$ 909,799
Contributions in relation to the contractually required contribution	(569,543)	(1,323,934)	(1,516,991)	(1,343,282)
Contribution deficiency (excess)	$ 353,184	$ (434,558)	$ (573,074)	$ (433,483)
System's covered-employee payroll	$ 3,652,263	$ 4,127,906	$ 3,930,206	$ 3,813,448
Contributions as a percentage of covered employee payroll	15.59%	32.07%	38.60%	35.22%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Connecticut State University System

Schedule of Contributions (Unaudited)

June 30, 2018 - 2014

Other Post Employment Benefits

Last 10 Fiscal Years [1]

	2018	2017
Contractually required contribution	38,553,325	36,046,001
Contributions in relation to the contractually required contribution	(38,553,325)	(36,046,001)
Contribution deficiency (excess)	$ -	$ -
System's covered-employee payroll	$ 251,238,643	$ 260,590,503
Contributions as a percentage of covered employee payroll	15.35%	13.83%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

1. Changes in Benefit Terms

Pension Plans

For the June 30, 2017 valuation, the following changes in benefit terms were included:

- A 3-year freeze on all salary increases for fiscal years ending 2017, 2018 and 2019.
- The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in CPI-W from 0.0% to 2.0%, plus 60% of the annual rate of increase in CPI-W from 3.33% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6.0% and with a cap on the COLA rate of 7.5%.
- A COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.
- Increase to all non-Tier IV members' contribution rates by 1.5% of compensation effective July 1, 2017 and an additional 0.5% of compensation effective July 1, 2019.
- In years where employer contribution increase due to poor asset returns, half the increase is applied to Tier IV member contribution rate of up to 2% in total.
- Tier IV Hybrid Plan Structure for All New Hires (Non-Hazardous and Hazardous) after July 1, 2017:
    - i. Non-Hazardous has same retirement eligibility as Tier III
    - ii. Non-hazardous benefit multiplier is 1.30% with no breakpoint
    - iii. Hazardous duty requires 25 years of service to retire
    - iv. Employees contribute 3% more than Tier III employees into the DB Plan.
    - v. Employers contribute 1% and employees must contribute at least 1% to DC portion of Hybrid Plan.

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Connecticut State University System

Supplemental Information – Combining Statement of Net Position

June 30, 2018

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2018
Assets							
Current assets:							
Cash and cash equivalents	$ 64,665,555	$ 34,224,234	$ 68,588,705	$ 22,071,219	$ 30,043,955	$ -	$ 219,593,668
Investments	-	-	-	-	65,404,398	-	65,404,398
Student receivables	4,141,812	2,887,160	1,662,057	2,460,715	-	-	11,151,744
Allowance-doubtful student receivables	(2,031,349)	(2,063,822)	(1,183,159)	(1,342,525)	-	-	(6,620,855)
Student receivables, net	2,110,463	823,338	478,898	1,118,190	-	-	4,530,889
Student loans receivable	558,440	402,661	411,778	260,062	-	-	1,632,941
Grant receivables, net	716,442	213,844	1,134,880	348,839	-	-	2,414,005
Miscellaneous receivables, net	1,573,918	96,959	77,480	66,193	-	-	1,814,550
Due from the State of Connecticut	20,765,935	14,125,830	13,218,391	12,388,334	21,669,169	-	82,167,659
Due from SO and Universities	163,259	376,000	608,201	125,838	-	(1,273,298)	-
Prepaid expenses and other current assets	1,797,231	415,488	981,912	559,904	3,289,230	-	7,043,765
Total current assets	92,351,243	50,678,354	85,500,245	36,938,579	120,406,752	(1,273,298)	384,601,875
Noncurrent assets:							
Cash and cash equivalents	16,518,635	15,640,118	26,565,941	7,477,660	82,268,723	-	148,471,077
Investments	-	-		-	32,470,789	-	32,470,789
Student loans receivable	3,488,095	1,459,188	3,545,478	2,246,766	-	-	10,739,527
Allowance-doubtful loan receivables	(990,335)	(514,633)	(1,386,033)	(511,359)	-	-	(3,402,360)
Loans receivable, net	2,497,760	944,555	2,159,445	1,735,407	-	-	7,337,167
Other assets	-	-	62,979	39,583	465,802	-	568,364
Investment in plant	556,446,348	474,754,913	599,660,035	406,072,797	39,233,611	-	2,076,167,704
Accumulated depreciation	(247,995,700)	(178,191,776)	(278,237,203)	(176,122,178)	(16,100,974)	-	(896,647,831)
Investment in plant, net of accumulated depreciation	308,450,648	296,563,137	321,422,832	229,950,619	23,132,637	-	1,179,519,873
Total noncurrent assets	327,467,043	313,147,810	350,211,197	239,203,269	138,337,951	-	1,368,367,270
Total assets	$419,818,286	$363,826,164	$435,711,442	$276,141,848	$ 258,744,703	$ (1,273,298)	$ 1,752,969,145
Deferred outflows of resources:							
Deferred pension	$ -	$ -	$ -	$ -	$ 305,364,155	$ -	$ 305,364,155
Deferred other post employment benefits	$ -	$ -	$ -	$ -	$ 49,356,655	$ -	$ 49,356,655
Deferred loss on bond refunding	$ -	$ -	$ -	$ -	$ 237,700	$ -	$ 237,700
Total deferred outflows of resources	$ -	$ -	$ -	$ -	$ 354,958,510	$ -	$ 354,958,510

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Connecticut State University System

Supplemental Information – Combining Statement of Net Position

June 30, 2018

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2018
Liabilities							
Current liabilities:							
Accounts payable	$ 4,195,768	$ 1,136,878	$ 3,055,655	$ 1,528,510	$ 3,621,482	$ -	$ 13,538,293
Accrued salaries and benefits	26,201,835	10,931,058	23,042,149	10,301,865	496,091	-	70,972,998
Accrued compensated absences	1,719,526	453,735	1,405,345	816,899	134,963	-	4,530,468
Due to the State of Connecticut	32,176	3,102,742	269,848	2,419,189	-	-	5,823,955
Due to SO and Universities	-	-	-	-	1,273,298	(1,273,298)	-
Unearned tuition,fees and grant revenue	8,239,712	2,892,117	8,780,446	2,214,942	19,431	-	22,146,648
Bonds payable	-	-	-	-	18,940,000	-	18,940,000
Accrued bond interest payable	-	-	-	-	2,250,984	-	2,250,984
Other liabilities	269,084	124,134	1,772,174	128,472	232,969	-	2,526,833
Depository accounts	1,071,288	734,978	2,941,417	49,936	-	-	4,797,619
Total current liabilities	41,729,389	19,375,642	41,267,034	17,459,813	26,969,218	(1,273,298)	145,527,798
Noncurrent liabilities:							
Accrued compensated absences	19,509,189	11,234,643	17,881,630	9,881,771	1,510,927	-	60,018,160
Bonds payable	-	-	-	-	315,656,973	-	315,656,973
Federal loan program advances	3,136,752	1,459,188	2,879,465	1,632,106	-	-	9,107,511
Deferred compensation	-	-	-	-	256,974	-	256,974
Pension liability, net	-		-	-	888,342,894	-	888,342,894
Other post employment benefits, net	-		-	-	1,002,973,049	-	1,002,973,049
Total noncurrent liabilities	22,645,941	12,693,831	20,761,095	11,513,877	2,208,740,817	-	2,276,355,561
Total liabilities	$ 64,375,330	$ 32,069,473	$ 62,028,129	$ 28,973,690	$ 2,235,710,035	$ (1,273,298)	$ 2,421,883,359
Deferred inflows of resources:							
Deferred pension	$ -	$ -	$ -	$ -	$ 19,293,216	$ -	$ 19,293,216
Deferred other post employment benefits	-	-	-	-	50,332,295	-	50,332,295
Total deferred inflows of resources	$ -	$ -	$ -	$ -	$ 69,625,511	$ -	$ 69,625,511
Net Position							
Invested in capital assets, net of related debt	$ 308,442,170	$ 296,524,445	$ 321,422,832	$ 229,950,619	$ (126,497,108)	$ -	$ 1,029,842,958
Restricted:							
Nonexpendable	-	60,000	743,818	407,116	-	-	1,210,934
Expendable	11,374,676	7,291,519	4,848,419	5,170,251	19,395,047	-	48,079,912
Unrestricted	35,626,110	27,880,727	46,668,244	11,640,172	(1,584,530,272)	-	(1,462,715,019)
Total net position	$ 355,442,956	$ 331,756,691	$ 373,683,313	$ 247,168,158	$ (1,691,632,333)	$ -	$ (383,581,215)

DRAFT 12-4-18

Connecticut State University System

Supplemental Information – Combining Statement of Revenues, Expenses and Changes in Net Position

June 30, 2018

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2018
Operating revenues:							
Tuition and fees:							
Tuition and fees, gross	$ 113,576,507	$ 49,243,961	$ 107,155,738	$ 54,407,990	$ 3,935,324	$ -	$ 328,319,520
Less:							
Scholarships allowance	(8,864,025)	(10,218,903)	(8,644,487)	(5,391,729)	-	-	(33,119,144)
Waivers	(6,445,706)	(2,798,322)	(5,208,919)	(1,779,912)	-	-	(16,232,859)
Debt service fee	(7,367,797)	(3,825,725)	(6,932,318)	(3,676,899)	21,448,753	353,986	-
Tuition and fees, net of scholarship allowances and waivers	90,898,979	32,401,011	86,370,014	43,559,450	25,384,077	353,986	278,967,517
Federal grants and contracts	2,331,666	861,240	1,797,184	1,291,848	-	-	6,281,938
State and local grants and contracts	4,293,144	1,549,395	4,581,299	1,500,466	-	-	11,924,304
Nongovernment grants and contracts	1,715,197	438,817	2,865,907	-	-	-	5,019,921
Indirect cost recoveries	249,412	79,547	198,769	9,420	-	-	537,148
Auxiliary revenues	32,659,550	29,843,766	27,900,650	21,027,273	-	-	111,431,239
Other operating revenues	5,364,981	3,296,335	5,312,896	2,110,371	12,578,578	(8,504,474)	20,158,687
Total operating revenues	137,512,929	68,470,111	129,026,719	69,498,828	37,962,655	(8,150,488)	434,320,754
Operating expenses:							
Salaries and wages	100,099,073	58,019,887	100,790,883	58,693,888	4,252,449	-	321,856,180
Fringe benefits	59,247,191	36,228,246	58,894,940	33,219,535	53,643,939	-	241,233,851
Professional services and fees	4,991,198	2,457,457	5,226,035	4,061,677	2,588,477	-	19,324,844
Educational services and support	38,952,356	15,615,145	33,005,017	19,121,095	846	-	106,694,459
Travel expenses	2,771,744	877,064	1,964,236	931,930	78,047	-	6,623,021
Operation of facilities	26,571,463	7,419,981	11,049,140	10,537,840	8,689,006	(8,504,474)	55,762,956
Other operating supplies and expenses	5,102,935	3,670,649	6,926,554	5,881,127	13,986,428	353,986	35,921,679
Depreciation expense	17,221,042	14,551,697	20,455,856	13,685,530	279,497	-	66,193,622
Amortization expense	-	-	53,625	27,434	-	-	81,059
Total operating expenses	254,957,002	138,840,126	238,366,286	146,160,056	83,518,689	(8,150,488)	853,691,671
Operating loss	$ (117,444,073)	$ (70,370,015)	$(109,339,567)	$ (76,661,228)	$ (45,556,034)	$ -	$ (419,370,917)

Connecticut State University System

Supplemental Information – Combining Statement of Revenues, Expenses and Changes in Net Position

June 30, 2018

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2018
Nonoperating revenues (expenses)							
State appropriations	$ 78,050,460	$ 49,803,080	$ 74,072,500	$ 47,767,665	$ 6,494,348	$ -	$ 256,188,053
Pell Grant Revenue	14,915,492	7,080,943	14,378,324	7,642,063	-	-	44,016,822
Gifts	3,118,968	390,040	152,654	132,060	-	-	3,793,722
Investment income	1,135,784	670,679	1,238,644	456,653	2,941,682	-	6,443,442
Interest Expense	(57)	-	-	-	(11,262,501)	-	(11,262,558)
Other nonoperating revenues (expenses), net	392,357	223,644	738,965	701,481	-	-	2,056,447
Net nonoperating revenues (expenses)	97,613,004	58,168,386	90,581,087	56,699,922	(1,826,471)	-	301,235,928
Loss before other changes in net position	(19,831,069)	(12,201,629)	(18,758,480)	(19,961,306)	(47,382,505)	-	(118,134,989)
Other changes in net position							
State appropriations restricted for capital purposes	44,532,999	21,330,131	6,351,048	10,743,665	14,948,707	-	97,906,550
Loss on disposal of capital assets	(4,579,285)	(943,223)	(73,397)	(70,254)	(1,273)	-	(5,667,432)
Net other changes in net position	39,953,714	20,386,908	6,277,651	10,673,411	14,947,434	-	92,239,118
Net increase in net position	20,122,645	8,185,279	(12,480,829)	(9,287,895)	(32,435,071)	-	(25,895,871)
Net Position:							
Net Position - beginning of year, as restated	335,320,311	323,571,412	386,164,142	256,456,053	(1,659,197,262)	-	(357,685,344)
Net Position - end of year	$355,442,956	$331,756,691	$373,683,313	$247,168,158	$ (1,691,632,333)	$ -	$ (383,581,215)

Connecticut State University System

Supplemental Information – Combining Statement of Cash Flows

June 30, 2018

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2018
Cash flows from operating activities:							
Tuition and fees	$ 89,792,896	$ 33,097,909	$ 85,899,484	$ 43,007,706	$ 25,384,077	$ 353,986	$277,536,058
Grants and contracts	8,141,834	3,049,530	8,514,150	3,192,186	-	-	22,897,700
Auxiliary revenues	32,558,805	29,188,143	27,769,133	20,995,952	-	-	110,512,033
Other operating revenues	5,311,323	3,139,612	8,875,622	4,072,694	12,578,578	(8,504,474)	25,473,355
Payments to employees for salaries and benefits	(156,772,302)	(90,765,232)	(153,276,010)	(89,636,137)	(6,357,067)	-	(496,806,748)
Payments to suppliers	(1,839,339)	(1,635,720)	(3,937,275)	(1,974,995)	(68,546)	-	(9,455,875)
Professional services and fees	(4,991,199)	(2,457,457)	(5,226,134)	(4,061,677)	(2,588,477)	-	(19,324,944)
Educational services and support	(38,952,356)	(15,615,146)	(33,005,017)	(19,121,095)	(846)	-	(106,694,460)
Travel expenses	(2,771,744)	(877,063)	(1,964,236)	(931,930)	(78,047)	-	(6,623,020)
Operation of facilities	(26,571,462)	(7,419,981)	(11,049,139)	(10,537,840)	(10,300,932)	8,504,474	(57,374,880)
Other operating supplies and expenses	(2,887,376)	(1,804,551)	(3,784,396)	(6,114,518)	(13,286,183)	(353,986)	(28,231,010)
Net cash provided (used) in operating activities	(98,980,920)	(52,099,956)	(81,183,818)	(61,109,654)	5,282,557	-	(288,091,791)
Cash flows from noncapital financing activities:							
State appropriations	71,976,668	44,186,288	73,944,440	46,025,624 `	6,475,390	-	242,608,410
Gifts for other than capital purposes	3,118,969	390,041	152,654	132,060	-	-	3,793,724
Nonoperating grants and revenue other	15,307,851	7,304,586	15,117,290	8,343,544	-	-	46,073,271
Net cash provided by noncapital financing activities	$ 90,403,488	$ 51,880,915	$ 89,214,384	$ 54,501,228	$ 6,475,390	$ -	$292,475,405

