

Financial Statements,
Required Supplementary Information, and
Additional Supplemental Information

Connecticut Community Colleges

June 30, 2016



CSCU

Connecticut State
Colleges & Universities

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.



**Members of the Board of Regents for Higher Education
(Between 7/1/15 – 6/30/16)**

- 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 6/30/16 (2 vacancies)

Nicholas M. Donofrio, Chairman

Yvette Meléndez, Vice Chair

Richard J. Balducci

Naomi K. Cohen

Lawrence J. DeNardis

Matt Fleury

Merle W. Harris

David R. Jimenez

William J. McGurk

JoAnn H. Price

Elise E. Wright

Holly Palmer (Charter Oak State College (COSC) Student; elected April 2016)

Gordon Plouffe (CT Community College (CCC) student; elected September 2015)

Ex-Officio, Non-voting members

Stephen Adair – Chair of the Faculty Advisory Committee (FAC)

Barbara E. Richards – Vice Chair of the Faculty Advisory Committee (term began January 2016)

Raul Pino – Commissioner of the CT Department of Public Health (appointed December 2015)

Dianna R. Wentzell – Commissioner of the State Board of Education

Scott Jackson – Commissioner of the CT Department of Labor (appointed January 2016)

Catherine Smith – Commissioner of the CT Department of Economic and Community Development

Former Board members (who served between 7/1/15 – 6/30/16)

Jewel Mullen – Commissioner, CT Department of Public Health (term ended November, 2015)

Sharon Palmer – Commissioner, CT Department of Labor (term ended December, 2015)

Sarah E. Greco, CT State University (CSU) Student (resigned March 2016)

Robert E. Brown – VC of FAC (term ended December 2015)



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

Capital Community College
950 Main Street
Hartford, CT 06103
Dr. Wilfredo Nieves, President

Gateway Community College
20 Church Street
New Haven, CT 06510
Dr. Dorsey L. Kendrick, President

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

Manchester Community College
Great Path
Manchester, CT 06045-1046
Dr. Gena Glickman, President

Middlesex Community College
100 Training Hill Road
Middletown, CT 06457
Dr. Anna Wasescha, President

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. Barbara Douglass, President (Retired
10/1/15)
Dr. Michael Rooke (Effective 11/27/20115)

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

Tunxis Community College
271 Scott Swamp Road
Farmington, CT 06032
Dr. Cathryn L. Addy, President

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

Dr. Gregory W. Gray, President (Special Adviser to the President Effective 9/28/2015)
Mark E. Ojakian, President (Effective 9/28/2015)

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Introduction

The Management's 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, 2016, along with comparative information for the fiscal year ended June 30, 2015. 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 discussion immediately following reflects the System as it existed during fiscal year 2016.

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 2015 semester, 52,761 students enrolled in credit courses and Full-Time Equivalent ("FTE") enrollment was 30,430. During calendar year 2015 29,443 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 2,200 full time employees at June 30, 2016.

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 2016 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. As further discussed in Note 1 of the financial statements, under “Restatement of Opening Net Position Balance – Magnet Schools Component Unit”, prior to FY 16 two magnet schools were considered to be component units, however that designation was reconsidered in FY 16 to include only GPA in the System financial statements. Refer to Note 1 of the financial statements for further information related to this matter. 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.

During fiscal year 2016, management identified certain errors in the fiscal year 2015 financial statements related to accounting and reporting for pensions and reporting Pell revenues. As a result, amounts reported in fiscal year 2015 within the FY16 management discussion and analysis have been restated to reflect the correction of these errors. Refer to footnote 1 of the financial statements for further details related to amounts adjusted in connection with the pension accounting. With respect to changes in reporting of Pell revenues, prior to fiscal year 2016, Pell revenues had been incorrectly reported as operating revenues rather than non-operating revenues. This change impacted operating results (vs. non-operating results), but had no impact on change in net position. All amounts presented in the following MD&A have been restated to reflect the corrected amounts for fiscal year 2015.

Financial Highlights

The Connecticut Community Colleges had total assets of \$959.3 million, liabilities of \$706.1 million, and a total net position balance of \$356.5 million at June 30, 2016. Of this amount, (\$466) million is classified as unrestricted net position, a \$9.9 million increase from 2015. The large negative balance in unrestricted net position has been created by the adoption of GASB 68 in the prior fiscal year. Adoption of GASB 68 required the System to recognize a liability for pension plans, which were previously disclosed only at the State level. The offset to the pension liability was a reduction in unrestricted net position as further discussed below.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were \$136 million, a 3% increase over the previous year. Operating expenses were \$548.3 million, an increase of 3% from the previous year, resulting in an operating loss of \$412.3 million during the year ended June 30, 2016. Net non-operating revenues and other changes were \$489.2 million, up 15% from the previous year, which were the result of a \$60.6 million increase in bond appropriations, a \$31.3 million decrease in general fund appropriations and a State take back of \$1.8 million from CCC unrestricted cash. Overall the CCC’s experienced an increase in net position of \$76.9 million during fiscal year 2016.

Cash and cash equivalents were \$237.8 million at June 30, 2016, including \$31.2 million of cash equivalents in the form of State bond appropriations administered by the CCC’s, and \$113.4 million of State bond appropriations administered by the Department of Administration Services (“DAS”) on behalf of the System. DAS-administered cash equivalents (bond appropriations) increased from \$59.7 million at June 30, 2015 to \$113.4 million at June 30, 2016. Total current assets were \$283.4 million at June 30, 2016. The ratio of unrestricted current assets of \$125.9 million to unrestricted current liabilities of \$53.0 million is 2.4:1 in 2016, and was 2.3:1 in 2015. 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 increased 9% from \$589.8 million at June 30, 2015 to



\$642.4 million at June 30, 2016. This significant liability includes \$607.0 million for the CCC allocation of the state pension plan obligation and \$35.2 million for the long-term portion of the accrued value of 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). These large and essentially unfunded liabilities continue to represent a long-term obligation impacting the System’s financial flexibility.

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, 2016, and 2015

(in thousands)

	2016	2015 (Restated*)	% Change
ASSETS			
Current assets	\$ 283,409	\$ 227,235	25 %
Non-current assets	675,919	649,324	4 %
Total assets	<u>959,328</u>	<u>876,559</u>	<u>9 %</u>
DEFERRED OUTFLOWS OF RESOURCES	105,988	71,584	48 %
LIABILITIES			
Current liabilities	63,702	57,277	11 %
Non-current liabilities	642,394	589,771	9 %
Total liabilities	<u>706,096</u>	<u>647,048</u>	<u>9 %</u>
DEFERRED INFLOWS OF RESOURCES	2,697	21,448	(87) %
NET POSITION			
Invested in capital assets	675,766	649,126	4 %
Restricted-nonexpendable	20	20	- %
Restricted-expendable	146,783	106,380	38 %
Unrestricted	<u>(466,046)</u>	<u>(475,879)</u>	<u>2 %</u>
Total net position	<u>356,523</u>	<u>279,647</u>	<u>27 %</u>
Total liabilities and net position	<u>\$ 1,062,619</u>	<u>\$ 926,695</u>	<u>15 %</u>

*FY 15 is restated for certain amounts previously reported for the adoption of GASB 68 in fiscal year 2015 which were incorrect. As a result the net position, and deferred outflows of fiscal year 2015 have been restated.

Current assets consist of cash and cash equivalents and accounts receivable. The \$56.2 million increase in current assets from the previous year is largely attributable to a \$42.9 million increase in the cash equivalents and a \$10.3 million increase in cash. Cash equivalents fluctuate as sizeable building projects are funded and then expended over a period of often two to three years. Accounts receivables increased \$3.5 million and was primarily attributable to a \$1.7 million increase in tuition receivables. 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.

THE CCC's FINANCIAL POSITION (in thousands of dollars)



Non-current assets increased 4.0% from \$649.3 million at June 30, 2015, to \$675.9 million at June 30, 2016. Net capital assets account for all but \$153 thousand of non-current assets. The \$153 thousand represents student loan receivables. At June 30, 2016, capital assets in service totaled \$927.9 million, offset by \$317.6 million in accumulated depreciation; this compared with \$921.8 million and \$291.9 million, respectively, at the end of fiscal year 2015. The \$6.1 million increase in capital assets included \$5.7 million in buildings and building improvements, and \$1.2 million in furnishings and equipment, offset by a decrease in Library Books of \$800 thousand. The only newly completed project greater than a million was for Quinebaug Valley, where several roof top units were replaced and HVAC upgrades completed for a total of \$1.2 million. The Tunxis “600 Building” addition and “300 Building” renovations, though substantially complete in FY14, incurred \$1.1 million in additional costs in FY16. Construction-In-Progress accounted for the remaining \$46.3 million increase in capital assets. The largest of these were: \$17.6 million for renovations to Naugatuck Valley’s Founders Hall, \$9.1 million for renovations to Housatonic’s Lafayette Hall, \$5.8 million for Northwestern’s replacement for their Joyner Building, \$6 million of site improvements at Naugatuck Valley and \$3.5 million for an addition to the manufacturing center at Quinebaug Valley.

Total liabilities were \$706.1 million at the end of fiscal year 2016, an increase from \$647 million at the end of fiscal year 2015. *Current liabilities* consist primarily of accrued payroll and related benefits of \$37.0 million and unapplied payments of \$10.6 million, primarily collected in advance for late-summer and fall 2016 academic terms. Additional current liabilities include deferred revenues of \$3.8 million for restricted grant activities to be performed in the future, vendor accounts payable of \$4.7 million, agency fund liabilities of \$1.4 million, and \$3.5 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, as well as \$1.8 million of retainage on facility projects.

Non-current liabilities consist almost exclusively of \$607.0 million in pension liability and long-term accrued compensated absences (“ACA”) – \$35.2 million net of \$3.5 million of current liabilities – to be paid out to terminating employees over time in the future beyond one year. The total ACA liability of \$38.7 million (long-term and current) and pension liability of \$607.0 million represents approximately five 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 significantly reduced. In practice, however, much of these payouts are funded through current-year revenues rather than through existing net position.

