NEW ISSUE—Book Entry Only **(See "Ratings" herein)**

$276,075,000
UNIVERSITY OF CONNECTICUT
GENERAL OBLIGATION BONDS
2018 SERIES A

Dated: Date of Delivery **Due: As shown on inside cover**

The University of Connecticut General Obligation Bonds, 2018 Series A (the "2018 Bonds") are general obligations of the University of Connecticut (the "University"), a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State") for which the University's full faith and credit are pledged and are issued pursuant to Sections 10a-109a to 10a-109y inclusive of the General Statutes of Connecticut, as amended (the "UConn 2000 Act") and the General Obligation Master Indenture of Trust, dated as of November 1, 1995, by and between the University and U.S. Bank National Association (the "Trustee") as supplemented by certain supplemental indentures, including the Amended and Restated Twenty-third Supplemental Indenture, dated as of May 1, 2018 (collectively, the "Indentures"), for the purpose of providing funds for the UConn 2000 Infrastructure Improvement Program. The 2018 Bonds are additionally secured by a pledge of and payable from amounts of the State Debt Service Commitment equal to the interest and principal due on the 2018 Bonds appropriated out of the resources of the State's General Fund and mandated and obligated to be paid by the State Treasurer to U. S. Bank National Association (successor to State Street Bank and Trust Company and Fleet National Bank of Connecticut) as the Trustee under the Indentures, when due. In the opinions of Bond Counsel and Co-Bond Counsel, such appropriation, mandate and obligation of payment from the State's General Fund are valid and do not require further legislative approval.

The issuance of the 2018 Bonds by the University does not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation. The University has no taxing power. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT" herein.

The 2018 Bonds are issuable only as fully-registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2018 Bonds. Purchases of the 2018 Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interests in the 2018 Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners (as defined herein) of the 2018 Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. Principal of and interest on the 2018 Bonds will be paid directly to DTC by the Trustee, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. Interest on the 2018 Bonds will be payable semiannually on April 15 and October 15 in each year, commencing on October 15, 2018.

Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

(See inside front cover for maturities, interest rates and prices or yields.)

The 2018 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinions of Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A., rendered in reliance upon and assuming the accuracy of and continuing compliance by the University and the State Treasurer with their representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended, under existing law, interest on the 2018 Bonds is excludable from gross income for federal income tax purposes, and is not treated as a preference item for purposes of calculating the federal alternative minimum tax on individual and, except as hereinafter described, corporations. See "Tax Matters" herein.

In the opinions of Pullman & Comley, LLC and the Law Offices of Joseph C. Reid, P.A., under existing statutes, interest on the 2018 Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

The 2018 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality by Pullman & Comley, LLC, Hartford, Connecticut, Bond Counsel, and the Law Offices of Joseph C. Reid, P.A., New York, New York, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Hawkins Delafield & Wood, LLP, Hartford, Connecticut, and Nixon Peabody LLP, New York, New York. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, Hartford, Connecticut. It is expected that the 2018 Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about May 3, 2018.

J.P. MORGAN **JEFFERIES**

Goldman Sachs & Co. LLC **Piper Jaffray & Co.**

Academy Securities, Inc.	**Baird**	**BofA Merrill Lynch**
Cabrera Capital Markets, LLC	**Citigroup**	**Estrada Hinojosa**
Fidelity Capital Markets	**Janney Montgomery Scott**	**Mischler Financial Group, Inc.**
Morgan Stanley	**Raymond James**	**Rice Financial Products Company**
Roosevelt & Cross Incorporated	**Stifel**	**The Williams Capital Group, L.P.**

April 19, 2018

$276,075,000
UNIVERSITY OF CONNECTICUT
GENERAL OBLIGATION BONDS, 2018 SERIES A

MATURITY SCHEDULE

Bond Component	Maturity	Principal Amount	Interest Rate	Yield	CUSIP**
Serial Bonds Through 2036:					
	April 15, 2019	$13,800,000	5.000%	1.920%	914233N31
	April 15, 2020	$13,805,000	5.000%	2.210%	914233N49
	April 15, 2021	$4,000,000	3.000%	2.380%	914233N64
	April 15, 2021	$9,805,000	5.000%	2.380%	914233N56
	April 15, 2022	$1,525,000	4.000%	2.550%	914233N72
	April 15, 2022	$12,280,000	5.000%	2.550%	914233N80
	April 15, 2023	$13,805,000	5.000%	2.740%	914233N98
	April 15, 2024	$735,000	3.250%	2.880%	914233P21
	April 15, 2024	$13,070,000	5.000%	2.880%	914233P39
	April 15, 2025	$13,805,000	5.000%	3.010%	914233P47
	April 15, 2026	$13,805,000	5.000%	3.100%	914233P54
	April 15, 2027	$13,805,000	5.000%	3.180%	914233P62
	April 15, 2028	$13,805,000	5.000%	3.250%	914233P70
	April 15, 2029*	$13,805,000	5.000%	3.310%	914233P88
	April 15, 2030*	$13,805,000	5.000%	3.360%	914233P96
	April 15, 2031*	$13,805,000	5.000%	3.420%	914233Q20
	April 15, 2032*	$13,805,000	5.000%	3.470%	914233Q38
	April 15, 2033	$13,805,000	3.750%	3.850%	914233Q46
	April 15, 2034*	$13,805,000	5.000%	3.590%	914233Q53
	April 15, 2035*	$13,800,000	5.000%	3.630%	914233Q61
	April 15, 2036*	$13,800,000	5.000%	3.660%	914233Q79
Term Bonds Through 2038:					
	April 15, 2038	$27,600,000	4.000%	4.000%	914233Q87

* Priced to the first optional call date of April 15, 2028 assuming redemption at par.

** Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the University and are included solely for the convenience of the holders of the 2018 Bonds. The University is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the 2018 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2018 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2018 Bonds.

This Official Statement is not to be construed as a contract or agreement between the University and the purchasers or holders of any of the 2018 Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the University or the State since the date hereof. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. All quotations from and summaries and explanations of provisions of laws of the State contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the 2018 Bonds, the Indentures and the resolutions and proceedings of the University and the State Bond Commission relating thereto are qualified in their entirety by reference to the definitive forms of the 2018 Bonds, the Indentures and such resolutions. This Official Statement is submitted only in connection with the sale of the 2018 Bonds, and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the University and the State. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2018 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2018 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CONTENTS OF OFFICIAL STATEMENT

This Official Statement of the University of Connecticut, including the cover page, inside cover page, Part I and Part II, and the Appendices and Schedules thereto, is provided for the purpose of presenting certain information relating to the University in connection with the sale of $276,075,000 aggregate principal amount of its 2018 Bonds.

Part I of this Official Statement, including the cover and inside cover page and the Appendices thereto, contains information relating to the 2018 Bonds. Appendix I-A of this Official Statement contains certain information concerning the University as of its date, except as otherwise provided therein. Part II of this Official Statement, including the Appendices thereto, is the most recent Annual Information Statement of the State and contains certain information about the State as of its date and contains supplementary information as of the date hereof. The cover page, inside cover page, Part I and Part II, and the Appendices and Schedules thereto should be read collectively and in their entirety.

TABLE OF CONTENTS TO PART I

TABLE OF CONTENTS TO PART II

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OFFICIAL STATEMENT
relating to

$276,075,000
UNIVERSITY OF CONNECTICUT
GENERAL OBLIGATION BONDS, 2018 SERIES A

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, the inside cover page, the appendices and schedules attached hereto, is provided for the purpose of presenting certain information in connection with the offering and sale of $276,075,000 General Obligation Bonds, 2018 Series A (the "2018 Bonds") of the University of Connecticut (the "University"). The 2018 Bonds are authorized pursuant to The University of Connecticut 2000 Act, Sections 10a-109a to 10a-109y inclusive of the General Statutes of Connecticut, Revision of 1958 as amended ("the Act" or the "UConn 2000 Act") and are authorized, issued and secured under the provisions of a General Obligation Master Indenture of Trust, dated as of November 1, 1995 (the "Master Indenture"), as supplemented and amended by certain supplemental indentures, including the Amended and Restated Twenty-third Supplemental Indenture dated as of May 1, 2018 (the "Amended and Restated Twenty-third Supplemental Indenture"). The Master Indenture and supplements thereto, including the Amended and Restated Twenty-third Supplemental Indenture, are collectively referred to herein as the "Indentures." All series of bonds issued under the Master Indenture are herein called the "Bonds" or "General Obligation Bonds." The Indentures were each approved by the Board of Trustees of the University (the "Board") and entered into with U. S. Bank National Association (successor to State Street Bank and Trust Company and Fleet National Bank of Connecticut) of Hartford, Connecticut, as Trustee thereunder.

The University is defined by the Act as a constituent unit of the state system of public higher education which includes the University of Connecticut Health Center (the "UConn Health"). The Act establishes the University as a body politic and corporate and instrumentality and agency of the State of Connecticut (the "State") and enables the University to borrow money in its own name on behalf of the State for the purpose of providing sufficient funds for a special capital improvement program for the University (the "UConn 2000 Infrastructure Improvement Program" or "UConn 2000"). See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" below.

The UConn 2000 Infrastructure Improvement Program established by the Act is designed to modernize, rehabilitate and expand the physical plant of the University. The Act provides for a thirty-two year capital budget program in three phases, estimated to cost $4,619,300,000. The Act was originally adopted in 1995 to authorize and finance the UConn 2000 Phase I Projects and the UConn 2000 Phase II Projects at University campuses not including UConn Health and amended in 2002 (the "21st Century UConn Act") to add the authorization and financing of UConn 2000 Phase III Projects which included projects at UConn Health. In 2010, the General Assembly enacted and the Governor signed P.A. 10-104 which increased the cost of certain UConn Health projects, authorized additional projects for UConn Health and extended UConn 2000 for an additional two fiscal years to 2018. In 2011, the General Assembly enacted and the Governor signed P.A. 11-75 which increased the estimated cost of two UConn Health projects. In 2013, the General Assembly enacted and the Governor signed P.A. 13-233 ("Next Generation Connecticut") which authorized additional projects, increased the cost of certain projects, increased the authorized funding amount for bonds secured by the State debt service commitment (the "State Debt Service Commitment") and extended UConn 2000 for an additional six fiscal years to 2024. In 2017, the General Assembly enacted and the Governor signed PA 17-2 which extended UConn 2000 for an additional three fiscal years to 2027 but did not change the total amount which may be authorized for UConn 2000 projects.

The Act provides for a plan of financing UConn 2000 projects with $4,282,900,000 of general obligation bonds of the University secured by the State Debt Service Commitment. See "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT" below. The balance of the estimated cost of UConn 2000 projects which is not to be financed by the University's Bonds secured by the State Debt Service Commitment may be paid with the proceeds of special obligation bonds ("Special Obligation Bonds") of the University, general obligation bonds of the State ("State General Obligation Bonds") or with gifts or other revenue or borrowing resources of the University. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" below. As of the date of delivery of the 2018 Bonds, the University will have outstanding $1,661,785,000 of its General Obligation Bonds (including the 2018 Bonds) secured by the State Debt Service Commitment, $240,980,000 of its Special Obligation Bonds and $38,972,089 of its Governmental Lease Purchase Agreement, the proceeds of which have funded or will fund UConn 2000 projects. See Appendix I-A, "UNIVERSITY FINANCES - University Indebtedness."

The 2018 Bonds represent the Thirty-first series of General Obligation Bonds being issued pursuant to the Act and the Master Indenture (including ten series of refunding bonds) and it is the first series of bonds issued pursuant to the Amended and Restated Twenty-third Supplemental Indenture. On November 1, 2017, the University's Board of Trustees and on November 21, 2017, the Governor approved the Amended and Restated Twenty-third Supplemental Indenture authorizing the issuance of General Obligation Bonds in the maximum amount of $200,000,000 plus amounts which were unissued and carried forward from previous supplemental indentures. To date, (i) $3,146,400,000 of General Obligation Bonds have been authorized to be issued for UConn 2000 projects pursuant to the Indentures; (ii) $3,144,000,000, consisting of the aggregate principal amount of such General Obligation Bonds issued to date, minus amounts to finance costs of issuance and plus a portion of the original issue premium of certain of the General Obligation Bonds, has been deposited to the Construction Account for UConn 2000 projects; and (iii) $2,400,000 remains authorized to be issued for UConn 2000 projects following the issuance of the 2018 Bonds. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM."

All references herein to the Act, the Indentures and the Bonds are qualified in their entirety by reference to the definitive documents. Capitalized terms have the meaning given to them in this Official Statement, including Appendix I-C of Part I hereof.

NATURE OF OBLIGATION AND SOURCE OF REPAYMENT

The Bonds (including the 2018 Bonds) are general obligations of the University for the payment of which, in accordance with their terms, the full faith and credit of the University are pledged. The 2018 Bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is defined by the Act and the Indentures as the commitment by the State to pay an annual amount for the punctual payment of Special Debt Service Requirements on securities issued as general obligations of the University, as the same shall arise and shall become due and payable. Special Debt Service Requirements include, among other things, the principal on serial Bonds or sinking fund installments on term Bonds (the "Principal Installments") and interest accruing thereon.

As part of the contract of the State with the holders of the Bonds, including the 2018 Bonds, the Act provides that appropriation of all amounts of the State Debt Service Commitment shall be made out of the resources of the General Fund of the State and that the Treasurer of the State (the "Treasurer") shall pay such amount in each fiscal year to the paying agent on the Bonds so secured or otherwise as the Treasurer shall provide. The Master Indenture provides for such amount to be deposited by the Treasurer directly to the Trustee for deposit into the Debt Service Fund on or before the Interest Payment Date with respect to interest, and the Principal Installment Date with respect to principal or sinking fund installments, on any Bonds.

In the opinions of Bond Counsel and Co-Bond Counsel, the State has validly appropriated all amounts of the State Debt Service Commitment and the Treasurer has the duty and is validly mandated and obligated to pay such amounts to the Trustee, and such appropriation and mandate and obligation of payment do not require further legislative approval.

The Master Indenture provides that the Bonds shall be secured by the pledge of and a lien upon the Trust Estate which includes the proceeds of the Bonds, the Debt Service Fund (including moneys on deposit in or payable thereto) and the Redemption Fund. The Indentures provide for the pledge of and a lien upon the State Debt Service Commitment. The 2018 Bonds are general obligations of the University for which its full faith and credit are pledged and are payable from all Assured Revenues. Assured Revenues, as more particularly defined by the Act and Master Indenture, include general revenues from fees, tuition and other like charges, grants and gifts, all to the extent not otherwise pledged, as well as annual State appropriations for operating expenses and the annual amounts of the State Debt Service Commitment. Assured Revenues do not include patient revenues or any other revenues derived from clinical operations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the 2018 Bonds and, accordingly, is not planning to budget any of the other Assured Revenues for the payment of the Bonds, including the 2018 Bonds. Under the Master Indenture, the University has reserved the right and expects to issue Additional Bonds to finance UConn 2000 projects secured by the State Debt Service Commitment upon the terms and conditions set forth therein (See Appendix I-B, "EXCERPTS FROM THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST"). The Act currently limits the maximum amount of Bonds so secured by the State Debt Service Commitment to $4,282,900,000, exclusive of any amounts borrowed to refund Bonds, plus amounts necessary to finance Costs of Issuance on each Series of Bonds.

Pursuant to the Act, upon their issuance, securities of the University shall be conclusively presumed to be fully and duly authorized and issued under the laws of the State, and any person shall be estopped from questioning their authorization, sale, issuance, execution or delivery. Any pledge made by the University shall be deemed a statutory lien which shall be valid and binding from the time when the pledge is made against all parties having claims against the University. Neither the Act, the Indentures or resolution, nor any other instrument by which a pledge is created need be recorded. Any revenues or other receipts, funds, moneys so pledged and thereafter received by the University shall be subject immediately to the lien of the pledge without any physical delivery thereof or further act and such lien shall have priority over all other liens. See Appendix I-B, "EXCERPTS FROM THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

The covenants of the University with respect to the Bonds are set forth in the Master Indenture. The Act provides for, and the Master Indenture includes, remedies available to the Trustee for protection and enforcement of any and all rights granted under the financing provisions of the Act, including by mandamus to enforce and compel performance of any duty required to be performed by any officer of the State mentioned in said provisions (including the Treasurer) and the University. See Appendix I-B, "EXCERPTS FROM THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

Pursuant to the Act, the State covenants with holders of any securities issued under the Act, in consideration of the acceptance of and payment for the securities until the securities, together with the interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any action or proceeding on behalf of the owners, are fully met and discharged or unless expressly permitted or otherwise authorized by the terms of each contract and agreement made or entered into by or on behalf of the University with or for the benefit of such owners, that the State: (1) will not create or cause to be created any lien or charge on the assets or revenues pledged to secure such securities, other than a lien or pledge created thereon pursuant to the Act; and (2) will not in any way impair the rights, exemptions or remedies of the owners. In addition, pursuant to the Act, the State covenants and the University is authorized to include and has included the following State covenant in the Master Indenture as a contract of the State that the State will not limit or alter the rights vested in the University by the Master Indenture and the Act until the Bonds, together with the interest thereon, are fully met and discharged and such contracts (the Master Indenture and the Bonds) are fully performed on the part of the University; provided nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such Bonds of the University.

As required by the Act, the form of the Master Indenture for the Bonds issued to finance the UConn 2000 Phase I Projects and the UConn 2000 Phase II Projects secured by the State Debt Service Commitment was approved by the State Bond Commission on December 21, 1995. After the enactment of the 21st Century UConn Act, the Master Indenture was amended to provide for the financing of UConn 2000 Phase III Projects. As required by the Act, the form of the conformed Master Indenture was approved by the State Bond Commission on December 19, 2003.

As required by the Act, the Board of Trustees' resolution approving each Supplemental Indenture for the issuance of Bonds must be submitted to the Governor. The Governor may, not later than thirty days after such submission, disapprove the same by notifying the Board of Trustees of such disapproval and the reasons for it. If the Governor does not act within thirty days, the resolution is deemed approved. The resolution approving the issuance of general obligation bonds and the Amended and Restated Twenty-third Supplemental Indenture was submitted to the Governor on November 2, 2017 and was approved by the Governor on November 21, 2017. The Amended and Restated Twenty-third Supplemental Indenture authorized the issuance of general obligation bonds in an amount not to exceed $200,000,000 for Fiscal Year 2017-2018 and carried forward $102,400,000 of bond authorization from the Twenty-second Supplemental Indenture which remained unissued, thus increasing the amount of general obligation bonds authorized by the Amended and Restated Twenty-third Supplemental Indenture to $302,400,000.

Pursuant to the Act, the Bonds, including the 2018 Bonds, do not constitute a debt or liability of the State or any municipality thereof and neither the faith and credit nor taxing power of the State or any municipality is pledged to the payment of principal of or interest on the 2018 Bonds. The issuance of the 2018 Bonds by the University does not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation to the payment of principal of or interest on the 2018 Bonds. The University has no taxing power.

Pursuant to PA 17-2, any calculation under Section 3-21 in connection with the State indebtedness does not include any general obligation bonds issued to finance UConn 2000.

The University under the Master Indenture has reserved the right to pledge and place a lien upon particular Assured Revenues, other than the State Debt Service Commitment, to secure obligations, other than the Bonds secured by the State Debt Service Commitment, issued to finance UConn 2000 or other University projects. See Appendix I-B, "EXCERPTS FROM THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

DESCRIPTION OF THE 2018 BONDS

In General

The 2018 Bonds are issuable only as fully registered bonds, in book-entry-only form (as described herein), in the denomination of $5,000 or any integral multiple thereof.

The 2018 Bonds

The 2018 Bonds will be dated the date of delivery, will bear interest at the rates per annum and will mature on the dates and in the amounts as set forth on the inside cover page of this Official Statement. Interest on the 2018 Bonds will be paid semiannually on April 15 and October 15 in each year, commencing on October 15, 2018. Interest will be calculated on the basis of a 360-day year of twelve 30-day months and will be paid to the person in whose name the 2018 Bond is registered as of the close of business on the last business day of March and September in each year.

Principal of and interest on the 2018 Bonds will be paid directly to The Depository Trust Company ("DTC") by U. S. Bank National Association, Hartford, Connecticut, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption. The 2018 Bonds maturing on or after April 15, 2029 will be subject to redemption prior to their maturity, at the election of the University upon the direction of the Treasurer at any time, on or after April 15, 2028, in whole on any date or in part, on any interest payment date (each herein the "Redemption Date") from time to time, and in such maturity or maturities (but by lot within a maturity among bonds bearing the same interest rate) as the Treasurer shall determine, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued and unpaid on the Redemption Date.

Mandatory Sinking Fund Redemption

The 2018 Bonds due on April 15, 2038 are subject to mandatory sinking fund redemption in part on April 15, in the years and amounts as shown below, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption as follows:

Year	Amount
2037	$13,800,000
2038	$13,800,000

Notice of Redemption. Notice of redemption shall be mailed not less than thirty (30) nor more than sixty (60) days prior to the redemption date, by first-class mail, to the registered owner of such bond at such Bondowner's address as it appears on the books of registry or at such address as may have been filed with the registrar for that purpose. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2018 Bonds, all notices of redemption will be sent only to DTC.

SOURCES AND USES OF PROCEEDS OF THE 2018 BONDS

The University expects to apply the proceeds from the sale of the 2018 Bonds as follows:

Sources	
Par Amount of the 2018 Bonds	$276,075,000.00
Net Reoffering Premium of the 2018 Bonds	25,628,524.65
Total Sources	$301,703,524.65
Uses	
Construction Account	$300,000,000.00
Costs of Issuance Account	454,534.31
Underwriters' Discount	1,248,990.34
Total Uses	$ 301,703,524.65

Pursuant to the Master Indenture, amounts in the Construction Account may be invested by the Trustee at the direction of the University with the consent of the Treasurer, and amounts in the Costs of Issuance Account may be invested by the Treasurer, in such Investment Obligations as permitted by the Master Indenture and paragraph (f) of Section 3-20 of the Connecticut General Statutes, as amended.

BOOK-ENTRY-ONLY SYSTEM

Unless otherwise noted, the description which follows of the procedures and record-keeping with respect to beneficial ownership interests in the 2018 Bonds, payment of interest and other payments on the 2018 Bonds to DTC Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the 2018 Bonds, confirmation and transfer of beneficial ownership interests in the 2018 Bonds and other bond-related transactions by and between DTC (as hereinafter defined), the DTC Participants and Beneficial Owners of the 2018 Bonds is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, the University, the State and the Trustee do not and cannot make any representation concerning these matters.

NEITHER THE UNIVERSITY, THE TRUSTEE NOR THE STATE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE UNIVERSITY'S AND THE STATE'S OBLIGATION UNDER THE ACT AND THE INDENTURES TO THE EXTENT OF SUCH PAYMENTS.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2018 Bonds. The 2018 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2018 Bond certificate will be issued for each maturity of the 2018 Bonds each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2018 Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2018 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, defaults and proposed amendments to bond documents. For example, Beneficial Owners of 2018 Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018 Bonds within a maturity of the 2018 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and redemption prices on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Paying Agent, the University or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption prices, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2018 Bonds at any time by giving reasonable notice to the University or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2018 Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2018 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

DTC PRACTICES

The University can make no assurances that DTC, DTC Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its Participants which are on file with the Securities and Exchange Commission.

The University, the State, the Trustee and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2018 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2018 Bonds, giving any notice permitted or required to be given to registered owners under the Indentures, registering the transfer of the 2018 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The University, the State, the Trustee and the Paying Agent shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2018 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the University (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2018 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the University; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the 2018 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

So long as Cede & Co. is the registered owner of the 2018 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2018 Bonds (other than under the captions "Tax Matters" and "Continuing Disclosure" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2018 Bonds.

The information in this section concerning DTC and DTC's practices has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

Effect of Discontinuance of Book-Entry System. The following procedures shall apply if the book-entry system is discontinued with respect to the 2018 Bonds.

Principal and Interest Payments. Principal of the 2018 Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2018 Bonds will be payable to the registered owner thereof on each interest payment date by check mailed to such registered owner at the address shown on the bond register maintained by the Trustee, or on the special record date established for the payment of defaulted interest. However, registered owners of $1,000,000 or more in aggregate principal amount of 2018 Bonds may be paid interest by wire transfer upon written request filed with the Trustee on or before the Record Date for the applicable interest payment date.

Registration and Transfer. The Trustee will keep or cause to be kept, at its corporate office in Hartford, Connecticut, sufficient books for the registration and transfer of the 2018 Bonds, and, upon presentation of 2018 Bonds for each purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on such books such 2018 Bonds. Any 2018 Bond may, in accordance with its terms, be transferred upon such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered 2018 Bond for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any 2018 Bond shall be surrendered for transfer, the University shall execute and the Trustee shall authenticate and deliver a new 2018 Bond and maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any 2018 Bond during the period 15 days before the mailing of a notice of redemption. The Trustee shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange and may require the payment of any reasonable sum to cover expenses incurred by the Trustee or University in connection with such exchange.

UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM

Introduction

The UConn 2000 Infrastructure Improvement Program established by the Act is designed to modernize, rehabilitate and expand the physical plant of the University. The Act provides for a thirty-two year capital budget program in three phases, estimated to cost $4,619,300,000. The Act was originally adopted in 1995 to authorize and finance the UConn 2000 Phase I Projects and the UConn 2000 Phase II Projects at University campuses not including UConn Health and amended in 2002 by the 21st Century UConn Act to add the authorization and financing of UConn 2000 Phase III Projects which included projects at UConn Health. In 2010, the General Assembly enacted and the Governor signed P.A. 10-104, which increased the cost of certain UConn Health projects, authorized additional projects for UConn Health and extended UConn 2000 for an additional two fiscal years to 2018. In 2011, the General Assembly enacted and the Governor signed P.A. 11-75 which increased the estimated cost of two UConn Health projects. In 2013, the General Assembly enacted and the Governor signed P.A. 13-233, Next Generation Connecticut, which authorized additional projects, increased the cost of certain projects, increased the authorized funding amount for bonds secured by the State debt service commitment and extended UConn 2000 for an additional six fiscal years to 2024. In 2017, the General Assembly enacted and the Governor signed PA 17-2 which extended UConn 2000 for an additional three fiscal years to 2027 but did not increase the total amount which may be authorized by the Board of Trustees for the UConn 2000 projects.

UConn 2000 is to be funded in part by the issuance of $4,282,900,000 of general obligation bonds of the University secured by the State Debt Service Commitment. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT." Of this amount, $3,144,000,000, consisting of the aggregate principal amount of such general obligation bonds issued to date, plus a portion of the original issue premium minus costs of issuance, has been deposited to the Construction Account for UConn 2000 projects, including the 2018 Bonds to fund UConn 2000 projects. The balance of the estimated cost of UConn 2000 projects which is not to be financed by the University's Bonds secured by the State Debt Service Commitment may be funded by the issuance of the University's Special Obligation Bonds, other University Debt Obligations, State General Obligation Bonds or by gifts or other revenue or borrowing resources of the University.

As of the date of delivery of the 2018 Bonds, the University has issued the following General Obligation Bonds, Special Obligation Bonds, Governmental Lease Purchase Agreements and a Promissory Note pursuant to the UConn 2000 Act including the 2018 Bonds.