Connecticut State University System

Supplemental Information – Combining Statement of Cash Flows

June 30, 2018

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2018
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	$ -	$ -	$ -	$ -	$ 45,230,773	$ -	$ 45,230,773
Purchases of investments	-	-	-	-	(32,269,643)	-	(32,269,643)
Interest and dividends received on investments	1,135,727	670,679	1,065,838	456,653	2,895,457	-	6,224,354
Net cash provided by investing activities	1,135,727	670,679	1,065,838	456,653	15,856,587	-	19,185,484
Cash flows from capital and related financing activities:							
Cash paid for capital assets	(37,044,174)	(18,828,356)	(11,446,728)	(6,677,834)	(10,956)	-	(74,008,048)
State capital appropriations received	44,532,999	21,330,131	9,660,635	10,743,665	12,348,317	-	98,615,747
Repayments of capital debt and leases	-	-	-	-	(20,055,000)	-	(20,055,000)
Interest paid on capital debt and leases	-	-	-	-	(13,943,238)	-	(13,943,238)
Net cash provided (used) in capital and related financing activities	7,488,825	2,501,775	(1,786,093)	4,065,831	(21,660,877)	-	(9,390,539)
Net increase in cash and cash equivalents	47,120	2,953,413	7,310,311	(2,085,942)	5,953,657	-	14,178,559
Cash and cash equivalents, beginning of year	81,137,070	46,910,939	87,844,335	31,634,821	106,359,021	-	353,886,186
Cash and cash equivalents, end of year	$ 81,184,190	$ 49,864,352	$ 95,154,646	$ 29,548,879	$ 112,312,678	$ -	$ 368,064,745

Connecticut State University System

Supplemental Information – Combining Statement of Cash Flows

June 30, 2018

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2018
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating loss	$ (117,444,073)	$ (70,370,015)	$ (109,339,567)	$ (76,661,228)	$ (45,556,034)	$ -	$ (419,370,917)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	17,221,042	14,551,697	20,455,856	13,685,530	279,497	-	66,193,622
Amortization	-	-	53,625	27,434	-	-	81,059
Changes in assets and liabilities:							
Receivables	(875,678)	565,683	2,167,440	309,185	-	-	2,166,630
Prepaid expenses and other	305,127	102,096	(187,393)	(125,470)	86,080	-	180,440
Accounts payable	452,180	240,144	(451,915)	(1,595,592)	1,177,317	-	(177,866)
Accrued salaries and benefits	2,678,340	2,075,605	5,435,437	1,832,373	49,412	-	12,071,167
Other liabilities	(474,440)	(111,861)	(155,808)	(487,324)	1	-	(1,229,432)
Due to/from State of Connecticut	(3,394)	898,594	266,276	564,512	-	-	1,725,988
Due to/from Universities	(152,758)	(370,110)	886,024	1,880,469	(2,243,625)	-	-
Unearned tuition, fees and grant revenues	(679,635)	(168,443)	(1,327,073)	(469,880)	-	-	(2,645,031)
Deferred compensation	-	-	-	-	50,000	-	50,000
Depository accounts	93,353	(22,047)	305,179	49,936	-	-	426,421
Accrued compensated absences	(100,984)	508,701	708,101	(119,599)	143,987	-	1,140,206
Pension liability	-	-	-	-	(96,696,186)	-	(96,696,186)
Other post employment benefits	-	-	-	-	(18,268,659)	-	(18,268,659)
Changes in deferred outflows and inflows of resources:							
Deferred pension contribution	-	-	-	-	108,758,210	-	108,758,210
Deferred other post employment benefit outlows	-	-	-	-	(10,803,330)		(10,803,330)
Deferred pension asset gains	-	-	-	-	17,973,592		17,973,592
Deferred other post employment benefit inflows	-	-	-	-	50,332,295	-	50,332,295
Net cash used in operating activities	$ (98,980,920)	$ (52,099,956)	$ (81,183,818)	$ (61,109,654)	$ 5,282,557	$ -	$ (288,091,791)
Noncash investing, noncapital financing and capital and related financing transactions:							
Fixed assets included in accounts payable	$ 1,668,774	$ 672,287	$ 393,595	$ 42,818	$ -	$ -	$ 2,777,474
State financed plant facilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reconciliation of cash and cash equivalents to the combined statements of net assets:							
Cash and cash equivalents classified as current assets	$ 64,665,555	$ 34,224,234	$ 68,588,705	$ 22,071,219	$ 30,043,955	$ -	$ 219,593,668
Cash and cash equivalents classified as noncurrent assets	16,518,635	15,640,118	26,565,941	7,477,660	82,268,723	-	148,471,077
	$ 81,184,190	$ 49,864,352	$ 95,154,646	$ 29,548,879	$ 112,312,678	$ -	$ 368,064,745

1. Basis of Presentation of Supplemental Information

The supplementary schedules are presented to provide information from the stand-alone books and records of the universities and system office. The supplementary schedules exclude certain eliminating entries necessary to prepare the consolidated financial statements of CSUS. The supplementary schedules also do not include the impact of the adoption of GASB 68, *Pensions*, or GASB 75, *other post-employment benefits*, on the individual universities as reported in the financial statements of CSUS because the liability has not been allocated to the universities but rather is reflected only at the CSUS system level in the financial statements.

Draft 12-4-18

2018

CSCU Connecticut Community Colleges

Financial Statements

including

Required Supplementary Information

Additional Supplemental Information

June 30, 2018

Connecticut State Colleges & Universities

CSCU

Connecticut Community Colleges Mission Statement

As part of the Connecticut State Colleges & Universities (CSCU) system, the twelve Connecticut Community Colleges share a mission to make excellent higher education and lifelong learning affordable and accessible. Through unique and comprehensive degree and certificate programs, non-credit life-long learning opportunities and job skills training programs, they advance student aspirations to earn career-oriented degrees and certificates and to pursue their further education. The Colleges nurture student learning and success to transform students and equip them to contribute to the economic, intellectual, civic, cultural and social well-being of their communities. In doing so, the Colleges support the state, its businesses and other enterprises and its citizens with a skilled, well-trained and educated workforce.

CSCU

Members of the Board of Regents for Higher Education
(Between 7/1/17 – 6/30/18)

- Thirteen members: nine appointed by the Governor; four appointed by legislative leaders
- Two students chosen by their peers (Chair and Vice Chair of Student Advisory Committee)
- Six non-voting, ex-officio members:
  - Four CT commissioners appointed by the Governor from the Departments of Public Health, Education, Economic and Community Development, and Labor
  - Chair and Vice Chair of the Faculty Advisory Committee

Regents as of 6/30/18 *(three vacancies: two student regents; one legislative)*

Matt Fleury, Chairman **(appt to Chair 7/1/17)**
Yvette Meléndez, Vice Chair
Richard J. Balducci
Aviva D. Budd
Naomi K. Cohen
Lawrence J. DeNardis
Felice Gray-Kemp
Merle W. Harris
Holly Howery **term began 4/19/18**
David R. Jimenez
JoAnn Ryan – **term began 4/19/18**
Elease E. Wright

Ex-Officio, Non-voting members

William Lugo – Chair of the Faculty Advisory Committee **term began 1/1/18**
Del Cummings – Vice Chair of the Faculty Advisory Committee **term began 1/1/18**
Raul Pino – Commissioner of the CT Department of Public Health
Dianna R. Wentzell – Commissioner of the State Board of Education
Catherine Smith – Commissioner of the CT Department of Economic and Community Development
Commissioner Kurt Westby – Commissioner of the CT Department of Labor – term began 6/1/18

Former Board members (who served between 7/1/17 – 6/30/18)
William J. McGurk; **term ended 4/19/18**
JoAnn H. Price **term ended 4/19/18**
Holly Palmer (COSC student; **term ended 12/31/17**)
Joseph Young (CCC student; **term ended 6/30/17**)
Hector Navarro (CCC student; elected in June 2017; **left Board 5/1/18**)
Juan Carlos Leal (CSU student; elected in December 2017; **left Board 5/1/18**)
Barbara E. Richards – Chair of the Faculty Advisory Committee – **term ended 12/31/17**
Stephen Adair – Vice Chair of the Faculty Advisory Committee – **term ended 12/31/17**
Scott Jackson – Commissioner of the CT Department of Labor – **left the Board 6/1/18**

CSCU

Connecticut Community College Presidents 7/1/2017 through 6/30/2018[1]

Asnuntuck Community College
170 Elm Street
Enfield, CT 06082
Dr. James Lombella, President

Capital Community College
950 Main Street
Hartford, CT 06103
Dr. Duncan Harris, Interim Campus CEO *eff 7/1/18*
Dr. Wilfredo Nieves, President *retired 6/30/18*

Gateway Community College
20 Church Street
New Haven, CT 06510
Dr. Paul Broadie II, Interim President

Housatonic Community College
900 Lafayette Boulevard
Bridgeport, CT 06604
Dr. Paul Broadie II, President

Manchester Community College
Great Path
Manchester, CT 06045-1046
Dr. Tanya Millner-Harlee, Interim Campus CEO *eff 7/1/18*
Dr. Gena Glickman, President *retired 6/30/18*

Middlesex Community College
100 Training Hill Road
Middletown, CT 06457
Dr. Steven Minkler, Campus CEO

Naugatuck Valley Community College
750 Chase Parkway
Waterbury, CT 06708
Dr. Daisy Cocco DeFilippis, President

Northwestern Connecticut Community College
Park Place East, Winsted, CT 06098
Dr. Michael Rooke, President

Norwalk Community College
188 Richards Avenue
Norwalk, CT 06854
Dr. David L. Levinson, President

Quinebaug Valley Community College
742 Upper Maple Street
Danielson, CT 06239
Dr. Carlee Drummer, President

Three Rivers Community College
574 New London Turnpike
Norwich, CT 06360
Dr. Mary Ellen Jukoski, President

Tunxis Community College
271 Scott Swamp Road
Farmington, CT 06032
Dr. James Lombella, Interim President

System Office, Connecticut State Colleges & Universities (CSCU)
61 Woodland Street, Hartford, CT 06105

Mark E. Ojakian, CSCU President

[1] Where 6/30/2018 is last date, successor effective 7/1/2018 is also included.

Introduction

The Management Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Connecticut Community Colleges ("CCC" or "System") and its component units for the fiscal year ended June 30, 2018, along with comparative information for the fiscal years ended June 30, 2017. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

The Board of Regents for Higher Education was established by the Connecticut General Assembly in 2011 (via Public Act 11-48 as amended by Public Act 11-61) bringing together the governance structure for the four Connecticut State Universities, twelve Connecticut Community Colleges and Charter Oak State College, effective July 1, 2011. The new Board of Regents for Higher Education is authorized under the provisions of this public act to "serve as the Board of Trustees for Community-Technical Colleges".

The Connecticut Community Colleges is a state-wide system of twelve regional community colleges. During the fall 2017 semester, 49,377 students enrolled in credit courses and Full-Time Equivalent ("FTE") enrollment was 28,593. During calendar year 2017, 29,468 students also took a variety of non-credit skill-building programs. The CCC's offer two-year associate degrees and transfer programs, short-term certificates, and individual coursework in both credit and non-credit programs, often through partnerships with business and industry. In total, CCC employed approximately 1,930 full time employees at June 30, 2018.

The CCC system is composed of twelve primary institutions that make up the primary reporting entity. The primary reporting entity is financially accountable for the organizations that make up its legal entity. The System's twelve primary institutions include the following community colleges:

- Asnuntuck Community College ("Asnuntuck") in Enfield
- Capital Community College ("Capital") in Hartford
- Gateway Community College ("Gateway") in New Haven and North Haven
- Housatonic Community College ("Housatonic") in Bridgeport
- Manchester Community College ("Manchester") in Manchester
- Middlesex Community College ("Middlesex") in Middletown and Meriden
- Naugatuck Valley Community College ("Naugatuck Valley") in Waterbury and Danbury
- Northwestern Connecticut Community College ("Northwestern") in Winsted
- Norwalk Community College ("Norwalk") in Norwalk
- Quinebaug Valley Community College ("Quinebaug") in Danielson and Willimantic
- Three Rivers Community College ("Three Rivers") in Norwich
- Tunxis Community College ("Tunxis") in Farmington and Bristol

The CCCs serve an important role in the State's economy, providing convenient, accessible and flexible access to higher education for many of the State's residents, including "non-traditional" students age 22 or older. Open admission to all individuals who have a high school degree or equivalency, an emphasis on low student tuition and fees, and a policy goal of making financial aid available to meet the direct costs of attendance for students who demonstrate financial need, help to ensure access to all students regardless of income. In addition to the twelve primary locations, several CCCs have satellite locations in city centers affording even easier access to students who may not have transportation to attend the main campus. Satellite locations include downtown Danbury, Meriden, and Willimantic. The financial results of these satellite locations are included in the reports of the main campus, or Naugatuck Valley, Middlesex, and Quinebaug Valley Community College, respectively.

Using the Financial Statements

CCC's financial report includes the following financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35 established standards for external financial reporting for

public colleges and universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of the System as a whole. As required by GASB Statements No. 34 and 35 fiscal year 2018 financial statements and footnotes are presented for the CCC *primary institution*, as well as for certain other organizations that have a significant related party relationship with CCC (the "component units").

The component units are the twelve college foundations (the "Foundations") and the Great Path Academy ("GPA"), a magnet high school at Manchester Community College ("MCC"). Magnet high schools which are operating on CCC campuses are legally separate, tax-exempt non-profit organizations. Each magnet school established is evaluated for inclusion within the System financial statements as a component unit. The Great Path Academy (GPA) at MCC meets the criteria for inclusion as a component unit in the financial statements of CCC and is discretely presented and identified in a single column on the face of the CCC financial statements. The Foundations are legally independent, tax-exempt non-profit organizations separate from College control, founded to foster and promote the growth, progress and general welfare of the Colleges and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Colleges' endowments. However, the assets of these component units are not available to CCC for use at its discretion. The MD&A discusses CCC's financial statements only and not those of its component units.

Financial Highlights

The Connecticut Community Colleges had total assets of $932.1 million, liabilities of $1,722.3 billion, and a total net position balance of ($594.6) million at June 30, 2018. Of this amount, ($1,366.8) billion is classified as unrestricted net position, a $24.6 million decrease from 2017. The large negative balance in unrestricted net position was a result of the adoption of GASB 68 (Pensions) in fiscal year 2015 and GASB 75 (Other Post-Employment Benefits) in fiscal year 2018. Adoption of GASB 68 required the System to recognize a net liability for pension plans, which was previously disclosed only at the State level. The adoption of GASB 75 required the System to recognize the net liability for *other post-employment benefits* (OPEB). The offset to the net pension and OPEB liabilities was a reduction in unrestricted net position as further discussed below. For purposes of comparison, fiscal year 2017 financial statements in the MD&A have been restated as if GASB 75 had been adopted at the beginning of that year.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $144.1 million, a 3.1% increase over the previous year. Operating expenses were $575.4 million, a decrease of 3.1% from the previous year, resulting in an operating loss of $431.2 million during the year ended June 30, 2018. Net non-operating revenues and other changes were $378.1 million, down 3.8% from the previous year, which was primarily the result of a $7.7 million decrease in state appropriations - bond funds and a $12.2 million decrease in state appropriations - general fund. Overall the CCC's experienced a decrease in net position of $53.1 million during fiscal year 2018.