Pension liability is the CCC’s proportionate share of the State Employee Retirement System’s (SERS) and the Teachers Retirement System’s (TRS) net pension liability. In June 2012 GASB released Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, with an effective date of June 30, 2015. This Statement established standards for measuring and recognizing future defined benefit pension liabilities. As defined in this Statement, SERS is considered a single employer plan and the CCC System is considered a cost-sharing employer of TRS. The CCC system pays the State for a portion of fringe costs based on a fringe rate but ultimately the State pays the pension systems on behalf of employees. These accounting requirements do not impact the System’s funding requirements for the

Connecticut Community Colleges

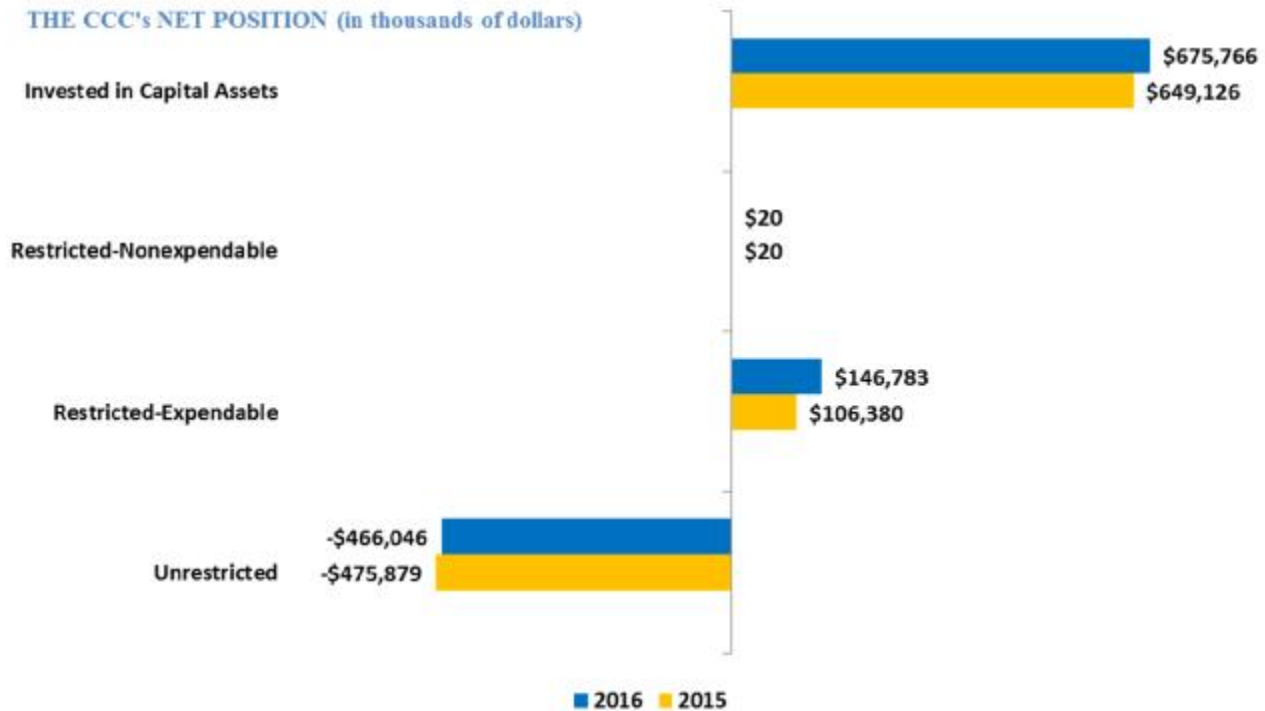
Management Discussion and Analysis (Unaudited)

June 30, 2016



pension plans. The System’s total net pension obligation was \$607.7 million and \$551.7 million at June 30, 2016 and June 30, 2015 respectively.

The total *net position* balance includes \$675.8 million *Invested in capital assets* net of related debt and 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 \$114.3 million in new bond fund appropriations in fiscal year 2016 included \$16.4 million for System administered projects, repairs, and equipment, and \$98.0 million for DAS-administered projects. The System-administered dollars funded a variety of small projects and IT initiatives. The \$98 million included \$25 million for the new Joyner building at Northwestern, \$25 million for renovations at Asnuntuck, including an expanded manufacturing and new technology center, \$40 million for Phase III renovations at Housatonic and \$6 million for major site improvements at Naugatuck Valley.

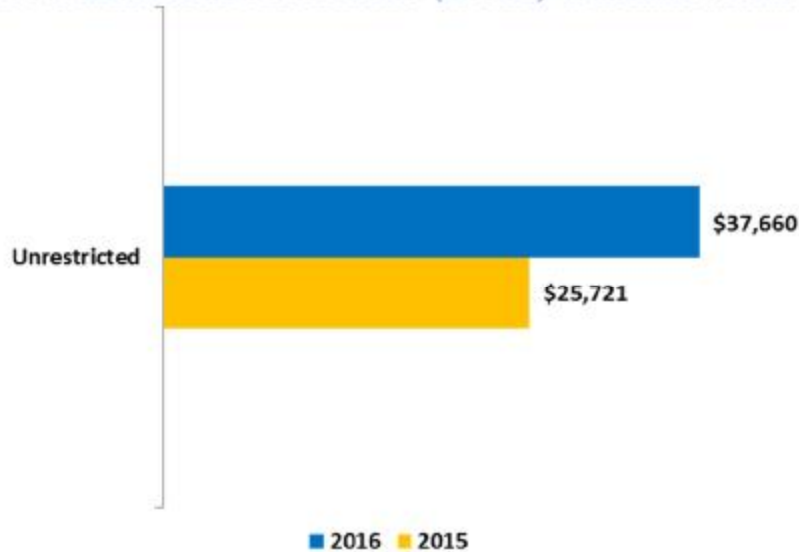
The CCC’s have a minimal level of *Restricted-Nonexpendable* net position as the colleges do not generally carry any permanent endowment as a direct activity. *Restricted-Expendable* net position represents primarily bond fund appropriation balances at June 30, 2016 (\$31.2 million in funds managed by the CCC’s and \$113.4 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 (\$4.5 million), loan fund balances (\$0.1 million), 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 liability. This negative balance improved by \$9.8 million during fiscal year 2016. Excluding the activity related to the actuarially determined unfunded pension liability, UNP increased by \$12.0 million to \$37.7 million during fiscal year 2016, following

an increase of \$12.4 million in 2015 and a \$1.9 million decrease in 2014. The table below illustrates the fluctuations in aggregate CCC UNP over the past several years:

FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	
\$6.5	\$4.1	\$7.2	\$10.2	\$16.2	\$29.8	\$32.8	\$24.2	\$37.9	\$39.2	\$28.3	\$15.2	\$13.3	\$25.7	\$37.7	
												UNP Adjusted for Pension Liability:	(\$492.0)	(\$475.9)	(\$466.0)

THE CCC's UNRESTRICTED NET POSITION (less NPL)- in thousands of dollars



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 2016 were \$136 million after the reduction for scholarship allowances, a increase of 3.4% from \$131.5 million in fiscal year 2015. *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 \$97.9 million after scholarship allowances. This differs from budgetary practices, which recognize revenue on a gross basis without offset for scholarship allowances. On a gross basis, fiscal year 2016 tuition revenues decreased 0.8% from the previous year, to \$174.1 million. These revenues reflect a FTE credit enrollment decrease of 4.6% in fiscal year 2016 and 3.0% in fiscal year 2015. Extension fee revenues increased slightly from \$24.8 million in fiscal year 2015 to \$24.9 million in fiscal year 2016.

The Connecticut Community Colleges recorded an operating loss of \$412.3 million during the year ended June 30, 2016. 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 increased by 5.2% and the associated revenues to cover fringe benefit costs increased by 8.1%, to \$162.8 million and \$120.6 million, respectively. An additional \$17.2 million of targeted General Fund appropriations was received to fund the CCC’s portion of the BOR initiative titled “Transform CSCU 2020”. Specifically, the majority of these additional funds were provided to support (1) developmental education efforts undertaken by the CCCs, and (2) a supplement in lieu of increases to tuition and fees which would have been required to cover cost increases. Unlike other General Fund appropriations, this \$17.2 million included no component for fringe. Bond fund appropriation revenues increased from \$53.7 million in 2015 to \$114.3 million



in 2016. 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 2016 net increase in net position of \$76.9 million compared with \$21.1 million decrease in 2015.

Condensed Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2016 and 2015

(in thousands)

	2016	2015 (Restated*)	% Change
OPERATING REVENUES			
Tuition and Fees, Net	\$ 97,929	\$ 95,994	2%
Government grants and contracts	29,608	27,638	7%
Additional operating revenues	8,432	7,839	8%
Total operating revenues	<u>135,969</u>	<u>131,471</u>	3%
OPERATING EXPENSES			
Expenses before depreciation and amortization	518,601	505,185	3%
Depreciation	29,674	29,191	2%
Total operating expenses	<u>548,275</u>	<u>534,376</u>	3%
Operating loss	<u>(412,306)</u>	<u>(402,905)</u>	-2%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund	300,639	287,196	5%
State appropriations - bond fund	114,349	53,746	113%
PELL Grants	74,295	81,395	-9%
Other non-operating revenues (expenses), net	(101)	1,660	-106%
Total non-operating revenues	<u>489,182</u>	<u>423,997</u>	15%
NET POSTION			
Change in net position	76,876	21,092	264%
Net position, beginning of year	279,647	258,555	8%
Net position, end of year	<u>\$ 356,523</u>	<u>\$ 279,647</u>	27%

* Amounts previously reported for beginning net position for the adoption of GASB 68 in fiscal year 2015 have been restated. In addition, PELL grant revenues has been reclassified from operating revenues to non-operating revenues.