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UCONN 2000 DEBT OBLIGATIONS

A. UConn 2000 General Obligation Bonds – Issued Amounts

	Issue Date	Par Amount	(OID)/OIP[1]	Construction Account Deposit
1996 Series A Bonds	2/21/1996	$83,929,715	$(274,931)	$82,606,220
1997 Series A Bonds	4/24/1997	124,392,432	(2,319,590)	121,080,861
1998 Series A Bonds	6/24/1998	99,520,000	634,629	99,280,000
1999 Series A Bonds	4/08/1999	79,735,000	(45,210)	79,032,919
2000 Series A Bonds	3/29/2000	130,850,000	(120,981)	130,000,000
2001 Series A Bonds	4/11/2001	100,000,000	1,141,140	100,000,000
2002 Series A Bonds	4/18/2002	100,000,000	1,706,295	100,000,000
2003 Series A Bonds	3/26/2003	96,210,000	4,623,183	100,000,000
2004 Series A Bonds	1/22/2004	97,845,000	2,816,971	100,000,000
2005 Series A Bonds	3/16/2005	98,110,000	3,004,101	100,000,000
2006 Series A Bonds	3/15/2006	77,145,000	2,612,437	79,000,000
2007 Series A Bonds	4/12/2007	89,355,000	431,004	89,000,000
2009 Series A Bonds	4/16/2009	144,855,000	6,312,563	150,000,000
2010 Series A Bonds	5/25/2010	97,115,000	8,733,758	105,000,000
2011 Series A Bonds	12/8/2011	179,730,000	21,613,069	200,000,000
2013 Series A Bonds	7/31/2013	172,660,000	17,685,693	189,000,000
2014 Series A Bonds	4/22/2014	109,050,000	11,792,198	120,000,000
2015 Series A Bonds	4/16/2015	220,165,000	31,273,159	250,000,000
2016 Series A Bonds	4/21/2016	261,510,000	40,055,804	300,000,000
2017 Series A Bonds	1/19/2017	311,200,000	40,676,400	350,000,000
2018 Series A Bonds	5/3/2018	276,075,000	25,628,525	300,000,000
Total[2]		**$2,949,452,147**	**$217,980,215**	**$3,144,000,000**

	Issue Date	Par Amount	(OID)/OIP[1]	Deposit to Redemption Fund[3]
2004 Series A Refunding Bonds	1/29/2004	$216,950,000	$27,144,300	$247,794,279
2006 Series A Refunding Bonds	3/15/2006	61,020,000	5,103,655	65,472,900
2007 Series A Refunding Bonds	4/12/2007	46,030,000	3,897,620	49,505,477
2010 Series A Refunding Bonds	5/25/2010	36,095,000	2,903,755	38,704,429
2011 Series A Refunding Bonds	12/8/2011	31,905,000	5,183,727	36,841,566
2013 Series A Refunding Bonds	7/31/2013	51,250,000	7,374,396	58,228,911
2014 Series A Refunding Bonds	4/22/2014	92,940,000	7,044,682	99,513,683
2015 Series A Refunding Bonds	4/16/2015	34,625,000	5,860,522	40,279,496
2016 Series A Refunding Bonds	4/21/2016	80,425,000	10,437,499	90,481,693
2017 Series A Refunding Bonds	1/19/2017	33,950,000	3,165,137	36,960,192
Total[2]		**$685,190,000**	**$78,115,294**	**$763,782,625**

B. UConn 2000 Special Obligation Bonds – Issued Amounts

	Issue Date	Par Amount	(OID)/OIP[1]	Construction Account Deposit
1998 Series A Bonds	2/04/1998	$33,560,000	$(888,481)	$30,000,000
2000 Series A Bonds	6/01/2000	89,570,000	(1,159,469)	87,000,000
2002 Series A Bonds	2/14/2002	75,430,000	287,983	72,180,000
2018 Series A Bonds	3/29/2018	141,725,000	16,710,803	152,000,000
Total[2]		**$340,285,000**	**$14,950,836**	**$341,180,000**

	Issue Date	Par Amount	(OID)/OIP[1]	Deposit to Redemption Fund[3]
2002 Series A Refunding Bonds	2/27/2002	$96,130,000	$1,747,947	$96,830,821
2010 Series A Refunding Bonds	6/16/2010	47,545,000	4,618,962	51,812,926
2012 Series A Refunding Bonds	12/13/2012	87,980,000	20,655,986	107,670,292
Total[2]		**$231,655,000**	**$27,022,895**	**$256,314,039**

C. Governmental Lease Purchase Agreement

	Issue Date	Par Amount	Project Costs
Governmental Lease Purchase Agreement	12/18/2003	$75,000,000	$75,000,000
Governmental Lease Purchase Agreement	08/15/2005	6,900,000	6,900,000
Total[2]		**$81,900,000**	**$81,900,000**

D. Note

	Issue Date	Par Amount	Project Costs
Amended and Restated Promissory Note	7/1/2015	$5,376,713	$5,376,713
Total[2]		**$5,376,713**	**$5,376,713**

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[1] Net OIP and Accrued Interest, if any, may be used to fund the Construction Account or Redemption Fund and to pay for Costs of Issuance.
[2] Totals may not sum due to rounding.
[3] Reflects Bond proceeds deposited to Escrow Deposit Fund; total deposits to the Trustee to be held in the Escrow Deposit Fund may include other funds.

The Act

Powers. The Act enables the University to borrow money and enter into financing transactions in its own name and expands the authority of the University to supervise directly construction of its projects including all UConn 2000 projects. In order for the University to construct the UConn 2000 Projects and issue securities for UConn 2000, the Act, among other things, provides the University with the following powers: (a) to have perpetual succession as a body politic and corporate and an instrumentality and agency of the State; (b) to contract, to sue, to be indemnified, and to defend any action; (c) to indemnify parties and to be sued by the holders of its securities on an express contract; (d) to retain or employ architects, accountants, engineers, legal and securities counsel; (e) to plan, acquire, construct, renovate, equip, own, operate, maintain, dispose of and demolish any project; (f) to acquire, hold or dispose of any interest in real or personal property and to hold, sell, assign, lease, rent or encumber, other than by mortgage, any such interest; (g) to receive money from federal and state governments or others; and (h) to fix and collect fees, tuition, charges, rentals and other charges for enrollment and attendance at and use of the University.

The University may revise, delete and add projects to the list of UConn 2000 projects, provided a material addition or deletion must be approved by a legislative act of the General Assembly of Connecticut. No revision, addition or deletion can reduce the amount of the State Debt Service Commitment. The University may determine the sequencing and timing of projects, revise estimates of cost and reallocate funds among projects, all in accordance with the Act.

The Act provides that the principal amount of the securities authorized to be issued for a project is deemed an appropriation and allocation of such amount for such project and approval by the Governor is deemed the allotment by the Governor of such capital outlays. Upon such approval, the University may award contracts, and issue and sell securities respecting expenditures under such contracts which will be paid within the year following issuance of such securities and to provide for costs of UConn 2000 of not more than twenty percent in excess of such expenditures. Certain Costs of Issuance may be added to the amount of securities so issued.

Rate Covenant. The Act contains a rate covenant for the benefit of bondholders and the State wherein the University agrees to charge and collect and increase from time to time, tuition, fees and charges for services provided by the University, which together with other Assured Revenues, such as those from the Minimum State Operating Provision and the State Debt Service Commitment, shall be sufficient to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education, to operate and maintain the physical University plant in sound operating condition and to cover the Special Debt Service Requirements on Outstanding Bonds. See Appendix I-B, "EXCERPTS FROM THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

Minimum State Operating Provision. Pursuant to the Act, the State commits to appropriate, annually, an amount for operations of the University, after consideration of other amounts available to the University for its operations, which amount shall be consistent with the University (including the UConn 2000 projects) continuing to operate in furtherance of and pursuant to the provisions of the Constitution of the State and applicable law as an institution dedicated to excellence in higher education. However, nothing in the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous Fiscal Year so long as the State provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

Special External Gift and Endowment Funds. The Act creates two funds designed to encourage private sector gifts to fund UConn 2000 projects and to increase endowment funds of the University.

The Special External Gift Fund was created to receive Special Eligible Gifts from the private sector, in furtherance of UConn 2000. Special Eligible Gifts and interest or other income earned on the Special External Gift Fund are to be used to pay costs of any UConn 2000 project.

The Endowment Fund is dedicated to endowed professorships, scholarships and programmatic enhancements. See Appendix I-A under the subsection, "University Finances - The University of Connecticut Foundation, Inc. and The University of Connecticut Law School Foundation, Inc."

Construction of Projects. The UConn 2000 Infrastructure Improvement Program currently comprises numerous projects ranging in cost from under $1,000,000 to over $800,000,000. UConn 2000 Phase I Projects and UConn 2000 Phase II Projects are located on several of the University's campuses (not including UConn Health), with the preponderance of projects located on the main campus at Storrs. UConn 2000 Phase III Projects include projects for the Storrs and regional campuses as well as several projects to be located at UConn Health. The University is authorized to assume the responsibility and supervision of any project including preparation of detailed plans and specifications for each project. Subject to applicable law, the University maintains construction standards for all projects, including provisions relating to materials and equipment, and health and safety. The Act provides an expedited permitting process for the issuance of any license, permit, approval and administrative action required in connection with any UConn 2000 project.

The Act provides that each contract let in accordance with the Act must provide that payment is limited to, and the State and the University shall have no liability beyond, the amount provided therein.

UConn 2000 Performance Review Report to the General Assembly. The Act provides for semi-annual reporting to certain committees of the General Assembly as well as for periodic performance reviews (due January 15, 1999, January 15, 2006 and January 15, 2011). On January 15, 1999, January 15, 2006, and January 15, 2011 the University, as required by the Act, submitted to the Governor and to the Joint Standing Committees of the General Assembly having cognizance of matters relating to education and finance, revenue and bonding, a periodic performance review report detailing certain information specified in the Act for each project undertaken to its date under UConn 2000. The Act provides for the committees to consider the report and determine whether there has been insufficient progress in implementation of UConn 2000 or whether there have been significant cost increases over original estimates as a result of actions taken by the University. If so, the committees may make recommendations for appropriate action to the University and to the General Assembly.

The Act further provides that not later than December 31, 2019 and every 5 years thereafter, the University shall conduct an assessment of the University's progress in meeting the purposes set forth and incorporated in the Act.

Comprehensive Plan. The Act provides that the University shall develop a comprehensive plan to guide Next Generation Connecticut investments. The comprehensive plan was adopted by the Board of Trustees on February 24, 2016. Progress reports regarding the University's achievement of goals set out in the comprehensive plan are required by the Act to be submitted annually to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding, commerce and higher education. The most recent report was submitted by the University on February 7, 2018.

LITIGATION

University

There is no litigation of any nature pending or threatened against the University restraining or enjoining the issue, sale, execution or delivery of the 2018 Bonds, or in any way contesting or affecting the validity of the 2018 Bonds or any proceedings of the University taken with respect to the issuance or sale thereof, the application of the proceeds of the 2018 Bonds or of amounts appropriated as the State Debt Service Commitment out of the resources of the State's General Fund under the UConn 2000 Act for the payment of the 2018 Bonds or the existence or powers of the University.

While the University is defending a few legal matters in state and federal courts, none of those suits, either individually or in the aggregate, are likely to have a material adverse impact on the University's financial position.

State

There is no litigation pending or threatened against the State contesting or affecting the obligation of the State with respect to the State Debt Service Commitment for the payment of the 2018 Bonds. However, the State, its officers and employees are defendants in pending lawsuits. The Attorney General's Office has reviewed the status of such pending lawsuits. See "LITIGATION" in Part II hereto for a description of such litigation.

Upon delivery of the 2018 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2018 Bonds, which shall state that, except as disclosed in this Official Statement, there is no controversy or litigation of any nature now pending by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect its financial condition or the power of the State to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds.

COVENANT OF THE STATE

Under the Act, the State has pledged and agreed with the holders of any bonds and notes issued under the Act, including the 2018 Bonds, that the State will not limit or alter the rights vested in the University until such obligations, together with the interest thereon, are fully met and discharged, provided that nothing shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds and notes.

LEGALITY FOR INVESTMENT

The Act provides that the 2018 Bonds shall be legal investments in which public bodies of the State and its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, banking associations, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, board of trustees and other fiduciaries, and all other persons whatsoever who are now or may be authorized to invest in securities of the State may properly and legally invest funds, including capital, in their control, or belonging to them. The 2018 Bonds are also made securities which may properly and legally be deposited with and received by all public officers and bodies of the State or any agency or political subdivision and all municipalities and public corporations for any purpose for which the deposit of securities of the State is now or may be authorized by law.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance and sale of the 2018 Bonds are subject to the approval of Pullman & Comley, LLC, Hartford, Connecticut, Bond Counsel to the University, and the Law Offices of Joseph C. Reid, P.A., New York, New York, as Co-Bond Counsel to the University. Bond Counsel and Co-Bond Counsel propose to deliver their approving opinions with respect to the 2018 Bonds substantially in the form set forth in Appendix I-D hereto. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Hawkins Delafield & Wood, LLP, Hartford, Connecticut, and Nixon Peabody LLP, New York, New York. (collectively the "Underwriters' Counsel"). Both Underwriters' Counsel currently serve as bond counsel to the State in connection with other State bond issues and various other matters. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, Hartford, Connecticut.

TAX MATTERS

Opinion of Bond Counsel – Federal Tax Exemption

In the opinion of Bond Counsel and Co-Bond Counsel (collectively, "Bond Counsel") to the University, under existing law, interest on the 2018 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and, except as hereinafter described, corporations. In rendering its opinion, Bond Counsel will rely on certain representations, certifications of fact, and statements of reasonable expectations made by the University, the Treasurer and others in connection with the 2018 Bonds, and Bond Counsel will assume continuing compliance by the University and the Treasurer with certain ongoing covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the 2018 Bonds from gross income under the Code.

For taxable years that began before January 1, 2018, interest on the 2018 Bonds owned by certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax may be taken into account in computing the federal alternative minimum tax for such corporations. For taxable years beginning on or after January 1, 2018, the federal alternative minimum tax on corporations has been repealed.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the 2018 Bonds in order that interest on the 2018 Bonds be and remain excludable from gross income under the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2018 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2018 Bonds to be included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the 2018 Bonds, the University and the Treasurer will covenant to comply with such applicable requirements of the Code to assure the exclusion of interest on the 2018 Bonds from gross income under the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2018 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a 2018 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2018 Bonds.

Prospective owners of the 2018 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

Interest paid on tax-exempt obligations such as the 2018 Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2018 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Original Issue Discount

The initial public offering prices of the 2018 Bonds of certain maturities (each a "Discount Bond") may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price to the public (excluding bond houses and brokers) of each Discount Bond at which a substantial amount of such maturity is sold will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for such 2018 Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the 2018 Bonds are sold. Under existing law, original issue discount on the 2018 Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the 2018 Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in a Discount Bond, original issue discount is treated as having accrued while the owner holds the Discount Bond and will be added to the owner's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of a 2018 Bond. Accrued original issue discount may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of a Discount Bond.

Original Issue Premium

Certain of the 2018 Bonds may be offered at prices in excess of their principal amounts (the "Premium Bonds"). An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

State Taxes

In the opinion of Bond Counsel to the University, under existing statutes, interest on the 2018 Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the 2018 Bonds is includable in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on the 2018 Bonds is also excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and interest on the 2018 Bonds is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the 2018 Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such 2018 Bonds.

Owners of the 2018 Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2018 Bonds and the disposition thereof.

General and Post Issuance Events

Tax legislation, administrative actions or court decisions, at either the federal or state level, may adversely affect the tax exempt status of the interest on the 2018 Bonds under federal or state law or otherwise prevent beneficial owners of the 2018 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such tax legislation, administrative actions or court decisions, could affect the market value of the 2018 Bonds and their marketability. This could arise from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2018 Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2018 Bonds may occur. Prospective purchasers of the 2018

Bonds should consult their own tax advisors regarding the impact of any change in law on the 2018 Bonds.

The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions. Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the 2018 Bonds. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal or state income tax purposes of interest on the 2018 Bonds.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the 2018 Bonds. Prospective owners of the 2018 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the 2018 Bonds.

RATINGS

The 2018 Bonds have been rated "A1" by Moody's Investors Service ("Moody's"), 7 World Trade Center, New York, New York; "AA-" by S&P Global Ratings ("S&P"), 55 Water Street, New York, New York and "A" by Fitch Ratings ("Fitch"), One State Street Plaza, New York, New York. Moody's and Fitch have assigned a "stable" credit outlook on the University's general obligation debt. S&P has assigned a "negative" credit outlook on the University's general obligation debt. Each such rating and credit outlook reflects only the views of the respective rating agency. An explanation of the significance of such ratings and credit outlooks can be obtained from Moody's, S&P and Fitch, respectively. Such ratings are not intended as a recommendation to buy or own the 2018 Bonds. There is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn. Any downward revision or withdrawal of any of such ratings on the 2018 Bonds may have an adverse effect on the market price thereof.

CONTINUING DISCLOSURE UNDERTAKING

Section 3-20e of the General Statutes of Connecticut gives the University and State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The University, as issuer of the 2018 Bonds, under the Rule will enter into an agreement with the Trustee substantially in the form of the Continuing Disclosure Agreement attached hereto as Appendix I-E to this Part I (the "Continuing Disclosure Agreement"). The Continuing Disclosure Agreement shall constitute the University's written undertaking for the beneficial owners of the 2018 Bonds. The State as the obligated person under the Rule will enter into an agreement with the Trustee with respect to the 2018 Bonds for the benefit of the beneficial holders of the 2018 Bonds, substantially in the form of the Continuing Disclosure Agreement attached to Appendix I-E-1 to this Part I (the "State Continuing Disclosure Agreement"). Pursuant to the Continuing Disclosure Agreement and under the State Continuing Disclosure Agreement (the Continuing Disclosure Agreement and the State Continuing Disclosure Agreement, herein called collectively, the "Continuing Disclosure Undertaking"), the University and the State, respectively, agree to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual financial information and operating data, (ii) notice of the occurrence of certain events with respect to the 2018 Bonds within 10 business days of the occurrence thereof (such notice only by the University with respect to the

University), and (iii) timely notice of a failure to provide the required annual financial information on or before the date specified in the Continuing Disclosure Undertaking. The Underwriters' obligation to purchase the 2018 Bonds shall be conditioned upon their receiving, at or prior to the delivery of the 2018 Bonds, an executed copy of the Continuing Disclosure Undertaking.

The intent of such undertaking is to provide on a continuing basis the financial information and operating data described in the Rule. Accordingly, there is reserved the right to modify the disclosure thereunder or format thereof so long as any such modification is made in a manner consistent with the Rule and as permitted by the Continuing Disclosure Undertaking.

The purpose of such undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights other than the remedy of specific performance in the event of any actual failure by the University or the State to comply with its written undertaking. The Continuing Disclosure Undertaking shall provide that any failure by the University or the State to comply with any provisions of such undertaking shall not constitute an Event of Default with respect to the 2018 Bonds under the Master Indenture.

To its knowledge, in the last five years the University has not failed to comply in any material respect with its undertakings entered into in connection with any bonds issued by the University. The University has determined that it inadvertently failed to make specific reference to official statements filed on EMMA during the last two years which provided certain operating data, such as percentage of enrollment by residence status for some students and passing rates on certain national exams. After discovering such failure, the University promptly filed its Official Statement, dated March 15, 2018 on EMMA under the continuing disclosure tabs to correct such failures. In making this disclosure the University does not admit that the omission to file such operating data was a material failure to comply with its continuing disclosure obligations. The University has modified its disclosure practices to prevent such failure in the future.

Certain prior annual reports of the University and other required reports are available from the Electronic Municipal Market Access website ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or such other website as may be designated from time to time by the MSRB or the Securities and Exchange Commission. Filings through EMMA are linked to particular obligations by a 9-digit CUSIP number, based on base (6-digits) CUSIP numbers, which are subject to being changed after the issuance of obligations as a result of various actions. The University has entered into continuing disclosure agreements requiring filings to be made by the Trustee with respect to hundreds of CUSIP numbers. Most filings by the Trustee through EMMA, such as annual reports, are made using the base 6-digit CUSIP numbers. Although the Trustee endeavors through this process to link each report filed through EMMA to the correct CUSIP number (including those assigned without its knowledge), there can be no guarantee of complete accuracy in this process, given the large number of 9-digit CUSIP numbers assigned to the University's obligations. The University does not believe an inaccuracy resulting from such CUSIP process is a material failure to comply with its continuing disclosure obligations.

To its knowledge, in the last five years the State has not failed to comply in any material respect with its undertakings pursuant to a continuing disclosure agreement executed by the State. The State has determined it did not file a material event notice for a rating upgrade of its Bradley International Airport Special Obligation Parking Revenue Bonds, Series 2000A in May 2016. The State promptly filed such notice after discovering the omission. In making this disclosure the State does not admit that it is a material failure to comply with its continuing disclosure obligations. The State has modified its disclosure practices to prevent such failure in the future. Certain prior annual reports of the State and other required reports are available from the Electronic Municipal Market Access website ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or such other website as may be designated from time to time by the MSRB or the Securities and Exchange Commission. Filings through EMMA are linked to particular obligations by a 9-digit CUSIP number, based on base (6-digit) CUSIP numbers, which are subject to being changed after the issuance of obligations as a result of various actions. The State has entered into continuing disclosure agreements requiring filings to be made with respect to thousands of CUSIP numbers. Most filings by the State through EMMA, such as annual reports, are made using the base 6-digit CUSIP numbers. Although the State endeavors through this process to link each report filed through EMMA to the correct CUSIP number (including those assigned without its knowledge), there can be no guarantee of complete accuracy in this process, given the large number of 9-digit CUSIP numbers assigned to the State's obligations. The State does not believe an inaccuracy resulting from such CUSIP process is a material failure to comply with its continuing disclosure obligations.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all, but not less than all, of the 2018 Bonds from the University at an aggregate purchase price of $300,454,534.31 (representing the aggregate principal amount of the 2018 Bonds plus net original issue premium of $25,628,524.65 and less Underwriters' discount of $1,248,990.34). The 2018 Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2018 Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

PFM Financial Advisors LLC and Hilltop Securities, Inc., are serving as financial advisors in connection with the issuance of the 2018 Bonds.

FINANCIAL STATEMENTS OF THE UNIVERSITY AND THE STATE

Included in Appendix I-A of Part I is various financial information relating to the University. The audited financial statements of the University (excluding the University of Connecticut Foundation) and UConn Health contained in Schedule 1 and Schedule 2 are included herein in reliance upon the Certificates of Audit of the Auditors of Public Accounts, respectively, of the State.

Included in Appendices II-C and II-D of Part II is various financial information relating to the State. The audited financial statements contained in Appendices II-C and II-D are included herein in reliance upon the Independent Auditors' Report and Certificate of Audit, respectively, of the Auditors of Public Accounts of the State.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the University and its various operations are prepared by officers of the University and provided to the Board of Trustees at its regular monthly meetings. In addition, the University regularly reports to the Governor, the Secretary of the Office of Policy and Management and various committees of the State legislature and regularly receives reports from consultants, commissions and special task forces relating to various aspects of the University's financial affairs.

The University will make available copies of its official statements relating to the issuance of its securities under the Master Indenture from time to time upon request through the Office of the State Treasurer or the University's Executive Vice President for Administration and Chief Financial Officer.

Additional information concerning the University may be obtained upon request of the President, Susan Herbst, Attention: Scott A. Jordan, Executive Vice President for Administration and Chief Financial Officer, 352 Mansfield Road, Unit 1122, Storrs, Connecticut, 06269, (860) 486-3455.

Additional information concerning the State may be obtained upon request of the Office of the State Treasurer, Honorable Denise L. Nappier, Treasurer, Attention: Christopher Martin, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut, 06106, (860) 702-3288.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representation of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the University and the State and the purchasers or holders of any of the 2018 Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2018 Bonds by the University and may not be reproduced or used in whole or in part for any other purpose.

Pursuant to the UConn 2000 Act, the 2018 Bonds described above have been sold by the Treasurer of the State of Connecticut in conjunction with the University and the inclusion of Part II has been authorized by the Treasurer of the State of Connecticut.

TREASURER OF THE STATE OF CONNECTICUT	**UNIVERSITY OF CONNECTICUT**
By: /s/ Denise L. Nappier Denise L. Nappier State Treasurer	By: /s/ Scott A. Jordan Scott A. Jordan Executive Vice President for Administration and Chief Financial Officer

Dated: April 19, 2018

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APPENDIX I-A

UNIVERSITY OF CONNECTICUT
INFORMATION CONCERNING THE UNIVERSITY

TABLE OF CONTENTS TO APPENDIX I-A

Page

APPENDIX I-A
UNIVERSITY OF CONNECTICUT

April 19, 2018

This Appendix A, furnished by the University of Connecticut (the "University"), contains information as of the date of this Official Statement, except as expressly provided herein. This Appendix A and the schedules attached hereto should be read collectively and in their entirety.

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UNIVERSITY OF CONNECTICUT

INTRODUCTION

The University of Connecticut (the "University") was established and exists as an institution for the education of residents of the State of Connecticut (the "State"). The University, originally established in 1881, is one of the nation's nine colonial land grant colleges. Since it was established, the University has consistently expanded its academic program and physical plant to meet the higher educational needs of State residents. In April 1881, the Connecticut General Assembly established the Storrs Agricultural School after accepting a gift of 170 acres of land, several buildings, and money from Charles and Augustus Storrs. The Storrs Agricultural School opened on September 28, 1881, with twelve students in the first class. Before the turn of the century, there were two name changes, to Storrs Agricultural College in 1893 and to Connecticut Agricultural College in 1899. In 1933, it became Connecticut State College, reflecting its steady advances and broadened mission. In 1939, the General Assembly designated it the University of Connecticut, reflecting its graduate and professional education, research and public service programs. In 1965, the University became the flagship institution of higher education in the State under the new Constitution of the State, which in Article VIII, Section 2 provides that the State shall maintain a system of higher education, including the University, dedicated to excellence in higher education.

In addition to the main campus in Storrs ("Storrs"), there are four undergraduate regional campuses (one of which also houses the graduate School of Social Work), a School of Law and a complex of health and educational facilities (sometimes referred to herein as the "University of Connecticut Health Center" or "UConn Health" or "UCH"). UConn Health consists of the School of Medicine, the School of Dental Medicine, medical and dental educational clinics, UConn Medical Group and the UConn John Dempsey Hospital. The Storrs and regional campuses and UConn Health comprise 4,316 acres of land and are strategically located throughout the State. The University competes with public and private institutions for students.

As of November 2017, the University had nearly 254,000 alumni worldwide and 32,182 students (including UConn Health) studying in 14 colleges and schools offering seven undergraduate and 23 graduate and professional degree programs.

The State's support for the University reflects the status of the University as the flagship institution of the State system of higher education.

GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES

Board of Trustees

Composition. The Board of Trustees of the University consists of 21 persons. The Governor, the Commissioner of Education, the Commissioner of Agriculture, the Commissioner of Economic & Community Development and the Chair of UConn Health Board of Directors are ex-officio members of the Board of Trustees. The Governor is the ex-officio President of the Board of Trustees and is authorized to appoint twelve members of the Board of Trustees who reflect the State's geographic, racial and ethnic diversity. Two members of the Board of Trustees are elected by the University alumni, and two are elected by the students enrolled at the institutions under jurisdiction of the Board of Trustees. There is currently one vacancy on the Board of Trustees.

Although the University is governed by a single Board of Trustees with one chief executive officer, UConn Health maintains a separate budget and is by statute a separate entity for purposes of maintaining operating funds and State appropriations. Pursuant to Section 35 of Public Act No. 01-173, the Board of Trustees created a board of directors for the governance of UConn Health, and determined such duties and authority, as it deemed necessary and appropriate to delegate to said board of directors. Information concerning UConn Health is included under the heading "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix A.

Membership. The name, term, position and affiliation or profession of each member of the Board of Trustees is as follows:

Name	Term Ends	Position	Affiliation/Profession
The Honorable Dannel P. Malloy		President ex-officio	Governor
Dianna R. Wentzell		Member ex-officio	Commissioner of Education
Steven K. Reviczky		Member ex-officio	Commissioner of Agriculture
Catherine H. Smith		Member ex-officio	Commissioner of Economic and Community Development
Thomas E. Kruger	2023	Chair	Corporate Attorney
Sanford Cloud Jr.	2014*	Member ex-officio, Chair UCH BOD	Chairman and CEO, The Cloud Company, LLC
Andy F. Bessette	2019	Vice-Chair	Executive Vice President & Chief Administrative Officer, The Travelers Companies, Inc.
Mark L. Boxer	2022	Member	Global Chief Information Officer, Cigna Corporation
Kevin A. Braghirol	2018	Student Member	Graduate Student
Charles F. Bunnell	2019	Member	Chief of Staff, External & Governmental Affairs, The Mohegan Tribe
Shari G. Cantor	2019	Vice-Chair	Mayor, West Hartford, CT
Richard T. Carbray Jr.	2019	Vice-Chair	Retired Pharmacist
Andrea Dennis-LaVigne	2019	Secretary and Vice-Chair	Veterinarian, Bloomfield Animal Hospital
Marilda L. Gandara	2023	Vice-Chair	Retired President, Aetna Foundation Inc.
Jeanine A. Gouin	2021	Member	Vice President, Milone & McBroom, Inc.
Rebecca Lobo	2021	Member	Sports Broadcaster
Denis J. Nayden	2019	Vice-Chair	Chairman, James Alpha Holdings, LLC
Thomas D. Ritter	2021	Vice-Chair	Attorney
Philip E. Rubin	2023	Member	Senior Advisor, Haskins Laboratories
Christine C. Savino	2019	Student Member	Undergraduate Student

* Board members continue to serve until re-appointed or replacements are appointed.

Duties of the University of Connecticut Board of Trustees. Subject to statewide policy and guidelines established by the Board of Regents for Higher Education, the Board of Trustees of the University is authorized to establish rules and general policies for the governance of the University, including its mission, regional campuses, degrees and academic programs. The Board of Trustees appoints the President, manages the investments and directs the expenditures of the University. The Board of Trustees is required by law to review and approve the annual University budget and facility, planning and capital expenditure budget priorities. The Board of Trustees may employ the faculty and other personnel needed to operate and maintain the University. The Board of Trustees is authorized to fix the compensation of University personnel, establish terms and conditions of their employment and prescribe their duties and qualifications. The Board of Trustees is authorized to constitute its professional staff and establish compensation and classification schedules for such personnel.

Officers of the Board of Trustees. The officers of the Board of Trustees, apart from the Governor who is President ex-officio, are the Chair, Vice-Chairs and Secretary. The Chair is privileged to make or discuss motions and to vote on all questions. The Chair may designate a Vice-Chair to act in his or her absence.