Cash and cash equivalents were $147.4 million at June 30, 2018, including $16.3 million of cash equivalents in the form of State bond appropriations administered by the CCC's, and $26.3 million of State bond appropriations administered by the Department of Administration Services ("DAS") on behalf of the System. DAS-administered cash equivalents (bond appropriations) decreased from $42.1 million at June 30, 2017 to $26.3 million at June 30, 2018. Total current assets were $202.7 million at June 30, 2018. The current ratio identifies the amount of resources available to meet current obligations. This ratio of unrestricted current assets of $146.0 million to unrestricted current liabilities of $64.5 million is 2.3:1 in 2018, and was 2.5:1 in 2017. The current ratio reflects a financial position sufficient to provide short-term liquidity. However, as the State continues to address budget shortfalls over the next few years, management will continue to carefully monitor liquidity metrics. Non-current liabilities decreased 6.0% from $1,748.3 billion at June 30, 2017 to $1,644.0 billion at June 30, 2018. This significant liability includes $759.4 million for the CCC allocation of the state pension plan obligation, $847.8 million for the CCC allocation of the state's OPEB obligation and $36.6 million for the long-term portion of the accrued value of benefits, other than pension and OPEB, earned by employees which must be paid out when they retire or otherwise terminate service in the future (net of the estimated amounts to be paid out in the upcoming year).

Statement of Net Position

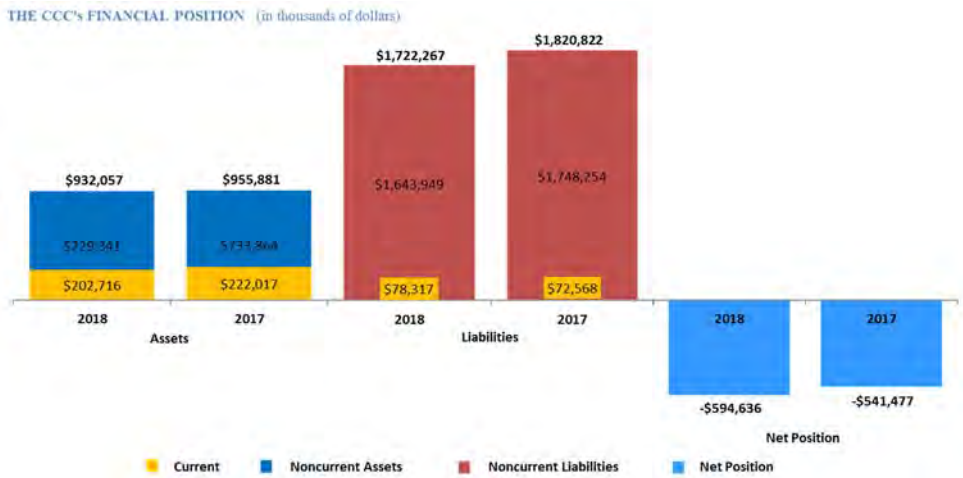
The Statement of Net Position presents the overall financial position of the System at the end of the fiscal year, and includes all assets and liabilities of the Connecticut Community Colleges, including capital assets net of depreciation. The change in Net Position is one indicator of whether the overall financial condition of CCC has improved or worsened during the year.

Condensed Statements of Net Position
June 30, 2018 and 2017
(in thousands)

	2018	2017 Restated*	% Change
ASSETS			
Current assets	$ 202,716	$ 222,017	-8.7%
Non-current assets	729,341	733,864	-0.6%
Total assets	932,057	955,881	-2.5%
DEFERRED OUTFLOWS OF RESOURCES	267,682	335,855	-20.3%
LIABILITIES			
Current liabilities	78,317	72,568	7.9%
Non-current liabilities	1,643,949	1,748,254	-6.0%
Total liabilities	1,722,266	1,820,822	-5.4%
DEFERRED INFLOWS OF RESOURCES	72,109	12,391	481.9%
NET POSITION			
Invested in capital assets	708,361	733,589	-3.4%
Restricted-nonexpendable	20	20	0.0%
Restricted-expendable	63,733	67,125	-5.1%
Unrestricted	(1,366,750)	(1,342,211)	-1.8%
Total net position	$ (594,636)	$ (541,477)	-9.8%

*Net position and non-current liabilities were restated to reflect the net OPEB liability at June 30, 2017 of $869.3 million as if the GASB No. 75 liability was recorded in 2017.

Current assets consist of cash and cash equivalents and accounts receivable. The $19.3 million decrease in current assets from the previous year is largely attributable to a $25.3 million decrease in the cash equivalents. Cash equivalents fluctuate as sizeable building projects are funded and then expended over a period of two to three years. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short Term Investment Fund ("STIF") on behalf of State agencies. The CCC's do not carry any other separate investments.



Non-current assets decreased 0.6% from $733.9 million at June 30, 2017, to $729.3 million at June 30, 2018. Net capital assets account for all but $157 thousand of non-current assets. The $157 thousand represents student loan receivables. At June 30, 2018, capital assets in service totaled $1.1 billion, offset by $369.7 million in accumulated depreciation; this compared with $1.0 billion and $342.3 million, respectively, at the end of fiscal year 2017. The $23.0 million increase in capital assets included $10.6 million in building improvements. Completed projects included $2.3 million for Asnuntuck's manufacturing center, $1.4 million in renovations to Founders Hall at Northwestern and $1.4 million for HVAC upgrades at Norwalk. Construction-In-Progress increased $14.1 million from $69.5 to $83.5 million. The increase included $17.9 million in additions less $3.3 million in transfers of completed projects.

Current liabilities consist primarily of accrued payroll and related benefits of $49.6 million and unearned tuition, fees and grant revenue of $13.4 million, primarily collected in advance for late-summer and fall 2018 academic terms. Additional current liabilities include vendor accounts payable of $3.9 million, $3.3 million for the estimated value of accrued compensated absences that will be paid within the coming year to employees who terminate or retire and $3.7 million of retainage on facility projects.

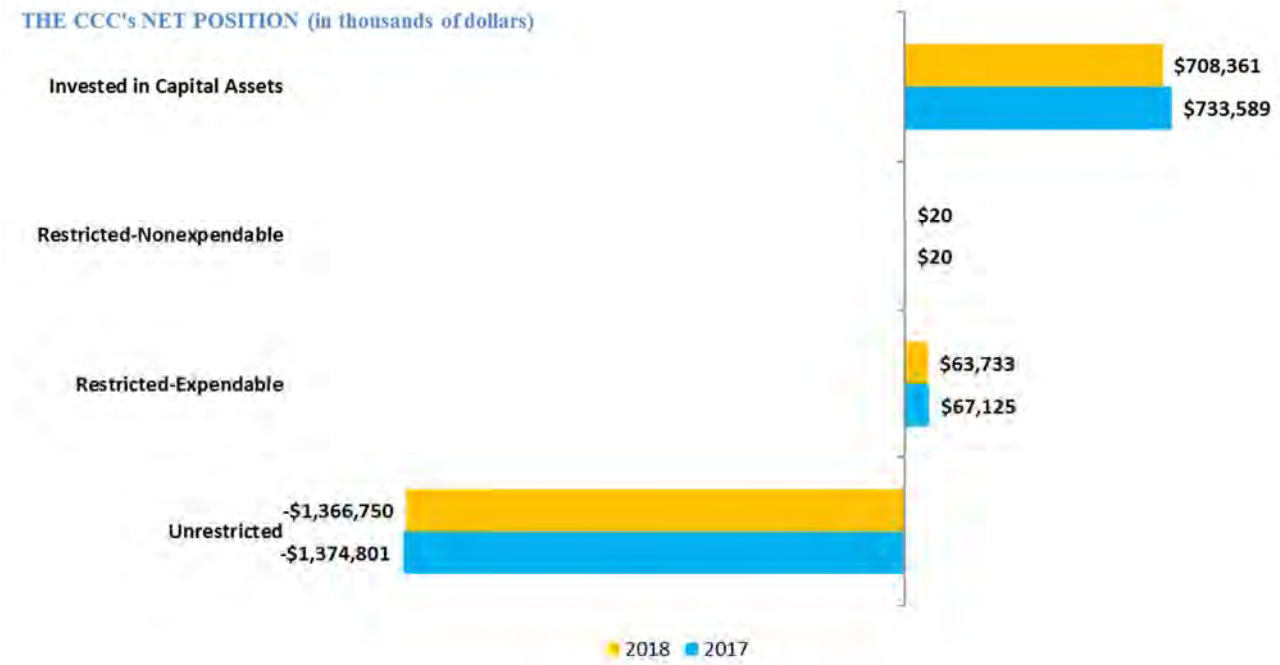
Non-current liabilities consist almost exclusively of $759.4 million in pension liability, $847.8 million in OPEB liability and $36.6 million of long-term accrued compensated absences ("ACA") to be paid out to terminating employees over time in the future beyond one year. *Pension liabilities* represent the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability. *Other post-employment benefits* liability represents the System's proportionate share of the State's OPEB liability as a whole.

Total liabilities were $1,722.3 billion at the end of fiscal year 2018, a decrease from $1,820.8 billion at the end of fiscal year 2017. This is driven primarily by an $82.7 million dollar decrease in the net pension liability. The total ACA liability of $39.9 million (long-term and current), pension liability of $759.4 million and OPEB liability of $847.8 million, represents approximately eleven times the existing unrestricted current assets that are available to pay for these previously earned employee benefits, and causes the reported unrestricted net position balance to be negative. In practice, however, much of these payouts are funded through current-year revenues rather than through existing net position.

Deferred inflows and outflows of resources are related to future periods. In the colleges financial statements this is primarily related to the impact of recognizing net pension and net OPEB liabilities. They reflect differences between projected and actual assumptions and earnings, changes in actuarial assumptions, changes in proportion and differences between contributions and the proportionate share of contributions and employer contributions subsequent to the measurement date.

The *Total net position* balance includes $708.4 million *Invested in capital assets* net of depreciation. The Connecticut Community Colleges do not carry any capital debt, as property acquisitions, facility construction and major renovations are financed by capital appropriations made to one or more of the CCC's. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in the CCC financial statements. The Connecticut Community Colleges continue to implement a long-range capital plan to provide for new and renovated campus facilities necessary to meet

academic program needs.

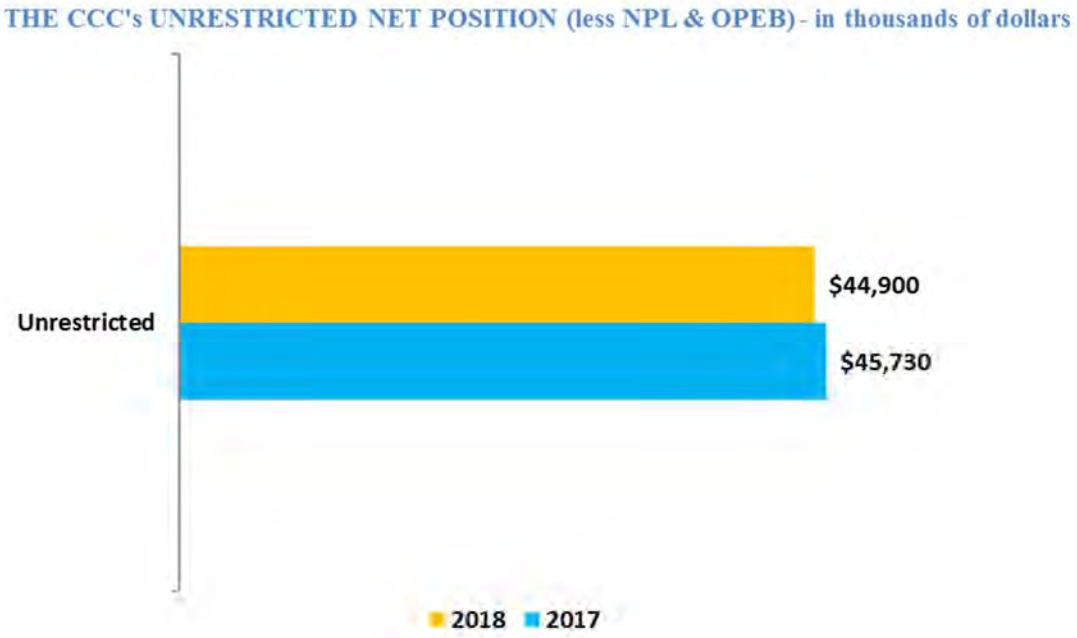


The $27.2 million in new bond fund appropriations in fiscal year 2018 included $22.0 million for System administered projects, repairs, and equipment, and $5.2 million for Department of Administrative Services (DAS)-administered projects. The System-administered dollars funded a variety of small projects and IT initiatives. The $5.2 million included $5.1 million for renovations at Norwalk Community College.

The CCC's have a minimal level of *Restricted-Nonexpendable* net position as the colleges do not generally carry any permanent endowment as a direct activity which is generally held by the supporting foundations. *Restricted-Expendable* net position here represents primarily bond fund appropriation balances at June 30, 2018 ($35.0 million in funds managed by the CCC's and $27.4 million for projects managed by DAS), funds held in restricted accounts pending distribution under the terms of the Board's collective bargaining agreement with its professional unions, as well as private gifts and donations, mostly for scholarships, whose revenues have been recognized but not yet expended. Changes in restricted-expendable net position are related primarily to the change in bond fund appropriation revenues and expenses in connection with various facility projects.

Unrestricted net position ("UNP") has shifted to a negative balance with the recognition of the pension and OPEB liabilities. This negative balance improved by $8.0 million during fiscal year 2018. Excluding the activity related to the actuarially determined net pension and OPEB liabilities, UNP decreased by $0.8 million to $44.9 million during fiscal year 2018, following an increase of $8.0 million in 2017. The table below illustrates the fluctuations in aggregate CCC UNP over the past five years adjusted for net pension liability beginning in fiscal year 2014 and net OPEB liability beginning in fiscal year 2017:

	FY14	FY15	FY16	FY17	FY18
UNP	$13.3	$25.7	$37.7	$45.7	$44.9
UNP Adjusted	($492.0)	($475.9)	($466.0)	($1,374.8)	($1,366.8)



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents CCC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2018 were $144.1 million after the reduction for scholarship allowances, an increase of 3.1% from $139.8 million in fiscal year 2017. *Student tuition and fees* represent the largest portion of operating revenue on a gross basis, but are offset by student financial aid and waivers resulting in net tuition and fee revenue of $106.3 million. This differs from budgetary practices, which recognize revenue on a gross basis without offset for scholarship allowances. On a gross basis, fiscal year 2018 tuition revenues increased 4.3% from the previous year, to $183.5 million. These revenues reflect a FTE credit enrollment decrease of 1.5% in fiscal year 2018 but the implementation of new supplemental fees that resulted in $9.0 million in new revenue in fiscal year 2018.