Connecticut Community Colleges

Management Discussion and Analysis (Unaudited)

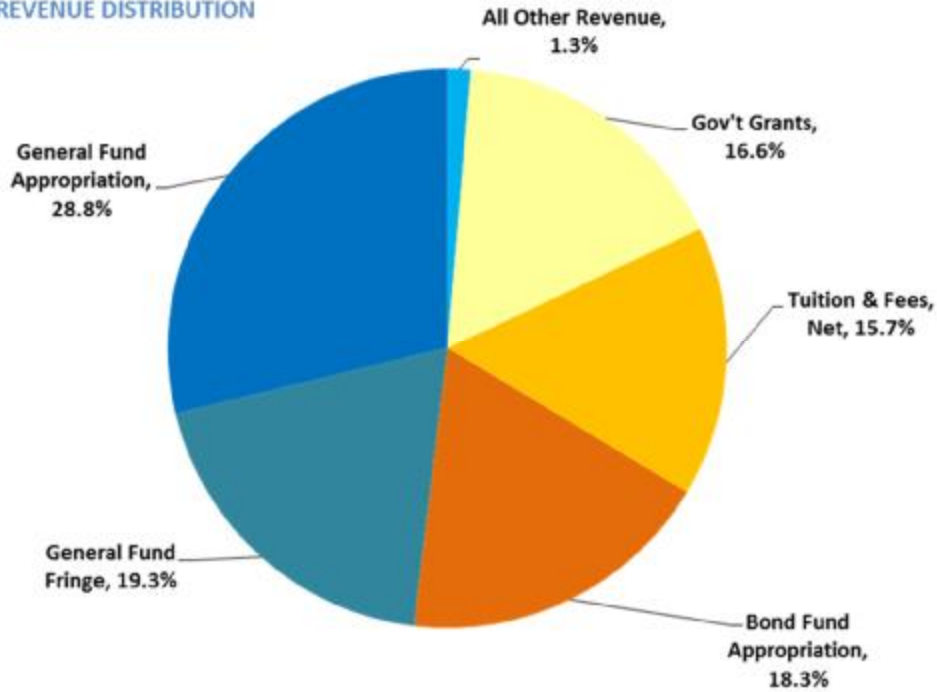
June 30, 2016



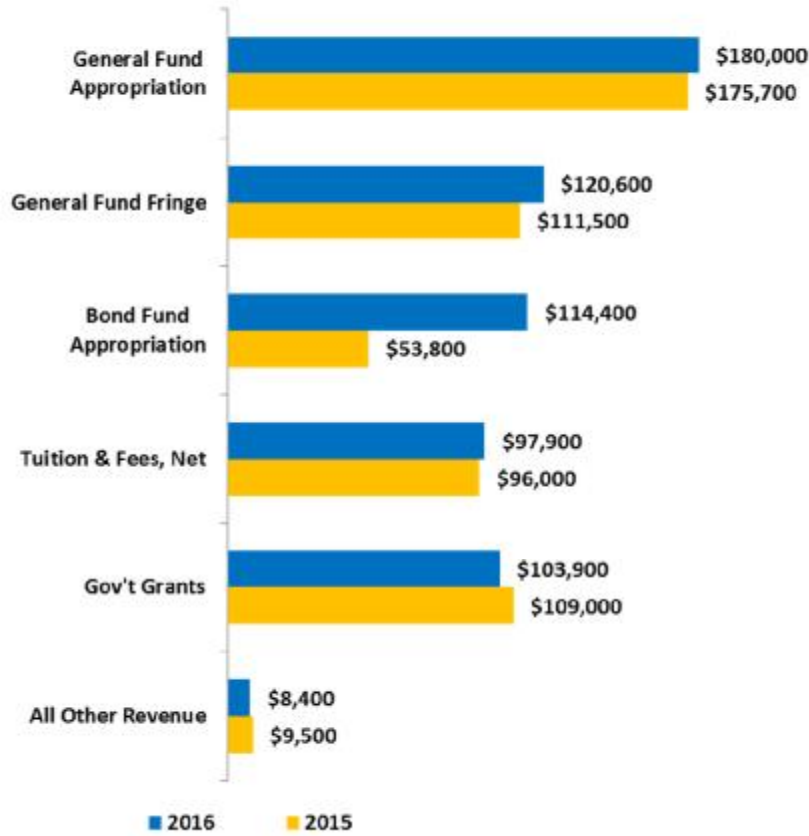
Government grant revenues are comprised primarily of student financial aid programs including the Supplemental Education Opportunity Grant (“SEOG”) programs. Other government grants include funding for various program-related activities. Government grant revenues at June 30, 2016 were \$103.9 million; federal dollars were down \$4.8 million and state dollars were down \$0.3 million from the previous fiscal year.

Other revenues totaled \$8.4 million in 2016, up from \$7.8 million in fiscal year 2015. 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 DISTRIBUTION



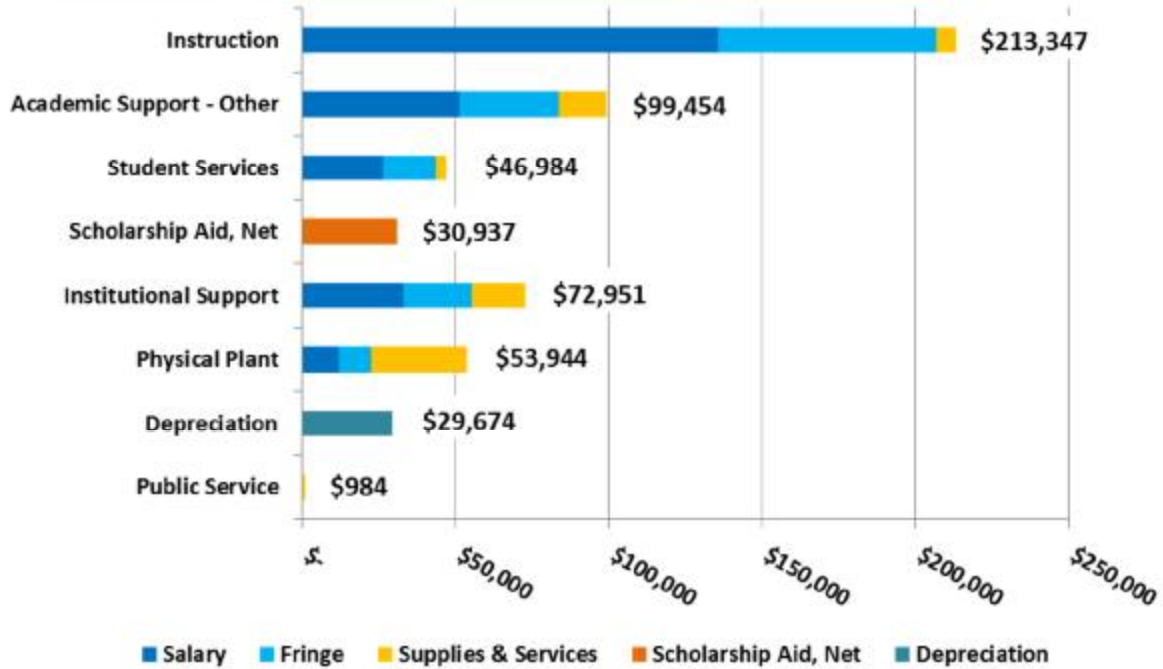
REVENUE SUMMARY (in thousands of dollars)



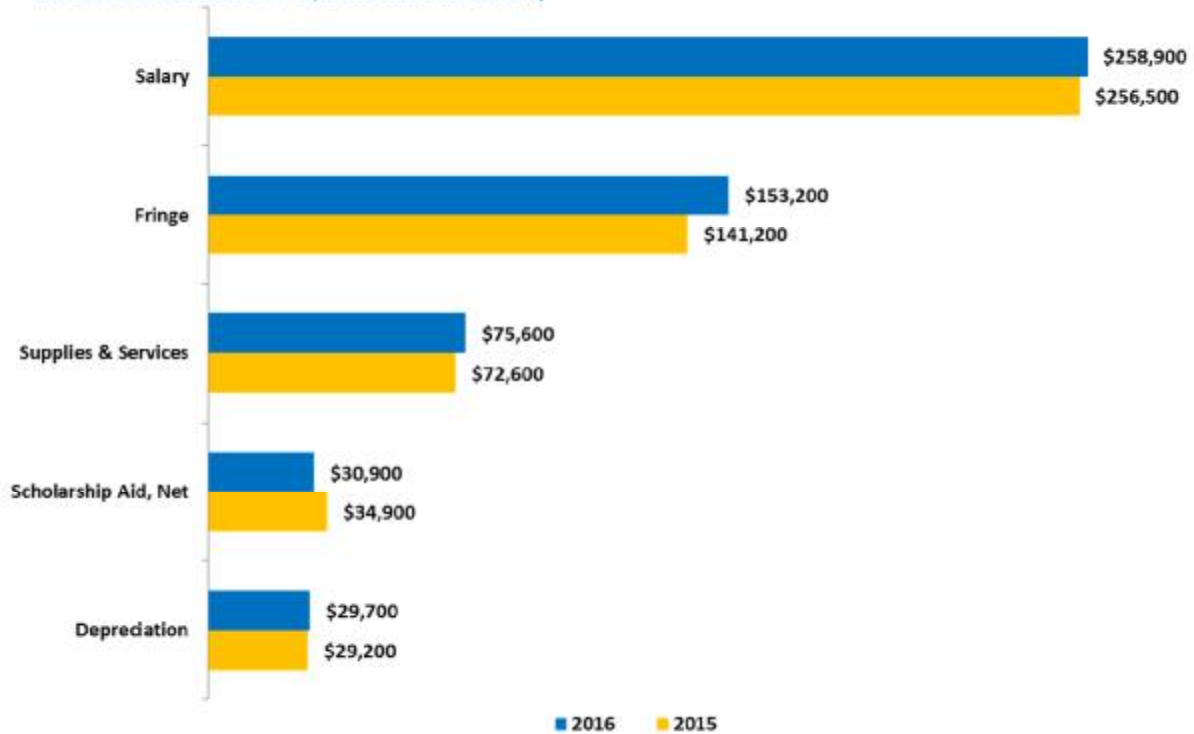
Total operating expenses for fiscal year 2016 were \$548.3 million, after reductions for the amount of student financial aid and waivers applied to student tuition and fees. This reflects an operating expense increase of 3% from \$534.4 million in fiscal year 2015. The \$13.9 million decrease in fiscal year 2016 crossed all functions and categories of expense.

Operating expenses include \$412.1 million for salary and wages and related fringe benefits, or 75.2% of total operating expense. In addition, operating expenses include \$30.9 million in net scholarship aid expense refunded to students, \$29.7 million in depreciation expense and \$75.6 million for all other service and supply costs. Supplies and services include \$13.7 million in 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 totaling \$29.1 million; and all other non-personnel costs of operating the colleges.

2016 OPERATING EXPENSES (in thousands of dollars) by Program and Account Type



EXPENSE BY ACCOUNT TYPE (in thousands of dollars)





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 \$95.2 million, flat from 2015 and receipts from government grants and contracts of \$30.0 million, down 1.7% from 2015. 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 \$255.7 million, up 0.3% from 2015, fringe benefits paid on behalf of employees of \$149.6 million, up 5.3% from 2015, vendor payments of \$82.6 million, up 1.9% from 2015 and payments to students of \$36.2 million, down 3.9% from 2015 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. Net cash used by operating activities increased 0.29% during fiscal year 2016.