Effective December 2017, Governor Dannel P. Malloy appointed Thomas E. Kruger of Greenwich, Connecticut as Chairman of the University of Connecticut Board of Trustees. He has served as a member of the Board of Trustees since 2011 and as Vice-Chair of the Financial Affairs Committee of the Board for the last four years. Kruger is a partner in the corporate practice of the international law firm of Paul Hastings LLP, and is based in the firm's New York office. In his professional work with Paul Hastings LLP, Kruger focuses on corporate finance, securities law matters, and mergers and acquisitions. Previously, he served as a managing partner for the New York City firm of Battle Fowler LLP, until its merger with Paul Hastings. He has been a member and Chair of the Dean's Advisory Board of the University of Detroit, Mercy Law School, and has also been active in his neighborhood and community. He received a Bachelor of Arts degree from the University of Michigan Ann Arbor and a Juris Doctor from Harvard Law School.

Committees of the Board of Trustees. The Board of Trustees acts as a committee of the whole on all matters requiring action. The Board of Trustees is authorized by the Act to adopt a resolution delegating to the Finance Committee of the Board such matters relating to the issuance and sale of securities in the name of the University on behalf of the State as it may determine appropriate, except as to the authorization of the amount of, the nature of, and property to be financed by, such securities; provided that, the Board of Trustees must retain overall control, responsibility and supervision.

Other Board of Trustees Committees include Academic Affairs; Buildings, Grounds and Environment; Compensation; Construction Management Oversight; Executive; Financial Affairs; Institutional Advancement; Joint Audit and Compliance; Student Life; Special Committee for Investigation; and Special Committee for Opportunities and Strategic Initiatives.

University Administration

Administration. The administration of the University is determined in part by legislative enactment, in part by the By-Laws of the Board of Trustees, and in part by regulations made by the President, the University Senate, and the several faculties. The Board of Trustees is authorized by law to appoint a President of the University. The President is the chief executive officer of the University. The President is responsible for carrying out the policies and enforcing the rules adopted by the Board of Trustees. Among the officers the President may appoint are a Provost and Executive Vice President for Academic Affairs, who oversees academic programs and student life programs at all of the University's campuses; an Executive Vice President for Health Affairs, who oversees programs at the University of Connecticut Health Center; an Executive Vice President for Administration and Chief Financial Officer, with responsibility for operations and financial affairs of the University; a Vice President for Research; a Vice President for Student Affairs; and others as deemed appropriate.

The Board of Trustees appointed Susan Herbst as the 15th President of the University of Connecticut on December 20, 2010. Prior to her appointment to the presidency, she served as Executive Vice Chancellor and Chief Academic Officer of the University System of Georgia, where she led 15 university presidents and oversaw the academic missions for all 35 public universities in Georgia. Before going to Georgia, President Herbst was Provost and Executive Vice President at The University at Albany (SUNY), and served as Officer in Charge (acting president) of the school from 2006 to 2007. She previously served as the Dean of the College of Liberal Arts at Temple University. Dr. Herbst joined Northwestern University in 1989 as an assistant professor and remained there until 2003. At Northwestern, she served in many capacities including Professor of Political Science and Chair of the Department. Dr. Herbst is a scholar of public opinion, media, and American politics, and is author of four books and many articles in these areas, as well as a co-editor of the University of Chicago Press series in American Politics.

The names and backgrounds of the other principal administrative officers of the University are as follows:

Name	Position	Background
Craig H. Kennedy	Provost and Executive Vice President for Academic Affairs	Ph.D. Education, University of California at Santa Barbara, M.S. Special Education, University of Oregon, B.A. Psychology, University of California at Santa Barbara; over 25 years in higher education including 5 years as the Dean of the College of Education at the University of Georgia.
Scott A. Jordan	Executive Vice President for Administration and Chief Financial Officer	M.P.A., Harvard University, B.A., University of Massachusetts; over 25 years in state and local government finance in the Commonwealth of Massachusetts, most recently as Undersecretary of the Massachusetts Executive Office for Administration and Finance.
Andrew Agwunobi, M.D.	Executive Vice President for Health Affairs	M.D., University of Jos Nigeria, Pediatric Residency at Howard University Hospital, M.B.A. Stanford Graduate School of Business; over 20 years in healthcare and administration including serving as Director with the Berkeley Research Group and Chief Executive of Providence Healthcare.

Legal Services. The University receives legal services from the University's Office of the General Counsel and from the State's Office of the Attorney General. The University also retains private counsel on occasion through the Office of the Attorney General. The Act authorizes the University, independent of the Office of the Attorney General, to use the legal services of private attorneys in connection with the construction, operation or maintenance of any UCONN 2000 project. Pursuant to the Act, the University has retained attorneys in connection with the construction of UCONN 2000 projects, including claims and litigation arising from such projects. In addition, UConn Health has the statutory authority to engage outside counsel, relative to UConn Health's clinical enterprise, through the University of Connecticut Health Center Finance Corporation.

Strategic and Academic Plan

Adopted on February 10, 1995, the Strategic Plan serves as the Board of Trustees' blueprint for the University's future. It describes a University on the road to educational pre-eminence. Just as UCONN 2000 is the General Assembly's blueprint for transforming the physical infrastructure, the Strategic Plan is the blueprint for reshaping UConn's scholastic and social environment.

In 2013, the University developed a revised Academic Plan to set the future direction and priorities for the University and to identify new goals and strategic initiatives to realize its aspiration to be counted among the nation's top flagship public universities. The Academic Plan is characterized by bold and innovative ideas about how the University can:

- Increase research productivity;
- Adapt to change and implement innovations in teaching pedagogy;
- Develop interdisciplinary ideas for research and scholarship with global implications; and
- Establish models of academic organizational structures.

The Academic Plan also calls for increasing partnerships with industries, recognizing that the University can be an important economic driver for the State's economy by supplying a well-trained, high-tech workforce. In addition, it is anticipated that industry partnerships will expand research opportunities, attract new companies to the region, support the growth of existing companies, and advance the development of innovative technologies and patenting and licensing opportunities.

The University has made steady progress towards the goals set forth in the Academic Plan. This progress includes hiring new faculty members, primarily in STEM (science, technology, engineering and math) disciplines, and increasing undergraduate enrollment while decreasing the student-to-faculty ratio. The University has instituted and awarded STEM scholarship programs at both the graduate and undergraduate level and formed several new strategic collaborations with industry. The University has also established and strengthened programs in Digital Media and Design as well as Business at the Stamford campus, which has resulted in a significant increase in student enrollment in these programs.

The University President has announced that one of the first and most critical tasks for the new Provost, Dr. Kennedy, will be to lead the development of a new strategic academic plan.

Below is a summary highlighting some of the progress that has been made to date with respect to the UCONN 2000 Program, the Strategic Plan and the Academic Plan.

- Student Recruitment and Enrollment: Student enrollment has increased in size, diversity and academic skill. Since Fall 1995, total enrollment at all campuses has increased 41%, freshman enrollment at the main campus has increased 82% and freshman minority enrollment is up 261% at the main campus. The mean SAT score of the freshman class for Fall 2017 was 1294 (excluding the writing component) or 234 points higher than the national mean. Since 1995, 2,409 valedictorians and salutatorians have enrolled at all campuses.

- Investments in regional campus facilities have supported the establishment of new degree programs and expanded course offerings at the undergraduate program campuses of Avery Point, Greater Hartford, Stamford and Waterbury.

- The Center for Undergraduate Education (CUE), located in the center of the Storrs campus across from the Library, provides one-stop shopping for students' academic needs and houses units that include the Writing and Quantitative Centers, Academic Center for Exploratory Students, Career Development Center, Center for Academic Programs, First Year Programs and Learning Communities, Honors, Individualized and Interdisciplinary Studies, Institute for Teaching and Learning, Offices of Global Programs and Education Abroad, Offices of National Scholarships and Undergraduate Research, and Teaching Assistant Programs. These centers and programs also serve the regional campuses.

- The University has implemented both residential and non-residential Learning Communities for students. Non-residential Learning Community students take a one-credit course together based on their major. Students can opt to live in a residential Learning Community that carries a theme based on their major or a shared interest (Major-based communities: Business Connections, Engineering, EUROTECH; Fine Arts; Honors; Nursing; Pre-Pharmacy; and WiMSE (Women in Math, Science and Engineering). Interest-based communities open to all majors include: Connecting with the Arts; EcoHouse; Global House; Humanities; Human Rights & Action; Innovation; La Comunidad Intelectual; Leadership; Public Health; ScHOLA^{2}RS; and Transfer Connections. Special programming for Learning Communities is provided by schools and colleges to involve students in the academic and co-curricular life of the University through infusing an intellectual component into residence halls.

- The Honors Program continues to grow in strength and prestige, attracting high-achieving students with small honors seminars, personalized attention, opportunities for research and scholarly work leading to theses, and a strong sense of community. In Fall 2017, 521 new freshmen enrolled in the Honors Program with an average combined score of 1436 (excluding the writing component) on the SAT (32 on the ACTs) and with a high school class rank in the top 4%. All Honors students have access to more than 100 undergraduate majors as well as to specially developed Honors Core Curriculum courses, the very popular Honors First Year Seminar, and the Honors Residential Community. During fiscal year 2017, the Office of Undergraduate Research disbursed over $500,000 in support for student research and creative activity across its funding programs.

- A wide variety of internship opportunities are offered by every school and college and through the Office of Undergraduate Research and Career Development Center. For example, the University and Mystic Seaport have collaborated to provide summer internships for students in the Maritime, Coastal, and American Studies programs at the Avery Point campus, to make available the museum's maritime history resources to the University's students and faculty, and to share the University's library resources with Mystic Seaport staff.

- UConn was ranked 18th among 190 national public universities in the nation by U.S. News & World Report in its America's Best Colleges published in September 2017. For the nineteenth consecutive year, the University was named the top public university in New England.

- The University was ranked the best value public university in New England and ranked 35th in the best values in public higher education by the *Kiplinger's Personal Finance* magazine, published in December 2017. The top 100 schools chosen as "Best Values in Public Colleges" for 2017 were ranked according to academic quality based on criteria including admission and retention rates, student-faculty ratios, and four- and six-year graduation rates, as well as on cost and financial aid.

Next Generation Connecticut

In July 2013, Governor Malloy signed Public Act 13-233, "An Act Concerning Next Generation Connecticut", which among other things extended the UCONN 2000 program six years until Fiscal Year 2024; increased the statutory authorizations for the UCONN 2000 bonds secured by the State's debt service commitment by $1.551 billion; and increased certain fiscal year bond authorizations. In October 2017, Public Act 17-2 was approved which extended the capital bonding program through Fiscal Year 2027 and revised the bonding schedule from Fiscal Year 2018 to Fiscal Year 2027 but did not change the total amount which may be authorized for UCONN 2000 projects. In addition, there is an operating budget component reflected in the University's State appropriation to support *Next Generation Connecticut*. The operating funds are subject to the annual legislative appropriations approval process.

Next Generation Connecticut is a major University initiative supported by the State that greatly expands educational opportunities, research and innovation in the STEM disciplines at the University. The shared goal of *Next Generation Connecticut* is to leverage the strength and resources of the University to build Connecticut's future workforce, create jobs and bring new life to the State's economy. The cornerstone of this effort is a major increase in the University's enrollment, the expansion of faculty – above and beyond the University's current faculty hiring initiative – and new and updated facilities to accommodate enhanced STEM research and teaching, as well as the growing student population. It will also support the academic missions and the expansion of critical programs at UConn's Greater Hartford and Stamford campuses.

Next Generation Connecticut represents one of the most ambitious State investments in economic development, higher education and research in the nation. It is anticipated that *Next Generation Connecticut* will fuel Connecticut's economy with new technologies, highly skilled graduates, marketable patents and licenses, and the creation of new companies and high-wage jobs. The components of this ambitious 13-year plan include:

- Hiring new research and teaching faculty;
- Increasing enrollment of undergraduate students at the Storrs and Stamford campuses;
- Building research facilities to house materials science, physics, biology, engineering, cognitive science, genomics, and related disciplines;
- Constructing new teaching laboratories;
- Creating a premier STEM honors program to attract increasing numbers of high achieving undergraduates;
- Upgrading aging infrastructure to accommodate new faculty and students;
- Expanding degree programs and providing student housing in Stamford;
- Relocating Greater Hartford Campus to downtown Hartford; and

- Integrating better the research activities of the Storrs and regional campuses with the UConn Health campus.

Next Generation Connecticut is comprised of both capital and operating budget components. Given the State's fiscal challenges, the amount of operating funds appropriated from the State in Fiscal Year 2015 through Fiscal Year 2018 has been significantly reduced relative to what was originally planned. It must be noted that this reduction in operating funds, and most particularly a reduction in the capacity to hire new faculty, will create significant challenges for the University in meeting the goals of the initiative. Despite the decreased funding, however, the University has been able to make some progress toward program goals.

Since capital funding was first made available in July 2015, the University has moved forward with *Next Generation Connecticut* projects. A Campus Master Plan, which is a summary of the current conditions of the campus as of 2015 and a guideline for the proposed development of the Storrs campus over the next 20 years, was approved by the Board of Trustees on February 25, 2015. Major projects currently underway include academic and research facility renovations and infrastructure improvements. Additionally, major renovations to the Monteith classroom building, the Putnam dining hall, a new Next Generation Residence Hall, a new Engineering and Science Building in Storrs, and the new downtown Hartford Campus were completed in 2016 and 2017. Planning and design has begun on another science building.

During 2017, the Legislature and Governor revised the capital plan for *Next Generation Connecticut*. While the total amount of funding remains intact, the initiative was extended three years until Fiscal Year 2027, and the remaining funds were re-phased. This resulted in significant reductions in Fiscal Year 2018 and Fiscal Year 2019 compared to the original plan. The University capital plan is currently being revised, but it should be noted that some projects were delayed or deferred and some were cancelled as a result of this change in phasing.

Establishing priorities for *Next Generation Connecticut* was an integral part of the work of the University Academic Vision Committee. Responsibility for and benefits from *Next Generation Connecticut* exist across the entire University, not only in departments or schools focusing on STEM.

Status of UCONN 2000 Projects

Numerous UCONN 2000 projects have been completed from 1997 until the present. The following table lists the UCONN 2000 projects, which have been authorized by the Board of Trustees, the funding source and the construction status of the project:

Projects Authorized	**Project Construction Status**[1]
A. General Obligation Bonds **Total – Storrs and Regional Campus Project List**	
Academic and Research Facilities	Ongoing
Agricultural Biotechnology Facility	Completed
Agricultural Biotechnology Facility Completion	Completed
Alumni Quadrant Renovations[2]	Completed
Arjona and Monteith (new classroom buildings)	Completed
Avery Point Campus Undergraduate and Library Building	Completed
Avery Point Marine Science Research Center - Phase I	Completed
Avery Point Marine Science Research Center - Phase II	Completed
Avery Point Renovation	Completed
Beach Hall Renovations	Completed
Benton State Art Museum Addition (Phases I & II)	Completed
Benton State Art Museum Addition (Phase III)	Completed
Biobehavioral Complex Replacement	Ongoing
Bishop Renovation	Completed
Business School Renovation – Phase II	Completed

Central Warehouse - New	Completed
Chemistry Building	Completed
Deferred Maintenance & Renovation Lump Sum Balance	Completed
Deferred Maintenance & Renovation Lump Sum Balance	Completed
Deferred Maintenance/Code Compliance/ADA Compliance/Infrastructure Improvements & Renovation Lump Sum and Utility, Administrative and Support Facilities- Phase III	Ongoing
East Campus North Renovations[2]	Completed
Engineering Building (with Environmental Research Institute)	Ongoing
Equipment, Library Collections & Telecommunications - Phase I	Completed
Equipment, Library Collections & Telecommunications Completion - Phase II	Completed
Equipment, Library Collections & Telecommunications - Phase III	Ongoing
Family Studies (DRM) Renovation	Completed
Farm Buildings Repairs/Replacement	Ongoing
Fine Arts Phase II	Ongoing
Floriculture Greenhouse	Completed
Gant Building Renovations	Completed
Gant Plaza Deck	Completed
Gentry Completion	Completed
Gentry Renovation	Completed
Grad Dorm Renovations	Completed
Hartford Relocation Acquisition/Renovation	Ongoing
Hilltop Dormitory Renovations	Completed
Heating Plant Upgrade[3]	Ongoing
Ice Rink Enclosure	Completed
International House Conversion (a.k.a. Museum of Natural History)	Completed
Intramural, Recreational and Intercollegiate Facilities	Completed
Jorgensen Renovation	Completed
Koons Hall Renovation/Addition	Completed
Lakeside Renovation	Completed
Law School Renovations/Improvements	Completed
Litchfield Agricultural Center – Phase I	Completed
Manchester Hall Renovation	Completed
Mansfield Apartments Renovation	Completed
Mansfield Training School Improvements – Phase II	Completed
Mansfield Training School Improvements – Phase III	Ongoing
Monteith Renovation	Completed
Music Drama Addition	Completed
Natural History Museum Completion	Completed
North Campus Renovation[2]	Completed
North Hillside Road Completion	Completed
North Superblock Site & Utilities	Completed
Northwest Quadrant Renovation - Phase I	Completed
Northwest Quadrant Renovation - Phase II	Completed
Old Central Warehouse	Completed
Parking Garage-North	Completed
Parking Garage #3	Completed
Pedestrian Spinepath	Completed
Pedestrian Walkways	Completed
Psychology Building Renovation/Addition	Completed
Residential Life Facilities	Ongoing
School of Business	Completed

School of Pharmacy	Ongoing
School of Pharmacy / Biology Completion	Completed
Shippee/Buckley Renovations[2]	Completed
South Campus Complex[4]	Completed
Stamford Campus Improvements/Housing	Completed
Stamford Downtown Relocation – Phase I	Completed
Storrs Hall Addition	Completed
Student Union Addition	Completed
Support Facility	Completed
Technology Quadrant-Phase IA	Completed
Technology Quadrant-Phase II	Completed
Torrey Life Science Renovation	Completed
Torrey Renovation Completion and Biology Expansion	Completed
Torrington Campus Improvements	Completed
Towers Renovation[2]	Completed
Underground Steam & Water Upgrade	Completed
Underground Steam & Water Upgrade Completion	Completed
Waring Building Conversion	Completed
Waterbury Downtown Campus	Completed
Waterbury Property Purchase	Completed
West Campus Renovations	Completed
West Hartford Campus Renovations/Improvements	Completed
White Building Renovation	Completed
Wilbur Cross Building Renovation	Completed
Young Building Renovation/Addition	Completed
UConn Health	
CLAC Renovation Biosafety Level 3 Lab	Completed
Deferred Maintenance/Code Compliance/ADA Compliance/Infrastructure & Improvements Renovation Lump Sum and Utility, Administrative and Support Facilities-Health Center	Ongoing
Dental School Renovation	Completed
Equipment, Library Collections and Telecommunications-Health Center	Ongoing
Library/Student Computer Center Renovation	Completed
Main Building Renovation	Completed
Medical School Academic Building Renovation	Ongoing
Planning and Design Costs	Completed
Research Tower	Completed
Support Building Addition/Renovation	Completed
The University of Connecticut Health Center New Construction and Renovation	Ongoing
B. Special Obligation Student Fee Revenue Bonds	
Alumni Quadrant Renovations[2]	Completed
East Campus North Renovations[2]	Completed
Hilltop Dormitory New[5]	Completed
Hilltop Student Rental Apartments[5]	Completed
Intramural, Recreational & Intercollegiate Facilities[6]	Ongoing
North Campus Renovation (including North Campus Student Suites and Apartments)[2]	Completed
Parking Garage-South[5]	Completed
Shippee/Buckley Renovations[2]	Completed
South Campus Complex[4]	Completed

Towers Renovations (including Greek Housing)[2]	Completed

[1] Some projects listed as ongoing might be substantially complete for use purposes. Also, note that some projects might reflect a completed status for recently completed work, but future funding may still be available for which work has not yet begun.

[2] Partially funded with proceeds from the University's General Obligation Bonds and partially funded with the proceeds of the University's Student Fee Revenue Bonds, 2002 Series A.

[3] In addition, the University has entered into a tax-exempt lease financing for a Cogeneration Facility for the Heating Plant in the amount of $81.9 million under the UCONN 2000 authority.

[4] Partially funded with proceeds from the University's General Obligation Bonds and partially funded with the University's Student Fee Revenue Bonds, 1998 Series A.

[5] The Hilltop Dormitory New and the Hilltop Student Rental Apartments comprise the Hilltop Housing Complex which was funded along with the Parking Garage South with the proceeds of the Student Fee Revenue Bonds, 2000 Series A.

[6] The Intramural, Recreational & Intercollegiate Facilities are expected to be funded in part with Student Fee Revenue Bonds 2018 Series A proceeds.

Campuses and Physical Plant

General Information. Of the six campuses, Storrs is the largest campus with 3,421 acres. Additionally, as of Fall 2017, there are 101 residential facilities all on the Storrs campus, serviced by eight large dining halls, and one residential facility on the Stamford campus which provide room and board for approximately 12,600 graduate and undergraduate students. There are four undergraduate regional campuses strategically located throughout the State in Groton, Stamford, Waterbury and Hartford. The University relocated the programs at its West Hartford regional campus to the City of Hartford after completion of the new facilities in the Fall of 2017. Since the Town of West Hartford has decided not to purchase the property, the University is seeking a new buyer of the University's West Hartford campus. On April 27, 2016, the Board of Trustees approved the closure of the Torrington campus and starting in the Fall 2016 semester, the Torrington students were offered the opportunity to continue their program requirements at any of the other University campuses. The University is working to transfer the land and buildings to the City of Torrington. The University Extension facility still remains active at the Torrington location. In addition to the regional campuses, the University includes the University of Connecticut School of Law, located in West Hartford, and UConn Health, located in Farmington. Collectively these campuses are serving a student body of 32,182 in the 2017-18 academic year. The University is engaged in a construction program for UCONN 2000 that is currently projected to cost approximately $4.3 billion for which the proceeds of the 2018 Series A Bonds will be used. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" in this Official Statement and "UNIVERSITY FINANCES – Budget and Budgeting Procedure of the University" in this Appendix A.

Academic Programs and Degrees Conferred

The University offers a broad spectrum of liberal arts and sciences, professional and graduate education degree programs through its 14 colleges and schools, including the School of Dental Medicine, School of Medicine and School of Law. The University confers seven kinds of undergraduate degrees in 113 majors, 17 graduate degrees in 90 research and professional practice fields of study and 6 graduate professional programs. The University also offers individualized majors and interdisciplinary fields of study. The University has several special facilities and programs. Research and academic program support is carried out both in the departments of 14 schools and colleges and at more than 100 research centers and institutes across all University campuses.

COMPETITION AND COMPETITIVENESS

Accreditation and Ranking

The New England Association of Schools and Colleges and several other accreditation bodies for specific schools and programs accredit the University.

The National Science Foundation ranks the University 55 out of 393 public universities in the country in research and development spending. The Carnegie Foundation currently classifies the institution with only 81 other public institutions nationwide in the highest category of Doctoral Universities (Highest Research Activity). To qualify for this classification, universities must annually award at least 20 doctorates and demonstrate high levels of research based on several aggregate and per-capita (full-time faculty) measures, including research and development expenditures, postdoctoral appointees, non-faculty research staff, and doctoral conferrals in humanities, social sciences, STEM fields, and other fields (e.g., business, education, public policy, social work).

The quality of the University's diverse graduate programs is enhanced by the presence of exceptional graduate students. More than 6,800 graduate students matriculated at both the master's and doctoral levels in academic year 2017-18; of this figure approximately 2,200 are supported on merit based graduate assistantships. This support is available in 90 fields of study in the arts and sciences and professional disciplines. These assistantships have made it possible for the University to compete for quality graduate students.

Student Admissions and Enrollment

Admissions. The University continues to be in high demand with freshmen applications for all campuses nearing 37,000 for the Fall 2017 entering class. Since the *Next Generation Connecticut* initiative was approved in 2013, applications at the Storrs campus have increased by 18%. In addition, the number of transfer and regional campus applicants remains strong. The University of Connecticut is rated as "highly competitive" by Barron's Profiles of American Colleges 2018, 34th Edition. Also, the Scholastic Aptitude Test (SAT) scores for students entering the University consistently exceed the statewide and national SAT score averages.

Schedule of Freshmen Enrollment - Storrs Campus
Fall 2013 – 2017

Fall	Freshmen Applications	Change in Applications	Accepted	Enrolled	Change in Enrolled as A Percentage	Enrolled as a Percentage of Accepted
2013	27,479	(8.3)	14,745	3,755	20.6	25.5
2014	31,280	13.8	15,629	3,588	(4.4)	23.0
2015	34,978	11.8	18,598	3,774	5.2	20.3
2016	35,980	2.9	17,560	3,822	1.3	21.8
2017	34,198	(5.0)	16,360	3,683	(3.6)	22.5

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Average Total SAT Scores*
Fall 2013 - 2017

Fall	Storrs Campus	Regional Campuses	Connecticut Average	National Average
2013	1233	1020	1020	1010
2014	1234	1034	1017	1010
2015	1233	1042	1010	1006
2016	1233	1022	1000	1002
2017**	1294	1093	1041	1060

*Excluding the writing component
**For fall 2017 and forward, results are reflective of a newly designed SAT and therefore, cannot be compared to previous year's results.

Enrollment. Compared to Fall 2012, first-time freshman enrollment at all campuses increased by 20% or 877 students in Fall 2017; and undergraduate degree-seeking enrollment increased by 8% or 1,689 students. Through the *Next Generation Connecticut* initiative, enrollment at the Storrs Campus and the Stamford Campus is expected to grow significantly. Undergraduate enrollment at all campuses has grown by 1,544 students or 7% since the initiative began. See "GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES – *Next Generation Connecticut*" above in this Appendix A.

Total Enrollment Data (Head Count)[1]
Fall 2013 – 2017

Undergraduates	2013	2014	2015	2016	2017
Storrs	18,032	18,395	18,826	19,324	19,241
Regional Campuses	4,563	4,578	4,581	4,306	4,604
Total	**22,595**	**22,973**	**23,407**	**23,630**	**23,845**
Graduates/Professionals[2]	**7,337**	**7,591**	**7,653**	**7,810**	**7,745**
UConn Health					
Medicine	368	384	396	408	411
Dental Medicine	174	171	168	179	181
Total	**542**	**555**	**564**	**587**	**592**
Grand Total	**30,474**	**31,119**	**31,624**	**32,027**	**32,182**

[1] Includes non-degree and part-time students.
[2] Includes master's and doctoral students at all campuses, including UConn Health, and students in the professional degree programs in Law and Pharmacy.

Percentage of Enrollment by Residence Status
Fall 2013 - 2017

	Undergraduate				Graduate/Professional	
	Storrs Campus		All Campuses		Total University (excl. Schools of Medicine and Dental Medicine)	
Fall	In-State	Out-of-State	In-State	Out-of-State	In-State	Out-of-State
2013	75.7	24.3	80.1	19.9	69.2	30.8
2014	74.6	25.4	78.9	21.1	65.7	34.3
2015	72.6	27.4	77.2	22.8	62.5	37.5
2016	72.5	27.5	76.8	23.2	61.4	38.6
2017	72.0	28.0	76.3	23.7	61.9	38.1

Tuition and Other Fees (Storrs and Regional Campuses)

Pursuant to State law, the Board of Trustees is authorized to adopt a comprehensive schedule of tuition and other fees, which is expected to prevail during the following fiscal year.

Tuition. For the academic year 2018, students classified as full-time undergraduate residents of Connecticut will pay tuition of $11,998. Full-time out-of-state undergraduates will pay $34,066 per year. In the 2018 academic year, total tuition revenues are budgeted to be $398.4 million. For the academic year 2019, full-time undergraduate residents will pay tuition of $12,849, and full-time out-of-state undergraduates will pay tuition of $35,216 per year.

Mandatory Fees. For academic year 2018, undergraduate students must pay a General University Fee of $1,914 per year. Students also pay $968 per year in other fees, of which $190 is for various student-controlled organizations, $468 is for infrastructure maintenance, $160 is a transit fee, and $150 is a Technology Fee. Mandatory fees for 2019 will not increase. Commencing in 1998, certain fees have been pledged for the payment of debt service on the University's Special Obligation Bonds. See "UNIVERSITY FINANCES – University Indebtedness" in this Appendix A.

Other Fees. There are numerous optional fees at the University. The primary optional fees for the academic year 2018 are the room ($6,838) and board ($5,676) fee. Higher and lower cost meal plan options are available. For academic year 2019, the room fee will increase to $7,028 and the board fee will increase to $5,846.

In-State Student Enrolled at the University
Academic Years 2014 - 2019

	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Tuition	$ 9,256	$ 9,858	$10,524	$11,224	$11,998	$12,849
Room & Board[1]	11,474	11,818	12,172	12,172	12,514	12,874
General University Fee	1,848	1,914	1,914	1,914	1,914	1,914
Other Fees[2]	918	928	928	928	968	968
Total	**$23,496**	**$24,518**	**$25,538**	**$26,238**	**$27,394**	**$28,605**

[1] The Board Fee reflects the cost of the Value Meal Plan. Lower and higher cost meal plan options are available.
[2] Other Fees includes fees collected by the University on behalf of various student-controlled organizations.