The Connecticut Community Colleges recorded an operating loss of $431.2 million during the year ended June 30, 2018. This results primarily from the fact that the State general fund appropriation and related fringe benefits, as well as State bond fund appropriations are classified as *non-operating revenues*, although the expenditure of these resources on personnel, non-capital equipment and depreciation are considered to be an operating expense. Other non-operating activity includes private gifts and donations, investment income earned on cash balances invested by the State treasurer's office, and non-mandatory transfers between individual colleges and the System Office. The State general fund appropriation for salaries decreased by 6.2% and the associated revenues to cover fringe benefit costs decreased by 1.8%, to $154.5 million and $117.1 million, respectively. Bond fund appropriation revenues decreased from $34.9 million in 2017 to $27.2 million in 2018. When the full value of the general fund appropriation and fringe benefits, capital appropriations, and other non-operating revenue and expense is taken into account, the System recorded a total 2018 net decrease in net position of $53.2 million compared with a $61.3 million decrease in 2017.

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017
(in thousands)

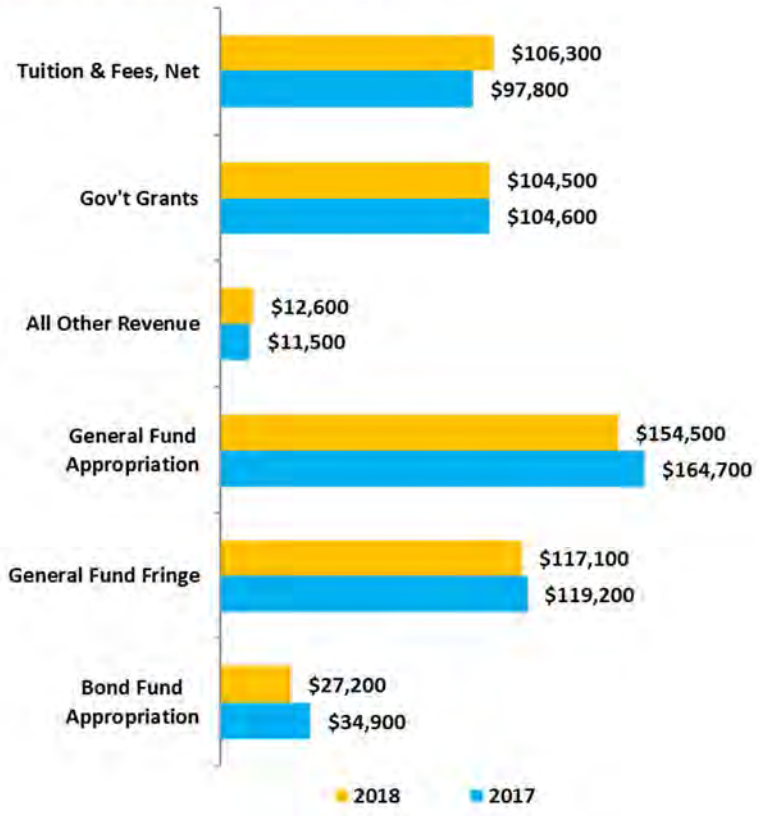
	2018	2017 Restated*	% Change
OPERATING REVENUES			
Tuition and fees, net	$ 106,259	$ 97,770	8.7%
Government grants and contracts	28,601	32,569	-12.2%
Additional operating revenues	9,282	9,418	-1.4%
Total operating revenues	144,142	139,757	3.1%
OPERATING EXPENSES			
Expenses before depreciation	543,946	563,580	-3.5%
Depreciation	31,417	30,457	3.2%
Total operating expenses	575,363	594,037	-3.1%
Operating loss	(431,221)	(454,280)	5.1%
NON-OPERATING REVENUES			
State appropriations - general fund	271,658	283,937	-4.3%
State appropriations - bond fund	27,179	34,887	-22.1%
PELL grants	75,938	72,093	5.3%
Other non-operating revenues (expenses), net	3,287	2,052	60.2%
Total non-operating revenues	378,062	392,969	-3.8%
NET POSTION			
Change in net position	(53,159)	(61,311)	13.3%
Net position, beginning of year	(541,477)	(480,166)	-12.8%
Net position, end of year	$ (594,636)	$ (541,477)	-9.8%

*Net position was restated to reflect the net OPEB liability at June 30, 2017 of $869.3 million as if the GASB No. 75 liability was recorded in 2017.

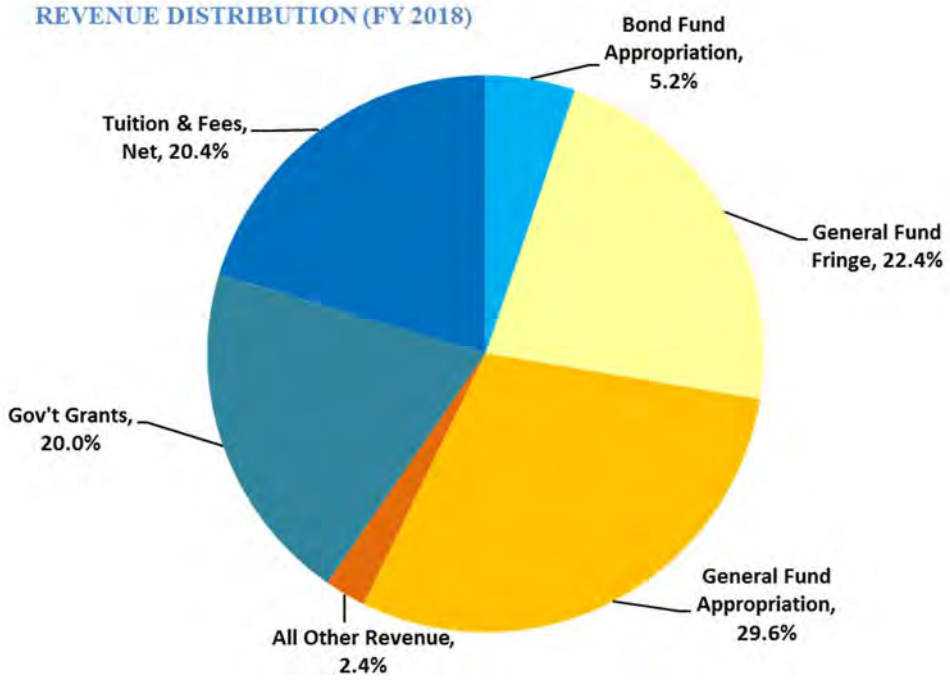
Government grant revenues are comprised primarily of student financial aid programs including the Supplemental Education Opportunity Grant ("SEOG") programs. Other government grants include funding for various program-related activities. Government grant revenues at June 30, 2018 were $104.5 million; federal dollars were down $1.9 million and state dollars were down $2.1 million from the previous fiscal year. The decrease was primarily related to the close out of the Connecticut Advanced Manufacturing Initiative (CAMI) grant which provided funding for the expansion of advanced manufacturing programs.

Other additional operating and non-operating revenues totaled $12.6 million in 2018, up from $11.5 million in 2017. Other revenues include sales or commission revenues from college- or vendor-operated cafeterias, bookstores, and daycare centers, early childhood education, food services, and private gifts and grants.

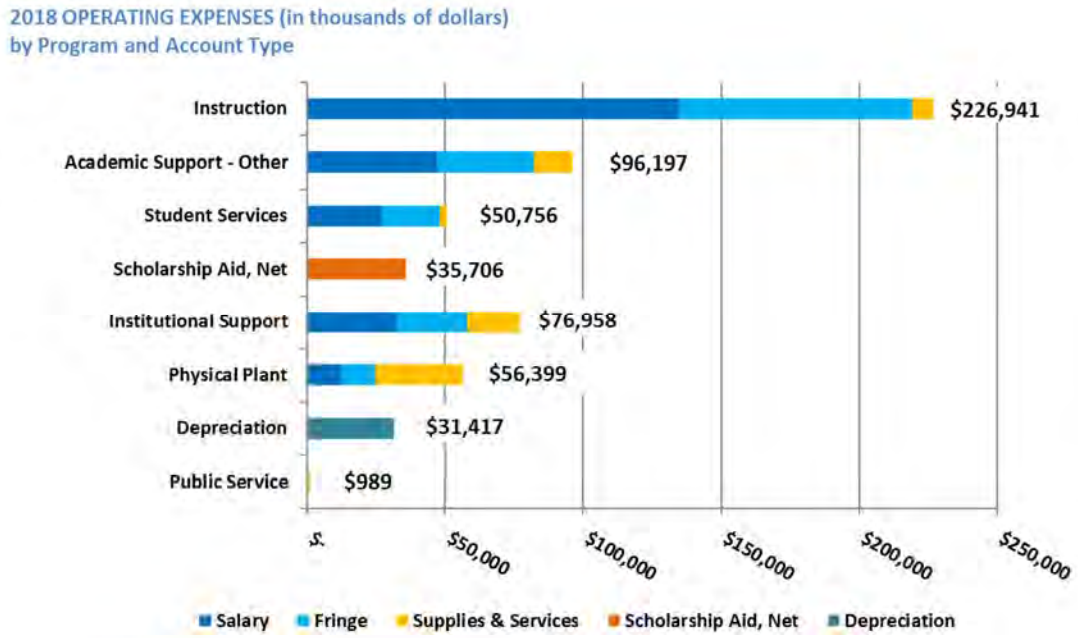
REVENUE SUMMARY (in thousands of dollars)

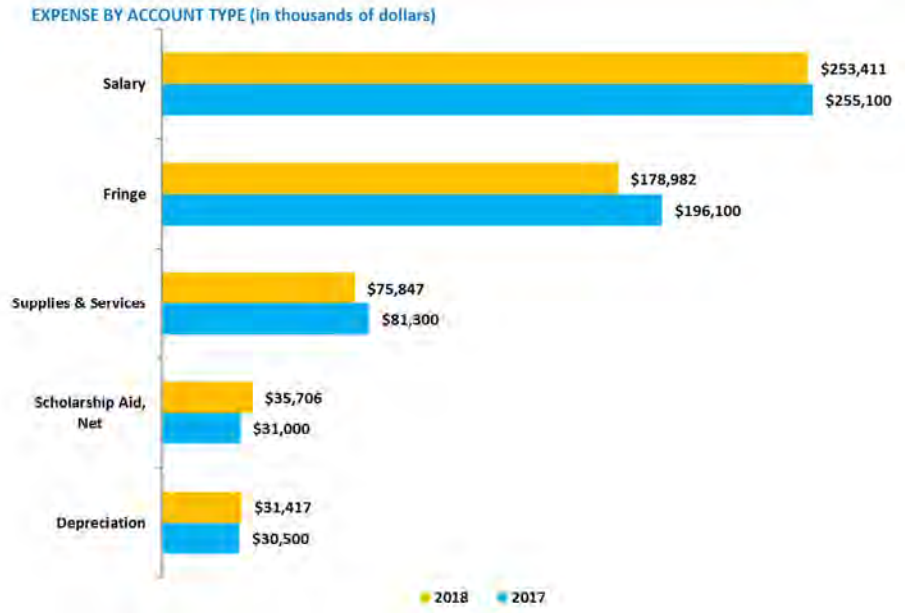


REVENUE DISTRIBUTION (FY 2018)



Total operating expenses for fiscal year 2018 were $575.4 million, after reductions for the amount of student financial aid and waivers applied to student tuition and fees. This reflects an operating expense decrease of 3.1% from $594.0 million in fiscal year 2017. The $18.6 million decrease in fiscal year 2018 is primarily due to the change in pension and OPEB expense, compared with fiscal year 2017, booked in accordance with GASB 68 & 75 requirements. Without reflecting GASB 68 &75 related entries, CCC operating expenses increased to $551.7 million from $546.5 million in fiscal year 2018. This is primarily a result of an increase in fringe costs of $6.7 million. Operating expenses include $432.4 million for salary and wages and related fringe benefits, or 75.2% of total operating expense. In addition, operating expenses include $35.7 million in net scholarship aid expense refunded to students, $31.4 million in depreciation expense and $75.8 million for all other service and supply costs. Supplies and services include non-capital telecommunications and information technology-related services and supplies; premises and property-related expenses including utilities, security, maintenance and repairs, custodial and grounds, and all other non-personnel costs of operating the colleges.





Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. Major sources of *operating activity* cash inflows include receipts of student tuition and fees of $98.0 million, a $1.4 million increase from 2017 and receipts from government grants and contracts of $29.4 million, down 19.4% from 2017. Cash is also received from private grants and contracts, miscellaneous auxiliary and educational sales, and other activities. The largest operating cash outflows include salaries paid to employees of $244.0 million, down 2.5% from 2017, fringe benefits paid on behalf of employees of $150.5 million, up 2.5% from 2017, vendor payments of $86.8 million, down 0.4% from 2017 and payments to students of $34.9 million, down 2.9% from 2017, including financial aid grants and loans (above the amounts applied to tuition and fee charges), student work study or other employment, and tuition and fee refunds. Salaries paid declined due to continued position vacancies and budget restraint. Meanwhile, fringe benefits paid increased because the states fringe rates increased in fiscal year 2018 over fiscal year 2017. Net cash used by operating activities decreased 0.2% during fiscal year 2018.

The largest inflow of cash related to *non-capital financing* is State appropriations, which were $278.4 million, including general fund appropriations for salaries and related fringe benefits, and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. Other non-capital financing cash inflows include PELL grants of $76.2 million, private gift receipts of $1.8 million and Federal Family Education Loan Program (FFELP) receipts of $9.2 million.

Capital financing cash flows result primarily from the receipt or reallocation of capital appropriations and from cash outlays made to purchase capital assets either by the CCC's directly, or by DAS on the System's behalf. During fiscal year 2018, capital financing net cash inflows of $11.0 million reflected the receipt of bond appropriations, $18.3 million was spent on college facility projects administered by DAS, and $10.6 million for repairs and maintenance, capital equipment and system technology initiatives at the colleges and System office. Cash provided by *investing activities* represents interest income earned on operating fund cash balances invested by the State treasurer on behalf of the System, and distributed quarterly. Cash inflows from the Short Term Investment Fund ("STIF") rose from $495 thousand in fiscal year 2017 to $1.2 million in fiscal year 2018.

Condensed Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(in thousands)

	2018	2017	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	$ (374,638)	$ (375,366)	0.2%
Noncapital financing activities	365,580	380,689	-4.0%
Capital and related financing activities	(17,924)	(70,521)	74.6%
Investing activities	1,249	495	152.3%
Net change in cash and cash equivalents	(25,733)	(64,703)	60.2%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	173,130	237,833	-27.2%
Cash and cash equivalents, end of year	$ 147,397	$ 173,130	-14.9%

Economic Outlook

Connecticut will have a new governor and new state administration, as well as a number of new legislators and political appointees beginning in January 2019. With such changes will undoubtedly come both new risks and new opportunities for the CCC.

Through FY 2018, the CCC have continued to see declining enrollments. The following table illustrates Fall Headcount and Full Time Equivalent ("FTE") student attendance at the CCCs:

Fall Headcount Enrollment and Full Time Equivalent				
Year Ended 30-Jun	Headcount	% Change	Full Time Equivalent	% Change
2018	49,377	-2.3%	28,593	-1.5%
2017	50,548	-4.2%	29,019	-4.6%
2016	52,761	-4.3%	30,430	-4.6%
2015	55,154	-3.2%	31,886	-3.0%
2014	56,976	-2.2%	32,882	-1.6%

In addition, the FY 2019 fall census enrollment indicates further declines of 3.0% in headcount and 3.1% in full time equivalents. Both the continued decline in enrollment and concerns over low completion rates have prompted CSCU to embark on a program called Guided Pathways, at this time primarily focused on CCC.