The largest inflow of cash related to *non-capital financing* is State appropriations, which were \$307.2 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 \$74.3 million, private gift receipts of \$1.4 million and Federal Family Education Loan Program (FFELP) receipts of \$9.7 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 2016, capital financing net cash inflows of \$105.2 million reflected the receipt of bond appropriations, \$45.3 million of which went to college facility projects administered by DAS, and \$10.8 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 \$134 thousand in fiscal year 2015 to \$219 thousand in fiscal year 2016.

Condensed Statements of Cash Flows

Years Ended June 30, 2016 and 2015

(in thousands)

	2016	2015 (Restated*)	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	\$ (387,014)	\$ (385,889)	0%
Noncapital financing activities	390,855	382,411	2%
Capital and related financing activities	49,105	20,743	137%
Investing activities	219	134	63%
Net change in cash and cash equivalents	53,165	17,399	206%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	184,668	167,269	10%
Cash and cash equivalents, end of year	\$ 237,833	\$ 184,668	29%

* Restated to reflect PELL revenue as noncapital financing activities rather than operating activities.

Economic Outlook

The Connecticut Community Colleges will confront significant challenges and a call for change in the years ahead. The factors that will have the greatest financial impact on the CCC are projected flattening and declining high school graduates and the current fiscal condition of the state of Connecticut, which projects significant 2018 and 2019 budget deficits.

The following table illustrates Fall Full Time Equivalent (“FTE”) student attendance at the CCCs:

Fall Headcount Enrollment and Full Time Equivalent				
Year Ended 30-Jun	Undergraduate	% Change	Full Time Equivalent	% Change
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%
2013	58,228	1.9%	33,410	0.6%
2012	57,152	-1.0%	33,200	-2.0%

The past three years have seen declining full time equivalent students, and the five-year trend shows decline as well. CCC continues to attract non-traditional students and as discussed below, strategic initiatives are underway to expand the potential student population. In addition, the IPEDS data does not currently measure the attendance in non-credit programs which is a significant offering at the CCCs.

The mission of CSCU was established at the time the system was created, as follows:

The Connecticut State Colleges & Universities (CSCU) contribute to the creation of knowledge and the economic growth of the state of Connecticut by providing affordable, innovative, and rigorous programs. Our learning environments transform students and facilitate an ever increasing number of individuals to achieve their personal and career goals.

The Board of Regents set forth the following five goals to accomplish its mission:

- Goal 1: A Successful First Year: Increase the number of students who successfully complete a first year of college.
- Goal 2: Student Success: Graduate more students with the knowledge and skills to achieve their life and career goals.
- Goal 3: Affordability and Sustainability: Maximize access to higher education by making attendance affordable and our institutions financially sustainable.
- Goal 4: Innovation and Economic Growth: Create educational environments that cultivate innovation and prepare students for successful careers in a fast changing world.
- Goal 5: Equity: Eliminate achievement disparities among different ethnic/racial, economic, and gender groups.

Embedded in these goals are the concepts of affordability, access, and sustainability which form the basis for all strategic and tactical decision-making within the system.

In the interest of continuing progress towards achieving goals and for dealing with an ever-changing operational environment and fiscal challenges, management has formed six workgroups to identify ways in which to foster greater organizational effectiveness, improve processes and practices, promote innovations and strategic partnerships, and identify potential costs savings. The workgroups were formed in summer 2016 and are comprised of staff, presidents, and faculty members. The teams have planned, evaluated current circumstances, identified opportunities for improvement, solicited input from stakeholders and subject matter experts, and arrived at preliminary recommendations. The areas under focus are human

Connecticut Community Colleges

Management Discussion and Analysis (Unaudited)

June 30, 2016



resources, compliance programs, contracting and purchasing, recruitment and retention, financial aid, and marketing. Final recommendations are expected to be presented to the Board in spring 2017.

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 Erika Steiner, Chief Financial Officer, Board of Regents for Higher Education, Connecticut State Colleges & Universities (860-723-0251). College-specific questions may also be directed to the Dean of Administration at each individual college.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Regents of
Connecticut State Colleges and Universities

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Connecticut Community Colleges, an enterprise fund of the State of Connecticut, (collectively, the “System”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the System’s basic financial statements as listed in the index.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of one aggregate discretely presented component unit (the affiliated foundations (“Foundations”)), which statements reflect total assets of \$51.1 million and total net assets of \$49.2 million as of June 30, 2016 and total revenues, capital gains and losses, and other support of \$7.2 million for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Connecticut Community Colleges as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the System, an enterprise fund of the State of Connecticut, and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the beginning net position as of July 1, 2015 has been restated in connection with a correction of an error related to the adoption of a new accounting standard related to pension accounting. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 1 through 13 and the Schedule of Net Pension Liability and Related Ratios and Schedule of Contributions on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplemental Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position, Combining Statement of Cash Flows, Combining Statement of Net Position by Fund Group, and Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group included on pages 46 through 50 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornbn LLP

Westborough, Massachusetts

January 19, 2017

Connecticut Community Colleges
Statement of Net Position
June 30, 2016



	Primary Institution (in thousands) 2016	Component Unit Magnet High School-GPA (in thousands) 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 237,833	\$ 424
Accounts receivable, due from the State	29,317	44
Accounts receivable other, net	15,572	7
Prepaid expenses	687	-
Total current assets	<u>283,409</u>	<u>475</u>
Non-current assets		
Capital assets, net	675,766	26,044
Student loans, net	153	-
Total non-current assets	<u>675,919</u>	<u>26,044</u>
Total assets	<u>\$ 959,328</u>	<u>\$ 26,519</u>
Deferred outflows of resources		
Deferred pension contributions	105,988	-
Total deferred outflows of resources	<u>\$ 105,988</u>	<u>\$ -</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 4,681	\$ 82
Accrued expenses - salary and fringe benefits	37,024	63
Accrued compensated absences - current portion	3,545	7
Deferred revenue	3,818	24
Unapplied payments	10,568	-
Retainage	1,813	-
Agency and loan fund liabilities	1,441	-
Other liabilities	812	-
Total current liabilities	<u>63,702</u>	<u>176</u>
Non-current liabilities		
Pension liability	606,997	-
Accrued compensated absences - long term portion	35,243	67
Other long-term liabilities	154	-
Total non-current liabilities	<u>642,394</u>	<u>67</u>
Total liabilities	<u>706,096</u>	<u>243</u>
Deferred inflows of resources		
Deferred pension asset gains	2,697	-
Total deferred inflows of resources	<u>\$ 2,697</u>	<u>\$ -</u>
Net position		
Invested in capital assets, net of related debt	675,766	26,044
Restricted		
Nonexpendable	20	-
Expendable	146,783	80
Unrestricted	(466,046)	152
Total net position	<u>\$ 356,523</u>	<u>\$ 26,276</u>

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

	Component Unit Foundations (in thousands) 2016
Assets	
Cash and cash equivalents	\$ 7,805
Accounts receivable, net	22
Contributions receivable, net	1,700
Grants receivable	5
Other receivables	410
Prepaid expenses and other assets	56
Investments	<u>41,146</u>
Total assets	<u>\$ 51,144</u>
Liabilities	
Accounts payable and accrued expenses	\$ 564
Annuities payable	55
Scholarships payable	26
Other liabilities	<u>1,348</u>
Total liabilities	<u>1,993</u>
Net Assets	
Unrestricted	3,976
Temporarily restricted	15,550
Permanently restricted	<u>29,625</u>
Total net assets	<u>49,151</u>
Total liabilities and net assets	<u>\$ 51,144</u>

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, 2016



	Primary Institution (in thousands) 2016	Component Unit Magnet High School-GPA (in thousands) 2016
Operating revenue		
Student tuition and fees	\$ 174,093	\$ -
Less: Scholarship discounts and allowances	(76,164)	-
Net tuition and fees	<u>97,929</u>	<u>-</u>
Federal grants and contracts	20,839	2,799
State and local grants and contracts	8,769	7
Private grants and contracts	3,454	-
Sales and services of educational departments	724	-
Other operating revenues	4,254	1,128
Total operating revenues	<u>135,969</u>	<u>3,934</u>
Operating expenses		
Instruction	213,347	2,051
Public service	984	-
Academic support	88,546	219
Library	10,908	99
Student services	46,984	516
Scholarship aid, net	30,937	-
Institutional support	72,951	1,148
Physical plant	53,944	581
Depreciation	29,674	909
Total operating expenses	<u>548,275</u>	<u>5,523</u>
Operating loss	<u>(412,306)</u>	<u>(1,589)</u>
Nonoperating revenues		
State appropriations - general fund	300,639	775
State appropriations - bond funds	114,349	-
PELL grants	74,295	-
Private gifts	1,408	-
Interest income	276	-
Mandatory transfer to State	(1,800)	-
Other non-operating revenues, net	15	-
Net non-operating revenue	<u>489,182</u>	<u>775</u>
Change in net position	76,876	(814)
Net position, as restated at July 1, 2015 *	279,647	27,090
Net position at end of year	<u>\$ 356,523</u>	<u>\$ 26,276</u>

* Both the Primary Institution and the Component Unit have been restated, refer to Note 1 for additional information.