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FY 2018 Undergraduate Tuition and Fees
Peer University Comparison*

	In-State	Out-of-State
Boston College	$53,346	$53,346
Boston University	52,082	52,082
Drexel University	52,002	52,002
Fordham University	50,601	50,601
Northeastern University	49,497	49,497
Quinnipiac University	46,780	46,780
Pennsylvania State University	18,436	33,664
University of Vermont	17,740	41,356
University of Massachusetts	15,596	33,662
University of Connecticut	**14,880**	**36,948**
University of Delaware	13,160	33,150
University of Maryland	10,399	33,606

*Per the 2017 College Board Admitted Student Questionnaire, peers include those institutions which share the most cross-admits with the University of Connecticut. Source of tuition and fee rates is institution websites.

Student Financial Aid

The University provides financial aid and financial counseling. The University has a policy of admitting students without regard to financial ability to pay and a policy of providing assistance to those admitted who demonstrate need. During Fiscal Year 2018, approximately 21,600 students received financial aid packages.

Scholarships, Grants and Work-Study. In addition to University financial aid, there are a number of state, federal and private student financial aid programs available, including the Federal Pell Grant of $606 to $5,920 (for Fiscal Year 2018) and the Federal Supplemental Education Opportunities Grant (SEOG) of up to $4,000. Both are awarded annually based on need. In addition, the University offers a number of merit scholarships. The University also offers Federal Work-Study employment, which is need-based, and Student Labor employment, which is available to all students.

Loan Programs. There are several loan programs at the University. Federal Direct Subsidized Stafford Loans are based on financial need, and the Federal Direct Unsubsidized Stafford Loans are available to students who do not qualify for the Federal Direct Subsidized Stafford Loans. Additionally, there is the Federal Direct Parent Loan to Undergraduate Students (PLUS) program, and the Federal Direct Graduate PLUS loan is available to eligible graduate students.

Tuition Waivers and Graduate Assistantships. The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is required by collective bargaining agreements to waive tuition for dependents of certain employees. The foregone revenue resulting from such waivers in the 2018 academic year is forecasted at $69.1 million.

Financial Aid to University Students (excluding Tuition Waivers)
for Fiscal Years 2014 – 2018 (in millions)

	2014	2015	2016	2017	2018 Forecast
Scholarships/Grants					
Institutional	$86.0	$94.0	$97.7	$113.7	$123.5
State	9.4	11.2	14.0	9.0	9.1
Federal Funds	30.5	32.1	32.9	32.6	34.5
Private	29.2	31.1	33.4	30.7	28.2
Total Scholarships/Grants	$155.1	$168.4	$178.0	$186.0	$195.3
Loans	$176.8	$186.5	$192.0	$199.0	$199.3
Student Employment					
University Student Payroll	$20.4	$20.9	$21.6	$22.8	$22.1
Federal Work Study	1.0	1.0	1.0	1.0	1.4
Total Student Employment	$21.4	$21.9	$22.6	$23.8	$23.5
Grand Total	**$353.3**	**$376.8**	**$392.6**	**$408.8**	**$418.1**

UNIVERSITY FINANCES

Financial Management

As noted earlier, the University's Board of Trustees has the authority for fiscal oversight of the University. In addition to the State appropriation, the University receives tuition, fees, auxiliary (i.e. athletics), grants and contract, and other revenues. Some of these revenues may be restricted or dedicated as to use by the terms of the appropriation, gift, grant or contract.

The authority granted to the University in the Act builds upon the successful implementation of the operational autonomy and responsibility provided in several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. Unprecedented for State government, the University became responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. Pursuant to the Flexibility Acts, the responsibilities assigned to the University included a block grant State appropriation, check-writing authority, position control, purchasing authority and management of capital projects not exceeding $2 million. This dollar limitation has been eliminated with the passage of UCONN 2000. The enactment of UCONN 2000 was an extension of the authority vested in the University by the Flexibility Acts.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this official statement reflect budget execution results that are based upon spending plans and operating and capital budgets approved by the Board of Trustees. In addition, in Fiscal Year 2004, the Board of Trustees restructured and expanded the role of its Joint Audit and Compliance Committee, with a charge that includes oversight of all University financial reporting and processes and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University's internal audit capacity and the work performed by State auditors (the "Auditors of Public Accounts"). The Auditors of Public Accounts annually issue an Independent Auditors' Report on the financial statements of the University.

In 2006, in compliance with statutory requirements, the University established a Construction Management Oversight Committee, the Buildings, Grounds and Environment Committee of the Board of Trustees and the Construction Assurance Office. The University has also implemented and staffed an organizational structure for capital program contracting and procurement and has engaged an outside auditor to perform annual audits of the UCONN 2000 program.

Financial Statements of the University

The audited financial statements of the University of Connecticut and the University of Connecticut Health Center (excluding the University of Connecticut Foundation, Inc.) for the Fiscal Year ended June 30, 2017 are included as Schedule 1 and Schedule 2 to this Official Statement.

Below is a five-year presentation of the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Years ended June 30, 2013, 2014, 2015, 2016 and 2017. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix A for the same information for UConn Health.

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Statements of Revenues, Expenses, and Changes in Net Position

($ in thousands)

OPERATING REVENUES	Restated 2013	2014	2015	2016	2017
Student tuition and fees [1]	$ 261,641	$ 279,577	$ 308,174	$ 341,809	$ 367,351
Federal grants and contracts	118,715	118,492	118,383	129,758	126,186
State and local grants and contracts	25,898	29,512	31,931	35,135	25,942
Nongovernmental grants and contracts	15,212	14,619	20,535	19,490	28,005
Sales and services of educational departments	15,814	19,280	21,028	20,543	20,325
Sales and services of auxiliary enterprises [2]	185,240	195,525	201,066	210,455	209,851
Other sources	8,114	10,168	12,263	10,758	11,909
Total Operating Revenues	630,634	667,173	713,380	767,948	789,569
OPERATING EXPENSES					
Salaries and wages	482,685	521,076	542,082	557,497	556,411
Fringe benefits	190,549	237,715	271,164	287,553	349,328
Supplies and other expenses	205,774	211,654	217,413	245,871	245,357
Utilities	19,725	20,963	23,212	19,737	19,039
Depreciation and amortization	91,713	95,377	95,990	98,767	104,807
Scholarships and fellowships	8,070	10,953	10,713	12,437	11,791
Total Operating Expenses	998,516	1,097,738	1,160,574	1,221,862	1,286,733
Operating Loss	(367,882)	(430,565)	(447,194)	(453,914)	(497,164)
NONOPERATING REVENUES (EXPENSES)					
State appropriation	288,456	308,069	350,699	384,747	374,113
State debt service commitment for interest	40,571	42,091	46,635	53,092	64,757
Gifts	19,996	21,703	23,828	25,380	23,628
Investment income	859	799	889	1,448	2,996
Interest expense	(46,961) [3]	(45,955)	(46,420)	(51,333)	(59,129)
Other nonoperating revenue (expenses), net	352 [3]	(1,873)	(1,540)	(3,893)	(1,776)
Net Nonoperating Revenues	303,273	324,834	374,091	409,441	404,589
Loss Before Other Changes in Net Position	(64,609)	(105,731)	(73,103)	(44,473)	(92,575)
OTHER CHANGES IN NET POSITION					
State debt service commitment for principal	-	80,346	56,430	103,400	281,576
Capital allocation	20,000	(20)	131,500	-	-
Capital grants and gifts	6,675	21,643	25,412	5,071	1,388
Disposal of property and equipment, net	103	(1,043)	(473)	(8,486)	(1,418)
Additions to permanent endowments	13	743	66	14	1,149
Net Other Changes in Net Position	26,791	101,669	212,935	99,999	282,695
Increase (Decrease) in Net Position	(37,818)	(4,062)	139,832	55,526	190,120
NET POSITION					
Net Position – Beginning of Year, Adjusted	1,477,240 [3]	1,439,422	857,767 [4]	997,599	1,053,125
Net Position – End of Year	$ 1,439,422	$ 1,435,360	$ 997,599	$ 1,053,125	$ 1,243,245

[1] Net of scholarship allowances of $148,415, $140,283, $134,279, $123,312, and $116,062, respectively.

[2] Net of scholarship allowances of $4,981, $4,056, $3,338, $3,213, and $2,907, respectively.

[3] The financial statements as of June 30, 2013 were restated in order to retroactively apply the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* including the restatement of beginning net position as of July 1, 2012.

[4] During fiscal year 2015, the University of Connecticut adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, beginning net position for the fiscal year ended June 30, 2015 was restated by $577,593 for the cumulative effect of applying these standards. Due to feasibility, financial information for fiscal years 2014 and 2013 was not restated with respect to this adoption.

Reclassifications were made for prior fiscal years to reflect changes in the classification of operating revenues and expenses. These changes had no effect on net position presented on the Statements of Revenues, Expenses, and Changes in Net Position.

Beginning in fiscal year 2017, the University opted to report operating expenses by natural classification instead of functional classification on the face of its Statement of Revenues, Expenses, and Changes in Net Position.

Budget and Budgeting Procedure of the University

The University submits a biennial operating budget request to the Governor and General Assembly through the Secretary of the Office of Policy and Management (the Governor's fiscal office). The operating budget request sets forth a proposed expenditure plan for the amount necessary to meet cost increases while providing a constant level of services. It may also include an amount for new or expanded programs. The operating budget includes various revenue sources including the State appropriation, tuition, fees, auxiliaries and other revenue sources. The Governor may reduce State agency allotments by not more than 5% unless approved by the Appropriations Committee of the General Assembly, which shall, within ten days, approve or reject such reduction. The University's Board of Trustees annually approves separate Spending Plans for the University and UConn Health. On December 13, 2017, the Board of Trustees approved a Revised Spending Plan for Fiscal Year 2018. It is anticipated that the Fiscal Year 2019 Spending Plan will be presented to the Board of Trustees for approval on June 27, 2018 after the level of State appropriation has been determined. See "UNIVERSITY FINANCES-State Support of the University-Appropriations" in this Appendix A.

UConn Health submits a separate operating budget request and receives a separate appropriation and allotment. For discussion of UConn Health, see "UNIVERSITY OF CONNECTICUT HEALTH CENTER" in this Appendix A.

During each fiscal year, the Board of Trustees of the University must quarterly submit to the General Assembly and the Office of Policy and Management, a report of the actual expenditures of the University of Connecticut Operating and Research Funds.

The University's Capital Budget request process has been replaced by the Act. The Act provides for a thirty-two year Capital Budget program of the University and authorizes projects estimated to cost $4,619.3 million of which $4,282.9 million was or will be financed by general obligation bonds secured by the States Debt Service Commitment of the University. Unless projects are deferred or savings are achieved the balance of the estimated cost of UCONN 2000 projects which is not to be financed by the University's Bonds secured by the State Debt Service Commitment may be funded by the issuance of the University's Special Obligation Bonds, other University Debt Obligations, State General Obligation Bonds or by gifts or other revenue or borrowing resources of the University. For Bonds secured by the State Debt Service Commitment, phase I for Fiscal Years 1996-99 totaled $382 million, phase II for Fiscal Years 2000-05 totaled $580 million and phase III for Fiscal Years 2005-27 totals $3,320.9 million. The University is required to provide a semi-annual update as to the progress of capital projects approved as part of UCONN 2000.

University Budget (Storrs and Regional Campuses)

Fiscal Year 2018 Budget Forecast. The Fiscal Year 2018 budget forecast includes $1,323.4 million in expenditures and $1,324.5 million of revenue, yielding a $1.1 million net gain.

Fiscal Year 2018 Revenue Forecast. For Fiscal Year 2018, State support is forecasted at a level of $327.2 million (allotment $191.3 million and fringe benefits $135.9 million including year-end accounting accruals), a decrease of $46.8 million or 12.3% less than the Fiscal Year 2017 amount. State support is the second largest source of revenue for the University. Tuition is the largest source of revenue (excluding waivers) and is forecasted at $398.9 million, an increase of $21.4 million or 5.7% over the Fiscal Year 2017 amount. Tuition revenue collections reflect a $775 annual rate increase for in-state students and a $1,050 annual rate increase for out-of-state students. Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off-campus MBA, EMBA, etc.). Also included in this category is the General University Fee, which supports multiple student support programs. Finally, there are various other fees included in this category such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. The fee collections for Fiscal Year 2018 are forecasted to be $136.5 million, an increase of $2.9 million or 2.2% over the Fiscal Year 2017 amount. Auxiliary Enterprise Revenue is forecasted to be $219.6 million, which is an increase of $4.7 million or 2.2% more than the Fiscal Year 2017 amount. Residence halls and rental properties, dining services and athletics generate most of the Auxiliary Enterprise Revenue. With respect to the Research Fund, the granting agency or donor restricts most of the revenues. Research Fund revenues for Fiscal Year 2018 are forecasted to be $106.1 million, which is a $1.4 million decrease or 1.3% less than Fiscal Year 2017.

Fiscal Year 2018 Expenditures Forecast. Total Fiscal Year 2018 expenditures of $1,323.4 million are forecasted to decrease by $7.5 million or 0.6% from the Fiscal Year 2017 amount. Personal services expenditures are expected to reach $496.1 million or $0.3 million more than Fiscal Year 2017. Fringe benefit expenditures are expected to be $252.0 million or $10.3 million more than Fiscal Year 2017. Financial Aid expenditures are forecasted to be $172.3 million, which is an increase of $11.8 million or 7.4% over the Fiscal Year 2017 amount.

In addition to actual results of operations for Fiscal Years 2014-2017, the following schedule reflects the Fiscal Year 2018 budget forecast.

Statement of Current Funds Operations (in millions)

	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Forecast
Current Funds Revenues:					
Operating Fund					
State Support	$ 308.1	$ 350.7	$ 384.5	$ 374.0	$ 327.2
Tuition (Net of Discounts)	290.4	319.7	353.4	377.5	398.9
Fees	106.7	116.2	124.3	133.5	136.5
Auxiliary Enterprise Revenue	198.7	204.4	214.5	214.8	219.6
All Other Revenues	113.9	129.9	138.7	130.6	136.4
Total Operating Fund	$1,017.8	$1,120.9	$1,215.4	$1,230.4	$1,218.4
Research Fund	100.3	99.5	105.8	107.5	106.1
Total Current Funds Revenues	**$1,118.1**	**$1,220.4**	**$1,321.2**	**$1,337.9**	**$1,324.5**
Current Funds Expenditures:					
Operating Fund					
Personal Services	$ 461.8	$ 482.8	$ 496.7	$ 495.8	$ 496.1
Fringe Benefits	212.0	230.1	239.5	241.7	252.0
Other Expenses	211.6	215.2	230.1	219.6	233.6
Equipment	4.5	4.9	21.1	17.3	22.4
Student Financial Aid	132.0	142.7	150.8	160.5	172.3
Non-mandatory/Projects	(7.5)	49.3	82.1	94.9	40.9
Total Operating Fund	1,014.4	$1,125.0	$1,220.3	$1,229.7	$1,217.3
Research Fund Expenditures	102.5	94.2	98.2	101.2	106.1
Total Current Funds Expenditures	**$1,116.9**	**$1,219.2**	**$1,318.5**	**$1,330.9**	**$1,323.4**
Net Gain (Loss)	**$ 1.2**	**$ 1.2**	**$ 2.7**	**$ 7.0**	**$ 1.1**

Note: use of decimals may result in rounding differences – Totals may not add due to rounding.

State Support of the University – Appropriations

The State develops a biennial budget which includes the University appropriation request. The appropriations are applicable to each specific year and the second year's appropriation is subject to review and adjustment. The University has historically received a substantial percentage of its operating revenue from the State General Fund Appropriation. In the Connecticut State system of higher education, the University of Connecticut receives more State support than any other State institution of higher education. The annual State appropriation the University receives is in the form of a block grant and is allotted quarterly. The University has independent authority to purchase goods and services; hire, fire and promote administrators, faculty and staff; and plan, design and construct capital projects. Public Act 17-2 appropriated $199.2 million to the University for Fiscal Year 2018 and $196.1 million for Fiscal Year 2019. The Fiscal Year 2018 appropriation has since been reduced by the State by $7.9 million for allocable bottom line savings for the State budget. This reduction results in a forecasted allotment of $191.3 million for Fiscal Year 2018.

No assurance can be made that the State will not change the Fiscal Year funding prior to the end of such Fiscal Year. Any State funding cuts are expected to be managed by the University through reduced hiring, reduced operating costs, fewer projects, and other deficit mitigation efforts.

Schedule of State Operating Support and Fringe Benefits to the University for Fiscal Years 2014 – 2018 (in millions)

Fiscal Year	Operating Appropriations[1] and Allotments	Fringe Benefits/ Adjustments	Operating Total
2014	202.6	105.5	308.1
2015	222.2	128.5	350.7
2016	240.6	143.9	384.5
2017	217.8	156.3	374.1
2018	191.3	135.9	327.2

[1] Excludes State general obligation bonds issued to fund University capital projects.

State Support of the University - Bond Issuance

In addition to appropriating funds for the general operating support of the University, the State has authorized its general obligation bonds to fund capital projects of the University. Certain of those State bonds are categorized as self-liquidating, meaning the University reimburses the State for the principal and interest on such bonds from revenues generated by the University from the operation of the projects funded with the proceeds of the State bonds. The self-liquidating bonds were paid in full by June 30, 2017.

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State Legislative Bond Authorizations for the University
for Fiscal Years 1996 - 2027

Fiscal Year	State General Obligation Bonds	UCONN 2000[1]	Total
1996	$18,000,000 [2]	$112,542,000	$130,542,000
1997	9,400,000 [2]	112,001,000	121,401,000
1998		93,146,000	93,146,000
1999		64,311,000	64,311,000
2000	2,000,000 [3]	130,000,000	132,000,000
2001	20,000,000 [3]	100,000,000	120,000,000
2002		100,000,000	100,000,000
2003		100,000,000	100,000,000
2004		100,000,000	100,000,000
2005[4]		100,000,000	100,000,000
2006		79,000,000	79,000,000
2007		89,000,000	89,000,000
2008	8,000,000 [5]	115,000,000	123,000,000
2009		140,000,000	140,000,000
2010		0	0
2011		138,800,000	138,800,000
2012	23,000,000 [6,7]	157,200,000	180,200,000
2013	20,000,000 [6]	143,000,000	163,000,000
2014		204,400,000	204,400,000
2015	131,500,000 [6]	315,500,000	447,000,000
2016	25,000,000 [8]	312,100,000	337,100,000
2017		240,400,000	240,400,000
2018		200,000,000	200,000,000
2019		200,000,000	200,000,000
2020		291,600,000	291,600,000
2021		186,200,000	186,200,000
2022		101,400,000	101,400,000
2023		98,000,000	98,000,000
2024		85,000,000	85,000,000
2025		70,100,000	70,100,000
2026		63,600,000	63,600,000
2027		40,600,000	40,600,000
Total	**$256,900,000**	**$4,282,900,000**	**$4,539,800,000**

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[1] Secured by State Debt Service Commitment.
[2] For Babbidge Library on the Storrs campus.
[3] For the development of a new downtown campus for the University of Connecticut in Waterbury.
[4] For Fiscal Year 2005, $50,000,000 was authorized under UCONN 2000 Phase II and an additional $50,000,000 was authorized under UCONN 2000 Phase III. Fiscal Years 2005-24 represent authorizations under UCONN 2000 Phase III including UConn Health projects. No UConn Health projects were authorized in Phase I or Phase II.
[5] Special Act 04-2 authorized the issuance of $8,000,000 of State General Obligation Bonds for renovation, alterations and improvements to the University's Law Library in Hartford which was approved by the State Bond Commission on March 28, 2008.
[6] Public Act 11-57, as amended by Public Act 14-98, authorized the issuance of $169,500,000 of State General Obligation Bonds to create a Technology Park on the Storrs Campus. $18,000,000 was approved by the State Bond Commission on August 26, 2011. $20,000,000 was approved by the State Bond Commission on April 26, 2013. $131,500,000 was approved by the State Bond Commission on May 11, 2015.
[7] Public Act 11-75 authorized $5,000,000 in State General Obligation Bonds for a comprehensive cancer center and the University sponsored health disparities institute which was approved by the Bond Commission on October 28, 2011.
[8] Public Act 15-1 (sections 2 & 21) authorized the issuance of $41 million of State General Obligation Bonds for the UConn Health Integrated Electronic Medical Record (EMR). The Integrated EMR will provide the health information technology required for compliance with federal and state regulations, enable interoperability and improve efficiencies for all UConn Health entities with access to clinical data updated in real-time in a single patient database. $25,000,000 was approved by the State Bond Commission on January 29, 2016.

Grants and Contracts

Revenue from federal, state, local and non-governmental grants and contracts totaled $180.1 million in Fiscal Year 2017, representing 22.8% of total operating revenues reported by the University in the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year ended June 30, 2017, included in this Appendix A. Revenue from federal, state and local governmental grants and contracts, including financial aid and recovery of indirect costs, totaled $152.1 million for this time period, which represented 19.3% of total operating revenues.

Governmental Grants and Contracts
for Fiscal Years 2013 - 2017
(in Millions of Dollars)

Fiscal Year	Amount
2013	$144.6
2014	148.0
2015	150.3
2016	164.9
2017	152.1

The University of Connecticut Foundation, Inc. and The University of Connecticut Law School Foundation, Inc.

Two other entities also support the mission of the University: The University of Connecticut Foundation, Inc., "Foundation", and the University of Connecticut Law School Foundation, Inc., "Law School Foundation". For financial reporting purposes, the Law School Foundation is included as a component unit with the University; the Foundation is an independent, privately governed institution which is separately audited. It operates exclusively for charitable and educational purposes, raising funds to promote, encourage, and assist education and research at the University and UConn Health. The Foundation solicits and accepts donations of properties, monies, and securities and invests and administers these gifts. The Foundation materially supports the mission of both the University and UConn Health.

Gift revenue to the University, both capital and noncapital, is derived from gifts made directly to the University and from the Foundation and Law School Foundation. These spendable funds are provided to the University for educational, cultural, recreational, and research activities. Both the Foundation and the Law School Foundation disburse funds to the University as requests are made, provided the request is in accordance with donor restrictions, if any. These disbursements paid to the University and to third parties on behalf of the University from both Foundations totaled approximately $29.4 million in Fiscal Year 2017 compared to $34.2 million in Fiscal Year 2016. This amount is not reflected in the University's financial statements. In addition, the University receives gifts directly. Total nonoperating gifts and capital gifts and grants revenue to the University from all sources amounted to $3.9 million and $6.4 million in Fiscal Years 2017 and 2016, respectively.

Giving University-wide continued at record levels, with contributions of $71.8 million to support the University students, faculty, and programs during Fiscal Year 2017. Of the $71.8 million in new gifts and commitments, $22.0 million was directed for scholarships and fellowships, $25.7 million for program support, $11.0 million for research, $7.4 million for faculty support, and $5.7 million for capital improvements. Donors contributed $29.8 million to the University's endowment.

	2013 $000's	2014 $000's	2015 $000's	2016 $000's	2017 $000's
Assets					
Endowment assets	$330,178	$369,444	$368,179	$362,419	$401,505
All other assets	118,405	108,308	102,537	100,473	102,645
Total Assets	**$448,583**	**$477,752**	**$470,716**	**$462,892**	**$504,150**
Support and Revenue					
Contributions and educational support	$ 44,418	$ 34,597	$ 32,504	$ 40,741	$ 35,603
Payment from the University	8,589	8,270	9,139	9,450	10,050
Investment income, net	25,929	47,826	10,067	(3,070)	45,653
Other revenues	638	733	1,712	1,694	1,985
Total Support and Revenue	**$ 79,574**	**$ 91,426**	**$ 53,422**	**$ 48,815**	**$93,291**
Expenditures					
Disbursements to and on behalf of the University	$ 35,070	$ 50,936	$ 37,355	$ 34,181	$ 27,598
Foundation expenses (development, asset mgt, admin)	14,975	17,068	17,067	19,711	20,932
Total Expenditures	**$ 50,045**	**$ 68,004**	**$ 54,422**	**$ 53,892**	**$ 48,530**
Less change in net assets not owned by Foundation		(18)	127	(109)	
Support and Revenues Over/Under Expenditures	**$ 29,529**	**$ 23,440**	**($ 1,127)**	**($ 4,968)**	**$44,761**

University Indebtedness

The UCONN 2000 Act, as amended, empowers the University to borrow money and issue securities to finance the acquisition, construction, reconstruction, improvement or equipping of any UCONN 2000 project and to provide for the security and payment of those securities and to refund such securities. Toward this purpose, to date, the University has issued General Obligation Bonds and Special Obligation Bonds, entered into a privately placed Governmental Lease Purchase Agreement, and assumed a promissory note associated with the purchase of the Nathan Hale Inn Hotel on the Storrs Campus.

The University of Connecticut General Obligation Bonds are issued pursuant to the Master Indenture of Trust, as amended (the "Master Indenture"), and are secured by the full faith and credit of the University and are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is defined by the Act and the Master Indenture as the commitment by the State to pay an annual amount for the punctual payment of Special Debt Service Requirements on securities issued as general obligations of the University, as the same shall arise and shall become due and payable. Special Debt Service Requirements include, among other things, the principal on serial General Obligation Bonds or sinking fund installments on term General Obligation Bonds and interest accruing thereon. As of the date of delivery of the 2018 Bonds, the University's General Obligation Bonds principal outstanding will be $1,661,785,000 including the 2018 Bonds.

The University of Connecticut also has issued Special Obligation Bonds pursuant to the Special Obligation Indenture of Trust, dated as of January 1, 1997, between the University, as Issuer, and U.S. Bank National Association, as successor to State Street Bank & Trust Company, as Trustee, as amended (the "Special Obligation Master Indenture"). The Board of Trustees approved the Special Obligation Master Indenture on November 8, 1996. Unlike the UCONN 2000 General Obligation Bonds that are paid from the State's General Fund, debt service on the Special Obligation Bonds is paid from certain pledged revenues, including student fees of the University as defined in the Special Obligation Master Indenture. To date, ten projects have been authorized to receive $374,180,000 of the UCONN 2000 Special Obligation Bond proceeds, and some of these projects also were supported by State General Obligation Bonds or other funding. See "GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES – Status of UCONN 2000 Projects" in this Appendix A. As of the date of delivery of the 2018 Bonds, the Special Obligation Bonds principal outstanding will be $240,980,000.

A privately placed Governmental Lease Purchase Agreement (the "Lease"), with Caterpillar Financial Services Corporation, a Delaware Corporation, secured by the University's general obligation was entered into to finance the cogeneration facility portion of the UCONN 2000 Heating Plant Upgrade project. The cogeneration facility is part of the UCONN 2000 Heating Plant Upgrade project, as defined under the UCONN 2000 Act, which generates substantially all of the needs for electrical power, heating and cooling on the main campus at Storrs. The UCONN 2000 Heating Plant Upgrade project also has been partially funded with General Obligation Bonds of the University secured by the State Debt Service Commitment. The $81,900,000 original principal amount of the Lease is a UCONN 2000 debt obligation entered into under certain separately negotiated documents and agreements and is not secured by the Master Indenture or the Special Obligation Master Indenture. On December 18, 2003, the University entered into the Lease in the principal amount of $75,000,000 at a nominal interest rate of 4.42% compounded monthly for a term of 240 months. On August 15, 2005, the University amended the Lease for an additional amount of $6,900,000 at a 5.09% interest rate compounded monthly. In August 2013, the University amended the Leases to lower the interest rate to 3.22% for the full outstanding amount of the Lease, as amended, effective as of the August 2013 monthly payment, which lowered the University's monthly payments from $517,135 to $482,448. In November 2016, the University amended the Leases to lower the interest rate to 2.22% for the full outstanding amount of the Lease, as amended, effective as of the January 2017 monthly payment, which lowered the University's monthly payment from $482,448 to $461,645. As of the date of delivery of the 2018 Bonds, the amount of the Lease outstanding will be $38,972,089.

On April 29, 2015, the Board of Trustees authorized the University to assume existing indebtedness of the seller of the Nathan Hale Inn on the Storrs Campus (the "Inn") in the form of a promissory note (the "Note") to Webster Bank in the maximum principal amount of $5,500,000. The Governor approved the financing on May 19, 2015. On July 1, 2015, the University assumed the obligations under the Note in the amount of $5,376,713 with an interest rate of 6.84% and purchased the Inn. The Note was secured by the general obligation of the University and matured on December 1, 2016. The Note was issued pursuant to separate financing documents and not under the UCONN 2000 General Obligation or Special Obligation Indentures of Trust. The Note was secured by the general obligation of the University and matured and was retired on December 1, 2016.

In addition to UCONN 2000 indebtedness, the University has certain other limited indebtedness; see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED JUNE 30, 2017".

The following schedule sets forth the debt service payments to be made in each University fiscal year on the general obligation bonds issued and outstanding by the University as of the date of delivery of the 2018 Bonds, including the 2018 Bonds.