Guided Pathways is a national model that helps more students' efficiently complete credentials, transfer, and attain jobs in the labor market. The Guided Pathways approach ensures that all students develop an academic plan early in their college experience, have a clear road map of the courses they need, and receive consistent support to help them stay on track. Each pathway is based on a program of study that is aligned with specific employment goals and/or transfer. CSCU is committed to using Guided Pathways to improve student retention and completion. This work is a central part of the CSCU Students First initiative, and it builds on a variety of system efforts, including the Transfer and Articulation Policy (TAP) and Math Pathways.

In addition, CCC is investing in a new enrollment management senior level position and staff to implement a regional enrollment model which will build strategic and supportive relationships with K-12, adult education, employers and community partners to recruit students to the CSCU community colleges.

We expect these structural improvements to favorably impact enrollment for the CCC beginning in the next two years.

In addition to concerns over enrollment, management has recognized that the economic climate in the State of Connecticut may continue to be challenged; regardless of changes that may be made by new state administrators, it may be several years before the fiscal position of the state would be turned around.

CSCU therefore is continuing to implement its strategic plans under Students First and the CCC are on track to consolidate into one community college in FY 2023. After discussing the consolidation with the New England Commission of Higher Education (NECHE) (formerly NEASC), their recommendation was to decelerate the initial proposal to consolidate by FY2020 in order to have in place the infrastructure required for the accreditation of the single institution. To that end, great progress has been made on creating a common curriculum throughout the twelve colleges as well as IT systems and other mandatory enhancements in order to function as one community college with multiple locations.

In order to provide new state administration with an informative view of the CCC and CSCU, management has prepared a white paper detailing the system's economic and social value to the state. This document includes investments which we believe are necessary to further develop programs and degrees which will further the economic recovery of Connecticut. The new state biennium budget will be developed shortly after the new administration is in place, and advocating for CSCU institutions is particularly important at this time. The outcome of the biennium budget will further shape the economic outlook of the CCC.

Additional Information

This financial report is designed to provide a general overview of CCC's finances and to show accountability for the funds it receives. Questions about this report or requests for additional financial information should be directed to the CSCU Chief Financial Officer, Connecticut State Colleges & Universities (860-723-0251). College-specific questions may also be directed to the Dean of Administration at each individual college.

Hold for Independent Auditors Report

Hold for Independent Auditors Report

Hold for Independent Auditors Report

Connecticut Community Colleges

Statements of Net Position

Year Ended June 30, 2018

CSCU

	Primary Institution (in thousands) 2018	Component Unit Magnet High School (in thousands) 2018
Assets		
Current assets		
Cash and cash equivalents	$ 147,397	$ 1,088
Accounts receivable, due from the State	36,853	69
Accounts receivable other, net	18,166	43
Prepaid expenses	300	-
Total current assets	202,716	1,200
Non-current assets		
Capital assets, net	729,184	24,336
Student loans, net	157	-
Total non-current assets	729,341	24,336
Total assets	$ 932,057	$ 25,536
Deferred outflows of resources		
Deferred pension	225,689	-
Deferred other post employment benefits	41,993	
Total deferred outflows of resources	$ 267,682	$ -
Liabilities		
Current liabilities		
Accounts payable	$ 3,941	$ 313
Accrued expenses - salary and fringe benefits	49,560	100
Accrued compensated absences - current portion	3,250	3
Unearned tuition, fees and grant revenue	14,383	-
Retainage	3,680	-
Agency and loan fund liabilities	1,980	-
Other liabilities	1,523	-
Total current liabilities	78,317	416
Non-current liabilities		
Pension liability, net	759,379	
Other post employment benefits liability, net	847,845	
Accrued compensated absences - long term portion	36,628	38
Other long-term liabilities	97	-
Total non-current liabilities	1,643,949	38
Total liabilities	1,722,266	454
Deferred inflows of resources		
Deferred pension	25,094	-
Deferred other post employment benefits	47,015	
Total deferred inflows of resources	$ 72,109	$ -
Net position		
Invested in capital assets, net of related debt	708,361	24,336
Restricted		
Nonexpendable	20	-
Expendable	63,733	-
Unrestricted	(1,366,750)	746
Total net position	$ (594,636)	$ 25,082

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

Connecticut Community Colleges

Statements of Financial Position – Component Unit

June 30, 2018

	Component Unit Foundations (in thousands) 2018
Assets	
Cash and cash equivalents	$ 4,909
Accounts receivable, net	16
Contributions receivable, net	7,484
Grants receivable	10
Prepaid expenses and other assets	36
Investments	50,958
Total assets	$ 63,413
Liabilities	
Accounts payable and accrued expenses	$ 436
Annuities payable	44
Scholarships payable	22
Other liabilities	917
Total liabilities	1,419
Net Assets	
Unrestricted	10,455
Temporarily restricted	20,907
Permanently restricted	30,632
Total net assets	61,994
Total liabilities and net assets	$ 63,413

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

Connecticut Community Colleges

Statements of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

CSCU

	Primary Institution (in thousands) 2018	Component Unit Magnet High School (in thousands) 2018
Operating revenue		
Student tuition and fees	$ 183,474	$ -
Less: Scholarship discounts and allowances	(77,215)	-
Net tuition and fees	106,259	-
Federal grants and contracts	16,105	2,993
State and local grants and contracts	12,496	125
Private grants and contracts	4,490	-
Sales and services of educational departments	692	-
Other operating revenues	4,100	1,224
Total operating revenues	144,142	4,342
Operating expenses		
Instruction	226,941	2,035
Public service	989	-
Academic support	84,667	217
Library	11,530	-
Student services	50,756	642
Scholarship aid, net	35,706	-
Institutional support	76,958	1,269
Physical plant	56,399	585
Depreciation	31,417	849
Total operating expenses	575,363	5,597
Operating loss	(431,221)	(1,255)
Nonoperating revenues		
State appropriations - general fund	271,658	820
State appropriations - bond funds	27,179	-
PELL grants	75,938	-
Private gifts	1,797	-
Interest income	1,490	-
Net non-operating revenue	378,062	820
Change in net position	(53,159)	(435)
Net position at beginning of year, as restated	(541,477)	25,517
Net position at end of year	$ (594,636)	$ 25,082

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

Connecticut Community Colleges

Statements of Activities – Component Unit

June 30, 2018

CSCU

	Component Unit Foundations (in thousands) 2018
Revenue, capital gains and losses and other support	
Gifts and grants	$ 13,338
Gifts in kind	9
Events and activities	780
Dividends and interest income	1,173
Net realized and unrealized gain/(loss) on investments	4,446
Total revenue, capital gains and losses and other support	19,746
Expenses	
Fundraising events	483
Grants	141
Museum	76
Program services	3,138
Scholarships, awards and financial aid	2,730
Management and general	1,728
College advancement	1,221
Total expenses	9,517
Net Income (Loss)	10,229
Change in net assets	10,229
Net assets	
Net assets at beginning of year (Restated)	51,765
Net assets at end of year	$ 61,994

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

Connecticut Community Colleges

Statements of Cash Flows

June 30, 2018

	Primary Institution (in thousands) 2018
Cash flows from operating activities	
Student tuition and fees	$ 98,024
Government grants and contracts	29,371
Private grants and contracts	4,273
Sales and services of educational departments	679
Payments to employees	(243,979)
Payments for fringe benefits	(150,493)
Payments to students	(34,867)
Payments to vendors	(86,848)
Payments by Department of Construction Services	(25)
Other receipts, net	9,227
Net cash used in operating activities	(374,638)
Cash flows from investing activities	
Interest income	1,249
Net cash provided by investing activities	1,249
Cash flows from capital and related financing activities	
State appropriations	11,028
Payments by Department of Construction Services	(18,345)
Purchase of capital assets	(10,607)
Net cash provided by (used in) capital and related financing activities	(17,924)
Cash flows from noncapital financing activities	
State appropriations	278,389
PELL grants	76,200
Private gifts	1,794
Federal Family Education Loan program ("FFELP")	9,197
Net cash provided by noncapital financing activities	365,580
Net change in cash and cash equivalents	(25,733)
Cash and cash equivalents at beginning of year	173,130
Cash and cash equivalents at end of year	$ 147,397
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(431,221)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	31,417
Loss on disposal of capital assets, net	275
Operating application of FFELP Receipts	(9,197)
Changes in operating assets and liabilities:	
Accounts receivable, net	(644)
Prepaid expenses and other assets	533
Accrued compensation and other	11,614
Pension liability, net	(82,747)
Other post employment benefits liability	(21,434)
Accounts payable	1,060
Unearned tuition, fees and grant revenue	(2,185)
Changes in deferred outflows and inflows of resources:	
Deferred pension outflows	77,576
Deferred other post employment benefits outflows	(9,403)
Deferred pension inflows	12,703
Deferred other post employment benefits inflows	47,015
Net cash used in operating activities	$ (374,638)

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

1. Summary of Significant Accounting Policies

Organization

The Connecticut State Colleges and Universities System ("CSCU") was established by the State of Connecticut (the "State") in 2011 via Public Act 11-48 as amended by Public Act 11-61. This brought together the governance structure for the Connecticut State University System ("CSU"), the Connecticut Community College System ("CCC" or "the Colleges") and Charter Oak State College ("COSC") under the newly formed Board of Regents for Higher Education. The financial statements presented herein represent only the financial activities of CCC. Separate financial statements are issued for CSU and COSC.

CSCU consists of seventeen separate institutions including four state universities, twelve community colleges and Charter Oak State College. The CSCU system offers associate degrees, baccalaureate, graduate and certificate programs, applied doctoral degree programs in education as well as short-term certificates and individual coursework in both credit and noncredit programs.

Basis of Presentation

The financial statements for the CCC institutions have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Government Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The primary institutions that make up the financial statements include the CCC System Office ("SO") and the following community colleges: Asnuntuck Community College ("Asnuntuck"), Capital Community College ("Capital"), Gateway Community College ("Gateway"), Housatonic Community College ("Housatonic"), Manchester Community College ("Manchester"), Middlesex Community College ("Middlesex"), Naugatuck Valley Community College ("Naugatuck"), Northwestern Connecticut Community College ("Northwestern"), Norwalk Community College ("Norwalk"), Quinebaug Valley Community College ("Quinebaug"), Three Rivers Community College ("Three Rivers"), and Tunxis Community College ("Tunxis"), and their aggregate discretely presented component units.

CCC's financial statements include three statements: the statements of net position, the statements of revenues, expenses, and changes in net position and the statements of cash flows.

- The statements of net position present information on all of the system's assets, liabilities, deferred outflows and inflows, and net position.

- The statements of revenues, expenses and changes in net position present information showing how the incumbent system's net position changed during the fiscal years presented. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, certain revenues and expenses are reported in these statements for items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences).

- The statements of cash flows is presented using the direct method. The direct method of cash flow reporting portrays net cash flow from operations by major class of operating receipts and expenditures (e.g., payments to employees for salaries and benefits).

There are several legally separate, tax-exempt, affiliated organizations (the "Foundations" and, in some cases, the "magnet high school") which must be reported as component units of CCC and are presented discretely in these financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the Colleges in support of their programs. Although the Colleges do not control the timing or amount of receipts from the Foundations, the majority of resources or income thereon that the Foundations hold and invest is restricted to the activities of the Colleges by the donors. Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the Colleges, the Foundations are considered component units of CCC primary institutions.

The Foundations are private nonprofit organizations that report under FASB standards, which include guidelines for *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in CCC's financial reporting entity for these differences. The disclosures included in the financial statements address only CCC and the magnet high school and not the related Foundations. Each of the foundations issues a separate audited financial statement which may be obtained by contacting the System's office at 61 Woodland Street, Hartford, CT.

CCC has overall responsibility for Great Path Academy ("GPA") which is an inter-district magnet high school located on the Manchester Community College campus. GPA is discretely presented and identified in a single column as a component unit on the face of CCC's statements of net position and statements of revenues, expenses and changes in net position. CCC does not consider other magnet high schools to be component units of CCC primary institutions, because they are legally separate entities from CCC and they are separately managed and accounted for.

Net Position
Resources are classified for reporting purposes into the following four net position categories:

- **Invested in Capital Assets, Net of Related Debt**
  Capital assets, at historical cost or fair market value on date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Similar net assets are included in unrestricted net assets in the statements of the component units.

- **Restricted Nonexpendable**
  Net position subject to externally imposed stipulations that they be maintained in perpetuity by CCC. Similar net assets are referred to as permanently restricted net assets in the statements of the component units.

- **Restricted Expendable**
  Net position whose use by CCC is subject to externally imposed stipulations that can be fulfilled by actions of CCC pursuant to those stipulations or that expire by the passage of time.

Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the Board of Regents ("BOR") or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic and research programs and initiatives, and capital programs.

Classification of Assets and Liabilities
CCC presents short-term and long-term assets and liabilities in the statements of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30. Cash and cash equivalents and investments presented as short-term in the statements of net position include balances with a maturity of one year or less from June 30. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30 and balances that have externally imposed restrictions as to use.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of CCC by the State Treasurer and has original maturities of three months or less (see Note 2).

The largest inflow of cash related to non-capital financing is State appropriations and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. The appropriation is treated as a cash equivalent for accounting and reporting purposes, and is included in the cash flow statement.

Fair Value of Financial Instruments
Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits.

Investment in Plant
Capital assets of the primary institutions and magnet school are stated at historical cost or, in the case of donated property, at acquisition value at the date of the gift. Land, capitalized collections, and construction in progress are not depreciated. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life.

Useful lives assigned to assets are as follows:

Asset Class Description	Useful Life
Buildings	40 years
Site & Building Improvements	20 years
Technology	5 years
Library Materials	10 years
Vehicles	10 years
Software	5 years
Non-Collectible Artwork	10 years
Other Equipment	10 years

CCC does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Division of Construction Services of the State of Connecticut ("DCS").

Title to all assets, whether purchased, constructed or donated, is held physically by the State of Connecticut.

Accrued Compensated Absences (ACA)
Employees earn the right to be compensated during absences for vacation leave, sick leave and related fringe benefits. The accompanying statements of net position reflect the accrual for the amounts earned as of year-end.

Pension & Other Post Employment Obligations
The System records pension and other post-employment benefit obligations equal to the net liability for its defined benefit and retiree health plans. These net liabilities are measured as the total pension and health liability, less the amount of the respective plan's fiduciary net position. The total liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Because there are other state entities participating in the plans, the net liability recorded by CCC is based on an allocation of the total net liability, as determined by an independent actuary.

Pension and other post-employment benefit expenses are recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows of resources and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

In June 2015, GASB released Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. CCC adopted this accounting pronouncement in fiscal year 2018 and the impact of adoption was retroactively recorded through an adjustment to beginning of year net position and deferred outflows of resources as follows (in thousands):

Net Position		
Net position, June 30, 2017 (as reported)	$	295,212
Impact of Adoption (net liability)		(869,279)
Impact of Adoption (contributions after the measurement date)		32,590
Net position, June 30, 2017 (restated)	$	(541,477)

Refer to Note 9 for additional details related to Other Post-Employment Benefits

Deferred Revenue
Deferred revenue consist primarily of tuition and fees collected as of year-end, for the upcoming summer or fall semesters.