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

	Component Unit Foundations (in thousands) 2016
Revenue, capital gains and losses and other support	
Gifts and grants	\$ 6,718
Gifts in kind	88
Events and activities	1,002
Dividends and interest income	296
Net realized and unrealized gain/(loss) on investments	<u>(931)</u>
Total revenue, capital gains and losses and other support	<u>7,173</u>
Expenses	
Fundraising events	724
Campus facilities, projects and equipment	200
Grants	416
Museum	101
Program services	2,344
Scholarships, awards, and financial aid	1,954
Management and general	1,811
College advancement	<u>962</u>
Total expenses	<u>8,512</u>
Change in net assets	(1,339)
Net assets	
Net assets at beginning of year	50,490
Net assets at end of year	<u>\$ 49,151</u>

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

Connecticut Community Colleges

Statement of Cash Flows

June 30, 2016



	Primary Institution
	(in thousands)
	2016
Cash flows from operating activities	
Student tuition and fees	\$ 95,237
Government grants and contracts	30,040
Private grants and contracts	3,823
Sales and services of educational departments	725
Payments to employees	(255,675)
Payments for fringe benefits	(149,616)
Payments to students	(36,218)
Payments to vendors	(82,607)
Payments by Department of Construction Services	(100)
Other receipts, net	7,377
Net cash used in operating activities	<u>(387,014)</u>
Cash flows from investing activities	
Interest income	219
Net cash provided by investing activities	<u>219</u>
Cash flows from capital and related financing activities	
State appropriations	105,196
Payments by Department of Construction Services	(45,293)
Purchase of capital assets	(10,798)
Net cash provided by capital and related financing activities	<u>49,105</u>
Cash flows from noncapital financing activities	
State appropriations	307,188
PELL grants	74,295
Private gifts	1,449
Federal Family Education Loan program ("FFELP")	9,723
Mandatory transfer to state	(1,800)
Net cash provided by noncapital financing activities	<u>390,855</u>
Net change in cash and cash equivalents	53,165
Cash and cash equivalents at beginning of year	<u>184,668</u>
Cash and cash equivalents at end of year	<u>\$ 237,833</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (412,306)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	29,674
Loss on disposal of capital assets, net	136
Operating application of FFELP Receipts	(9,723)
Changes in operating assets and liabilities:	
Accounts receivable, net	(1,172)
Prepaid expenses and other assets	535
Accrued compensation and other	2,089
Pension Liability	55,261
Accounts payable	708
Deferred revenue	939
Changes in deferred outflows and inflows of resources:	
Deferred pension contributions	(34,404)
Deferred pension asset gains	(18,751)
Net cash used in operating activities	<u>\$ (387,014)</u>

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”) 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. 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 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, 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. 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 schools”) which must be reported as component units of the 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.

Restatement

During fiscal 2016, it was determined that certain amounts previously reported for deferred pension contribution, pension expense, state appropriations, and related disclosures associated with the adoption of GASB 68 in fiscal year 2015 were incorrect. As a result, the beginning net assets of fiscal year 2016 have been restated.

A summary of the net effects of these errors on the fiscal year 2015 financial statements and related disclosures follows:

Net Position - beginning of year as previously reported	\$ 234,803
To adjust opening net position for incorrect amounts previously reported	<u>\$ 44,844</u>
Net position - beginning of year as restated	<u>\$ 279,647</u>

Restatement of Opening Net Position Balance- Magnet Schools Component Unit

During fiscal year 2016, CCC determined that Quinebaug Middle College (“QMC”), an inter-district magnet high school located on the Quinebaug Valley Community College campus that was previously presented as a discretely presented component unit on CCC’s previously issued financial statements, no longer meets the definition of a component unit. Specifically, CCC was not financially accountable for QMC and the exclusion of QMC from CCC’s financial statements is not misleading to the users of the CCC financial statements.

Accordingly, an adjustment was recorded to the beginning net assets of the Magnet High Schools discretely presented component unit as of July 1, 2015, to remove QVMC as a component unit of CCC. The effect of this adjustment is summarized below:

	Component Unit Magnet High Schools (in thousands)
Net position - beginning of year as previously reported	\$ 49,848
To adjust opening net position to remove QVMC as a component unit	\$ (22,758)
Net position - beginning of year as restated	<u>\$ 27,090</u>

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 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.

New GASB Pronouncements

On March 2, 2015, the Governmental Accounting Standards Board (GASB) released Statement No. 72, *Fair Value Measurement and Application*, which would generally require state and local governments to measure investments at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. The requirements are effective for financial statements for periods beginning after June 15, 2015, with early application encouraged. CCC implemented GASB 72 in fiscal year 2016. There was no significant impact as a result of the adoption.

In June 2015 the Governmental Accounting Standards Board (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. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. Management is evaluating the impact this pronouncement will have on CCC.

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, 2016. 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, 2016. 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, 2016. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2016 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.

For the year ended June 30, 2016, the Colleges adopted the provisions of GASB Statement No.72, “Fair Value measurements and Application” (“GASB 72”). This statement addresses the accounting and financial reporting issues related to fair value measurements, as well as requires certain disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also provides guidance for determining a fair value measurement for financial reporting purposes. The Colleges assessed the impact of GASB No. 72 on its financial statements and as all College investments are recorded at fair value based on quoted market prices, implementation of GASB 72 did not have any impact on the presentation of investments or the net position of CCC.

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 fair 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
Land	Not applicable
Land/site improvements	20-40 years
Buildings and building Improvements	20-40 years
Lease related	Life of lease
Library books	10 years
Furniture and equipment	3-15 years
Vehicles	4 years
Artwork non-collection	10 years
Fine arts & historical treasures	Not applicable
Software	5 years
Other personal property	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”).

Connecticut State Colleges and Universities comprehensive long-term capital infrastructure investment plan (“CSCU 2020”), was developed consistent with master facilities plans established by the individual Colleges. In regards to CSCU 2020 projects, DCS administers the larger projects – generally those with a budget in excess of \$2 million. For CSCU 2020 projects, the state general obligation bond proceeds are deposited into the CSCU 2020 Fund. When funds are allotted for CCC specific projects and the projects are approved, CCC recognizes the appropriation revenue. The revenue recognized for CSCU 2020 projects being administered by DCS is included in “State appropriations restricted for capital purposes”.

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.

Due from/Due to the State of Connecticut

Accrued salaries and related fringe benefit costs for CSCU employees within CCC, whose salaries will be charged to the State of Connecticut General Fund, totaled \$29.3 million as of June 30, 2016. CCC has reflected a related receivable from the State of Connecticut for these costs which will be charged to the General Fund appropriation for the following year, in accordance with the state budget approved prior to June 30, 2016.

Pension Obligations

The System records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan’s fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension 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 pension plan, the net pension liability recorded by CCC is based on an allocation of the total net pension liability, as determined by an independent actuary.

Pension expense is 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.

Unapplied Payments

Unapplied payments consist primarily of tuition and fees collected as of year-end, for the upcoming summer or fall semesters. Revenues related to these semesters are reported in the period the tuition and fees are recognized as income.

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, as required by GASB 35. 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, as defined by GASB 35, 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, 2016 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, pension liability, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

Subsequent Events

In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2016, through January 19, 2017, 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 Short-Term Investment Fund (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, 2016 was 0.44%.

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

Cash	\$ 93,213
Cash equivalents	144,620
Cash and cash equivalents total	<u>\$ 237,833</u>

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, 2016.

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, Net

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

	2016
Tuition	\$ 6,213
College services fees	496
Student activity fees	34
Extension fees	1,137
Payment plans and returned checks	380
Other student fees	271
Subtotal	<u>8,531</u>
Less: Allowance for doubtful accounts	<u>(3,353)</u>
Subtotal student tuition and fee receivables, net	<u>5,178</u>
Third party contracts	605
Government grants and contacts	7,641
STIF	93
Other receivables	2,982
Subtotal	<u>11,321</u>
Less: Allowance for doubtful accounts	<u>(927)</u>
Subtotal other receivables, net	<u>10,394</u>
Total accounts receivable, net	<u>\$ 15,572</u>

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 after the second week of class (end of add/drop) is entered into collections. Any unpaid account at June 30 that relates to a term from a previous fiscal year is considered doubtful and an allowance is established.

4. Capital Assets

Capital assets for the Primary Institution consist of the following at June 30, 2016 (in thousands):

	Balance at June 30, 2015	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2016
Land and land/site improvements	\$ 25,407	\$ 25	\$ -	\$ -	\$ 25,432
Infrastructure	516	-	-	-	516
Building and building improvements	802,294	988	-	4,669	807,951
Furnishings and equipment	86,097	4,316	(3,087)	(4)	87,322
Library books	7,009	288	(1,053)	4	6,248
Software	439	-	-	-	439
	<u>921,762</u>	<u>5,617</u>	<u>(4,140)</u>	<u>4,669</u>	<u>927,908</u>
Less: Accumulated depreciation	<u>(291,871)</u>	<u>(29,674)</u>	<u>3,909</u>	<u>-</u>	<u>(317,636)</u>
	629,891	(24,057)	(231)	4,669	610,272
Construction-in-progress	<u>19,235</u>	<u>50,928</u>	<u>-</u>	<u>(4,669)</u>	<u>65,494</u>
Capital assets, net	<u>\$ 649,126</u>	<u>\$ 26,871</u>	<u>\$ (231)</u>	<u>\$ -</u>	<u>\$ 675,766</u>

Capital assets for the GPA Magnet School consist of the following at June 30, 2016 (in thousands):

	Balance at June 30, 2015	Additions	Disposals and Adjustments	Transfers	Balance at June 30, 2016
Building and building improvements	\$ 31,106	\$ -	\$ -	\$ -	\$ 31,106
Furnishings and equipment	1,320	-	(65)	-	1,255
	<u>32,426</u>	<u>-</u>	<u>(65)</u>	<u>-</u>	<u>32,361</u>
Less: Accumulated depreciation	<u>(5,472)</u>	<u>(909)</u>	<u>64</u>	<u>-</u>	<u>(6,317)</u>
Capital assets, net	<u>\$ 26,954</u>	<u>\$ (909)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 26,044</u>

5. Accrued Compensated Absences

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

	2016
Accrued vacation	\$ 16,060
Accrued sick leave	13,588
Other accrued fringe benefits	9,140
Total accrued compensated absences	<u>38,788</u>
Less: current portion	<u>(3,545)</u>
Accrued compensated absences - non-current portion	<u>\$ 35,243</u>

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

Balance as of June 30, 2015	\$ 39,871
Increases in 2016	1,930
Payouts in 2016	(3,013)
Balance as of June 30, 2016	<u>\$ 38,788</u>

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 to be 9.14% of the total liability and is reflected as a current liability.

6. 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.

7. Retirement and Other Post Employment Benefits

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.

Tier III or the Hybrid Plan are the 2 primary SERS plan options available to CSCU employees first hired into state service on or after July 1, 2011 (some employees are eligible to elect the Teachers Retirement System – TRS). Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, Tier III, or TRS depending on several factors. CSCU makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut. 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 five percent employer match and four percent interest in lieu of a defined benefit.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is managed by Prudential. Under this arrangement, plan participants contribute 5% of their pay and the State contributes 8% to individual participants' investment accounts managed by Prudential. CSCU pays a fringe benefit charge to the State which includes the 8% employer contribution 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 a date not yet determined 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 Hazardous Duty members are required to contribute 2% and 4% of their annual salary up to the Social Security Taxable Wage Base 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.