Debt Service on General Obligation Bonds[1]
as of May 3, 2018

FYE 30-June	Outstanding General Obligation Bonds Principal	Interest	Total	This Issue General Obligation Bonds Principal	Interest	Subtotal	Total Debt Service
2019	$115,210,000	$65,645,639	$180,855,639	$13,800,000	$12,584,721	$26,384,721	$207,240,360
2020	109,430,000	60,333,014	169,763,014	13,805,000	12,557,075	26,362,075	196,125,089
2021	104,435,000	55,310,714	159,745,714	13,805,000	11,866,825	25,671,825	185,417,539
2022	99,190,000	50,366,445	149,556,445	13,805,000	11,256,575	25,061,575	174,618,020
2023	95,345,000	45,658,545	141,003,545	13,805,000	10,581,575	24,386,575	165,390,120
2024	90,955,000	41,049,039	132,004,039	13,805,000	9,891,325	23,696,325	155,700,364
2025	85,805,000	36,613,570	122,418,570	13,805,000	9,213,938	23,018,938	145,437,508
2026	82,060,000	32,478,001	114,538,001	13,805,000	8,523,688	22,328,688	136,866,689
2027	78,430,000	28,424,364	106,854,364	13,805,000	7,833,438	21,638,438	128,492,801
2028	74,675,000	24,573,058	99,248,058	13,805,000	7,143,188	20,948,188	120,196,245
2029	74,910,000	20,847,453	95,757,453	13,805,000	6,452,938	20,257,938	116,015,390
2030	67,565,000	17,176,590	84,741,590	13,805,000	5,762,688	19,567,688	104,309,278
2031	62,705,000	14,100,800	76,805,800	13,805,000	5,072,438	18,877,438	95,683,238
2032	53,720,000	10,987,338	64,707,338	13,805,000	4,382,188	18,187,188	82,894,525
2033	53,720,000	8,388,725	62,108,725	13,805,000	3,691,938	17,496,938	79,605,663
2034	53,720,000	5,996,588	59,716,588	13,805,000	3,174,250	16,979,250	76,695,838
2035	39,640,000	3,820,200	43,460,200	13,800,000	2,484,000	16,284,000	59,744,200
2036	28,635,000	2,079,000	30,714,000	13,800,000	1,794,000	15,594,000	46,308,000
2037	15,560,000	778,000	16,338,000	13,800,000	1,104,000	14,904,000	31,242,000
2038				13,800,000	552,000	14,352,000	14,352,000
Totals[2]	$1,385,710,000	$524,627,080	$1,910,337,080	$276,075,000	$135,922,784	$411,997,784	$2,322,334,864

[1] Secured by State Debt Service Commitment, net of bonds previously refunded.
[2]Totals may not sum due to rounding.

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The following table sets forth all bonds and capital leases issued by the University under the UCONN 2000 program and outstanding as of the date of delivery of the 2018 Bonds, including the 2018 Bonds.

Total UCONN 2000 Debt Obligations Outstanding

	Original Par Amount[1]	Amount Outstanding Currently[1]	Dated Date[2]
General Obligation Debt Service Commitment Bonds			
GO DSC 2009 Series A	144,855,000	79,410,000	April 16, 2009
GO DSC 2010 Series A	97,115,000	58,255,000	May 25, 2010
GO DSC 2010 Series A Refunding[3]	36,095,000	11,450,000	May 25, 2010
GO DSC 2011 Series A	179,730,000	116,805,000	December 8, 2011
GO DSC 2011 Series A Refunding[4]	31,905,000	17,340,000	December 8, 2011
GO DSC 2013 Series A	172,660,000	138,125,000	July 31, 2013
GO DSC 2013 Series A Refunding[5]	51,250,000	38,930,000	July 31, 2013
GO DSC 2014 Series A	109,050,000	87,235,000	April 22, 2014
GO DSC 2014 Series A Refunding[6]	92,940,000	9,675,000	April 22, 2014
GO DSC 2015 Series A	220,165,000	187,145,000	April 16, 2015
GO DSC 2015 Series A Refunding[7]	34,625,000	27,620,000	April 16, 2015
GO DSC 2016 Series A	261,510,000	235,350,000	April 21, 2016
GO DSC 2016 Series A Refunding[8]	80,425,000	53,380,000	April 21, 2016
GO DSC 2017 Series A	311,200,000	295,640,000	January 19, 2017
GO DSC 2017 Series A Refunding[9]	33,950,000	29,350,000	January 19, 2017
GO DSC 2018 Series A	276,075,000	276,075,000	May 3, 2018
Total[10,15]		**$1,661,785,000**	
Special Obligation Student Fee Revenue Bonds			
UCONN 2000 SPEC OB 2010-A Refunding[11]	47,545,000	25,075,000	June 16, 2010
UCONN 2000 SPEC OB 2012-A Refunding[12]	87,980,000	74,180,000	December 13, 2012
UCONN 2000 SPEC OB 2018-A	141,725,000	141,725,000	March 29, 2018
Total[13, 15]		**$ 240,980,000**	
Capital Leases			
Governmental Lease Purchase Agreement	$ 75,000,000	$ 35,631,302	December 18, 2003
Governmental Lease Purchase Agreement	6,900,000	3,340,787	August 15, 2005
Total[14, 15]		**$ 38,972,089**	

1 "Original Par Amount" includes bonds previously refunded. "Amount Currently Outstanding" is net of bonds previously refunded.
2 The General Obligation Bonds issued in 1996 and 1997 include capital appreciation bonds, which were dated their date of delivery.
3 The General Obligation 2010-A Refunding Bonds refunded $35,885,000 of the outstanding GO DSC Series 1999-A, 2001-A, 2003-A and 2004-A Bonds.
4 The General Obligation 2011-A Refunding Bonds refunded $33,735,000 of the outstanding GO DSC Series 2003-A and 2004 Bonds.
5 The General Obligation 2013-A Refunding Bonds refunded $54,375,000 of the outstanding GO DSC Series 2004A and 2005A Bonds.
6 The General Obligation 2014-A Refunding Bonds refunded $97,930,000 of the outstanding GO DSC Series 2004A Refunding and 2005A Bonds.
7 The General Obligation 2015-A Refunding Bonds refunded $38,550,000 of the outstanding GO DSC Series 2006A Bonds.
8 The General Obligation 2016-A Refunding Bonds refunded $88,535,000 of the outstanding GO DSC Series 2006A Refunding Bonds and 2007A Bonds.
9 The General Obligation 2017-A Refunding Bonds refunded $36,095,000 of the outstanding GO DSC Series 2007A Refunding Bonds.
10 Debt Service on the General Obligation Bonds is payable from the Debt Service Commitment of the State.
11 The SPEC OB 2010-A Refunding Bonds refunded all of the outstanding $33,560,000 SPEC OB Series 1998-A Bonds and part of the 2002-A Bonds.
11 The SPEC-OB-2012-A Refunding Bonds refunded all of the outstanding $75,430,000 SPEC-OB Series 2002-A Bonds and $96,130,000 Series 2002-A Refunding Bonds.
12 Debt Service on the Special Obligation Bonds are payable from certain Pledged Revenues of the University as further defined in the Special Obligation Indenture of Trust, dated as of January 1, 1997, as amended.
14 Does not include capital lease obligations subject to annual appropriation.
15 Totals may not sum due to rounding.

Employee Data

Faculty and Staff. As of October 2017, the University had 4,824 full-time equivalent ("FTE") employees. Full and part-time faculty accounted for 1,577 FTE employees. The University hires adjunct lecturers on a semester-by-semester basis, as needed, who are not included in the above employee count. In Fall 2017, 55.8% of full-time teaching faculty were tenured, 21.4% were tenure track and the remaining were non-tenure track faculty. The average age range of full-time faculty was 45-49. Additionally, the University also has 921 FTE graduate student assistants who receive stipends (starting in 2017, the methodology for calculating FTE graduate assistants changed from 0.25 each to 0.5 each); and other non-permanent employees (i.e. special payroll, students) not captured in any of the prior categories.

Six bargaining units represented approximately 4,352 FTE union members as of October 2017. Approximately 10% of University faculty and staff were non-union employees. The University bargains with two units covering 3,650 FTE employees: the American Association of University Professors (AAUP) and the University of Connecticut Professional Employees Association (UCPEA). Law school faculty, University exempt (management) and certain temporary and part-time employees are not represented by bargaining units. The remaining four unions covering 702 FTE employees bargain directly with the State. In addition, the University bargains directly with the Graduate Employee Union Local 6950 (GEU-UAW) for graduate student assistants.

The University has statutory authority to negotiate and enter into collective bargaining agreements with the labor unions that represent its faculty (AAUP) and non-teaching professionals (UCPEA). The University has reached agreement on successor contracts with these unions. The collective bargaining agreements are currently in effect and will be in full force and effect through June 30, 2021. The University is currently negotiating a successor agreement with the GEU-UAW.

Retirement Plans and Post-Employment Benefits. Most State employees are eligible to receive retirement benefits under a State retirement plan. Various retirement plans are available for University employees none of which are administered by the University.

In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, that addresses accounting and financial reporting requirements for governmental employers that provide their employees with pension benefits administered through a qualified trust and was effective for employer fiscal years beginning after June 15, 2014. This statement establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. In accordance with GASB 68, the University records its proportionate share of the State's collective net pension liability, collective deferred inflows and deferred outflows of resources related to pensions, and collective pension expense for each defined benefit plan offered to its employees.

In addition to pension benefits, the State provides post-retirement health care and life insurance benefits to University employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents' coverage) depending on the plan chosen by the employee. In addition, the State 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 by a formula based on the number of years of State service that the retiree had at the time of retirement. The State is responsible for and finances the cost of post-retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the State's General Fund; therefore, no liability is recorded in the University's financial statements.

Effective for fiscal year 2018, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will require the University to report its proportionate share of the net liability related to its participation in these post-employment benefit plans in its Statement of Net Position. This standard will also require more extensive note disclosures and required supplementary information to be presented about the reported post-employment liabilities. The University is still evaluating the full impact of this new standard.

Additionally, certain provisions under collective bargaining agreements were amended subsequent to year-end that will impact pension and post-employment benefits. These changes were effective July 1, 2017, and their overall impact cannot be reasonably estimated as of the date of this report. For further discussion, see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED 2017.

Insurance and Litigation

Insurance. The University, as an agency of the State, is self-insured, for general liability purposes, on an unreserved basis. The State purchases blanket policies covering other risks, including property, casualty and hazard insurance for all State agencies. The State pays all premiums for such insurance policies. The University reimburses the State for the cost of coverage of items purchased with other than State appropriation funds. The University may request an allotment of insurance proceeds resulting from the loss of University property. The Act authorizes the University to purchase insurance for its assets, actions and activities. In regard to design and construction projects, the University requires errors and omissions insurance from the lead project design professional (project architect of record), and selected sub-consultants on all construction projects. The University requires that contractors engaged on all construction projects provide and maintain general liability, automobile and statutory workers' compensation coverage. In regard to builders risk policies and protection of construction work in progress for existing buildings, the State, through its property policy provides builders risk coverage subject to a deductible. The University requires the contractors to provide builders risk insurance for construction projects involving new buildings. The University directly purchases workers' compensation insurance as part of an owner-controlled insurance program (OCIP) for select UCONN 2000 Health projects.

Litigation. The University (not including UConn Health) is currently defending various legal matters in state and federal courts. None of those suits, either individually or in the aggregate, are likely to have a material adverse impact on the University's financial position.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

An organizational unit of the University of Connecticut, UConn Health is a comprehensive State-owned academic Health Center, which has the traditional tripartite missions of education, patient care and research facility as well as community service and public health. Its main campus is located in a complex of buildings in suburban Farmington, Connecticut. UConn Health was established in 1961 and is currently comprised of the School of Medicine, the School of Dental Medicine and their associated Educational Clinics, the UConn John Dempsey Hospital, the University Medical Group, University of Connecticut Finance Corporation, Correctional Managed Healthcare (CMHC), research laboratories, health sciences/medical library and administrative and other support facilities. It operates more than 400 clinical and educational programs throughout Connecticut and is a referral center for persons with certain illnesses requiring complex patient care. UConn Health also provides comprehensive healthcare services for Connecticut's incarcerated inmates through the Correctional Managed Healthcare program. As of Fall 2017, UConn Health had 592 professional students in the Schools of Medicine and Dental Medicine, graduate students in Master's and Doctoral programs, and approximately 850 residents, interns and postdoctoral fellows. It also provides an extensive array of continuing education activities to health professionals throughout the State. UConn Health submits separate operating and capital budgets to the Governor and the General Assembly and receives its appropriation and allotment separate from the University. See "UNIVERSITY FINANCES – Budget and Budgeting Procedure of the University" in this Appendix A.

GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES

Board of Directors

Composition. The Board of Directors of UConn Health consists of up to 18 members. Pursuant to Section 35 of Public Act No. 01-173, the Board of Trustees for the University created the board of directors for the governance of UConn Health, and has determined such duties and authority as it deemed necessary and appropriate to delegate to said board of directors. The Board consists of nine members at large appointed by a nominating committee of the Board of Directors, three members appointed by the Chairperson of the Board of Trustees, three members appointed by the Governor and three voting ex-officio members (the Secretary of the State's Office of Policy and Management, the President of the University and the Commissioner of Public Health or their designees).

Membership. Currently, two positions on the Board of Directors are vacant. The name, term, position and affiliation or profession of each member of the Board of Directors is as follows:

Name	Term Ends	Position	Affiliation/Profession
Kenneth Alleyne	2020	Member	Orthopedic Surgeon, Eastern Orthopedics
Francis X. Archambault Jr.	2016*	Member	Retired Emeritus Professor, University of Connecticut
Richard M. Barry	2016*	Member	Deputy Chief Risk Officer, Key Bank
Andy F. Bessette	2016*	Appointed by Chairperson, Board of Trustees	EVP & CAO, The Travelers Companies, Inc.
Richard T. Carbray Jr.	2015*	Appointed by Chairperson, Board of Trustees	Owner, Apex Pharmacy, Home Care and Nutritional Center
Cheryl A. Chase	2015*	Vice-Chair	Co-president, Principal and General Counsel, Chase Enterprises
Sanford Cloud, Jr.	2014*	Chair; Appointed by Chairperson, Board of Trustees	Chairman and CEO, The Cloud Company, LLC
Robert S. Dakers		Ex-officio	Executive Financial Officer, Office of Policy & Management (OPM)
John F. Droney	2016*	Member	Partner, Hinckley Allen Snyder, LLP
Joel Freedman	2017*	Appointed by the Governor	Owner, Freedman Consulting, LLC
Susan Herbst		Ex-officio	President, University of Connecticut
Timothy A. Holt	2016*	Member	Retired Director, Virtus Investment Partners and MGIC Investment
Raul Pino, M.D.		Ex-officio	Commissioner, Connecticut Department of Public Health
Wayne Rawlins	2015*	Member	Vice President & Senior Medical Director of Healthcare Services, ConnectiCare, Inc.
Teresa M. Ressel	2012*	Appointed by the Governor	Private Company Management
Kathleen D. Woods	2013*	Appointed by the Governor	Chairperson, Farmington Woods Golf Club

* Board members continue to serve until re-appointed or replacements are appointed.

Duties of the University of Connecticut Health Center Board of Directors. Subject to duties outlined by the University's Board of Trustees, the Board is authorized to establish rules and general policies for the governance of UConn Health and its academic programs. The Board of Directors manages and directs the expenditures of UConn Health. The Board of Directors is required by law to review and approve UConn Health budget requests and propose facility, planning and capital expenditure budget priorities.

Officers of the Board of Directors. The officers of the Board of Directors are the Chair of the Board (Sanford Cloud Jr.), the Vice-Chair (Cheryl Chase), the Secretary (John Droney) and the Treasurer (vacant). The Chair is privileged to make or discuss motions and to vote on all questions.

Academic Programs of the School of Medicine and School of Dental Medicine

Post Baccalaureate Programs. The Schools of Medicine and Dental Medicine each conduct a four-year post baccalaureate program leading to the M.D. and D.M.D. degrees, respectively.

Residency. The School of Medicine and the School of Dental Medicine each offer residency programs, which provide advanced training in preparation for licensure practice and certification within a field of specialization. Approximately 760 residents and fellows populate UConn John Dempsey and other regional hospitals.

Graduate Programs. Programs leading to either a Ph.D. or Master's degree in medically related sciences are offered in nine biomedical sciences and in community health and dental sciences. There are also programs of post-doctoral education of biomedical scientists.

Continuing Education. The schools provide facilities and/or opportunities for the practicing professionals to continue their education by offering a wide variety of courses, lectures, seminars, and visiting lectureships.

Research. The faculty of the Schools of Medicine and Dental Medicine are generally expected to develop an active research program, both to advance knowledge within their field of expertise and to enhance the quality of the educational program. Approximately $87.2 million was generated in Fiscal Year 2017 by the research activities of the various faculties which supplements appropriations from the State.

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Student Enrollment

Enrollment. UConn Health's enrollment in Fall 2017 was 411 in the School of Medicine, 181 in the School of Dental Medicine, and 314 Graduate students. Historically, enrollment at UConn Health has been flat. A key component of the Bioscience Connecticut initiative is to grow enrollment 30%. The 411 enrolled students represent an increase of 14% over the School of Medicine's 2014 enrollment showing significant progress towards its Bioscience Connecticut goals.

Each year, approximately 400 students work toward their medical doctor's degree and 180 toward their doctor of medical dentistry degree. Admission to each school is highly competitive, but both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards.

Average Total MCAT and DAT Scores
Fall 2013 - 2017

Fall	MCAT	DAT
2013	31.9	20.7
2014	31.9	21.2
2015	31.7	21.2
2016*	509.3	21.6
2017*	511.3	21.5

*The new test, which was revised to cover a broader range of material and better equip medical schools with ways to more completely assess applicants, uses a new scoring system. The new scoring methodology changed the scale from a maximum of 45 to a maximum of 528. Historically, medical students ranked near the 88th percentile on the old MCAT test on the National Boards. Based on the new MCAT testing format, our admitted medical students in 2017 scored slightly above the 86^{th} percentile.

Passing Rates on National Exams
2013 - 2017

Year	School of Medicine	School of Dental Medicine
2013	97	100
2014	98	100
2015	99	100
2016	98	100
2017	99	100

Tuition and Other Fees

Pursuant to State law, the Board of Directors is authorized to adopt a comprehensive schedule of tuition and other fees which are expected to prevail during the following fiscal year. Such tuition and fees must comply with the policy of the Office of Higher Education that requires them to be between the 70^{th} and 75^{th} percentiles of public schools nationally.

Tuition. For the academic year 2018, students classified as full-time residents of Connecticut were charged tuition of $34,706 for the School of Medicine and $32,599 for the School of Dental Medicine. Out-of-state students were charged $67,318 for the School of Medicine and $68,726 for the School of Dental Medicine. For the 2019 academic year, tuition for Connecticut residents has been set at $36,932 for School of Medicine students and $34,599 for School of Dental Medicine students.

Mandatory Fees. For academic year 2018, students will pay a fee of $3,660 for the School of Medicine and $2,940 for the School of Dental Medicine per year. This fee includes payments for commencement, student affairs, and a student activity fee. An optional student health plan is available for an additional fee.

Annual Cost of an In-State Student Enrolled
at UConn Health by School
Academic Years 2015 - 2019

School of Medicine

	2015	**2016**	**2017**	**2018**	**2019**
Tuition	$27,074	$30,013	$32,554	$34,706	$36,932
Fees*	9,959	8,500	7,500	3,660	3,160
Total	**$37,033**	**$38,513**	**$40,054**	**$38,366**	**$40,092**

School of Dental Medicine

	2015	**2016**	**2017**	**2018**	**2019**
Tuition	$25,531	$28,231	$30,667	$32,599	$34,599
Fees*	9,000	7,682	6,681	2,940	3,028
Total	**$34,531**	**$35,913**	**$37,348**	**$35,539**	**$37,627**

* Beginning in 2018, the optional student health fee is excluded.

Percentage of Enrollment by Residence Status
Fall 2013 - 2017

	School of Medicine		School of Dental Medicine	
Fall	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**
2013	95.1	4.9	87.8	12.2
2014	93.2	6.8	85.8	14.2
2015	93.4	6.6	88.9	11.1
2016	91.2	8.8	90.0	10.0
2017	92.5	7.5	89.0	11.0

University of Connecticut Health Center Clinical Operations

Per Public Act 17-2, on April 2, 2018, UConn Health submitted a report to the General Assembly on the status of efforts to explore a public-private partnership aimed at strengthening UConn Health by continuing the journey of financial stabilization and growth of clinical operations. The process will include a nation-wide Solicitation of Interest in June 2018 followed by selection in September 2018 if a desirable partner is identified. The UConn Health Board of Directors and the University Board of Trustees must approve any agreement.

UConn Medical Group and University Dentists. The faculty practices of UConn Health, UConn Medical Group (UMG) and University Dentists are the key components of UConn Health's integrated health care delivery system administratively designated "University of Connecticut Clinical Operations" ("Clinical Operations"). Clinical Operations include an extensive array of ambulatory clinics representing the range of specialty and primary fields that comprise medicine and dentistry operated by UMG and University Dentists. Clinical Operations is the vehicle through which UConn Health contracts with managed care and other health care payors and engages in joint ventures and other arrangements. Clinical Operations also does business through the University of Connecticut Health Center Finance Corporation (the "Finance Corporation"), a statutory corporation authorized to enter into joint ventures, other affiliations and contracts in furtherance of the operations of the clinical programs.

UConn John Dempsey Hospital. UConn Health's John Dempsey Hospital is also a key component in Clinical Operations. The Hospital has 234 licensed beds (193 staffed), and is located in Farmington, a suburb of Hartford. It serves as the primary teaching hospital for the Schools of Medicine and Dental Medicine, and participates in the clinical education of students from other health profession education programs. As the primary teaching hospital, it contains a full range of services, including surgery, medicine, cardiac care, psychiatry, and obstetrics and gynecology. The Hospital is also the focus of specialized programs, including programs dealing with arthritis, lupus, alcoholism, cancer, hemophilia, high-risk pregnancies, dental diseases in the handicapped, and taste and smell deficiencies. The Hospital also provides emergency dental care through an agreement with the Educational Clinics.

Educational Clinics. The Educational Clinics offer comprehensive dental care provided by dental students (pre-doctoral students) in multidisciplinary clinics or by dental residents (postdoctoral students) receiving advanced or specialty training under the supervision of licensed clinical faculty. The Predoctoral Teaching Program is designed to train dental students to be future general dentists or specialists. Dental care provided in the predoctoral program is provided by students under the supervision of experienced dentists. The Postdoctoral Teaching Program is a practice comprised of licensed dentists who spend 2 to 6 years under intensive training to be specialists in endodontics, periodontics, oral surgery, orthodontics, pediatric dentistry, prosthodontics, or advanced education general dentistry (AEGD).

Correctional Managed Health Care. Through a contract with the State, UConn Health currently provides health care services for all persons incarcerated in Connecticut's jails and prisons. The vast majority of these activities take place at facilities operated by the Department of Correction, but the UConn John Dempsey Hospital does maintain a high security prison ward for patients requiring in-patient services. UConn Health is actively working with the Department of Correction to transition this back to that agency at the end of the current agreement, now extended to June 30, 2018.

Patient Service Revenue

Pursuant to the Master Indenture, patient revenues or any other revenues derived from clinical operations of the University are not pledged towards the repayment of Bonds.

Strategic Plan Initiative

Our Mission. UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness/health to maximum attainable levels.

In this quest, UConn Health will continuously enable students, professionals and agencies to promote the health of Connecticut's citizens. UConn Health will consistently pursue excellence and innovation in the education of health professionals; the discovery, dissemination and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

Market Assessment and Regional Planning. UConn Health employs a variety of means to assess the market. Using data available from the Connecticut Hospital Association and the Office of Health Care Access, UConn John Dempsey Hospital assesses its performance relative to other hospitals and in terms of market share. Both UConn John Dempsey Hospital and UConn Medical Group use publicly available and purchased data sets relative to population and disease trends, utilization rates for services, physician and service demand. UConn Health executives and product line leaders, both physician and non-physician staff, through professional associations, networking with peers and patient interactions, supply data, information and expertise that is used for assessment and planning. Public input is sought through formal and informal interactions with UConn Health Board of Directors, the UConn Board of Trustees, the State Legislature, Town of Farmington, Connecticut officials, community leaders, patients and the many people who attend the public programs of UConn Health. Strategic plans are developed given the market assessment, in combination with an assessment of the strengths of UConn Health programs and staff. UConn Health has focused efforts on programs that integrate the academic, research, and clinical strengths of the institution to serve the health care needs of the citizens of the State. In order to best extend the access to UConn Health services, UConn Health has established and continues to seek relationships with other health care providers including and especially primary care providers.

UConn Health is expected to continue to be challenged by managed care and federal reimbursement rates. UConn Health has adopted a strategy of actively monitoring the market and pursuing agreements with all managed care payors. UConn Health has entered into participation agreements with most of the major HMOs and PPOs. Payors are increasingly interested in shared risk arrangements with providers. UConn Health has executed a number of shared risk agreements and will likely be requested to do more. UConn Health is actively developing the programs and systems necessary to accept and manage risk.

Bioscience Connecticut. UConn Health has benefitted from the major economic revitalization plan called Bioscience Connecticut (Public Act 10-104, as amended by Public Act 11-75). Bioscience Connecticut's aim is to make the State a leader in bioscience research and in turn, jumpstart the State's economy by creating jobs and generating long-term economic growth. Program initiatives related to UConn Health were:

- Renovating existing UConn Health facilities to increase bioscience research capacity and productivity, increasing the number of basic and clinical/translational scientists, and expanding small business incubator facilities to foster new business start-ups.
- Increasing UConn Health's medical and dental schools' enrollment by 30 percent, and establishing a loan forgiveness program to attract more graduates to practice primary care medicine and dentistry in Connecticut.
- Constructing a new patient tower and a new ambulatory care center, and increasing the number of UConn Health primary and specialty care clinicians.

The $864 million Bioscience Connecticut plan was funded with $592 million of bond funds. Construction of the ambulatory care center (also known as the "Outpatient Pavilion") was financed by a $203 million credit tenant lease between Teachers Insurance and Annuity Association and the University of Connecticut Health Center Finance Corporation through a bankruptcy remote special purpose entity named UCHCFC Circle Road Corp. UConn Health operating funds, private financing or philanthropy will be utilized to fund the remainder of the program.

In October 2011, the Connecticut General Assembly adopted legislation, which established the Connecticut Bioscience Collaboration Program (the "Collaboration") and authorized $290.7 million of State general obligation bonds to be issued over a ten-year period and to be deposited in the Connecticut Bioscience Collaboration Fund. The Collaboration shall support the establishment of a bioscience cluster anchored by a research laboratory housed at UConn Health. Said funds are held and administered by Connecticut Innovations Incorporated.

Construction work related to the Bioscience Connecticut initiative is largely complete with only the Clinic Building Renovations remaining under construction. The new John Dempsey Hospital University Tower, which also includes the third and final parking garage, opened in May 2016. Work on the final phase of the Hospital project was substantially completed by late 2016. The Outpatient Pavilion was completed and the building was occupied by mid-September 2016. The Main Building Lab Renovations were completed in March of 2017. The Academic Building Addition and Renovation project was completed in October of 2017. The Incubator Lab addition to the Cell and Genome Sciences Building was completed in January 2016 and the labs are now being leased to companies for technology development. The Clinic Building Renovations began construction in July 2016 and the work will continue through early 2018. Phase 1, which entails work on and renovation to the Main Lobby, is nearing completion, and Phase 2 work began in September 2017.

Employment

UConn Health employed approximately 4,900 full-time equivalent (FTE) employees as of December 2017. UConn Health employees are State employees. The terms and conditions of employment of almost 4,400 FTE employees as of December 2017 are governed by collective bargaining agreements with nine bargaining units. The State bargains with all bargaining units representing UConn Health employees except the University Health Professions (the "UHP") and the American Association of University Professors (the "AAUP"). UConn Health has statutory authority to negotiate and enter into collective bargaining agreements with the labor unions that represent its faculty (AAUP) and non-teaching professionals (UHP). UConn Health has reached agreement on successor contracts with these unions. The collective bargaining agreements are currently in effect and will be in full force and effect through June 30, 2021. The remaining seven unions bargain directly with the State. University exempt (management) and certain temporary and part-time employees are not represented by bargaining units.

UCONN HEALTH FINANCES

Financial Statements of UConn Health

Below is a five-year presentation of the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Years ended June 30, 2013, 2014, 2015, 2016 and 2017.