Tuition and Fees Revenue
Student tuition and fee revenues are recognized in the period earned. Student tuition and fee revenue is presented net of scholarship aid applied to student accounts, while other financial aid refunded directly to students is presented as scholarship aid expenses. Student tuition, college services fees, student activity fees, extension credit and non-credit program fees, and other miscellaneous student fees, recorded as gross tuition and fee revenues, represent the largest portion of operating revenue, but are offset by student financial aid grants from federal, state, local and private sources as well as by institutional aid in the form of tuition remission and statutory and other tuition and fee waivers, used to pay off student tuition and fee charges, resulting in net tuition and fee revenue after scholarship allowances. The revenue for a summer session is split between the two fiscal years, with appropriate amounts being recognized in the accounting period in which they are earned or incurred and become measurable.

Operating Activities
Operating activities as reported on the statements of revenue, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of CCC expenses are from

exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, Pell grants, gifts and investment income.

Income Taxes
CCC is a component unit of the State of Connecticut and is exempt from federal and state income taxes under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. CCC qualifies as a public charity eligible to receive charitable contributions under Section 170(b)(1)(A)(ii) of the Internal Revenue Code, as amended (the Code).

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes at June 30 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, pension and other post-employment benefit liabilities, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

GASB Pronouncements Effective for Fiscal Year 2018
In March 2016, GASB released Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments and may include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. This standard was adopted in fiscal year 2018 and there was no impact as a result of the adoption for CCC.

In March 2017, GASB released Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This standard was adopted in fiscal year 2018 and there was no impact as a result of the adoption for CCC.

In May 2017, GASB released Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is

extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This standard was adopted in fiscal year 2018 and there was no impact as a result of the adoption for CCC.

GASB Pronouncements Effective in Future Fiscal Years
In November 2016, GASB released Statement No. 83, *Certain Asset Retirement Obligations.* The objective of this statement is to address accounting for legally enforceable liabilities associated with the retirement and future activities of a capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 with earlier application encouraged.

In January 2017, GASB released Statement No. 84, *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 with earlier application encouraged.

In June 2017, GASB released Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 with earlier application encouraged

At various dates in 2018, GASB released Statements 88-90. The requirements of these Statements in addition to Statements 83, 84 and 87, are effective for future reporting periods and management is evaluating the impact these pronouncements will have on the financial statements of CCC.

Subsequent Events
In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2018, through December 17, 2018, the date the financial statements were issued and no items needing to be reported were noted.

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents is invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. CCC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CCC's daily cash flow requirements.

The STIF is managed by investment managers in accordance with the investment guidelines established by the State Treasurer. These guidelines prohibit investment in derivative securities other than floating rate securities which vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements in amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution.

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2018 was 1.0%.

Cash, cash equivalents and investments at June 30 are as follows (in thousands):

	2018
Cash	$ 104,761
Cash equivalents	42,636
Cash and cash equivalents total	$ 147,397

Investments are pooled by the State and separate accounting is maintained as to the amounts allocable to the various funds and programs.

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CCC is only invested in the State of Connecticut Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. There is low risk to these types of investments.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. 100% of CCC total cash, cash equivalents and investments was invested in the STIF or consist of State general fund and capital bond fund appropriations allocated to CCC as of June 30, 2018.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Interest rate risk is managed by establishing targets for the preferred duration of the fixed income component of the investment portfolio by asset class by limiting investments through target allocations to different asset classes.

3. Accounts Receivable

Accounts receivable consist of the following at June 30 (in thousands):

	2018
Tuition	$ 7,871
College services fees	678
Student activity fees	50
Extension fees	1,636
Payment plans and returned checks	236
Other student fees	519
Subtotal	10,990
Less: Allowance for doubtful accounts	(4,088)
Subtotal student tuition and fee receivables, net	6,902
Third party contracts	800
Government grants and contacts	4,529
STIF	503
Other receivables	6,530
Subtotal	12,362
Less: Allowance for doubtful accounts	(1,098)
Subotal other receivables, net	11,264
Total accounts receivable, net	$ 18,166

Student tuition and fees are due at a date established by each college not earlier than six weeks nor later than three weeks before the first day of classes unless other payment arrangements have been made. Any account not fully paid by the end of the term is entered into collections.

4. Capital Assets

Capital assets for the Colleges consist of the following at June 30 (in thousands):

	Balance at June 30, 2017	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2018
Land and land/site improvements	$ 28,322	$ 14	$ -	$ -	$ 28,336
Infrastructure	516	-	-	-	516
Building and building improvements	881,772	11,379	(5,531)	3,336	890,956
Furnishings and equipment	90,014	3,717	(3,441)	-	90,290
Library books	5,567	300	(806)	-	5,061
Software	210	-	-	-	210
	1,006,401	15,410	(9,778)	3,336	1,015,369
Less: Accumulated depreciation	(342,284)	(31,417)	3,975	-	(369,726)
	664,117	(16,007)	(5,803)	3,336	645,643
Construction-in-progress	69,472	17,940	(535)	(3,336)	83,541
Capital assets, net	$ 733,589	$ 1,933	$ (6,338)	$ -	$ 729,184

5. Accrued Compensated Absences

Accrued compensated absences consist of the following at June 30 (in thousands):

	2018
Accrued vacation	$ 15,918
Accrued sick leave	13,848
Other accrued fringe benefits	10,112
Total accrued compensated absences	39,878
Less: current portion	(3,250)
Accrued compensated absences - non-current portion	$ 36,628

Activity for compensated absences as of June 30 includes (in thousands):

Balance as of June 30, 2017	$ 40,196
Increases in 2018	3,133
Payouts in 2018	(3,451)
Balance as of June 30, 2018	$ 39,878

These accruals represent amounts earned by all eligible employees through the end of the fiscal year. These accrued compensated absences ("ACA") will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of ACA is estimated based on recent past history.

6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to the State of Connecticut's General Fund. The CCC made no transfers to the State of Connecticut during fiscal year 2018.

The System Office administers certain activities centrally for the provision of management information systems and services to the Colleges. Primary among these activities are administration of certain system-wide information systems, telecommunications, capital projects planning and budgeting and technical support. Costs of such activities, including the allocation of funds to the Colleges from bond proceeds, are included in the activity of the System Office and supported by revenues from State appropriations and Colleges' tuition and fee revenues which are allocated to the System Office through the budget allocation process. Such activities are eliminated in the statement of revenues, expenses and changes in net position.

Accrued salaries and related fringe benefit costs for CSCU employees within CCC, whose salaries will be charged to the State of Connecticut General Fund represent a related party balance. CCC has also recorded a receivable from the State of Connecticut related to allocated bond financing for capital projects when allotted by the Governor.

Amounts due from the State of Connecticut for the years ended June 30 are as follows (in thousands):

	2018
Receivable for accrued salaries, interest and fringe benefits to be paid by the State of Connecticut General fund	$36,853
	$36,853

The accompanying statements of net position includes balances among related parties. Significant balances for the years ended June 30 are as follows (in thousands):

	2018
Cash balances held with the State of Connecticut on behalf of the CCC's	$104,761
	$104,761

7. Commitments, Contingencies and Leases

CCC makes expenditures in connection with restricted government grants and contracts which are subject to final audit by government agencies. CCC is of the opinion that the amount of disallowances, if any, sustained through such audits would not materially affect the financial position of CCC.

CSCU is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, management is of the opinion that eventual liability, if any, will not have a material effect on CCC's financial position.

CCC had outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances at June 30 were as follows (in thousands):

	2018
Asnuntuck Community College	$ 2,383
Capital Community College	438
Gateway Community College	1,157
Housatonic Community College	1,812
Manchester Community College	571
Middlesex Community College	1,264
Naugatuck Valley Community College	750
Northwestern Connecticut Community College	238
Norwalk Community College	1,254
Quinebaug Valley Community College	304
System Office	7,821
Three Rivers Community College	668
Tunxis Community College	1,285
	$ 19,945

CCC is party to one non-cancellable operating lease contract entered into on July 1, 2012 by Gateway Community College with the City of New Haven for parking in the Temple Street Parking Garage for $970,200 per year for 20 years.

Future minimum lease payments, all due over the next five fiscal years and thereafter under all existing operating lease contracts (cancellable and non-cancellable), are as follows (in thousands):

2019	$	1,353	
2020	$	1,340	
2021	$	1,327	
2022 to 2025	$	1,327	per year
2026 to 2032	$	970	per year

Rental and lease expense was $3.7 million for the years ended June 30, 2018.

8. Pension Plans

Plan Description

All regular full-time employees participate in one of two retirement plans. The State of Connecticut is statutorily responsible for the pension benefits of CSCU employees who participate in the State Employees' Retirement System ("SERS"). SERS is the administrator of a single employer defined benefit public employee retirement system ("PERS"). SERS provides retirement, disability, death benefits and annual cost of living adjustments to plan members and their beneficiaries. Plan benefits, cost of living adjustments, contribution requirements of plan members and the State and other plan provisions are described in the General Statutes. SERS does not issue standalone financial reports. Information on the plan is currently publicly available in the State of Connecticut's Comprehensive Annual Financial Report prepared by the Office of the State Comptroller.

Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, or TRS depending on several factors.

Employees hired after July 1, 2011 but before July 31, 2017 were eligible to participate in Tier III or the Hybrid Plan, the 2 primary SERS plan options available (some employees are eligible to elect the Teachers Retirement System - "TRS"). The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the State of Connecticut and the State Employee Bargaining Agent Coalition ("SEBAC"), provides a retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a 5% employer match and 4% interest in lieu of a defined benefit.

Employees hired after July 1, 2017 are eligible to participate in Tier IV as a result of the 2017 SEBAC agreement. The SERS Tier IV plan is comprised of both a traditional Defined Benefit component and a new Defined Contribution component. The Tier IV Defined Benefit component provides a pre-defined monthly retirement income for life, with the amount being affected by years

of service, retirement age, and the member's final average earnings for members that satisfy the Tier IV minimum age and service eligibility requirements. The Tier IV Defined Contribution component establishes an account consisting of an accumulation of employee and employer contributions both set equal to 1%, as well as investment gains or losses. Each Tier IV member will have an account with the third party administrator of the State of Connecticut Alternate Retirement Program (ARP). CSCU makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is managed by Prudential. Under this arrangement, plan participants contribute 6.5% of their pay or they can opt out and contribute 5% and the State contributes 6.5% to individual participants' investment accounts managed by Prudential. CSCU pays a fringe benefit charge to the State which includes the 7.5% employer contribution, employee health benefits and an administrative charge. The aforementioned 2011 SEBAC agreement provides CSCU employees who were both hired before July 1, 2011 and participating in ARP with a one-time irrevocable option through December 31, 2018 of electing to transfer their membership from ARP to the Hybrid Plan and purchasing credit in the Hybrid Plan for their prior services at full actuarial cost.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining.

Tier I Plan B regular and Plan B Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base, respectively, plus 5% above that level. Tier I Plan C and Hybrid Plan members are required to contribute 5% of their annual salary. Tier IIA Plan and Tier III Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively. Tier IV employees contribute 5% of their salary (8% for hybrid and hazardous duty members) plus 1% into the defined contribution component.

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 56.58% for SERS and 27.41% for TRS for the fiscal years ended June 30, 2018. The State contributed $54.7 million and $0.6 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2018, equal to 98.3% and 100.0% of the required contributions that year.

Net Pension Liability

The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2018 was measured and valued as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the TRS plan, the CCC System's proportion was 0.09% as of June 30, 2018. For the SERS plan, the CCC System's proportion was 3.55% as of June 30, 2018.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to the CCC System is calculated separately. The net

pension liability for the CCC System as of June 30, 2018 for SERS and TRS was $747.2 million and $12.1 million, respectively.

Actuarial Assumptions for SERS:
The total pension liability was determined using the following actuarial assumptions, applied to all periods:

Measurement Year	2017
Inflation	3.75%
Salary increases including inflation	4.00% to 20.00%
Investment rate of return net of pension plan investment expense, including inflation	8.00%

Mortality rates were based on the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females.

The actuarial assumptions used in the June 30, 2017 valuation (which was the basis for recording the June 30, 2018 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The best estimates of geometric rates of return for each major asset class as of the 2017 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income	8%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	4%	3.7%
TIPS	5%	1.0%
Cash	4%	0.4%
	100%	

Actuarial Assumptions for TRS:
The total pension liability was determined using the following actuarial assumptions, applied to all periods:

Measurement Year	2017
Inflation	3.00%
Salary increases including inflation	3.75% to 7.00%
Investment rate of return net of pension plan investment expense, including inflation	8.50%

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income	7%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	5%	3.7%
Inflation Linked Bonds	3%	1.0%
Cash	6%	0.4%
	100%	

Discount Rate for SERS:
The discount rate used to measure the total pension liability was 6.9% in the 2017 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate for TRS:
The discount rate used to measure the total pension liability was 8.0% in the 2017 measurement year. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate
The following table presents the current-period net pension liability of the CCC System calculated using the current-period discount rate assumption of 6.9% for SERS and 8.0% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands):

	1% Decrease (SERS-5.9%) (TRS-7.0%)	Current Discount (SERS-6.9%) (TRS-8.0%)	1% Increase (SERS-7.9%) (TRS-9.0%)
SERS	$ 864,179	$ 747,249	$ 601,585
TRS	15,184	12,130	9,549

Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pension Plan
For the year ended June 30, 2018, the CCC System recognized pension expense of $58.7 million for SERS and $1.4 million for TRS. A schedule of deferred outflows and inflows of resources as of June 30, 2018 is presented in Note 13. The net amount of deferred outflows and deferred inflows of resources related to the pensions attributed to the CCC System that will be recognized in pension expense during the next five years is as follows (in thousands):

	SERS	TRS	Total
2019	$ 43,402	$ 279	$ 43,681
2020	47,430	472	47,902
2021	39,028	285	39,313
2022	18,564	(91)	18,473
2023	(1,296)	(28)	(1,324)
Thereafter	-	(17)	(17)
Total	**$ 147,128**	**$ 900**	**$ 148,028**

9. Other Post-Employment Benefits

The State of Connecticut provides post-retirement health care and life insurance benefits to eligible CSCU employees, in accordance with Sections 5-257(d) and 5-259(a) of the Connecticut General Statutes. When employees retire, the State pays up to 100% of their health care insurance premium cost (including the cost of dependent coverage). This benefit is available to retirees of the State Employees' Retirement System and participants in the Connecticut Alternate Retirement Program who meet certain age and service criteria.

The State also pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at the time of retirement. The State finances the cost of post-retirement health care and life insurance benefits

There is a single State sponsored defined benefit OPEB plan open to CSCU employees, the State Employee OPEB Plan (SEOPEBP). The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions.

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of CSCU who are receiving benefits from any State-sponsored retirement system. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

Funding Policy

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees' unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100% by the State on a pay-as-you-go basis through an annual appropriation in the General fund outside of the CSCU entities. CSCU contributes and helps fund the annual appropriation based upon a designated fringe rate established by the State.

Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the State's Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0% or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income	8%	1.3%
High Yield Bonds	5%	3.9%
Emerging Market Bond	4%	3.7%
Inflation Linked Bonds	5%	1.0%
Cash	4%	0.4%
	100%	

Net OPEB Liability

The Systems' net OPEB liability is valued one year in arrears. The net OPEB liability recorded in the financial statements as of June 30, 2018 of $842.0 million was measured and valued as of June 30, 2017 and the total liability used to calculate the net liability was determined by the most current actuarial valuation as of that date. The System's proportion of the net OPEB liability was based on a projection of the System's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities and the State, actuarially determined.

For the SEOPEBP plan, at June 30, 2018 the System's proportion was 3.90%. All plan assets are available to pay any participants benefits. However, the portion of each plan's net liability attributable to CSCU is calculated separately. The net liability for the CCC System as of June 30, 2018 for SEOPEBP was $842.0 million.