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 43.42% and 30.35% for SERS and TRS respectively for fiscal year ended June 30, 2016. The State contributed \$49.4 million and \$1.9 million, on behalf of the System, for SERS and TRS respectively for fiscal year ended June 30, 2016, equal to 99.5% of the required contributions that year. Administrative costs of the plan are funded by the State.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2016 was measured and valued as of June 30, 2015 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, at June 30, 2016 the System's proportion was 0.11 %. For the SERS plan, at June 30, 2016 the System's proportion was 3.60 %.

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 tracked separately. The net pension liability for the CCC System as of June 30, 2016 for SERS and TRS was \$594.9 million and \$12.0 million respectively.

Actuarial Assumptions

SERS:

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

Inflation	2.75%
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-2000 Employees table projected 15 years for men and 25 years for women with the Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation (which was the basis for recording the June 30, 2016 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2015.

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 June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	

TRS:

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual Equity	25%	7.3%
Developed Markets ISF	20%	7.5%
Emerging Markets ISF	9%	8.6%
Core Fixed Income	13%	1.7%
Emerging Market Debt	4%	4.8%
High Yield	2%	3.7%
Inflation Linked Bonds	6%	1.3%
Liquidity Fund	6%	0.7%
Real Estate	5%	5.9%
Private Investment	10%	10.9%
	100%	

Discount Rate

SERS:

The discount rate used to measure the total pension liability was 8.0%. 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.

TRS:

The discount rate used to measure the total pension liability was 8.50%. 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 (Asset) to Changes in Discount Rate

The following presents the current-period net pension liability of the CCC System calculated using the current-period discount rate assumption of 8.0% for SERS and 8.5% 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:

	1% Decrease (SERS-7.0%) (TRS-7.5%)	Current Discount (SERS-8.0%) (TRS-8.5%)	1% Increase (SERS-9.0%) (TRS-9.5%)
SERS	\$ 707,743,266	\$ 594,977,843	\$ 499,974,527
TRS	15,156,288	12,018,490	9,351,334

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

For the year ended June 30, 2016, the System recognized pension expense of \$58.6 million. Deferred outflows of resources and deferred inflows of resources for pensions attributed to the CCC System were related to the following sources for the year ended June 30, 2016:

	SERS	TRS	Total
DEFERRED OUTFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	\$ 93,691	\$ 86,410	\$ 180,101
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	47,802,830	1,463,220	49,266,050
Employer contributions after measurement date	54,994,531	1,547,269	56,541,800
Total	\$ 102,891,052	\$ 3,096,899	\$ 105,987,951
DEFERRED INFLOWS OF RESOURCES			
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	\$ 2,622,245	\$ 74,885	\$ 2,697,130
Total	\$ 2,622,245	\$ 74,885	\$ 2,697,130

The net amount of deferred outflows of resources 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:

	SERS		TRS		Total
2016	\$	9,104,714	\$	224,363	\$ 9,329,077
2017		9,104,714		224,363	9,329,077
2018		9,104,639		224,364	9,329,003
2019		13,210,413		458,958	13,669,371
2020		4,749,797		342,695	5,092,492
Total	\$	45,274,277	\$	1,474,743	\$ 46,749,020

Other Post-Employment Benefits

The State of Connecticut provides post-retirement health care and life insurance benefits to eligible CCC 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. The obligations related to this benefit have not been reflected in these financial statements.

8. Operating Leases

CCC is party to one non-cancellable operating lease contract. 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:

2017	\$	1,608,314
2018	\$	1,334,991
2019	\$	1,327,200
2020 to 2025	\$	1,327,200 per year
2025 to 2032	\$	970,200 per year

The commitments above include a lease agreement 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 a year for 20 years. Rental and lease expense was \$3,271,543 for the year ended June 30, 2016.

9. Commitments and Contingencies

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, 2016. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances at June 30, 2016 were as follows:

Asnuntuck Community College	\$	297,971
Capital Community College		421,936
Gateway Community College		411,854
Housatonic Community College		1,606,929
Manchester Community College		2,244,048
Middlesex Community College		695,332
Naugatuck Valley Community College		1,786,825
Northwestern Connecticut Community College		156,890
Norwalk Community College		676,368
Quinebaug Valley Community College		1,968,417
Three Rivers Community College		335,856
Tunxis Community College		226,626
System Office		5,912,454
		5,912,454
Total	\$	16,741,506

10. Natural Classification with Functional Classification

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

	Year Ended June 30, 2016					
	<u>Salaries and Wages</u>	<u>Fringe Benefits</u>	<u>Supplies and Services</u>	<u>Scholarship Aid</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 135,666	\$ 71,215	\$ 6,466	\$ -	\$ -	\$ 213,347
Public service	115	68	801	-	-	984
Academic support-other	45,470	28,653	14,423	-	-	88,546
Academic support-library	6,029	3,688	1,191	-	-	10,908
Student services	26,488	17,040	3,456	-	-	46,984
Scholarship aid	-	-	-	30,937	-	30,937
Institutional support	33,102	22,150	17,699	-	-	72,951
Physical plant	11,998	10,410	31,536	-	-	53,944
Depreciation	-	-	-	-	29,674	29,674
Total operating expenses	<u>\$ 258,868</u>	<u>\$ 153,224</u>	<u>\$ 75,572</u>	<u>\$ 30,937</u>	<u>\$ 29,674</u>	<u>\$ 548,275</u>

REQUIRED SUPPLEMENTARY INFORMATION

Connecticut Community Colleges

Schedule of Net Pension Liability

And Related Ratios (Unaudited)

Year Ended June 30, 2016



Schedule of Net Pension Liability and Related Ratios

State Employee Retirement System Plan

Last 10 Fiscal Years ¹

	<u>2016</u>	<u>2015</u>	<u>2014</u>
System's proportion of the net pension liability	3.60%	3.38%	3.24%
System's proportionate share of the net pension liability	\$ 594,977,843	\$ 540,627,381	\$ 537,771,592
System's covered-employee payroll	\$ 130,285,239	\$ 117,736,763	\$ 108,774,557
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	457%	459%	494%
Plan Fiduciary net position as a percentage of the total pension liability	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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
System's proportion of the net pension liability	0.11%	0.11%	0.11%
System's proportionate share of the net pension liability	\$ 12,018,490	\$ 11,108,644	\$ 12,252,555
State's proportionate share of the net pension liability associated with the System	<u>\$ 12,018,480</u>	<u>\$ 11,094,288</u>	N/A ¹
Total	<u>\$ 24,036,970</u>	<u>\$ 22,202,932</u>	<u>\$ 12,252,555</u>
System's covered-employee payroll	\$ 4,326,646	\$ 4,197,020	\$ 4,000,839
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	278%	265%	306%
Plan Fiduciary net position as a percentage of the total pension liability	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 Contributions
State Employee Retirement System Plan

Last 10 Fiscal Years ¹

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 49,636,667	\$ 42,836,587	\$ 34,343,204
Contributions in relation to the contractually required contribution	<u>(49,388,484)</u>	<u>(42,836,587)</u>	<u>(34,308,861)</u>
Contribution deficiency (excess)	<u>\$ 248,183</u>	<u>\$ -</u>	<u>\$ 34,343</u>
System's covered-employee payroll	\$ 130,285,239	\$ 117,736,763	\$ 108,774,557
Contributions as a percentage of covered employee payroll	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

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,077,970	\$ 1,039,005
Contributions in relation to the contractually required contribution	<u>(1,969,729)</u>	<u>(1,927,454)</u>
Contribution deficiency (excess)	<u>\$ (891,759)</u>	<u>\$ (888,449)</u>
System's covered-employee payroll	\$ 4,326,646	\$ 4,197,020
Contributions as a percentage of covered employee payroll	45.53%	45.92%

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

For the June 30, 2014 valuation, there were two changes in benefit terms:

- The 2011 SEBAC Agreement changed the benefit multiplier for the portion of benefit below the breakpoint from 1.33% to 1.4%. This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA and III.
- A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retirement edibility applicable to members eligible to retire before July 1, 2022. Employees who elected by July 1, 2013 to maintain the eligibility are required to make additional employee contributions for the length of their remaining active service with SERS. The additional contribution was up to 0.72% of pensionable earnings.

For the June 30, 2015 valuation, there were no changes in benefit terms.