Statement of Revenues, Expenses and Changes in Net Position

($ in thousands)

	2013	2014	2015	2016	2017
OPERATING REVENUES					
Student tuition and fees[1]	$ 13,812	$ 15,794	$ 16,557	$ 15,728	$ 17,499
Patient services[2]	432,032	450,315	512,960	532,876	539,777
Federal grants and contracts	60,651	62,527	57,920	59,529	58,148
Nongovernmental grants and contracts	27,593	23,803	24,407	27,116	29,009
Contract and other operating revenues	102,574	106,772	109,324	108,017	114,283
Total operating revenues	$636,662	$659,211	$ 721,168	$743,266	$758,716
OPERATING EXPENSES					
Educational and General					
Instruction	$141,182	$152,618	$ 163,703	$ 168,299	$ 169,130
Research	60,918	59,518	56,961	58,233	59,400
Patient services	522,826	581,558	607,436	648,072	713,342
Academic support	20,011	20,824	22,458	18,070	19,186
Institutional support	53,114	66,416	83,260	80,638	82,233
Operations and maintenance of plant	33,606	31,548	35,363	38,714	37,295
Depreciation	32,365	32,780	37,830	41,468	52,046
Student aid	136	50	32	84	194
Total operating expenses	864,158	945,312	1,007,043	1,053,578	1,132,826
Operating (loss) income	($227,496)	($286,101)	($ 285,875)	($ 310,312)	($ 374,110)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	$213,371	$266,139	$ 280,645	$ 289,287	$ 278,211
Gifts	7,659	7,299	7,175	6,866	4,079
Interest income[3]	124	93	176	141	104
Interest on capital asset – related debt	(1,072)	(1,007)	(3,820)	(10,487)	(10,214)
Net nonoperating revenues	$220,082	$272,524	$ 284,176	$ 285,807	$ 272,180
Income before other revenues, expenses, gains or losses	($ 7,414)	($ 13,577)	($ 1,699)	($ 24,505)	($ 101,930)
Loss on disposal	(2,978)	(573)	(3,902)	(695)	(989)
Capital appropriations	5,000	193,214	159,810	175,000	43,479
Total other revenues	2,022	192,641	155,908	174,305	42,490
Increase (decrease) in net position	($ 5,392)	$179,064	$ 154,209	$ 149,800	($ 59,440)
NET POSITION					
Net position-beginning of year	$403,122	$397,730	$ 576,794	$ 35,971	$ 185,771
Cumulative impact of implementing GASB 68 and 71	-	-	(695,032)	-	-
Net position-beginning of year as restated	-	-	(118,238)	-	-
Net position-end of year	$397,730	$576,794	$ 35,972	$ 185,771	$ 126,331

[1] Net of scholarship allowances of $5,039, $4,517, $5,556, $6,205 and $6,250 respectively.
[2] Net of charity care of $801, $630, $328, $438 and $310 respectively.
[3] Net of investment expense of $98, $70, $85, $56 and $56 respectively for the primary institution.

Note: Although governed by a single Board of Trustees with one chief executive officer, the University and UConn Health maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State appropriations. See "UCONN HEALTH FINANCES – Budget and Budgeting Procedure of UConn Health" in this Appendix A.

Budget and Budgeting Procedure of UConn Health

UConn Health submits a separate biennial operating budget to the Governor and General Assembly through the Secretary of the Office of Policy and Management. The operating budget request sets forth a proposed expenditures plan for the amount necessary to meet cost increases while providing a constant level of service. The budget may also include funds for expansion of UConn Health programs. The operating budget includes various revenue sources including patient services, federal and private grant funding and State appropriations. The General Assembly appropriates and allocates funds directly to UConn Health. The Governor may reduce State agency allotments by not more than five percent unless such reduction is approved by the Appropriations Committee of the General Assembly which shall, within ten days, approve or reject such reduction. UConn Health's Board of Directors approves annually the Unrestricted Operating Budgets for UConn Health, which then must be approved by the University's Board of Trustees.

During each fiscal year, the Board of Trustees must quarterly submit to the General Assembly and the Office of Policy and Management, a report of the actual expenditures of UConn Health.

UConn Health's capital budget request process is combined with the University as part of UCONN 2000 Phase III for Fiscal Years 2005-2027. Rather than annual requests, the University is required to provide a semi-annual update as to the progress of capital projects approved as part of UCONN 2000.

Fiscal Year 2018. UConn Health is budgeted to end Fiscal Year 2018 with a loss of $18.4 million as compared to the prior year loss before other changes in net position of $101.9 million. The budget reflects the continued increases in fringe benefit expenses and other costs as well as decreases in expected general fund appropriations from the State. These drivers have been offset by revenue enhancements and continued focus on cost containment including strategic hiring/rehiring, and expense analysis.

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In addition to actual results of operations for Fiscal Years 2014-2017, the following schedule reflects the Fiscal Year 2018 budget.

Statement of Current Funds Operations[1] (in millions)

Revenues:	**FY 2014 Actual**	**FY 2015 Actual**	**FY 2016 Actual**	**FY 2017 Actual**	**FY 2018 Budget**
State Support	$213.9	$226.8	$235.3	$224.3	$217.4
Tuition & Fees	19.8	21.5	21.5	23.7	24.4
Research Grants and Contracts	86.3	82.3	86.8	87.2	84.3
Interns and Residents	56.5	60.0	63.3	63.0	67.5
Net Patient Care	369.7	428.7	450.4	459.5	482.4
Correctional Managed Health Care	85.6	88.9	86.6	82.7	80.4
Other Income	47.3	48.2	47.2	46.7	61.6
Total Revenues	**$879.1**	**$956.4**	**$991.1**	**$987.1**	**$1,018.0**
Expenses:					
Personal Services	$351.9	$366.7	$389.1	$385.7	$387.3
Fringe Benefits	170.8	181.8	208.7	293.0	222.3
Correctional Managed Health Care	85.6	88.9	86.6	82.7	80.4
Medical/Dental House Staff	48.1	51.7	52.4	52.9	54.0
Drugs/Medical Supplies	70.3	74.7	76.9	87.7	88.1
Outside & Other Purchased Services	56.3	72.8	71.3	75.5	81.7
Other Expenses	109.7	121.5	130.6	111.5	122.6
Total Expenses	**$892.7**	**$958.1**	**$1,015.6**	**$1,089.0**	**$1,036.4**
Net Gain (Loss)	**($ 13.6)**	**($ 1.7)**	**($ 24.5)**	**($ 101.9)**	**($ 18.4)**

[1] Statement of Current Funds Operations results include certain non-operating expenses as well as year-end adjustments such as the GASB 68 and GASB 71 adjustments. These items are not presented in the UConn Health operating budget and accounted for $3.2 million, $8.6 million, and $73.2 million for fiscal years 2015, 2016 and 2017, respectively.

State Support of UConn Health – Appropriations

The State develops a biennial budget, which includes UConn Health's appropriation request. The appropriations are applicable to each specific year and the second year's appropriation is subject to review and adjustment. Public Act 17-2 appropriated $122.4 million to UConn Health for Fiscal Year 2018 and $123.0 million for Fiscal Year 2019. The Fiscal Year 2018 appropriation has since been reduced by the State by $4.7 million for allocable bottom line savings for the State budget. This reduction results in a forecasted allotment of $117.7 million for Fiscal Year 2018.

No assurance can be made that the State will not change the Fiscal Year funding prior to the end of such Fiscal Year. Any State funding cuts are expected to be managed by UConn Health through reduced hiring, reduced operating costs, fewer projects, and other deficit mitigation efforts.

Grants and Contracts

Revenue from federal, state, local and non-governmental grants and contracts totaled $87.2 million in Fiscal Year 2017, representing 11.0% of total operating revenues reported by UConn Health in the Statement of Revenues, Expenses and Changes in Net Position for the Fiscal Year ended June 30, 2017, included in this Appendix A.

Governmental Grants and Contracts
for Fiscal Years 2013 - 2017
(in Millions of Dollars)

Fiscal Year	Amount
2013	$88.2
2014	86.3
2015	82.3
2016	86.6
2017	87.2

Professional Liability, Litigation and Insurance

Professional Liability. Connecticut statutes provide that the State Claims Commissioner may authorize suit against the State, including its agencies (such as UConn Health), if the Claims Commissioner deems it just and equitable and where a claimant has presented an issue of law or fact under which the State, were it a private person, could be liable. State officers and employees cannot be personally liable for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment.

Litigation. UConn Health is currently defending various legal matters in state and federal courts. None of those suits, either individually or in the aggregate, are likely to have a material adverse impact on UConn Health's financial position.

Insurance. UConn Health operates a statutorily created insurance fund designated the "Medical Malpractice Fund" (the "Fund"). The Fund is a separate trust fund of the Finance Corporation. The Fund is required by State law to be established and operated by the Finance Corporation and to be held by the State Treasurer. The Fund is charged with all payments required to satisfy claims against UConn Health arising from the delivery of health care services. Since the Fund was established in 1987, UConn Health has not maintained private professional liability insurance. The Fund has paid all claims against UConn Health and the State for professional liability since 1987. The Hospital Group has implemented quality assurance, risk assessment and peer review processes to mitigate, identify and evaluate risks. The Fund is a cash based fund that maintains the investment balance to cover expected current payments for the fiscal year. To the extent that claims for cases exceed current year premium charged by UConn Health, UConn Health may petition the State to make up the difference. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program. At June 30, 2017, the Fund had actuarial reserves of approximately $24.9 million and assets of approximately $7.1 million. It was estimated that $5.6 million could be used in Fiscal Year 2018 in settling cases.

UConn Health Long-Term Liabilities

Summarized information on UConn Health long-term liabilities is presented in the breakout of long-term debt presented below.

In addition to the Malpractice Fund, UConn Health also maintains certain accrued compensated absences, to the extent that they are not expected to be utilized in the current year, as long-term liabilities. These amounts have been accrued as payables and will offset future payroll expenses as they are utilized.

The following schedules present UConn Health's composition and current year activity related to long-term debt and a breakout of debt service payments to be made in each of UConn Health's upcoming fiscal years related to debt outstanding as of June 30, 2017.

Long-term liability composition and activity for the Fiscal Years ended June 30, 2017 was as follows:

Long-Term Liability for Years Ended June 30, 2017

	June 30, 2016 Balance	**Additions**	**Reductions**	**June 30, 2017 Balance**	**Amounts Due Within One Year**
Long-Term Debt					
Capital Lease John Dempsey Hospital		2,492,263	305,664	2,186,599	485,482
Mortgage Agreements Primary Institution	210,700,241	-	5,786,545	204,913,696	6,090,659
Malpractice Reserve	31,592,000	-	6,735,000	24,857,000	5,870,000
Compensated Absences	53,037,827	35,293,381	36,337,464	51,993,744	20,797,498
Total Long-Term Liabilities	**$295,330,068**	**$37,785,644**	**$49,164,673**	**$283,951,039**	**$33,243,639**

Estimated cash basis interest and principal requirements for the long-term debt are as follows:

Fiscal Year Ending June 30th	**Total Long Term Debt**
2018	$16,508,114
2019	16,508,114
2020	16,508,114
2021	16,508,114
2022	16,173,569
Thereafter	252,850,239
Totals	**$335,056,264**

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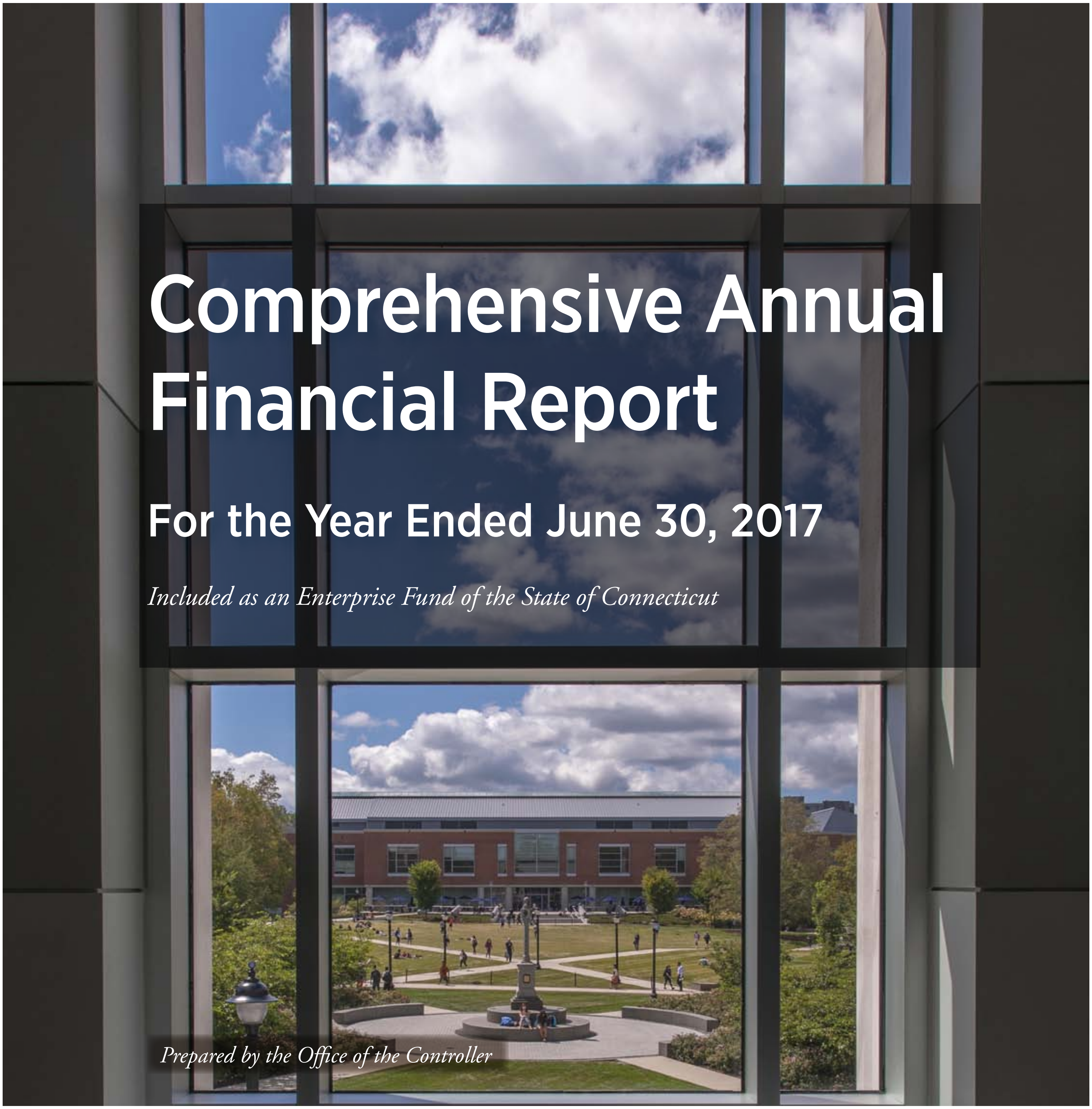
SCHEDULE 1

Comprehensive Annual Financial Report

For the Year Ended June 30, 2017

Included as an Enterprise Fund of the State of Connecticut



Prepared by the Office of the Controller

UCONN | UNIVERSITY OF CONNECTICUT

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TABLE OF CONTENTS

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INTRODUCTORY SECTION

UCONN
UNIVERSITY OF CONNECTICUT

LETTER OF TRANSMITTAL

November 20, 2017

To President Herbst,
Members of the Board of Trustees, and
University of Connecticut Community:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the University of Connecticut (University) for the fiscal year ended June 30, 2017. For purposes of this report, the University is herein defined as all financial activity from Storrs-based undergraduate and graduate programs, the regional campuses, the School of Law, and the School of Social Work. The University of Connecticut Health Center (UConn Health), which maintains a separate budget and issues its own audited financial statements, is excluded from this report.

The CAFR includes the Management's Discussion and Analysis (MD&A), the basic financial statements, notes, other supplementary and statistical information. The CAFR provides financial information about the University's results of activities during the year and describes its financial position at the end of the year based on currently known facts, decisions, and conditions.

Management assumes full responsibility for the contents of this report including the accuracy, completeness, and fairness of the data presented. We believe the University's system of internal controls is sufficient to identify material misstatements. Although we have strong internal controls, the cost of internal controls should not exceed the benefits. Therefore, the objective of the University's internal control system is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements, and that assets are safeguarded against loss from unauthorized use or disposition.

The University's Joint Audit and Compliance Committee of the Board of Trustees exercises oversight of the integrity of its financial statements and internal control systems, as well as direct engagement in the approval of independent auditing services. Certain bond covenants require that the University's accounting and financial records be subject to an annual independent audit. The University's annual audit for the fiscal year ended June 30, 2017, was performed by the State of Connecticut Auditors of Public Accounts. They have issued an unqualified opinion on the fair presentation of the financial statements that can be found in the front of the financial section.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) and in conformity with standards established by the Governmental Accounting Standards Board (GASB), also using guidelines of the Government Finance Officers Association of the United States and Canada (GFOA). The MD&A is presented to supplement the financial statements and should be read in conjunction with this letter of transmittal. The MD&A can be found immediately following the auditors' report.

University Profile

Background

The University was founded in 1881 when Charles and Augustus Storrs donated land and money to the State of Connecticut (State), establishing the Storrs Agricultural School later to become Connecticut's land-grant college. Today the University serves as the State's flagship institution for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, service, and outreach.

The University is governed by a Board of Trustees that is composed of 21 members, including the Governor, the UConn Health Board of Directors Chair, and the Commissioners of Agriculture, Economic and Community Development, and Education. The University is reported as an enterprise fund in the State's CAFR and operates as a State-assisted institution of higher education.

In addition to academics, the University also participates in Division I athletics. The women's field hockey team recently won the national championship, claiming its third national title in 5 years. The women's basketball team continues to be a national powerhouse, following their record-breaking 2015-2016 season where they won their fourth consecutive and eleventh all-time national championship.

Student and Faculty Data

For the 2016-2017 academic year, the number of applications for admissions increased by three percent and total enrollment grew to 31,440 students, including more than 7,800 graduate students. All 169 Connecticut towns were represented in the University's undergraduate population, 42 states, and 109 countries. Of the 23,630 undergraduates, 50 percent were female and 31 percent were minority students. The University employs 1,518 full-time faculty members and an additional 722 part-time faculty and adjuncts. In 2017, the University awarded 8,487 degrees, an increase of 33 percent since 2006.

Component Units
In accordance with GASB reporting requirements, the University of Connecticut Law School Foundation, Inc. (Law School Foundation) is discretely presented as a component unit of the University. The University of Connecticut Foundation, Inc. (Foundation), another related organization, operates exclusively to promote the educational, scientific, cultural, research and recreational objectives for both the University and UConn Health, and is therefore not included as a component unit in the accompanying financial statements. See Notes 1 and 14 for additional information regarding component units and related organizations.

Economic Condition

The Connecticut economy had another year of steady growth going into 2017. In the past twelve months, Connecticut's headline unemployment rate fell by 0.6 percent to 4.8 percent. Statewide real average annual wages grew 0.5 percent to $65,869, remaining fourth in the nation behind only Massachusetts, New York, and Washington, D.C. The *Connecticut Economic Digest* reported that statewide single-family home sales gained 8.7 percent in 2016, reaching the highest level in nine years. Importantly, these gains were not at the expense of median sale prices, which grew at 0.4 percent. Initial data through the beginning of 2017 indicates this trend should continue as sales gained 6.5 percent in the first quarter of 2017 when compared to the same period in the prior year.

Despite Connecticut's recent economic gains, growth in expenses exceeds revenues at the State level, causing large and continuing overall budget deficits. The growth in expenses is largely due to the State's unfunded pension liability, debt service, and growth in other services. For the biennium fiscal years of 2018 and 2019, the budget process was extremely difficult with the State Legislature not passing a budget bill until well into the current fiscal year. After an initial budget was vetoed by the Governor, in October 2017 the Connecticut General Assembly approved a bipartisan budget agreement that cut the University by $106.7 million over the biennium when compared to the fiscal year 2017 appropriation. This steep reduction requires difficult decisions to be made in order to manage the cut and support a balanced budget going forward. The University will contend with these cuts in various ways including establishing a freeze on hiring, delaying certain capital projects, restructuring administrative functions and departments with the elimination of positions, and reducing services that are not essential to the academic mission. Based on this reality, the University must rely less on State support and adhere to a strategic financial plan that will meet both its current objectives and long-term goals.

Long-Term Financial Planning

Despite the cut in State support, the University is a financially stable institution with exceptional educational programs and research, and it continues to successfully balance financial needs and investments for long-term growth while providing high-quality education. The University's long-term plan includes becoming more self-reliant in generating diverse operating revenues to offset forecasted decreases in State support. The University will maintain a balanced budget for its growing operations through increases in student tuition, growth in research, increases in philanthropy, and new revenue sources.

Increases in Student Tuition
As of fiscal year 2017, tuition revenue is now the largest source of revenue for the University. During fiscal year 2016, the University's Board of Trustees approved a four-year tuition plan that allows for modest increases each year from fiscal year 2017 to fiscal year 2020. This is the second time that the Board of Trustees adopted a four-year tuition plan rather than addressing tuition each year. The multi-year plan provides more detail and certainty for students as they plan with their families for their college careers. Additionally, having a four-year tuition plan allows the University to better engage in strategic long-term planning; given the financial stress the State faces, having a revenue category that is set and predictable is important to the long-term stability of the University. Although tuition will increase, more financial aid will also be available to help address issues of affordability and accessibility for the University's students.

Increases in Philanthropy
Philanthropy is an area of revenue growth for the University and is part of the University's long-term financial planning. The Foundation, which supports both the University and UConn Health, has seen transformative changes in the last few years, with the last three years being the best in its history. In fact, the endowment investments of the Foundation grew by $36.4 million during fiscal year 2017, ending at $368.6 million. In fiscal year 2016, the University of Connecticut Alumni Association was moved under the umbrella of the Foundation, consolidating alumni engagement, service, and philanthropy. During summer 2017, the Law School Foundation dissolved and its assets were transferred to the Foundation, further strengthening the overall portfolio.

New Revenue Sources
The University continues to look at other ways to generate revenue and this will continue to be a focus in the coming

years. Some specific examples of recent changes include a new agreement with the University's bookstore operator (see Note 10), new self-supporting business school programs, increased enrollment in other revenue-generating programs, increases in summer school revenue, opening the new Stamford residence hall, and increasing room and board fees. Specifically, the new bookstore model includes an increase of guaranteed revenue from fiscal year 2017 of $3.5 million to $4.5 million in fiscal year 2018.

Over the past decade, the growth and diversification of the University's funding streams combined with continuing physical transformation through the University's capital improvement program have led to record enrollments, growth in philanthropy, new revenue streams, and significant contributions to the State's economy.

Major Initiatives

Next Generation Connecticut (NextGenCT) represents one of the most ambitious State investments in economic development, higher education, and research in the nation, with a particular focus on capital investment. The NextGenCT initiative added $1.5 billion in bond funds for new and renovated facilities, extending the UCONN 2000 capital improvement program that began in 1995 to 2027. An operating component was also included, but has been limited due to the State's recent financial constraints. The general obligation bonds issued through UCONN 2000 and NextGenCT are secured by the State's debt service commitment, thus there are no revenues budgeted for payment of these bonds. Since fiscal year 2015, UConn has been authorized $685.3 million in funding, with an additional $200.0 million coming in fiscal years 2018 and 2019. These funds have allowed UConn to open a new residential hall, renovate the associated dining hall, build the new downtown Hartford campus, complete the Engineering and Science Building, open the Innovation Partnership Building, update and renovate various buildings throughout campus, and address needed infrastructure and deferred maintenance improvements.

Despite reductions in operating funding, the NextGenCT initiative has provided a strong framework for the University and has aided the State's economy. Since the beginning of the initiative, many new faculty have been hired particularly in the fields of science, technology, engineering, and math (STEM). Additionally, funds have been provided for STEM scholarships, STEM fellowships, the IDEA (Imagine Develop Engage Apply) Grant program for student-designed and led projects, and for staff positions. Since fiscal year 2013, undergraduate enrollment has grown by 1,329 across all campuses. This ongoing success has attracted higher quality students and the University maintains solid rankings in virtually all relevant areas. Highlights from the 2016-2017 academic year include the following:

- As of fall 2016, the University ranked 18 out of 58 public research universities in graduation rates for all freshmen and 21 out of 58 for minority freshmen.

- In fiscal year 2017, approximately 76 percent of undergraduates enrolled were residents of the State. Nearly 80 percent of the recent alumni securing jobs in Connecticut were residents before coming to the University, and 30 percent of the graduates who came to the University from other states were also employed in Connecticut following graduation.

- In fiscal year 2017, the University provided $113.5 million in institutionally funded financial aid and has budgeted an additional $8.9 million for fiscal year 2018.

- The time to graduation is 4.2 years, ranking third among public research peers. This was accomplished by increasing the number of class offerings and reducing the student-to-faculty ratio. Lower time to graduation helps UConn students pay less in tuition and join the workforce more quickly.

- Through the end of fiscal year 2017, the UCONN 2000 capital improvement program authorized 112 major projects, totaling $3.1 billion in bond authorizations.

Looking ahead, the University will continue to build on these accomplishments and further strengthen its programs and services for faculty, staff, students, and the University community.

Awards and Acknowledgements

The University marked its seventh consecutive year among the nation's top 25 public universities as ranked by *U.S. News & World Report* in 2017. The No. 18 ranking in 2017 reflects the University's strong graduation and retention rates, academic excellence, faculty resources, and other factors that are weighed in its annual evaluations.

In 2017, *Money* magazine ranked the University No. 22 in best value among public universities, partly due to low tuition costs and a higher percentage of students who get need-based aid and merit scholarships. The University also came in at No. 27 in *Kiplinger's* list of best values in public colleges and No. 28 in *Forbes'* annual ranking for best public colleges.

The University was among the top 25 schools in the Sierra Club's "Cool Schools Ranking" for the sixth consecutive year. The Sierra Club bases the school rankings on sustainability data collected in a range of areas, including energy, investments, academics, waste reduction and diversion, transportation, and purchasing. The University was No. 4 in the University of Indonesia's *GreenMetric World University Rankings* that rates universities worldwide on leadership on sustainability issues.

The University is a member of Universitas 21, an international network of leading research-intensive universities in 17 countries. The University is one of only three universities in the United States invited into the network, which is composed of some of the world's major institutions of higher education. Membership in Universitas 21 permits faculty and students to have additional opportunities for collaboration on projects around the world. Membership will increase the University's global reach, student participation in education abroad programs, fellowships, and research opportunities.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the University for its CAFR for the fiscal year ended June 30, 2016. To receive a Certificate of Achievement, a report issuer must publish an easily readable and efficiently organized CAFR, and must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The University will submit its CAFR for the fiscal year ended June 30, 2017, to the GFOA and anticipates this year's report will continue to meet the requirements to receive the Certificate of Achievement.

Preparation of this CAFR in a timely manner would not have been possible without the coordinated efforts from staff within the Office of the Controller and other University financial staff. Each member has my sincere appreciation for their individual contribution in the preparation of the report.

Respectfully submitted,

Scott Jordan
Executive Vice President for Administration
and Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Connecticut

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

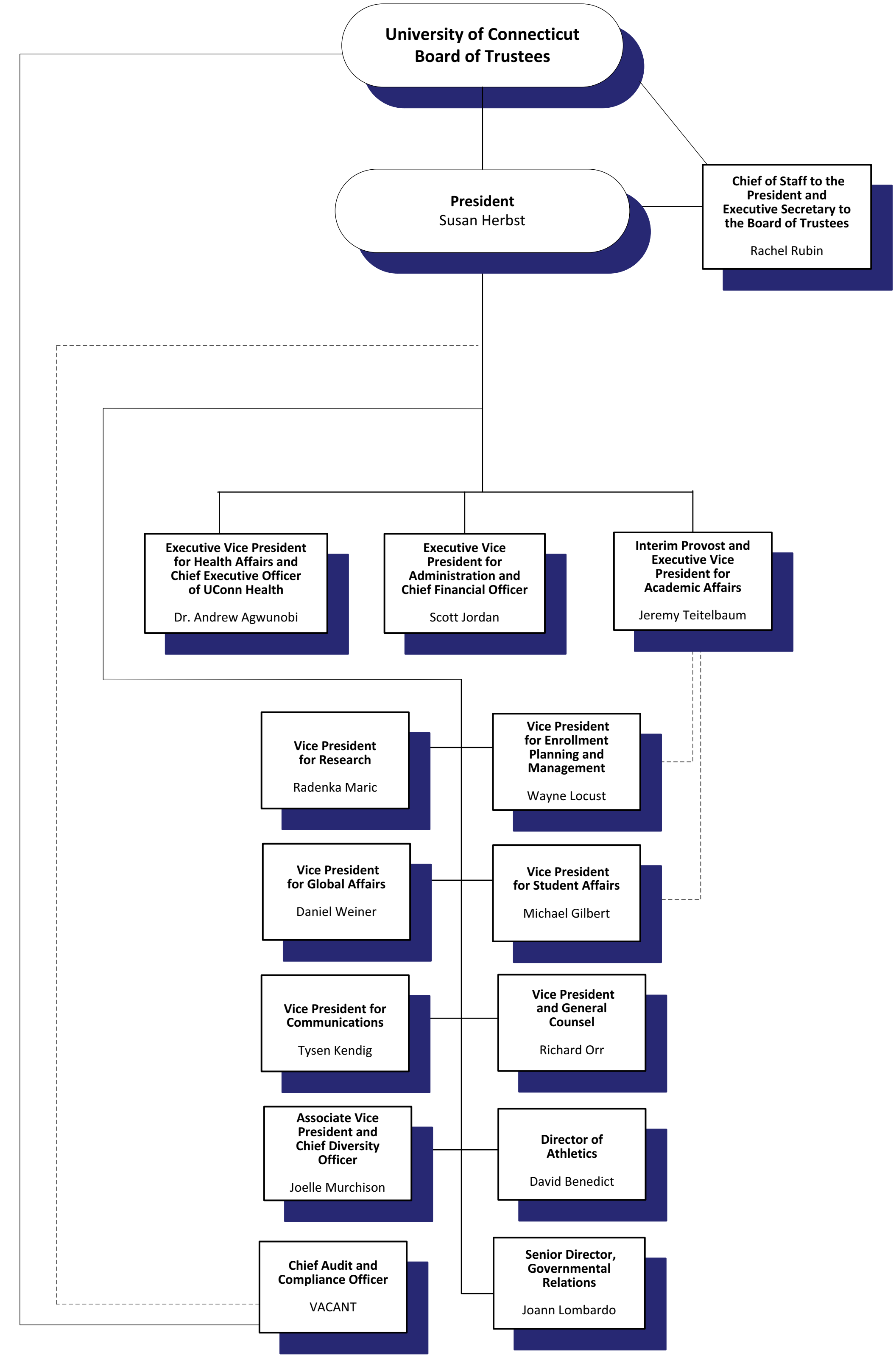
June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

UNIVERSITY OF CONNECTICUT
BOARD OF TRUSTEES
As of June 30, 2017

UNIVERSITY OF CONNECTICUT
Organization Chart



FINANCIAL SECTION

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
20 TRINITY STREET
HARTFORD, CONNECTICUT 06106-1559

ROBERT J. KANE

INDEPENDENT AUDITORS' REPORT

Board of Trustees of the
University of Connecticut

Report on Financial Statements

We have audited the accompanying financial statements of the University of Connecticut (UConn), a component unit of the University of Connecticut system, which includes UConn, the University of Connecticut Health Center and the University of Connecticut Foundation, Inc. The accompanying financial statements, which consist of the statement of net position as of June 30, 2017 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, collectively comprise UConn's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We did not audit the financial statements of the University of Connecticut Law School Foundation, Inc., a discretely presented component unit of UConn, which represented less than one percent of the assets of UConn as of June 30, 2017 and less than one percent of total revenues and support for UConn for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Connecticut Law School Foundation, Inc., is based solely on the report of the other auditors. The audit of the University of Connecticut Law School Foundation, Inc. was conducted in accordance with auditing standards generally accepted in the United States of America.