Actuarial Assumptions:

The total OPEB liability was determined by actuarial valuations as of June 30, 2017, using the following actuarial assumptions:

Measurement Year	2017
Payroll growth rate	3.50%
Salary increases	3.25% to 19.50% varying by years of service and retirement system
Discount rate	3.68% as of June 30, 2017 and 2.96% as of June 30, 2016
Healthcare cost trend rates:	
Medical	6.5% graded to 4.5% over 4 years
Prescription drug	8.0% graded to 4.5% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

Mortality rates for the State Employees OPEB Plan were based on the RP-2000 Healthy Annuitant Mortality Table for male rates projected 15 years (set back 2 years) and female rates projected 25 years (set back one year) under Scale AA.

The discount rate used to measure the total OPEB liability for SEOPEBP was 3.68%. The projection of cash flows used to determine the discount was performed in accordance with GASB pronouncements.

The following presents the current period net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate utilized (amounts in thousands):

Discount rate comparison:	**1% Decrease (2.68%)**	**Current Discount (3.68%)**	**1% Increase (4.68%)**
Net OPEB Liability	$ 984,094	$ 847,845	$ 737,454
Health care trend rate comparision:	**1% Decrease**	**Current Discount**	**1% Increase**
Net OPEB Liability	$ 998,890	$ 847,845	$ 728,618

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2018, the CCC System recognized OPEB expense of $54.7 million. A schedule of deferred outflows and inflows of resources as of June 30, 2018 is presented in note 13. The net amount of deferred outflows and deferred inflows of resources related to OPEB attributed to the CCC System that will be recognized in pension expense during the next five years is as follows (in thousands):

	OPEB	**Total**
2019	$ (9,879)	$ (9,879)
2020	(9,879)	(9,879)
2021	(9,879)	(9,879)
2022	(9,879)	(9,879)
2023	(4,048)	(4,048)
Thereafter	$ -	-

10. Unearned Tuition, Fees and Grant Revenue

Unearned tuition and fees and grants and contracts revenue for the year ended June 30 are as follows (in thousands):

	2018
Unearned tuition and fees	$ 8,381
Grants and contracts	4,880
Unapplied payments	1,122
Totals	$ 14,383

11. Natural Classification with Functional Classification

The operating expenses by functional classification for the year ended June 30, 2018 are summarized as follows (in thousands):

	Year Ended June 30, 2018					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Scholarship Aid	Depreciation	Total
Instruction	$134,629	$ 84,624	$ 7,688	$ -	$ -	$ 226,941
Public service	235	172	582	-	-	989
Academic support-other	40,896	31,122	12,649	-	-	84,667
Academic support-library	6,045	4,241	1,244	-	-	11,530
Student services	27,066	20,890	2,800	-	-	50,756
Scholarship aid	-	-	-	35,706	-	35,706
Institutional support	32,233	25,544	19,181	-	-	76,958
Physical plant	12,307	12,389	31,703	-	-	56,399
Depreciation	-	-	-	-	31,417	31,417
Total operating expenses	$253,411	$ 178,982	$75,847	$35,706	$31,417	$ 575,363

12. Bonds Payable

The State of Connecticut, through acts of its legislature, provides funding for certain major plant facilities of the System. The State obtains its funds for these construction projects from general obligation bonds which it issues from time to time. The State is responsible for all repayments of the bonds in accordance with bond indentures.

Debt service on bonds issued by the State to finance educational and general facilities is funded by the general fund of the State, which is in the custody of the State Treasurer. These bonds do not require repayment by CCC and, accordingly, the State's debt obligation attributable to CCC educational and general facilities is not reported as CCC debt in the accompanying financial statements.

13. Deferred Outflows and Inflows of Resources

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2018:

As of June 30, 2018	SERS	TRS	OPEB	Total
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	$ 17,840	$ -	$ -	$ 17,840
Changes of assumptions or other inputs	114,496	1,404	-	115,900
Net difference between projected and actual earnings on pension plan investements	-	165	-	165
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	37,260	1,958	3,451	42,669
Employer contributions after measurement date	51,270	1,296	38,542	91,108
Total	**$ 220,866**	**$ 4,823**	**$ 41,993**	**$ 267,682**
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	$ -	$ 238	$ -	$ 238
Changes of assumptions or other inputs	-	-	20,340	20,340
Net difference between projected and actual earnings on pension plan investments	1,427	-	960	2,387
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	21,040	2,389	25,715	49,144
Total	**$ 22,467**	**$ 2,627**	**$ 47,015**	**$ 72,109**

REQUIRED SUPPLEMENTARY INFORMATION

Connecticut Community Colleges

Schedule of Net Pension Liability
And Related Ratios (Unaudited)
Years Ended June 30, 2018, 2017, 2016, 2015 and 2014

CSCU

Schedule of Net Pension Liability and Related Ratios
State Employee Retirement System Plan
Last 10 Fiscal Years [1]
(in thousands)

	2018	2017	2016	2015	2014
CCC System's proportion of the net pension liability	3.55%	3.61%	3.60%	3.38%	3.24%
CCC System's proportionate share of the net pension liability	$ 747,249	$ 829,328	$ 594,978	$ 540,627	$ 537,772
CCC System's covered-employee payroll	$ 136,569	$ 134,378	$ 130,285	$ 117,737	$ 108,775
CCC System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	547%	617%	457%	459%	494%
Plan Fiduciary net position as a percentage of the total pension liability	36.25%	31.69%	39.23%	39.54%	N/A [1]

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Teachers Retirement System Plan
Last 10 Fiscal Years [1]
(in thousands)

	2018	2017	2016	2015	2014
CCC System's proportion of the net pension liability	0.09%	0.09%	0.11%	0.11%	0.11%
CCC System's proportionate share of the net pension liability	$ 12,130	$ 12,798	$ 12,018	$ 11,109	$ 12,253
State's proportionate share of the net pension liability associated with the System	$ 12,130	$ 12,798	$ 12,018	$ 11,094	N/A [1]
Total	$ 24,260	$ 25,596	$ 24,036	$ 22,203	$ 12,253
CCC System's covered-employee payroll	$ 3,549	$ 3,549	$ 4,327	$ 4,197	$ 4,001
CCC System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	342%	361%	278%	265%	306%
Plan Fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.56%	N/A [1]

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years [1]

	2018	2017
System's proportion of the net OPEB liability	3.90%	4.03%
System's proportionate share of the net OPEB liability	$ 841,977,711	$ 869,278,680
System's covered-employee payroll	$ 200,795,770	$ 206,023,378
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	419%	N/A
Plan Fiduciary net position as a percentage of the total OPEB liability	3.03%	1.94%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Connecticut Community Colleges

Schedule of Contributions (Unaudited)

Years Ended June 30, 2018, 2017, 2016, 2015 and 2014

CSCU

Schedule of Contributions
State Employee Retirement System Plan

Last 10 Fiscal Years [1]

	2018	2017	2016	2015	2014
Contractually required contribution	$ 55,136	$ 54,676	$ 49,636	$ 42,837	$ 34,343
Contributions in relation to the contractually required contribution	(54,695)	(54,239)	(49,388)	(42,837)	(34,309)
Contribution deficiency (excess)	$ 441	$ 437	$ 248	$ -	$ 34
CCC System's covered-employee payroll	$ 136,569	$ 134,378	$ 130,285	$ 117,737	$ 108,775
Contributions as a percentage of covered employee payroll	40.05%	40.36%	37.91%	36.38%	31.54%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Teachers Retirement System Plan

Last 10 Fiscal Years [1]

	2018	2017	2016	2015
Contractually required contribution	$ 909	$ 876	$ 1,078	$ 1,039
Contributions in relation to the contractually required contribution	(551)	(1,613)	(1,970)	(1,927)
Contribution deficiency (excess)	$ 358	$ (737)	$ (892)	$ (888)
CCC System's covered-employee payroll	$ 3,549	$ 3,549	$ 4,327	$ 4,197
Contributions as a percentage of covered employee payroll	15.53%	45.45%	45.53%	45.91%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

Connecticut Community Colleges

Schedule of Contributions (Unaudited)

Years Ended June 30, 2018, 2017, 2016, 2015 and 2014

CSCU

Schedule Contributions
Other Post Employment Benefits
Last 10 Fiscal Years [1]

	2018	2017
Contractually required contribution	32,590,354	30,682,270
Contributions in relation to the contractually required contribution	(32,590,354)	(30,682,270)
Contribution deficiency (excess)	$ -	$ -
System's covered-employee payroll	$ 200,795,770	$ 206,023,378
Contributions as a percentage of covered employee payroll	16.23%	14.89%

[1] Until a full 10-year trend is compiled, the System is presenting only information for years for which information is available.

1. Changes in Benefit Terms

Pension Plans

For the June 30, 2017 valuation, the following changes in benefit terms were included:

- A 3-year freeze on all salary increases for fiscal years ending 2017, 2018 and 2019.
- The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in CPI-W from 0.0% to 2.0%, plus 60% of the annual rate of increase in CPI-W from 3.33% to 6.0%, plus 75% of the annual rate of increase in CPI-W above 6.0% and with a cap on the COLA rate of 7.5%.
- A COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18 month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18 month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18 month period.
- Increase to all non-Tier IV members' contribution rates by 1.5% of compensation effective July 1, 2017 and an additional 0.5% of compensation effective July 1, 2019.
- In years where employer contribution increase due to poor asset returns, half the increase is applied to Tier IV member contribution rate of up to 2% in total.
- Tier IV Hybrid Plan Structure for All New Hires (Non-Hazardous and Hazardous) after July 1, 2017:
    - i. Non-Hazardous has same retirement eligibility as Tier III
    - ii. Non-hazardous benefit multiplier is 1.30% with no breakpoint
    - iii. Hazardous duty requires 25 years of service to retire
    - iv. Employees contribute 3% more than Tier III employees into the DB Plan.
    - v. Employers contribute 1% and employees must contribute at least 1% to DC portion of Hybrid Plan.

SUPPLEMENTARY SCHEDULES

Draft 12-4-18

Connecticut Community Colleges

Combining Statement of Net Position

June 30, 2018
(in thousands)

CSCU

	Primary Institution													
	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Assets														
Current assets														
Cash and cash equivalents	$ 4,362	$ 6,217	$ 4,134	$ 23,261	$ 11,981	$ 4,972	$ 14,656	$ 4,227	$ 15,328	$ 9,485	$ 12,476	$ 5,582	$ 30,716	$ 147,397
Accounts receivable, due from the State	1,306	2,975	4,380	3,331	4,736	1,883	4,895	1,588	3,712	1,495	2,544	2,832	1,176	36,853
Accounts receivable other, net	1,167	2,033	1,696	1,265	1,474	599	2,438	162	1,086	354	901	844	4,147	18,166
Prepaid expenses	8	1	4	13	26	-	36	7	5	1	5	1	193	300
Total current assets	6,843	11,226	10,214	27,870	18,217	7,454	22,025	5,984	20,131	11,335	15,926	9,259	36,232	202,716
Non-current assets														
Capital assets, net	35,428	40,544	161,410	112,365	56,596	7,448	86,521	46,689	43,828	19,301	69,932	43,741	5,381	729,184
Student loans, net	24	3	-	(1)	-	(3)	-	-	15	-	(2)	121	-	157
Total non-current assets	35,452	40,547	161,410	112,364	56,596	7,445	86,521	46,689	43,843	19,301	69,930	43,862	5,381	729,341
Total assets	42,295	51,773	171,624	140,234	74,813	14,899	108,546	52,673	63,974	30,636	85,856	53,121	41,613	932,057
Deferred outflows of resources														
Deferred pension contributions													225,689	225,689
Deferred other post employment benefits	-	-	-	-	-	-	-	-	-	-	-	-	41,993	41,993
Total deferred outflows of resources	-	-	-	-	-	-	-	-	-	-	-	-	267,682	267,682
Liabilities														
Current liabilities														
Accounts payable	159	277	165	443	132	80	114	90	264	140	269	166	1,642	3,941
Accrued expenses-salary and fringe benefits	1,997	3,769	6,260	4,592	6,039	2,576	6,486	1,863	5,183	1,742	3,585	3,972	1,496	49,560
Accrued compensated absences-current portion	131	236	348	257	326	173	399	115	329	124	252	227	333	3,250
Unearned tuition, fees and grant revenue	413	956	1,082	808	2,033	914	1,852	249	1,434	183	416	1,092	2,951	14,383
Retainage	-	-	-	1,715	-	-	-	1,965	-	-	-	-	-	3,680
Agency and loan fund liabilities	60	111	229	82	208	212	307	46	260	49	263	153	-	1,980
Other liabilities	33	32	227	136	234	84	100	7	125	13	52	87	393	1,523
Total current liabilities	2,793	5,381	8,311	8,033	8,972	4,039	9,258	4,335	7,595	2,251	4,837	5,697	6,815	78,317
Non-current liabilities														
Pension liability, net	-	-	-	-	-	-	-	-	-	-	-	-	759,379	759,379
Other post employment benefits liability, net													847,845	847,845
Accrued compensated absences-long term portion	1,475	2,650	3,929	2,901	3,683	1,951	4,492	1,294	3,710	1,391	2,838	2,558	3,756	36,628
Other long-term liabilities	-	-	-	-	-	-		-	-	-	-	97	-	97
Total non-current liabilities	1,475	2,650	3,929	2,901	3,683	1,951	4,492	1,294	3,710	1,391	2,838	2,655	1,610,980	1,643,949
Total liabilities	4,268	8,031	12,240	10,934	12,655	5,990	13,750	5,629	11,305	3,642	7,675	8,352	1,617,795	1,722,266
Deferred inflows of resources														
Deferred pension asset gains													25,094	25,094
	-	-	-	-	-	-	-	-	-	-	-	-	47,015	47,015
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	-	-	72,109	72,109
Net position														
Invested in capital assets, net of related debt	31,465	40,520	160,940	103,628	56,400	7,332	79,806	46,688	43,829	19,071	69,754	43,742	5,186	708,361
Restricted														
Nonexpendable	-	-	-	20	-	-	-	-	-	-	-	-	-	20
Expendable	5,751	5,609	1,045	13,575	631	535	9,707	588	6,833	1,257	573	2,302	15,327	63,733
Unrestricted	811	(2,387)	(2,601)	12,077	5,127	1,042	5,283	(232)	2,007	6,666	7,854	(1,275)	(1,401,122)	(1,366,750)
Total net position	$ 38,027	$ 43,742	$ 159,384	$ 129,300	$ 62,158	$ 8,909	$ 94,796	$ 47,044	$ 52,669	$ 26,994	$ 78,181	$ 44,769	$ (1,380,609)	$ (594,636)

Connecticut Community Colleges

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018
(in thousands)