SUPPLEMENTARY SCHEDULES

	Primary Institution												System Office	Combined Total
	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		
Assets														
Current assets														
Cash and cash equivalents	\$ 25,616	\$ 10,129	\$ 5,159	\$ 53,513	\$ 10,761	\$ 4,097	\$ 35,586	\$ 23,656	\$ 10,678	\$ 13,678	\$ 12,311	\$ 6,112	\$ 26,537	\$ 237,833
Accounts receivable, due from the State	1,144	2,329	3,441	2,564	3,779	1,558	3,712	1,217	3,117	1,174	2,163	2,302	817	29,317
Accounts receivable other, net	794	1,425	1,503	1,740	1,792	1,044	2,858	124	828	584	1,015	951	914	15,572
Prepaid expenses	9	1	3	18	34	21	23	-	2	1	9	4	562	687
Total current assets	<u>27,563</u>	<u>13,884</u>	<u>10,106</u>	<u>57,835</u>	<u>16,366</u>	<u>6,720</u>	<u>42,179</u>	<u>24,997</u>	<u>14,625</u>	<u>15,437</u>	<u>15,498</u>	<u>9,369</u>	<u>28,830</u>	<u>283,409</u>
Non-current assets														
Capital assets, net	13,661	44,349	170,881	85,096	61,290	8,010	72,107	28,171	44,370	16,144	75,459	46,544	9,684	675,766
Student loans, net	3	(1)	-	(5)	-	10	(2)	1	(2)	-	72	77	-	153
Total non-current assets	<u>13,664</u>	<u>44,348</u>	<u>170,881</u>	<u>85,091</u>	<u>61,290</u>	<u>8,020</u>	<u>72,105</u>	<u>28,172</u>	<u>44,368</u>	<u>16,144</u>	<u>75,531</u>	<u>46,621</u>	<u>9,684</u>	<u>675,919</u>
Total assets	<u>41,227</u>	<u>58,232</u>	<u>180,987</u>	<u>142,926</u>	<u>77,656</u>	<u>14,740</u>	<u>114,284</u>	<u>53,169</u>	<u>58,993</u>	<u>31,581</u>	<u>91,029</u>	<u>55,990</u>	<u>38,514</u>	<u>959,328</u>
Deferred outflows of resources														
Deferred pension contributions	-	-	-	-	-	-	-	-	-	-	-	-	105,988	105,988
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,988</u>	<u>105,988</u>
Liabilities														
Current liabilities														
Accounts payable	136	126	280	289	305	244	289	160	945	254	262	272	1,119	4,681
Accrued expenses-salary and fringe benefits	1,455	2,869	4,719	3,141	4,597	1,974	4,829	1,383	4,223	1,336	2,674	2,967	857	37,024
Accrued compensated absences-current portion	137	280	408	274	348	204	404	153	393	141	270	257	276	3,545
Deferred revenue	11	372	430	421	349	170	743	219	410	93	176	36	388	3,818
Unapplied payments	245	258	1,405	653	1,913	728	1,621	294	1,536	148	509	1,258	-	10,568
Retainage	206	-	-	668	-	-	196	407	-	263	-	-	73	1,813
Agency and loan fund liabilities	29	60	95	76	154	122	304	48	255	47	173	78	-	1,441
Other liabilities	9	(28)	161	461	75	105	29	10	17	10	(48)	11	-	812
Total current liabilities	<u>2,228</u>	<u>3,937</u>	<u>7,498</u>	<u>5,983</u>	<u>7,741</u>	<u>3,547</u>	<u>8,415</u>	<u>2,674</u>	<u>7,779</u>	<u>2,292</u>	<u>4,016</u>	<u>4,879</u>	<u>2,713</u>	<u>63,702</u>
Non-current liabilities														
Pension Liability	-	-	-	-	-	-	-	-	-	-	-	-	606,997	606,997
Accrued compensated absences-long term portion	1,360	2,784	4,060	2,721	3,461	2,032	4,012	1,517	3,912	1,404	2,685	2,554	2,741	35,243
Other long-term liabilities	-	-	-	-	-	-	-	-	-	-	60	94	-	154
Total non-current liabilities	<u>1,360</u>	<u>2,784</u>	<u>4,060</u>	<u>2,721</u>	<u>3,461</u>	<u>2,032</u>	<u>4,012</u>	<u>1,517</u>	<u>3,912</u>	<u>1,404</u>	<u>2,745</u>	<u>2,648</u>	<u>609,738</u>	<u>642,394</u>
Total liabilities	<u>3,588</u>	<u>6,721</u>	<u>11,558</u>	<u>8,704</u>	<u>11,202</u>	<u>5,579</u>	<u>12,427</u>	<u>4,191</u>	<u>11,691</u>	<u>3,696</u>	<u>6,761</u>	<u>7,527</u>	<u>612,451</u>	<u>706,096</u>
Deferred inflows of resources														
Deferred pension asset gains	-	-	-	-	-	-	-	-	-	-	-	-	2,697	2,697
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,697</u>	<u>2,697</u>
Net position														
Invested in capital assets, net of related debt	13,661	44,349	170,881	85,096	61,290	8,011	72,106	28,171	44,370	16,144	75,459	46,544	9,684	675,766
Restricted														
Nonexpendable	-	-	-	20	-	-	-	-	-	-	-	-	-	20
Expendable	23,064	5,587	2,177	37,501	1,556	1,404	24,940	19,882	2,184	6,405	2,255	3,752	16,076	146,783
Unrestricted	914	1,575	(3,629)	11,605	3,608	(254)	4,811	925	748	5,336	6,554	(1,833)	(496,406)	(466,046)
Total net position	<u>\$ 37,639</u>	<u>\$ 51,511</u>	<u>\$ 169,429</u>	<u>\$ 134,222</u>	<u>\$ 66,454</u>	<u>\$ 9,161</u>	<u>\$ 101,857</u>	<u>\$ 48,978</u>	<u>\$ 47,302</u>	<u>\$ 27,885</u>	<u>\$ 84,268</u>	<u>\$ 48,463</u>	<u>\$ (470,646)</u>	<u>\$ 356,523</u>

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016
(in thousands)



	Primary Institution													System Office	Combined Total
	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			
Operating revenues															
Student tuition and fees	\$ 6,412	\$ 11,816	\$ 24,707	\$ 16,321	\$ 23,196	\$ 9,728	\$ 22,813	\$ 4,338	\$ 22,223	\$ 5,207	\$ 13,275	\$ 14,008	\$ 49	\$ 174,093	
Less: Scholarship discounts and allowances	(2,535)	(7,290)	(11,707)	(8,585)	(8,976)	(3,849)	(9,329)	(2,054)	(7,641)	(2,710)	(6,290)	(5,198)	-	(76,164)	
Net tuition and fees	3,877	4,526	13,000	7,736	14,220	5,879	13,484	2,284	14,582	2,497	6,985	8,810	49	97,929	
Federal grants and contracts	433	1,957	798	1,287	4,497	712	2,758	707	4,443	425	517	624	1,681	20,839	
State and local grants and contracts	228	348	1,366	726	876	353	1,672	231	870	907	692	496	4	8,769	
Private grants and contracts	58	526	121	296	162	137	172	59	1,160	167	301	71	224	3,454	
Sales and services of educational departments	15	25	40	161	12	5	125	-	225	-	-	116	-	724	
Other operating revenues	115	355	831	272	549	194	371	82	265	147	761	259	53	4,254	
Total operating revenues	4,726	7,737	16,156	10,478	20,316	7,280	18,582	3,363	21,545	4,143	9,256	10,376	2,011	135,969	
Operating expenses															
Instruction	9,381	17,532	30,358	17,235	26,150	11,553	28,532	6,765	24,531	6,932	16,682	16,638	1,058	213,347	
Public service	1	9	3	-	1	15	727	193	7	24	-	3	1	984	
Academic support	4,283	6,251	8,666	8,667	9,815	5,492	11,799	3,101	10,777	3,322	5,556	7,546	3,271	88,546	
Library	405	946	1,326	1,014	1,190	815	1,029	649	974	703	675	1,132	50	10,908	
Student services	2,240	3,953	5,597	4,090	5,420	2,243	4,944	2,197	6,122	1,987	3,852	3,587	752	46,984	
Scholarship aid, net	821	2,604	4,313	4,023	3,611	1,393	3,978	701	3,671	1,112	2,539	2,163	8	30,937	
Institutional support	2,374	4,940	5,764	4,601	7,151	3,343	6,245	2,811	5,674	2,550	3,642	3,935	19,921	72,951	
Physical plant	1,895	3,544	8,447	5,556	6,403	1,641	6,741	2,003	6,595	2,167	3,376	2,938	2,638	53,944	
Depreciation	851	2,142	5,456	2,724	3,193	993	3,227	1,087	2,038	690	2,811	1,801	2,661	29,674	
Total operating expenses	22,251	41,921	69,930	47,910	62,934	27,488	67,222	19,507	60,389	19,487	39,133	39,743	30,360	548,275	
Operating loss	(17,525)	(34,184)	(53,774)	(37,432)	(42,618)	(20,208)	(48,640)	(16,144)	(38,844)	(15,344)	(29,877)	(29,367)	(28,349)	(412,306)	
Nonoperating revenues (expenses)															
State appropriations - general fund	12,514	21,787	34,789	25,690	31,794	14,287	35,023	11,468	26,995	11,688	21,317	21,304	31,983	300,639	
State appropriations - bond funds	25,324	770	652	40,790	1,203	381	9,886	25,018	1,574	2,016	447	424	5,864	114,349	
PELL grants	2,153	6,985	11,621	8,941	8,526	3,642	9,709	1,678	7,605	2,461	5,942	5,032	-	74,295	
Private gifts	112	5	7	-	-	62	57	104	610	373	73	5	-	1,408	
Mandatory transfer to State	-	-	-	-	-	-	-	-	-	-	-	-	(1,800)	(1,800)	
Interest income	6	16	10	47	28	5	28	11	22	20	30	7	46	276	
Other non-operating revenues (expenses), net	-	-	5	-	3	-	1	-	6	-	-	-	-	15	
Net non-operating revenues	40,109	29,563	47,084	75,468	41,554	18,377	54,704	38,279	36,812	16,558	27,809	26,772	36,093	489,182	
Net income (loss) before other changes	22,584	(4,621)	(6,690)	38,036	(1,064)	(1,831)	6,064	22,135	(2,032)	1,214	(2,068)	(2,595)	7,744	76,876	
Other changes															
Capital and other additions (deductions)	375	-	-	1,090	597	419	83	119	428	1,011	196	905	(5,223)	-	
Interagency transfers	1,222	1,089	1,104	1,384	(755)	1,332	1,250	908	(212)	3,139	829	1,731	(13,021)	-	
Total other changes	1,597	1,089	1,104	2,474	(158)	1,751	1,333	1,027	216	4,150	1,025	2,636	(18,244)	-	
Change in net position	24,181	(3,532)	(5,586)	40,510	(1,222)	(80)	7,397	23,162	(1,816)	5,364	(1,043)	41	(10,500)	76,876	
Net position as restated at July 1, 2015	13,458	55,043	175,015	93,712	67,676	9,241	94,460	25,816	49,118	22,521	85,311	48,422	(460,146)	279,647	
Net position at end of year	\$ 37,639	\$ 51,511	\$ 169,429	\$ 134,222	\$ 66,454	\$ 9,161	\$ 101,857	\$ 48,978	\$ 47,302	\$ 27,885	\$ 84,268	\$ 48,463	\$ (470,646)	\$ 356,523	

Connecticut Community Colleges
Combining Statement of Cash Flows
Year Ended June 30, 2016
(in thousands)