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

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

Opinion

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of UConn as of June 30, 2017 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis on pages 15 through 25 and the Required Supplementary Information on page 52 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express and opinion or provide any assurance on them.

Sincerely,

John C. Geragosian
Auditor of Public Accounts

Robert J. Kane
Auditor of Public Accounts

November 20, 2017
State Capitol
Hartford, Connecticut

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Management's Discussion and Analysis

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial position and results of activities for the fiscal year ended June 30, 2017, and selected comparative information from fiscal year 2016. It includes highly summarized information and should be read in conjunction with the accompanying financial statements and notes.

Reporting Entity

The University of Connecticut (University), is herein defined as all programs except for the University of Connecticut Health Center (UConn Health, see Note 1). This includes programs offered at the Storrs main campus, regional campuses, the School of Law, and the School of Social Work.

The University's financial report includes three basic financial statements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The MD&A, financial statements, notes, and other supplementary information are the responsibility of management.

Key Reporting Changes

Beginning in fiscal year 2017, the University opted to report operating expenses by natural classification instead of functional classification on the face of its Statement of Revenues, Expenses, and Changes in Net Position. Operating expenses by functional classification are still presented in Note 16. Additionally, the University reclassified reimbursements from UConn Health previously reported in operating revenues as reductions to operating expenses in fiscal year 2017. For MD&A purposes, comparative data from fiscal year 2016 was adjusted to reflect these changes that were applied in the current year. These changes had no effect on net position for the year ended June 30, 2016.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents either an increase or decrease in net position based on the revenues received, the expenses paid, and any other gains and losses recognized by the University. Revenues and expenses are classified as operating, nonoperating, or other changes in net position according to definitions prescribed by GASB.

Generally, operating revenues are earned when providing goods and services to the various customers of the University. Operating expenses are incurred in the normal operation of the University and represent those expenses paid to acquire or produce the goods and services provided in return for operating revenues. Operating expenses also include a provision for estimated depreciation and amortization of property and equipment. The difference between operating revenues and operating expenses is the operating income or loss.

By its very nature, a state-funded institution does not receive tuition, fees, room, and board revenues sufficient to support the operations of the University. Nonoperating revenues are revenues received for which goods and services are not provided but are essential to the programs and services provided by the University. Significant recurring sources of nonoperating revenues utilized in balancing the operating loss each year include appropriations from the State of Connecticut (State) for general operations, the State's debt service commitment for interest, noncapital gifts, and short-term investment income.

Other changes in net position are composed primarily of the State's debt service commitment for principal and capital grants and gifts.

The Condensed Schedule of Revenues, Expenses, and Changes in Net Position on the following page reflects an increase in net position at the end of fiscal year 2017. Summarized highlights of the information presented in the Condensed Schedule of Revenues, Expenses, and Changes in Net Position are as follows:

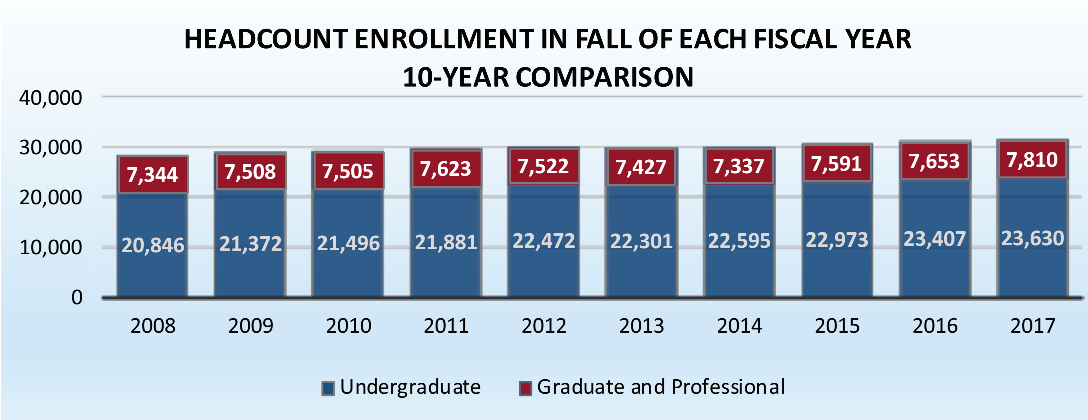
Revenues

Operating revenues increased $21.6 million in fiscal year 2017 based on the following factors:

- Student tuition and fees, net of scholarship allowances, increased $25.6 million. This was a result of an increase in tuition and mandatory fees and an increase in undergraduate enrollment, offset in part by higher scholarship allowances and waivers. Revenue from fees associated with graduate programs offered through the University's School of Business also increased significantly due to higher enrollment.

- Grant revenue can fluctuate year over year depending on various factors including the availability of funding from sponsors and the timing of large grants. Total grants and contracts decreased $4.3 million, mainly attributable to a $9.2 million decrease in state and local grants related to educational programs and a decrease of $3.6 million in revenue from federal grants. These changes were offset by an increase of $8.5 million in nongovernmental grants that was driven by higher revenues from private corporations and foundations.

The following graph presents undergraduate and graduate enrollment over the last 10 years:



The following table shows a Condensed Schedule of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30 ($ in millions):

	2017	2016	$ Change	% Change
Operating Revenues				
Student tuition and fees, net	$ 367.4	$ 341.8	$ 25.6	7.5%
Grants and contracts	180.1	184.4	(4.3)	(2.3)%
Sales and services of auxiliary enterprises, net	209.9	210.5	(0.6)	(0.3)%
Other	32.2	31.3	0.9	2.9%
Total Operating Revenues	789.6	768.0	21.6	2.8%
Operating Expenses				
Salaries and wages	556.4	557.5	(1.1)	(0.2)%
Fringe benefits	349.3	287.6	61.7	21.5%
Supplies and other expenses	245.4	245.9	(0.5)	(0.2)%
Utilities	19.0	19.7	(0.7)	(3.6)%
Depreciation and amortization	104.8	98.8	6.0	6.1%
Scholarships and fellowships	11.8	12.4	(0.6)	(4.8)%
Total Operating Expenses	1,286.7	1,221.9	64.8	5.3%
Operating Loss	(497.1)	(453.9)	(43.2)	9.5%
Nonoperating Revenues (Expenses)				
State appropriation	374.1	384.7	(10.6)	(2.8)%
State debt service commitment for interest	64.7	53.1	11.6	21.8%
Gifts and investment income	26.6	26.8	(0.2)	(0.7)%
Interest and other expenses	(60.9)	(55.2)	(5.7)	10.3%
Net Nonoperating Revenues	404.5	409.4	(4.9)	(1.2)%
Loss Before Other Changes in Net Position	(92.6)	(44.5)	(48.1)	108.1%
Other Changes in Net Position				
State debt service commitment for principal	281.6	103.4	178.2	172.3%
Capital gifts and grants	1.4	5.1	(3.7)	(72.5)%
Other	(0.3)	(8.5)	8.2	(96.5)%
Net Other Changes in Net Position	282.7	100.0	182.7	182.7%
Increase in Net Position	190.1	55.5	134.6	242.5%
Net Position – Beginning of Year	1,053.1	997.6	55.5	5.6%
Net Position – End of Year	$ 1,243.2	$ 1,053.1	$ 190.1	18.1%

- Sales and services of auxiliary enterprises, net of scholarship allowances, showed an overall decrease of $0.6 million. This included a decrease of $2.9 million in revenues from athletics programs due largely to reduced conference distributions and lower ticket revenues. An additional decrease of $2.4 million was attributed to reductions in both room occupancy and non-board dining revenues. These decreases were offset by a one-time receipt of $4.7 million for insurance proceeds from a claim related to an auxiliary building complex.

- Other operating revenues increased $0.9 million. This was primarily due to an increase in renewable energy credits related the University's energy conservation programs.

Revenues under nonoperating and other changes in net position increased $175.3 million based on the following:

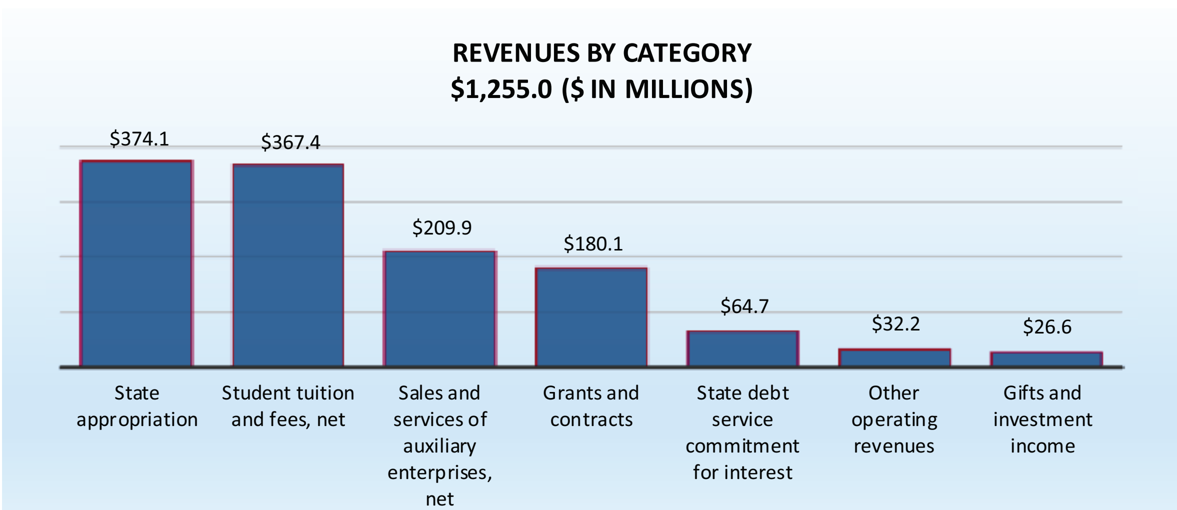
- State appropriations decreased by $10.6 million, including decreases to funding for education and general, research, and Next Generation Connecticut activities. The decrease in appropriation was the result of the State's concerns regarding its fiscal year 2017 budget.

- The State commits to pay for interest incurred on general obligation bonds issued by the University for capital purposes and for UConn Health projects (see Note 7). Effectively, this revenue offsets a significant portion of interest expense each year, and the noted increase in revenue from interest corresponds with a related increase in interest expense. Also, as general obligation bonds are issued, the State commits to the repayment of the future principal amounts. The increase in revenue related to the repayment of principal was due in part to a larger proportion of bond proceeds designated for University projects reduced by amounts allocated for UConn Health projects. Furthermore, there was a greater amount of proceeds related to debt issued in the current year and recorded as revenue compared with proceeds used to directly refund debt that existed in the previous fiscal year.

- Gifts and investment income decreased $0.2 million, mainly due to a reduction in gifts received from the University of Connecticut Foundation. Total gift revenue decreased $1.7 million offset by an increase in investment income of $1.5 million. Investment income increased due to higher interest rates for funds held in the State's short-term investment fund.

- Capital gifts and grants decreased $3.7 million. The change was mainly due to property that was acquired through the dissolution of the University of Connecticut Alumni Association in fiscal year 2016, offset by a gift received for the Law School Campus Center Library in the current year.

The following graph shows the University's total operating and nonoperating revenues by category, excluding other changes in net position for the year ended June 30, 2017:



Expenses

Total expenses increased $62.3 million in fiscal year 2017 based on the following:

- Salaries and wages decreased $1.1 million, primarily due to an increase in labor costs allocated to major capital projects combined with a slight decrease in the average base salary.

- Fringe benefits increased $61.7 million due to a significant increase in the collective pension expense for the State Employees' Retirement System (SERS). The majority of this increase was attributed to changes in experience data and economic assumptions used to calculate the total pension liability.

- Supplies and other expenses decreased $0.5 million due to the following:

  - Instruction expenses decreased $1.8 million due to a reduction in purchases of noncapital equipment for classrooms and the relocation of the Roper Center.

  - Research expenses were higher by $1.0 million due to increases in sub-awards, animal care expenses, and laboratory supplies.

  - Public service expenses were lower by $2.7 million, mainly due to a reduction in costs related to nonrecurring federal programs.

  - Institutional support increased $4.7 million due to noncapital expenditures related to software implementations that took place in the current year, including the Core-CT payroll system project, and an increase in professional services such as advertising and recruitment.

  - Auxiliary enterprises reflected expenses that were lower by $1.3 million due to a decrease in commodities purchased offset by an increase in facilities maintenance costs.

- Depreciation and amortization expense increased $6.0 million due to a significant increase in depreciable assets, including the Next Generation Residence Hall, and the Monteith and Putnam Refectory Renovations.

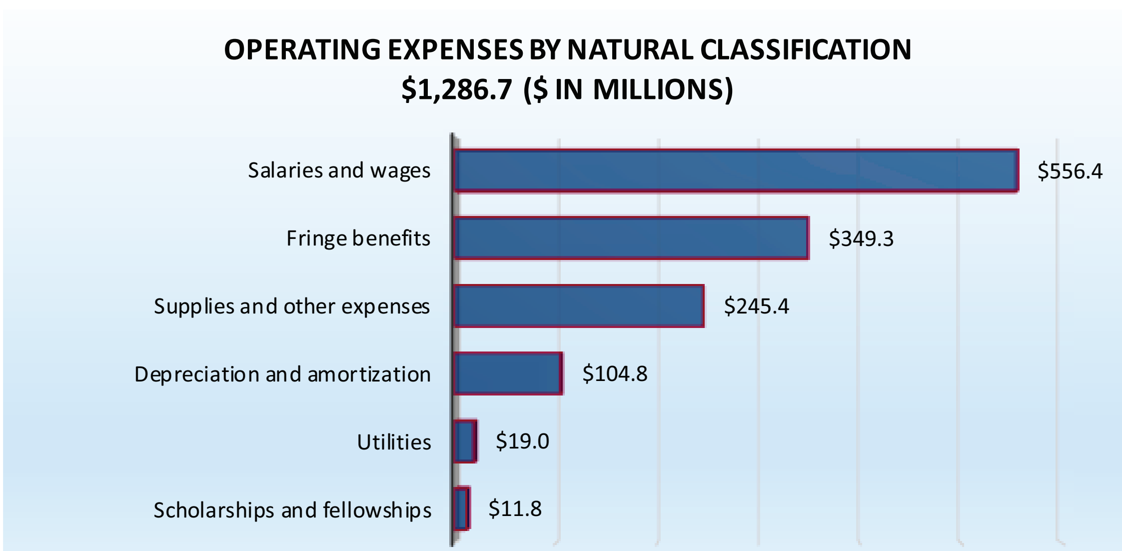
- Utilities expense decreased $0.7 million, mainly due to lower gas costs resulting from participation in the Energy Savings Performance Contracting program. This was offset by higher water costs resulting from steam costs associated with the new downtown Hartford campus.

- Scholarships and fellowships decreased $0.6 million, primarily due to a reduction in tuition charged to grants offset by an increase in the Next Generation STEM scholarship commitment and University-provided aid.

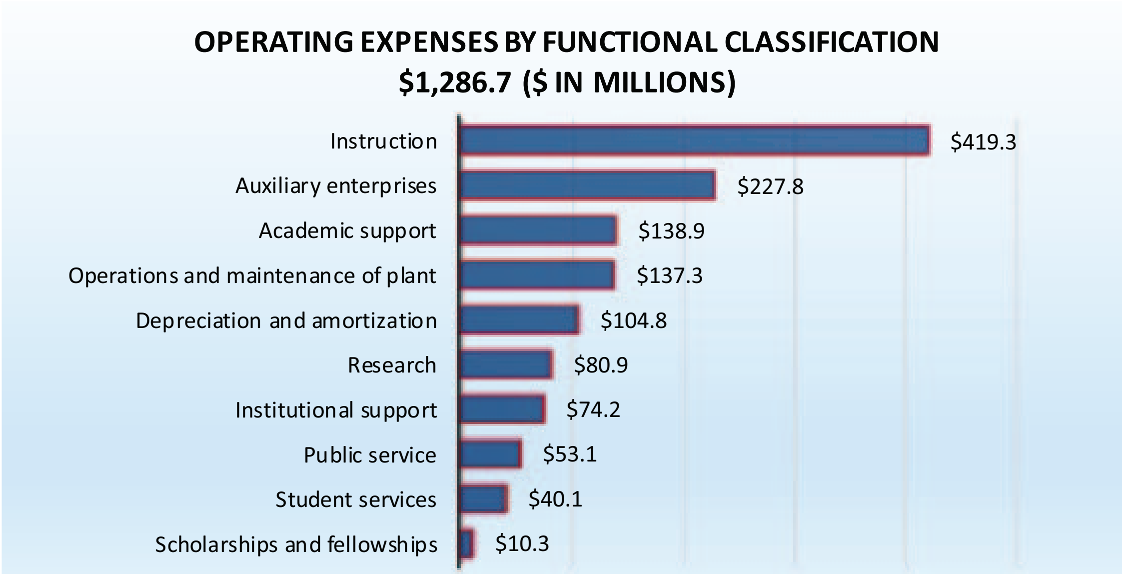
- Interest expense increased $7.8 million due to a full year of interest expense on the 2016 General Obligation Bonds and interest expense on new debt issued in fiscal year 2017. This was partially offset by decreases in interest on remaining bonds due to lower principal balances. Other nonoperating expenses, which consists mainly of bond issuance costs and fair market value adjustments, decreased $2.1 million. This was primarily due to an increase in unrealized gains on the University's endowment investments combined with one-time insurance recoveries received and a decrease in legal fees from the prior year.

- Other expenses under other changes in net position decreased $8.2 million in fiscal year 2017. This was mainly due to the disposal of the Connecticut Commons complex in fiscal year 2016 combined with an increase in additions to permanent endowments.

The following graph shows operating expenses by natural classification of the University for the year ended June 30, 2017:



The University's operating expenses by functional classification are presented below for the year ended June 30, 2017:



STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement and is used as a measure of the financial condition of the University. This statement presents a snapshot concerning assets classified as current (those available for use within one year) and noncurrent (those available beyond one year), liabilities categorized as current (those maturing and due within one year) and noncurrent (those maturing and due after one year), and net position.

Assets represent what is owned by or what is owed to the University, including payments made to others before a service was received. Assets are recorded at their current value except for property and equipment, which is recorded at historical cost, net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by the University. A deferred outflow of resources represents the consumption of net assets by the University that is applicable to a future reporting period, whereas a deferred inflow of resources is an acquisition of net assets by the University that is applicable to a future reporting period.

The University's net position is the residual value in assets and deferred outflows after liabilities and deferred inflows are deducted. Over time, an increase in net position is an indicator of the University's improving financial strength.

Assets

Total assets increased $396.1 million in fiscal year 2017. Current assets decreased $0.8 million, whereas property and equipment, net, increased $205.9 million and noncurrent assets increased $191.0 million.

- The change in current assets was due to the following:

  - Cash and cash equivalents increased $40.2 million, which corresponds with higher operating revenues and unearned revenues over the prior year.

  - Due from State decreased $54.9 million, primarily as a result of capital expenditures paid by State general obligation bonds for the technology park during fiscal year 2017.

  - The current portion of the State debt service commitment increased $18.2 million, attributable to the issuance of new general obligation bonds and an increase in interest expense, offset by principal payments and refundings.

  - Deposit with bond trustee decreased $6.7 million due to additional drawdowns for capital expenditures in fiscal year 2017 compared to the prior year.

  - Prepaid expenses and other assets also increased $2.2 million, primarily due to an increase in prepaid library subscriptions and prepaid advertising costs.

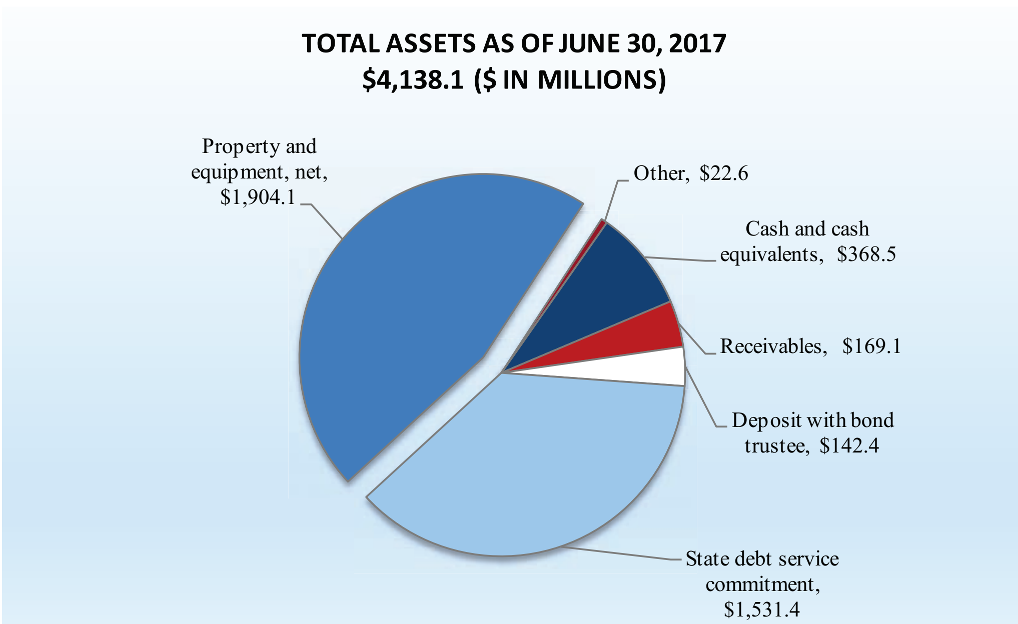
- There was a net increase in capital assets of $205.9 million, which is made up of $312.1 million in additions offset by $104.8 million of depreciation and $1.4 million of disposals. The large additions are mostly due to the University's active construction program.

- Other noncurrent assets increased due to the following:
  - The long-term portion of the State debt service commitment increased $189.8 million. This increase corresponds with the increase in long-term debt related to the issuance of the 2017 general obligation bonds.
  - Investments increased $1.4 million, primarily due to $1.1 million in additions to permanent endowments. Fair market values for endowments also increased offset by a decrease in the market value of corporate stock held by the University.

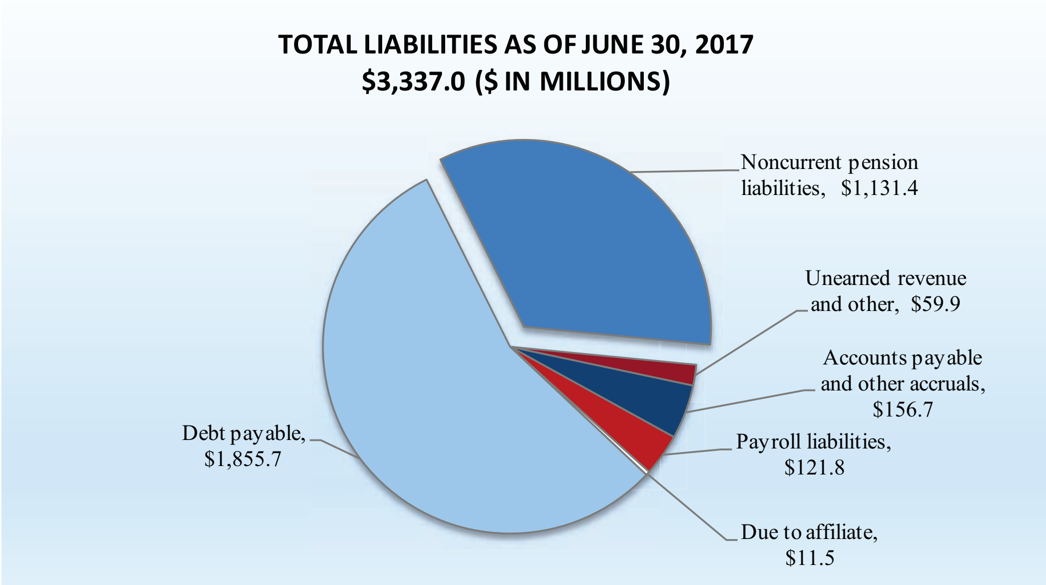
The following table shows a Condensed Schedule of Net Position at June 30 ($ in millions):

	2017	2016	$ Change	% Change
Assets				
Current assets	$ 822.7	$ 823.5	$ (0.8)	(0.1)%
Property and equipment, net	1,904.1	1,698.2	205.9	12.1%
Other noncurrent assets	1,411.3	1,220.3	191.0	15.7%
Total Assets	4,138.1	3,742.0	396.1	10.6%
Deferred Outflows of Resources	446.3	206.9	239.4	115.7%
Liabilities				
Current liabilities	471.0	554.6	(83.6)	(15.1)%
Noncurrent liabilities	2,866.0	2,337.0	529.0	22.6%
Total Liabilities	3,337.0	2,891.6	445.4	15.4%
Deferred Inflows of Resources	4.2	4.2	-	0.0%
Net Position				
Net investment in capital assets	1,557.5	1,365.9	191.6	14.0%
Restricted nonexpendable	14.5	12.6	1.9	15.1%
Restricted expendable	125.7	76.6	49.1	64.1%
Unrestricted	(454.5)	(402.0)	(52.5)	13.1%
Total Net Position	$ 1,243.2	$ 1,053.1	$ 190.1	18.1%

The following graph shows total assets by major category:



The following graph shows total liabilities by major category:



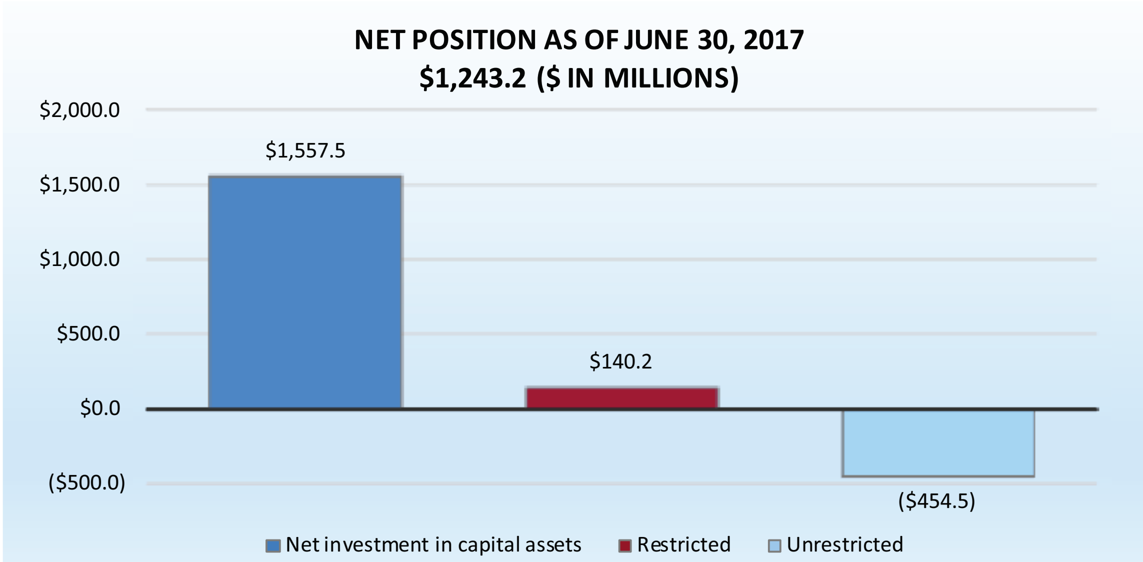
Liabilities
Total liabilities increased $445.4 million in fiscal year 2017. Current liabilities decreased $83.6 million, whereas noncurrent liabilities increased $529.0 million.