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Operating revenues														
Student tuition and fees	$ 8,447	$ 12,604	$ 25,601	$ 17,406	$ 23,294	$ 9,991	$ 24,045	$ 4,180	$ 23,057	$ 5,432	$ 14,923	$ 14,468	$ 26	$ 183,474
Less: Scholarship discounts and allowances	(132)	(7,502)	(11,989)	(9,852)	(9,410)	(4,013)	(10,106)	(1,914)	(9,171)	(50)	(7,086)	(5,990)	-	(77,215)
Net tuition and fees	8,315	5,102	13,612	7,554	13,884	5,978	13,939	2,266	13,886	5,382	7,837	8,478	26	106,259
Federal grants and contracts	624	1,399	1,095	930	4,672	260	3,371	696	1,231	231	444	1,009	143	16,105
State and local grants and contracts	450	918	1,905	1,502	1,358	632	1,855	313	1,274	436	926	897	30	12,496
Private grants and contracts	134	543	139	759	326	80	493	149	1,104	162	315	146	140	4,490
Sales and services of educational departments	23	29	40	129	10	5	132	-	200	-	-	124	-	692
Other operating revenues	250	254	868	303	505	150	408	50	257	208	554	251	42	4,100
Total operating revenues	9,796	8,245	17,659	11,177	20,755	7,105	20,198	3,474	17,952	6,419	10,076	10,905	381	144,142
Operating expenses														
Instruction	11,351	16,862	29,990	18,107	25,650	11,526	28,736	6,908	24,668	7,015	17,637	16,657	11,834	226,941
Public service	-	22	143	-	2	20	534	206	-	40	-	2	20	989
Academic support	4,086	5,606	8,699	8,418	7,860	4,301	14,002	3,079	6,843	3,010	5,047	6,235	7,481	84,667
Library	333	934	1,525	1,133	1,378	719	950	643	865	824	711	959	556	11,530
Student services	2,412	3,852	5,885	4,976	5,773	1,960	4,814	2,306	5,848	1,844	4,129	3,945	3,012	50,756
Scholarship aid, net	4,702	2,530	3,637	3,667	3,355	1,206	4,116	419	3,836	3,565	2,272	2,288	113	35,706
Institutional support	2,984	4,744	4,627	6,540	6,907	3,786	5,971	2,947	5,676	2,183	3,502	3,077	24,014	76,958
Physical plant	2,252	3,930	7,832	6,627	6,727	1,944	8,210	1,756	4,829	1,912	3,415	2,814	4,151	56,399
Depreciation	1,892	2,075	5,347	2,858	3,174	862	3,795	1,685	1,984	1,079	2,852	1,534	2,280	31,417
Total operating expenses	30,012	40,555	67,685	52,326	60,826	26,324	71,128	19,949	54,549	21,472	39,565	37,511	53,461	575,363
Operating loss	(20,216)	(32,310)	(50,026)	(41,149)	(40,071)	(19,219)	(50,930)	(16,475)	(36,597)	(15,053)	(29,489)	(26,606)	(53,080)	(431,221)
Nonoperating revenues (expenses)														
State appropriations - general fund	11,859	19,544	33,112	23,863	29,137	13,617	33,225	10,995	24,460	10,976	19,139	19,054	22,677	271,658
State appropriations - bond funds	2,080	797	905	678	832	925	1,291	172	5,692	309	-	19	13,479	27,179
PELL grants	3,303	6,810	10,789	9,797	8,467	3,390	9,441	1,395	8,282	2,337	6,122	5,805	-	75,938
Private gifts	154	49	-	-	1	50	90	163	1,034	190	64	2	-	1,797
Mandatory transfer to State	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	24	24	44	229	167	56	165	31	124	115	172	41	298	1,490
Other non-operating revenues (expenses), net	-	-		-			-	-	-	-	-	-	-	-
Net non-operating revenues	17,420	27,224	44,850	34,567	38,604	18,038	44,212	12,756	39,592	13,927	25,497	24,921	36,454	378,062
Net income (loss) before other changes	(2,796)	(5,086)	(5,176)	(6,582)	(1,467)	(1,181)	(6,718)	(3,719)	2,995	(1,126)	(3,992)	(1,685)	(16,626)	(53,159)
Other changes														
Capital and other additions (deductions)	3,050	-	-	808	179	111	1,278	1,135	303	58	198	84	(7,204)	-
Interagency transfers	(804)	137	75	952	(2,133)	546	956	279	174	683	286	286	(1,437)	-
Total other changes	2,246	137	75	1,760	(1,954)	657	2,234	1,414	477	741	484	370	(8,641)	-
Change in net position	(550)	(4,949)	(5,101)	(4,822)	(3,421)	(524)	(4,484)	(2,305)	3,472	(385)	(3,508)	(1,315)	(25,267)	(53,159)
Net position at July 1, 2017	38,577	48,691	164,485	134,122	65,579	9,433	99,280	49,349	49,197	27,379	81,689	46,084	(1,355,342)	(541,477)
Net position at end of year	$ 38,027	$ 43,742	$ 159,384	$ 129,300	$ 62,158	$ 8,909	$ 94,796	$ 47,044	$ 52,669	$ 26,994	$ 78,181	$ 44,769	$ (1,380,609)	$ (594,636)

Connecticut Community Colleges

Combining Statement of Cash Flows

Year Ended June 30, 2018
(in thousands)

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Cash flows from operating activities														
Student tuition and fees	$ 3,965	$ 4,913	$ 13,215	$ 7,367	$ 13,770	$ 6,141	$ 13,978	$ 2,149	$ 13,779	$ 2,753	$ 7,684	$ 8,009	$ 301	$ 98,024
Government grants and contracts	923	2,328	2,850	2,593	5,690	1,048	5,406	1,017	2,440	812	1,594	1,856	814	29,371
Private grants and contracts	403	269	91	1,012	258	89	525	140	939	113	357	57	20	4,273
Sales and services of educational departments	23	20	40	128	10	5	132	-	202	-	-	119	-	679
Payments to employees	(11,275)	(18,489)	(30,325)	(21,145)	(27,788)	(12,005)	(31,652)	(9,146)	(26,605)	(8,611)	(18,170)	(18,427)	(10,341)	(243,979)
Payments for fringe benefits	(6,738)	(11,790)	(18,338)	(13,195)	(17,948)	(7,168)	(20,741)	(5,932)	(14,626)	(5,332)	(11,173)	(11,477)	(6,035)	(150,493)
Payments to students	(2,259)	(2,854)	(4,324)	(4,110)	(3,468)	(1,874)	(4,403)	(655)	(4,491)	(753)	(2,744)	(2,796)	(136)	(34,867)
Payments to vendors	(5,816)	(5,515)	(9,992)	(10,803)	(7,632)	(4,427)	(8,888)	(2,786)	(7,454)	(2,790)	(4,794)	(4,560)	(11,391)	(86,848)
Payments by Department of Public Works	-	-	(4)	-	-	-	(7)	-	-	-	-	-	(14)	(25)
Other receipts (payments), net	414	435	1,668	360	1,322	260	311	151	773	249	725	628	1,931	9,227
Net cash used in operating activities	(20,360)	(30,683)	(45,119)	(37,793)	(35,786)	(17,931)	(45,339)	(15,062)	(35,043)	(13,559)	(26,521)	(26,591)	(24,851)	(374,638)
Cash flows from investing activities														
Interest income	21	31	37	189	133	44	144	30	103	95	144	36	242	1,249
Net cash provided by investing activities	21	31	37	189	133	44	144	30	103	95	144	36	242	1,249
Cash flows from capital and related financing activities														
State appropriations	781	76	184	203	54	72	185	29	5,143	15	-	5	4,281	11,028
Payments by Department of Public Works	(1,537)	(9)	(387)	(7,689)	(13)	-	(4,193)	(4,164)	(161)	(88)	(75)	-	(29)	(18,345)
Purchase of capital assets	(1,148)	(197)	(320)	(920)	(114)	(149)	(413)	(261)	(89)	(246)	(354)	(180)	(6,216)	(10,607)
Interagency transfers	(1,750)	-	-	(763)	-	-	-	-	-	-	-	-	2,513	-
Net cash (used in) provided by capital and related financing activities	(3,654)	(130)	(523)	(9,169)	(73)	(77)	(4,421)	(4,396)	4,893	(319)	(429)	(175)	549	(17,924)
Cash flows from noncapital financing activities														
State appropriations	13,506	19,767	33,145	24,305	28,657	14,094	33,569	10,855	24,673	10,998	18,902	18,751	27,167	278,389
PELL grants	3,265	6,763	10,874	9,920	8,443	3,529	9,472	1,394	8,249	2,347	6,129	5,815	-	76,200
Private gifts	187	45	-	-	-	98	36	150	1,034	188	55	1	-	1,794
Federal Family Education Loan Program (FFELP)	1,984	804	870	853	543	495	811	140	640	-	879	1,178	-	9,197
Interagency transfers	468	145	76	966	(2,123)	546	722	280	283	655	286	286	(2,590)	-
Net cash provided by noncapital financing activities	19,410	27,524	44,965	36,044	35,520	18,762	44,610	12,819	34,879	14,188	26,251	26,031	24,577	365,580
Net increase (decrease) in cash and cash equivalents	(4,583)	(3,258)	(640)	(10,729)	(206)	798	(5,006)	(6,609)	4,832	405	(555)	(699)	517	(25,733)
Cash and cash equivalents at beginning of year	8,945	9,475	4,774	33,990	12,187	4,174	19,662	10,836	10,496	9,080	13,031	6,281	30,199	173,130
Cash and cash equivalents at end of year	$ 4,362	$ 6,217	$ 4,134	$ 23,261	$ 11,981	$ 4,972	$ 14,656	$ 4,227	$ 15,328	$ 9,485	$ 12,476	$ 5,582	$ 30,716	$ 147,397

Connecticut Community Colleges

Combining Statement of Net Position by Fund Group

As of June 30, 2018
(in thousands)

CSCU

	Primary Institution					
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	Total
Assets						
Current assets						
Cash & cash equivalents	$ 103,169	$ 1,919	$ 15,991	$ 26,318	$ -	$ 147,397
Accounts receivable-general fund	36,853	-	-	-	-	36,853
Accounts receivable-other	14,643	53	3,470	-	-	18,166
Prepaid expense	109	-	191	-	-	300
Total current assets	154,774	1,972	19,652	26,318	-	202,716
Non-current assets						
Land and land/site improvements	-	-	-	-	28,336	28,336
Infrastructure	-	-	-	-	516	516
Buildings and building improvements	-	-	-	-	890,956	890,956
Furnishings and equipment	-	-	-	-	90,290	90,290
Library books	-	-	-	-	5,061	5,061
Software	-	-	-	-	210	210
	-	-	-	-	1,015,369	1,015,369
Less: Accumulated depreciation	-	-	-	-	(369,726)	(369,726)
	-	-	-	-	645,643	645,643
Construction in progress	-	-	-	-	83,541	83,541
Capital assets, net	-	-	-	-	729,184	729,184
Student loans						
Student loans receivable	-	157	-	-	-	157
Total non-current assets	-	157	-	-	729,184	729,341
Total assets	$ 154,774	$ 2,129	$ 19,652	$ 26,318	$ 729,184	$ 932,057
Deferred outflows of resources						
Deferred pension contributions	225,689	-	-	-	-	225,689
Deferred other post employment benefits	41,993	-	-	-	-	41,993
Total deferred outflows of resources	267,682	-	-	-	-	267,682
Liabilities						
Current liabilities						
Accounts payable	$ 1,987	$ -	$ 1,954	$ -	$ -	$ 3,941
Accrued expense - salary and fringe benefits	49,560	-	-	-	-	49,560
Accrued compensated absences-current portion	3,250	-	-	-	-	3,250
Unearned tuition, fees and grant revenue	14,383	-	-	-	-	14,383
Retainage	-	-	-	3,680	-	3,680
Other liabilities	1,523	1,980	-	-	-	3,503
Total current liabilities	70,703	1,980	1,954	3,680	-	78,317
Non-current liabilities						
Pension liability, net	759,379	-	-	-	-	759,379
Other post employment benefits liability, net	847,845	-	-	-	-	847,845
Accrued compensated absences-long term portio	36,628	-	-	-	-	36,628
Student loans	-	97	-	-	-	97
Total non-current liabilities	1,643,852	97	-	-	-	1,643,949
Total liabilities	1,714,555	2,077	1,954	3,680	-	1,722,266
Deferred inflows of resources						
Deferred pension asset gainss	25,094	-	-	-	-	25,094
Deferred other post employment benefit asset gain	47,015	-	-	-	-	47,015
Total deferred inflows of resources	72,109	-	-	-	-	72,109
Net position						
Invested in capital assets, net of related debt	(5)	-	-	(3,355)	711,721	708,361
Restricted						
Non-expendable	-	20	-	-	-	20
Expendable	2,547	32	17,698	25,993	17,463	63,733
Unrestricted	(1,366,750)	-	-	-	-	(1,366,750)
Total net position	$ (1,364,208)	$ 52	$ 17,698	$ 22,638	$ 729,184	$ (594,636)

Draft 12-4-18

Connecticut Community Colleges

Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group

Year Ended June 30, 2018
(in thousands)

CSCU

	Primary Institution					
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	Total
Operating revenues						
Tuition and Fees	$ 183,474	$ -	$ -	$ -	$ -	$ 183,474
Less: Scholarship discounts and allowances	(77,215)	-	-	-	-	(77,215)
Net tuition and fees	106,259	-	-	-	-	106,259
Federal grants and contracts	16,105	-	-	-	-	16,105
State and local grants and contracts	12,496	-	-	-	-	12,496
Private grants and contracts	4,490	-	-	-	-	4,490
Sales and services of educational departments	692	-	-	-	-	692
Other operating revenues	4,168	-	-	-	(68)	4,100
Total operating revenues	144,210	-	-	-	(68)	144,142
Operating expenses						
Salaries and wages	253,411	-	-	-	-	253,411
Fringe benefits	178,982	-	-	-	-	178,982
Supplies and services	53,637	-	20,911	1,112	187	75,847
Scholarship aid, net	35,700	6	-	-	-	35,706
Depreciation	-	-	-	-	31,417	31,417
Total operating expenses	521,730	6	20,911	1,112	31,604	575,363
Operating loss	(377,520)	(6)	(20,911)	(1,112)	(31,672)	(431,221)
Nonoperating revenues (expenses)						
State appropriations - general fund	271,658	-	-	-	-	271,658
State appropriations - bond funds	-	-	22,010	5,169	-	27,179
PELL grants	75,938	-	-	-	-	75,938
Private gifts	1,735	-	-	-	62	1,797
Interest income	1,490	-	-	-	-	1,490
Mandatory transfer to State	-	-	-	-	-	-
Other non-operating revenues (expenses), net	-	-	-	-	-	-
Net non-operating revenues	350,821	-	22,010	5,169	62	378,062
Net income (loss) before other changes	(26,699)	(6)	1,099	4,057	(31,610)	(53,159)
Other changes						
Capital and other additions (deductions)	(809)	-	(10,134)	(16,264)	27,207	-
Interagency transfers	-	-	2,404	(2,404)	-	-
Total other changes	(809)	-	(7,730)	(18,668)	27,207	-
Change in net position	(27,508)	(6)	(6,631)	(14,611)	(4,403)	(53,159)
Net position as restated at July 1, 2017	(1,336,700)	58	24,329	37,249	733,587	(541,477)
Net position at end of year	$ (1,364,208)	$ 52	$ 17,698	$ 22,638	$ 729,184	$ (594,636)

1. Basis of Presentation of Supplemental Information

The supplementary schedules are presented to provide information from the stand-alone books and records of the colleges and system office. The supplementary schedules exclude certain eliminating entries necessary to prepare the consolidated financial statements of CCC. The supplementary schedules also do not include the impact of the adoption of GASB 68, *Pensions*, or GASB 75, *other post-employment benefits*, on the individual colleges as reported in the financial statements of CCC because the liability has not been allocated to the colleges but rather is reflected only at the CCC system level in the basic financial statements.