	Primary Institution												System Office	Combined Total
	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		
Cash flows from operating activities														
Student tuition and fees	\$ 3,323	\$ 4,266	\$ 12,581	\$ 7,523	\$ 14,098	\$ 5,801	\$ 12,674	\$ 2,336	\$ 14,719	\$ 2,438	\$ 6,247	\$ 8,730	\$ 501	\$ 95,237
Government grants and contracts	629	2,458	2,208	1,451	4,467	1,146	5,213	954	6,887	1,460	1,062	1,035	1,070	30,040
Private grants and contracts	55	466	231	211	312	148	181	246	1,348	140	413	72	-	3,823
Sales and services of educational departments	15	21	41	174	12	5	124	-	226	-	-	107	-	725
Payments to employees	(10,700)	(20,320)	(31,816)	(21,453)	(29,656)	(13,479)	(32,718)	(9,492)	(28,413)	(9,642)	(18,405)	(19,680)	(9,901)	(255,675)
Payments for fringe benefits	(6,539)	(11,966)	(18,051)	(12,336)	(18,274)	(7,648)	(20,367)	(5,933)	(14,884)	(5,362)	(10,694)	(12,188)	(5,374)	(149,616)
Payments to students	(1,883)	(2,856)	(4,891)	(4,847)	(3,958)	(2,070)	(4,069)	(865)	(4,183)	(941)	(3,083)	(2,531)	(41)	(36,218)
Payments to vendors	(3,705)	(5,386)	(10,290)	(7,222)	(8,199)	(3,828)	(7,366)	(2,226)	(11,492)	(2,742)	(4,966)	(4,627)	(10,558)	(82,607)
Payments by Department of Public Works	-	2	(9)	-	-	-	-	(1)	-	(1)	-	(90)	(1)	(100)
Other receipts (payments), net	153	485	1,106	400	1,074	272	857	160	586	197	891	602	594	7,377
Net cash used in operating activities	(18,652)	(32,830)	(48,890)	(36,099)	(40,124)	(19,653)	(45,471)	(14,821)	(35,206)	(14,453)	(28,535)	(28,570)	(23,710)	(387,014)
Cash flows from investing activities														
Interest income	5	14	7	37	22	3	20	9	18	16	23	5	40	219
Net cash provided by investing activities	5	14	7	37	22	3	20	9	18	16	23	5	40	219
Cash flows from capital and related financing activities														
State appropriations	24,775	485	30	40,476	80	180	6,908	24,720	118	1,714	98	85	5,527	105,196
Payments by Department of Public Works	(3,088)	-	-	(8,493)	(58)	-	(23,694)	(5,414)	(1,056)	(3,399)	(12)	(76)	(3)	(45,293)
Purchase of capital assets	(426)	(550)	(131)	(428)	(647)	(280)	(211)	(121)	(342)	(237)	(456)	(248)	(6,721)	(10,798)
Interagency transfers	-	-	30	531	14	-	(7)	-	7	2,098	-	20	(2,693)	-
Net cash (used in) provided by capital and related financing activities	21,261	(65)	(71)	32,086	(611)	(100)	(17,004)	19,185	(1,273)	176	(370)	(219)	(3,890)	49,105
Cash flows from noncapital financing activities														
State appropriations	13,043	21,828	35,100	25,782	32,613	14,290	37,672	11,729	28,229	11,883	21,606	21,556	31,857	307,188
PELL grants	2,153	6,985	11,621	8,941	8,526	3,642	9,709	1,678	7,605	2,461	5,942	5,032	-	74,295
Private gifts	49	5	92	-	-	113	42	108	610	370	57	3	-	1,449
Federal Family Education Loan Program (FFELP)	1,528	854	1,241	1,338	507	798	968	175	354	-	1,103	857	-	9,723
Mandatory Transfer to State	(79)	(136)	(220)	(165)	(200)	(90)	(215)	(72)	(175)	(76)	(135)	(131)	(106)	(1,800)
Interagency transfers	1,300	1,478	1,397	1,018	(494)	1,931	1,472	980	(981)	1,116	970	1,596	(11,783)	-
Net cash provided by noncapital financing activities	17,994	31,014	49,231	36,914	40,952	20,684	49,648	14,598	35,642	15,754	29,543	28,913	19,968	390,855
Net increase (decrease) in cash and cash equivalents	20,608	(1,867)	277	32,938	239	934	(12,807)	18,971	(819)	1,493	661	129	(7,592)	53,165
Cash and cash equivalents at beginning of year	5,008	11,996	4,882	20,575	10,522	3,163	48,393	4,685	11,497	12,185	11,650	5,983	34,129	184,668
Cash and cash equivalents at end of year	\$ 25,616	\$ 10,129	\$ 5,159	\$ 53,513	\$ 10,761	\$ 4,097	\$ 35,586	\$ 23,656	\$ 10,678	\$ 13,678	\$ 12,311	\$ 6,112	\$ 26,537	\$ 237,833

Connecticut Community Colleges
Combining Statement of Net Position by Fund Group
Year Ended June 30, 2016
(in thousands)



	Primary Institution					Total
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	
Assets						
Current assets						
Cash & cash equivalents	\$ 91,712	\$ 1,501	\$ 31,230	\$ 113,390	\$ -	\$ 237,833
Accounts receivable-general fund	29,317	-	-	-	-	29,317
Accounts receivable-other	15,534	38	-	-	-	15,572
Prepaid expense	131	-	556	-	-	687
Total current assets	<u>136,694</u>	<u>1,539</u>	<u>31,786</u>	<u>113,390</u>	<u>-</u>	<u>283,409</u>
Non-current assets						
Land and land/site improvements	-	-	-	-	25,432	25,432
Infrastructure	-	-	-	-	516	516
Buildings and building improvements	-	-	-	-	807,951	807,951
Furnishings and Equipment	-	-	-	-	87,322	87,322
Library books	-	-	-	-	6,248	6,248
Software	-	-	-	-	439	439
	-	-	-	-	927,908	927,908
Less: Accumulated depreciation	-	-	-	-	(317,636)	(317,636)
	-	-	-	-	610,272	610,272
Construction in progress	-	-	-	-	65,494	65,494
Capital Assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,766</u>	<u>675,766</u>
Student loans, net						
Student loans receivable	-	153	-	-	-	153
Less: Allowance for doubtful loans	-	-	-	-	-	-
	-	153	-	-	-	153
Total non-current assets	<u>-</u>	<u>153</u>	<u>-</u>	<u>-</u>	<u>675,766</u>	<u>675,919</u>
Total assets	<u>\$ 136,694</u>	<u>\$ 1,692</u>	<u>\$ 31,786</u>	<u>\$ 113,390</u>	<u>\$ 675,766</u>	<u>\$ 959,328</u>
Deferred outflows of resources						
Deferred pension contributions	105,988	-	-	-	-	105,988
Total deferred outflows of resources	<u>105,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,988</u>
Liabilities						
Current liabilities						
Accounts payable	\$ 2,515	\$ -	\$ 2,166	\$ -	\$ -	\$ 4,681
Accrued expense - salary and fringe benefits	37,024	-	-	-	-	37,024
Accrued compensated absences-current portion	3,545	-	-	-	-	3,545
Deferred revenue	3,818	-	-	-	-	3,818
Unapplied payments	10,568	-	-	-	-	10,568
Retainage	-	-	74	1,739	-	1,813
Other liabilities	812	1,441	-	-	-	2,253
Total current liabilities	<u>58,282</u>	<u>1,441</u>	<u>2,240</u>	<u>1,739</u>	<u>-</u>	<u>63,702</u>
Non-current liabilities						
Pension liability	606,997	-	-	-	-	606,997
Accrued compensated absences-long term portion	35,243	-	-	-	-	35,243
Student loans	-	154	-	-	-	154
Total non-current liabilities	<u>642,240</u>	<u>154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,394</u>
Total liabilities	<u>700,522</u>	<u>1,595</u>	<u>2,240</u>	<u>1,739</u>	<u>-</u>	<u>706,096</u>
Deferred inflows of resources						
Deferred pension asset gains	2,697	-	-	-	-	2,697
Total deferred inflows of resources	<u>2,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,697</u>
Net position						
Invested in capital assets, net of related debt	-	-	-	-	675,766	675,766
Restricted						
Non-expendable	-	20	-	-	-	20
Expendable	5,509	77	29,546	111,651	-	146,783
Unrestricted	<u>(466,046)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(466,046)</u>
Total net position	<u>\$ (460,537)</u>	<u>\$ 97</u>	<u>\$ 29,546</u>	<u>\$ 111,651</u>	<u>\$ 675,766</u>	<u>\$ 356,523</u>

Connecticut Community Colleges
Combining Statement of Revenues, Expenses and
Changes in Net Position by Fund Group
Year Ended June 30, 2016
(in thousands)



	Primary Institution					Total
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	
Operating revenues						
Tuition and Fees	\$ 174,093	\$ -	\$ -	\$ -	\$ -	\$ 174,093
Less: Scholarship discounts and allowances	(76,164)	-	-	-	-	(76,164)
Net tuition and fees	<u>97,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,929</u>
Federal grants and contracts	20,839	-	-	-	-	20,839
State and local grants and contracts	8,769	-	-	-	-	8,769
Private grants and contracts	3,454	-	-	-	-	3,454
Sales and services of educational departments	724	-	-	-	-	724
Other operating revenues	4,227	-	-	-	27	4,254
Total operating revenues	<u>135,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>135,969</u>
Operating expenses						
Salaries and wages	258,868	-	-	-	-	258,868
Fringe benefits	153,224	-	-	-	-	153,224
Supplies and services	57,269	-	17,978	164	161	75,572
Scholarship aid, net	30,937	-	-	-	-	30,937
Depreciation	-	-	-	-	29,674	29,674
Total operating expenses	<u>500,298</u>	<u>-</u>	<u>17,978</u>	<u>164</u>	<u>29,835</u>	<u>548,275</u>
Operating loss	<u>(364,356)</u>	<u>-</u>	<u>(17,978)</u>	<u>(164)</u>	<u>(29,808)</u>	<u>(412,306)</u>
Nonoperating revenues (expenses)						
State appropriations - general fund	300,639	-	-	-	-	300,639
State appropriations - bond funds	-	-	16,370	97,979	-	114,349
PELL grants	74,295	-	-	-	-	74,295
Private gifts	1,380	-	-	-	28	1,408
Interest income	276	-	-	-	-	276
Mandatory transfer to State	(1,800)	-	-	-	-	(1,800)
Other non-operating revenues (expenses), net	15	-	-	-	-	15
Net non-operating revenues	<u>374,805</u>	<u>-</u>	<u>16,370</u>	<u>97,979</u>	<u>28</u>	<u>489,182</u>
Net income (loss) before other changes	10,449	-	(1,608)	97,815	(29,780)	76,876
Other changes						
Capital and other additions (deductions)	(1,314)	-	(8,316)	(46,790)	56,420	-
Interagency transfers	54	-	(1,185)	1,131	-	-
Total other changes	<u>(1,260)</u>	<u>-</u>	<u>(9,501)</u>	<u>(45,659)</u>	<u>56,420</u>	<u>-</u>
Change in net position	9,189	-	(11,109)	52,156	26,640	76,876
Net position as restated at July 1, 2015	<u>(469,726)</u>	<u>97</u>	<u>40,655</u>	<u>59,495</u>	<u>649,126</u>	<u>279,647</u>
Net position at end of year	<u>\$ (460,537)</u>	<u>\$ 97</u>	<u>\$ 29,546</u>	<u>\$ 111,651</u>	<u>\$ 675,766</u>	<u>\$ 356,523</u>