- Current liabilities decreased due to the following:
  - Accounts payable and due to affiliate decreased $25.7 million and $76.7 million, respectively, attributable to capital project costs associated with UConn Health's Bioscience Connecticut project nearing completion.
  - Unearned revenue increased by $9.4 million, which corresponds with increases in student enrollment, combined with higher tuition and fee rates as well as an increase in athletic sponsorships and commitments received in advance of the next fiscal year.
  - The University's current portion of debt payable also increased $8.6 million. This was primarily due to new general obligation bonds issued during the year, offset by debt refundings and a decrease in the Nathan Hale Inn note payable that was paid in full in fiscal year 2017.
- Noncurrent liabilities increased due to the following:
  - Long-term debt increased $205.1 million resulting from issuances of new general obligation bonds offset by refundings and repayments in fiscal year 2017.
  - Pension liabilities also increased $321.3 million, mostly due to changes in the actuarial calculation of the total pension liability for SERS combined with a slight increase in the University's proportionate share of the collective net pension liability.

Deferred Outflows and Deferred Inflows of Resources
Deferred outflows of resources increased $239.4 million, mainly due to pension-related adjustments, including changes in assumptions, increases from differences between expected versus actual experience, and investment losses offset by a decrease for amortization of changes in proportion. Deferred inflows decreased primarily due to the amortization of revenue related to the University's bookstore service concession arrangement.

Net Position
Net position is divided into three major categories. The first category, net investment in capital assets, represents the University's equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes and is included with investments in the University's Statement of Net Position. Expendable restricted net position is available for expenditure by the institution. However, it must be spent for purposes determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, representing funds available to the University for any lawful purpose of the institution. Generally, unrestricted funds are internally assigned to academic and research programs, capital programs, retirement of debt, and auxiliary enterprise activities.

The following graph shows net position by major category:



The increase in net position of $190.1 million in fiscal year 2017 included the following changes:

- Net investment in capital assets increased $191.6 million. This was due to a net increase in capital assets of $205.9 million, reduced by a net increase of $14.3 million in capital-related debt.

- Restricted nonexpendable increased $1.9 million due to unrealized gains on endowment investments combined with large endowments received during fiscal year 2017.

- Restricted expendable increased $49.1 million as follows:

  - Restricted expendable under capital projects increased $39.5 million due to an increase in general obligation bond proceeds from the 2017 issuance and a reduction in funds allocated to UConn Health projects. This was offset by a decrease in State general obligation bond funds used for the construction of the Technology Quadrant Innovation Partnership Building at the University's technology park.

  - Restricted expendable related to research and scholarships increased $9.6 million due to higher nonexchange revenue earned on nongovernmental grants, differences between projected versus actual fringe benefit costs charged on grants, and an increase in private gifts.

- The deficit balance in unrestricted net position includes $690.0 million related to the University's share of the State's pension liabilities and related deferred outflows and deferred inflows of resources. The deficit was higher in fiscal year 2017 by $52.5 million due to increases in pension-related expenses and decreases in State appropriation offset by higher operating revenues, including student tuition and fees.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The first section of this statement, cash flows from operating activities, will always be different from the operating loss amount on the Statement of Revenues, Expenses, and Changes in Net Position. The difference results from noncash items such as depreciation and amortization expense and the use of the accrual basis of accounting in preparing the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows, on the other hand, shows cash inflows and outflows without regard to accruals.

The Statement of Cash Flows has four additional sections. The second section reflects cash flows from noncapital financing activities including State appropriation, debt transactions related to affiliate (UConn Health), gifts, and other nonoperating revenues and expenses. The third section shows cash flows from capital and related financing activities, capital grants and gifts, and State debt service commitments for principal and interest. The fourth section consists of cash flows from investing activities showing the purchases, proceeds, and interest provided from investing activities. The final section is a reconciliation of the operating loss shown on the Statement of Revenues, Expenses, and Changes in Net Position to net cash used in operating activities.

CAPITAL ACTIVITIES

Property and equipment, net of accumulated depreciation and amortization, consisted of the following ($ in millions):

	2017	2016	$ Change	% Change
Land	$ 20.7	$ 20.7	$ -	0.0%
Construction in progress	404.4	305.2	99.2	32.5%
Art and historical collections	55.0	55.1	(0.1)	(0.2)%
Non-structural improvements	146.1	132.8	13.3	10.0%
Buildings and improvements	1,174.7	1,078.7	96.0	8.9%
Intangible assets	11.5	9.9	1.6	16.2%
Library materials	7.9	13.0	(5.1)	(39.2)%
Equipment	83.8	82.8	1.0	1.2%
Total Property and Equipment, Net	$ 1,904.1	$ 1,698.2	$ 205.9	12.1%

- Construction in progress increased approximately $99.2 million as construction continued on the Technology Quadrant Innovation Partnership Building, the Engineering and Science Building, the Hartford campus relocation, and other projects. Approximately $125.8 million was transferred from construction in progress to non-structural improvements and buildings and improvements.

- Art and historical collections decreased by $0.1 million, representing approximately $40,000 in additions and $130,000 in disposals.

- Non-structural improvements increased by $13.3 million. Additions totaling $22.3 million included infrastructure for the Next Generation Residence Hall, the Sewer Line Replacement at Storrs Road Pump Station, the North Hillside Road Completion, and other projects. These additions were offset by depreciation expense of $9.0 million.

- Buildings and improvements increased by $96.0 million. Additions of $163.5 million included the Next Generation Residence Hall, the Monteith Renovation, the Putnam Refectory Renovation, the Heating Plant Upgrade, the Young Building Addition, and other renovation projects. These additions were offset by depreciation expense of $67.3 million and net disposals of $145,000.

- Intangible assets increased by $1.6 million. Additions of $6.5 million included costs associated with the Core-CT payroll system and other software implementations offset by amortization expense of $4.9 million.

- Library materials decreased by $5.1 million. Additions of approximately $408,000 were offset by $5.5 million in depreciation expense.

- Equipment increased by $1.0 million. Additions of $20.3 million were offset by depreciation expense and net asset disposals of $19.3 million.

- In conjunction with the Hartford campus relocation, the University executed an agreement in July 2016 to transfer land, buildings, and related infrastructure to the Town of West Hartford. As of the date of these financial statements, a final selling price and other terms related to the agreement are still under negotiation. The closing and transfer of title is anticipated to occur after December 15, 2017.

See also Note 4 in the financial statements for details related to capital activities.

DEBT ACTIVITIES

The University issues general obligation bonds in its own name for a special capital improvement program (UCONN 2000) designed to modernize and expand the physical plant of the University. As amended, it provides for a capital budget program in three phases for the University and UConn Health, with an estimated total cost of $4.6 billion. In fiscal year 2017, the Governor proposed a budget deferring $334.1 million in UCONN 2000 authorizations and extending the program three years to 2027.

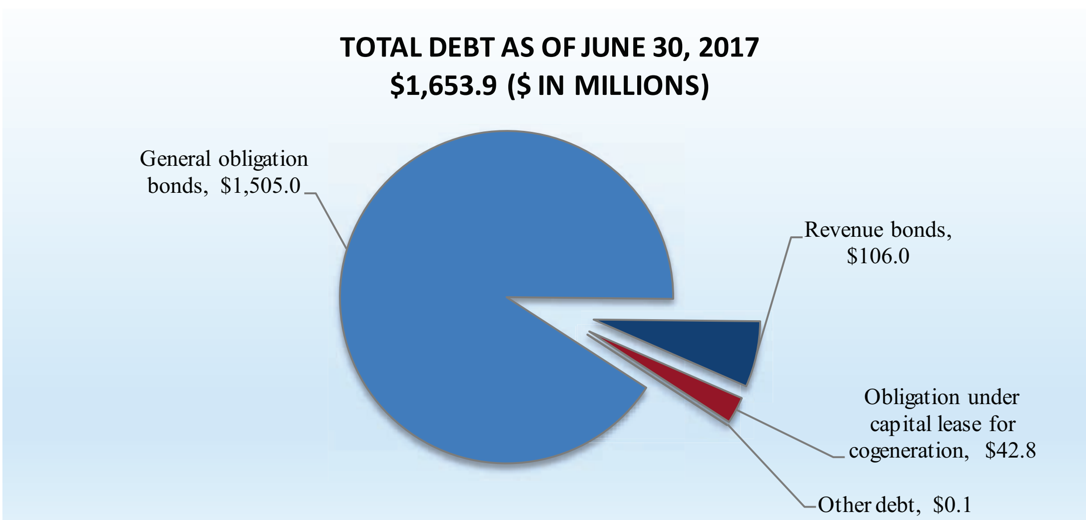
The State has made a commitment to fund the University for all principal and interest payments due on UCONN 2000 general obligation debt. As the general obligation debt is incurred, the commitment from the State is recorded as a current and noncurrent receivable in the Statement of Net Position.

In fiscal year 2017, the University issued UCONN 2000 general obligation bonds with a combined face value of $345.2 million, of which $27.5 million was committed to UConn Health for its UCONN 2000 projects. This issuance included the refunding of the general obligation 2007 Refunding Series A bonds.

Revenue bonds noted in the graph below relate to special obligation bonds issued and with debt service paid by the University. These bonds are secured by certain pledged revenues. There were no special obligation bonds issued or refunded in fiscal year 2017.

See also Note 7 in the financial statements for details related to debt activities.

The following graph illustrates total debt by category, exclusive of premiums and discounts:



ECONOMIC OUTLOOK

The University continues to face fiscal uncertainty given the difficulties the State is experiencing with its 2018 budget. In June 2017, the University's Board of Trustees adopted a preliminary budget of $1.3 billion for fiscal year 2018 in order to move forward into the next fiscal year. The adopted budget relies heavily on revenue from tuition, fees, and State support. However, future reductions in State support are likely depending on how the State plans to balance its budget and address the current economic crisis.

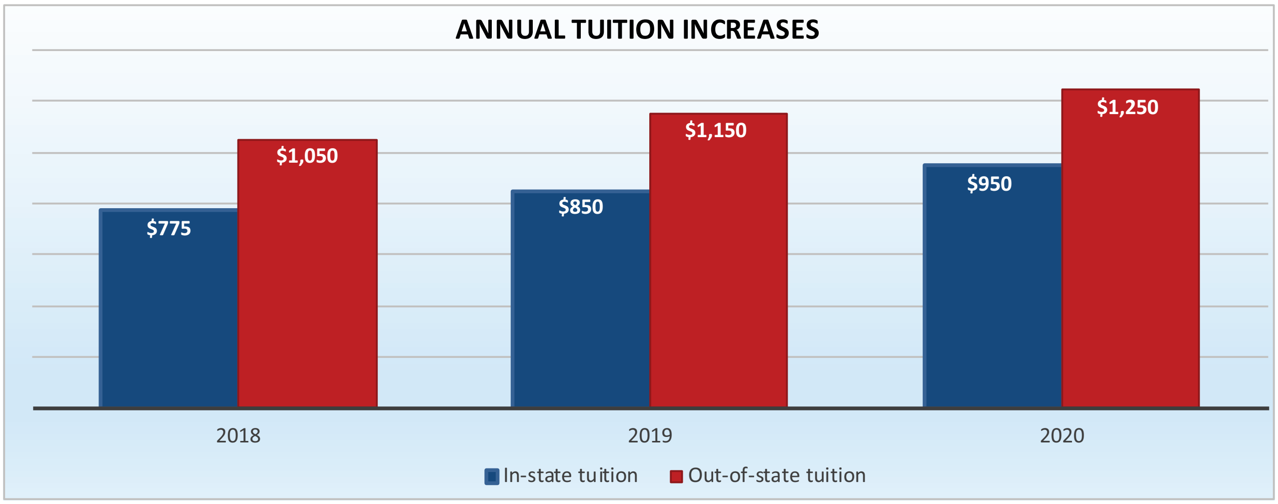
On July 31, 2017, the State Legislature approved the State Employees' Bargaining Agent Coalition (SEBAC) 2017 agreement that was ratified by union membership. In addition, contracts were ratified for all of the University's bargaining units participating in SEBAC. The SEBAC 2017 agreement includes changes to employee healthcare benefits, retirement plans, and future wage adjustments, resulting in cost-savings that are expected to offset ongoing increases to fringe benefit costs.

The decline in State support and rising costs are forcing the University to shift from expanding its academic and research initiatives to focusing on maintaining its current financial position. The fiscal year 2018 budget avoids raising tuition above the rate that was already approved in the four-year plan that went into effect in fall 2016. Although enrollment is expected to increase at the new downtown Hartford regional campus and at the Stamford regional campus, overall enrollment for the University over the next two years is expected to remain level. The downtown Hartford campus opened in August 2017 and is a major component of the Governor's Next Generation Connecticut initiative to expand STEM education. New student housing also opened at the Stamford regional campus for the fall 2017 semester and will accommodate approximately 300 students annually.

In fiscal year 2018, the University plans to award $122.4 million in University-funded financial aid to students in addition to the state, federal, and private aid for which they may qualify. Of this amount, $69.3 million is earmarked for need-based aid.

Despite fiscal challenges, the University continues to be one of the top-rated public universities in New England and the nation. Applications have reached record highs for the past several years, the number of class offerings has increased by 33 percent, and in fiscal year 2017 the University graduated more students than ever before in its history. These accomplishments are the direct result of the University's commitment to preserve academic excellence, fund key priorities in support of teaching and research, provide strong student support, and deliver a high standard of service to its students, faculty, staff, and the citizens of the State.

Undergraduate and graduate tuition increases over the next three remaining fiscal years of the four-year plan are presented in the graph below:



UNIVERSITY OF CONNECTICUT
STATEMENT OF NET POSITION
As of June 30, 2017

($ in thousands)

		2017
ASSETS		
Current Assets		
Cash and cash equivalents	$	368,472
Accounts receivable, net		57,460
Student loans receivable, net		2,293
Due from State of Connecticut		97,993
Due from related agencies		763
State debt service commitment		145,663
Inventories		792
Deposit with bond trustee		142,418
Prepaid expenses and other assets		6,830
Total Current Assets		822,684
Noncurrent Assets		
Investments		15,045
Student loans receivable, net		10,591
State debt service commitment		1,385,710
Property and equipment, net		1,904,088
Total Noncurrent Assets		3,315,434
Total Assets		4,138,118
DEFERRED OUTFLOWS OF RESOURCES		446,264
LIABILITIES		
Current Liabilities		
Accounts payable		116,141
Unearned revenue		46,484
Deposits held for others		1,553
Wages payable		56,520
Compensated absences		23,903
Due to State of Connecticut		28,981
Due to affiliate		11,480
Current portion of long-term debt and bonds payable		145,357
Other current liabilities		40,535
Total Current Liabilities		470,954
Noncurrent Liabilities		
Compensated absences		12,380
Long-term debt and bonds payable		1,710,386
Federal refundable loans		11,906
Pension liabilities		1,131,370
Total Noncurrent Liabilities		2,866,042
Total Liabilities		3,336,996
DEFERRED INFLOWS OF RESOURCES		4,141
NET POSITION		
Net investment in capital assets		1,557,469
Restricted nonexpendable		14,483
Restricted expendable		
Research, instruction, scholarships, and other		34,058
Loans		2,543
Capital projects and debt service		89,146
Unrestricted		(454,454)
Total Net Position	$	1,243,245

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

($ in thousands)

	2017
OPERATING REVENUES	
Student tuition and fees, net of scholarship allowances of $148,415	$ 367,351
Federal grants and contracts	126,186
State and local grants and contracts	25,942
Nongovernmental grants and contracts	28,005
Sales and services of educational departments	20,325
Sales and services of auxiliary enterprises, net of scholarship allowances of $4,981	209,851
Other sources	11,909
Total Operating Revenues	789,569
OPERATING EXPENSES	
Salaries and wages	556,411
Fringe benefits	349,328
Supplies and other expenses	245,357
Utilities	19,039
Depreciation and amortization	104,807
Scholarships and fellowships	11,791
Total Operating Expenses	1,286,733
Operating Loss	(497,164)
NONOPERATING REVENUES (EXPENSES)	
State appropriation	374,113
State debt service commitment for interest	64,757
Gifts	23,628
Investment income	2,996
Interest expense	(59,129)
Other nonoperating expenses, net	(1,776)
Net Nonoperating Revenues	404,589
Loss Before Other Changes in Net Position	(92,575)
OTHER CHANGES IN NET POSITION	
State debt service commitment for principal	281,576
Capital grants and gifts	1,388
Disposal of property and equipment, net	(1,418)
Additions to permanent endowments	1,149
Net Other Changes in Net Position	282,695
Increase in Net Position	190,120
NET POSITION	
Net Position – Beginning of Year	1,053,125
Net Position – End of Year	$ 1,243,245

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

($ in thousands)

	2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 371,563
Grants and contracts	179,160
Sales and services of auxiliary enterprises	212,592
Sales and services of educational departments	20,650
Payments to suppliers and others	(407,971)
Payments to employees	(555,724)
Payments for benefits	(260,790)
Loans issued to students	(2,468)
Collections of loans to students	2,402
Other receipts, net	10,131
Net Cash Used in Operating Activities	(430,455)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriation	375,198
Proceeds from bonds related to affiliate	27,479
State debt service commitment related to affiliate	56,323
Principal paid on debt and bonds payable related to affiliate	(32,180)
Interest paid on debt and bonds payable related to affiliate	(24,143)
Gifts	24,009
Other nonoperating expenses, net	128
Net Cash Provided from Noncapital Financing Activities	426,814
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Proceeds from bonds	322,521
State debt service commitment	109,553
Purchases of property and equipment	(317,641)
Principal paid on debt and bonds payable	(92,359)
Interest paid on debt and bonds payable	(40,325)
Capital allocation	52,865
Capital grants and gifts	1,326
Net Cash Provided from Capital Financing Activities	35,940
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments, net	(1,171)
Interest on investments	2,455
Deposit with bond trustee	6,664
Net Cash Provided from Investing Activities	7,948
INCREASE IN CASH AND CASH EQUIVALENTS	40,247
BEGINNING CASH AND CASH EQUIVALENTS	328,225
ENDING CASH AND CASH EQUIVALENTS	$ 368,472

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2017

($ in thousands)

		2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$	(497,164)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided from (Used in) Operating Activities		
Depreciation and amortization expense		104,807
Property and equipment		7,914
Investment		(247)
In-kind workers' compensation		1,214
Obligations under capital leases		98
Changes in Assets and Liabilities		
Receivables, net		1,124
Inventories		143
Prepaid expenses and other assets		(2,198)
Accounts payable, wages payable, and compensated absences		(7,662)
Unearned revenue		9,438
Deposits		(1,242)
Due from (to) State of Connecticut, net		1,698
Due to affiliate		(123,288)
Pension liabilities and related deferred outflows/inflows		80,129
Other liabilities		(5,421)
Loans to students		202
Net Cash Used in Operating Activities	$	(430,455)

ACCOMPANYING SCHEDULE OF SIGNIFICANT NONCASH TRANSACTIONS		
Proceeds from refunding bonds	$	36,960
Amortization of premiums, discounts, and net loss on debt refundings	$	13,018
Loss on disposal of capital assets	$	(1,418)

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
THE UNIVERSITY OF CONNECTICUT LAW SCHOOL FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2017

($ in thousands)

	2017
ASSETS	
Current Assets	
Cash and cash equivalents	$ 23,660
Pledges receivable, net	240
Other current assets	36
Total Current Assets	23,936
Noncurrent Assets	
Pledges receivable, net	252
Total Assets	24,188
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	35
Net Assets	
Unrestricted	1,736
Temporarily restricted	7,387
Permanently restricted	15,030
Total Net Assets	24,153
Total Liabilities and Net Assets	$ 24,188

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

($ in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions and grants	$ 313	$ 424	$ 585	$ 1,322
Interest and dividends	23	441	-	464
Net realized and unrealized gains	64	1,333	-	1,397
Net assets released from restrictions	1,746	(1,746)	-	-
Total Revenues and Support	2,146	452	585	3,183
EXPENSES				
Program Expenses				
Student support and faculty support	1,229	-	-	1,229
Scholarships and awards	275	-	-	275
Alumni and graduate relations	92	-	-	92
Total Program Expenses	1,596	-	-	1,596
Support Expenses				
Management and general	492	-	-	492
Fundraising	52	-	-	52
Total Support Expenses	544	-	-	544
Total Expenses	2,140	-	-	2,140
Changes in Net Assets	6	452	585	1,043
Net Assets – Beginning of Year	1,730	6,935	14,445	23,110
Net Assets – End of Year	$ 1,736	$ 7,387	$ 15,030	$ 24,153

See accompanying notes to basic financial statements.

Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Connecticut, a comprehensive institution for higher education governed by a 21-member Board of Trustees, serves as the flagship for higher education in the State of Connecticut (State). This institution is composed of programs based in Storrs and at the regional campuses, the School of Law, the School of Social Work, and the University of Connecticut Health Center (UConn Health). UConn Health is a fiscally independent branch, defined in State statute as a health care institution, that oversees clinical care, advanced biomedical research, and academic education in medicine. Separate for purposes of audit and financial reporting, UConn Health has its own Board of Directors to whom the Board of Trustees has delegated authority and by State statute is a separate entity for purposes of budgeting, maintaining operating funds, and receiving appropriations from the State. The transactions and balances of UConn Health are not included within this comprehensive annual financial report for the year ended June 30, 2017, and the University of Connecticut (University) is herein defined as all programs except for UConn Health.

In accordance with standards issued by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Legally separate and tax exempt entities shall be presented as component units of the reporting entity if they meet all of the following criteria: the economic resources of the organization are entirely or almost entirely for the direct benefit of the reporting unit; the reporting unit is entitled to access all or a majority of the economic resources received or held by the organization; and the economic resources received or held by the organization are significant to the reporting unit.

The financial operations of the University along with those of UConn Health are reported in the State's comprehensive annual report using the fund structure prescribed by GASB. The State includes the transactions and balances of the University within an enterprise fund under the major business-type activities of the government-wide financial statements, and has noted that State colleges and universities do not possess corporate powers that would distinguish them as being legally separate.

Two related, but independent, corporate entities that support the mission of the University and are also included in the State's annual report are the University of Connecticut Foundation, Inc. (Foundation) and the University of Connecticut Law School Foundation, Inc. (Law School Foundation). The Foundation raises funds to promote, encourage, and assist education and research at both the University and UConn Health, whereas the Law School Foundation, with similar objectives, supports only the University. Although the Foundation materially supports the mission of both the University and UConn Health, displaying the Foundation's financial statements as a component unit of either entity individually would distort its actual contribution or economic benefit to that entity. Therefore, the Foundation is not included as a component unit in the accompanying financial statements, but is included as a component unit of the State. The Law School Foundation, which is organized for the benefit of the University with economic resources that can only be used by or for the benefit of the University, is included as a component unit of the University. The Law School Foundation's audited Statement of Financial Position and Statement of Activities are discretely presented in their original formats on a separate page of the accompanying financial statements. The Law School Foundation's complete financial statements are available upon request by contacting its administrative office at 55 Elizabeth Street, Hartford, Connecticut, 06105.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with United States generally accepted accounting principles (GAAP), as prescribed by GASB. The University is considered a special-purpose government engaged in business-type activities, defined by GASB as those activities that are financed in whole or in part by fees charged to external parties for goods or services.

The University's financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, expenses are recognized when incurred, and all significant intra-agency transactions have been eliminated.

Adoption of New Accounting Standards

Effective for the University's fiscal year ended June 30, 2017, GASB issued the following statements that were adopted for this financial report:

- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,* requires blended presentation for certain component units identified based on criteria from GASB Statement No. 14, *The Financial Reporting Entity*. This includes component units that are incorporated as a not-for-profit corporation in which the primary government is the sole member. There was no impact on the University's component unit presentation related to this issuance.

- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, specifically addresses issues pertaining to (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standards of Practice for financial reporting purposes, and (3) the classification of any payments made by employers to satisfy employee contribution requirements. There was no significant impact on the accompanying financial statements as a result of this adoption.

Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the State of Connecticut Treasurer's Short-Term Investment Fund (STIF) are also considered cash equivalents, with the exception of those classified as restricted balances included in deposit with bond trustee.

Investments

The University accounts for its investments at fair value, categorized for disclosure purposes within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the investment. The three-level hierarchy of inputs is summarized as follows:

- Level 1 – Quoted prices for identical investments in an active market.

- Level 2 – Inputs other than Level 1 that are observable, such as quoted prices for similar investments in active markets; quoted prices for identical or similar investments in markets that are not active; or inputs other than quoted prices that are observable such as interest rate and yield curves, volatilities, and credit spreads, among others.

- Level 3 – Inputs that are unobservable but supported by the University's or the Foundation's own assumptions, taking into consideration the assumptions that market participants would use in pricing the investment. These inputs are developed based on the best information available under the circumstances.

The net asset value (NAV), or its equivalent, is used to determine the fair value of all investments that do not have a readily determinable fair value. Since they are not readily determinable, the fair values of these investments may differ from the values that would have been used had a ready market for these investments existed.

Changes in the unrealized gain or loss on the carrying value of the University's investments are recorded as nonoperating revenues or expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Accounts and Student Loans Receivable

Accounts receivable consists of tuition, fees, auxiliary enterprises service fees, and amounts due from state and federal governments for grants and contracts. Student loans receivable consists primarily of amounts due from students under the Federal Perkins Loan Program, which are subject to significant restrictions. The receivable for student loans is classified as current and noncurrent based on the amount estimated to be collected from students within one year and beyond one year, respectively. Accounts and student loans receivable are recorded net of an estimated allowance for doubtful accounts.

Inventories

Maintenance and custodial supplies, repair parts, and other general supplies used in daily operations are expensed when purchased. Inventories classified as available for resale are reported in the accompanying Statement of Net Position and are valued at cost as determined by the first-in, first-out method.

Deposit with Bond Trustee

Tax-exempt bond proceeds are deposited to various accounts held by the Trustee Bank as required by certain trust indentures. The funds are invested and disbursed as directed by the University. The University's bond proceeds investment policy is to balance an appropriate risk-return level heavily weighted towards safety of assets, as defined and permitted under the relative indentures and the General Statutes of Connecticut (State General Statutes).

The University has directed the Trustee Bank to invest UCONN 2000 General Obligation construction fund proceeds in STIF. Similarly, the University has directed the Trustee Bank to invest the debt service funds and cost of issuance for the special obligation bonds in dedicated STIF accounts.

Investment earnings from UCONN 2000 General Obligation Bond proceeds are retained by the State Treasurer's Office and do not flow to the University or to the Trustee Bank. Investment earnings from Student Fee Revenue Bonds are part of pledged revenues and are directly retained by the Trustee Bank to pay debt service on the bonds or for other indenture permitted purposes. Earnings on the UCONN 2000 General Obligation Debt Service Commitment Refunding Bonds and the Special Obligation Student Fee Revenue Refunding Redemption Fund escrows form part of the irrevocable escrows that are used by the Trustee Bank to meet debt service payments on defeased bonds until called.

Property and Equipment

Property and equipment are reported at cost at the date of acquisition or, in the case of gifts, at acquisition value. All land is capitalized, regardless of cost. Renovations greater than $100,000 that significantly increase the value or useful life of an asset are capitalized. Routine repairs and maintenance costs are charged to operating expenses in the year incurred. Equipment with a unit value of $5,000 or more and a useful life of more than one year is capitalized.

Art and historical collections are recognized at their acquisition values and are not depreciated. The Thomas J. Dodd Research Center at the University maintains historical collections of original source materials used for research and serves as the University's official archive. New items are added to the collection if their acquisition value can be substantiated by an external appraisal.

Depreciation and amortization expenses are recorded on a straight-line basis over the estimated useful lives of the respective assets:

Nonstructural improvements	10 – 50 years
Buildings and building components	6 – 60 years
Intangible assets	3 – 10 years
Library materials	15 years
Equipment	3 – 30 years

Most University capital assets are financed through the issuance of general obligation bonds, which are restricted in accordance with State legislation. Additionally, the repayment of interest on these bonds is funded through the State. Therefore, the University generally does not include interest in the cost of the capital assets constructed.

Unearned Revenue

Unearned revenue includes amounts received for services to be rendered in a future accounting period. This amount is composed primarily of student charges (tuition, fees, room, and board) received in advance of the applicable academic period and amounts received from sponsors related to certain restricted research grants that will not be included in revenue until the funds are expended. It also includes advance ticket sales for sporting events and commitments received in advance of the athletic season.

Compensated Absences

Employee vacation, holiday, compensatory, and sick leave are accrued at year-end for financial statement purposes. The recorded liability is included as compensated absences in the accompanying Statement of Net Position and is classified as current and noncurrent based on the amount estimated to be paid to eligible employees in one year and beyond one year, respectively. The related expense is included as operating expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Noncurrent Liabilities

Noncurrent liabilities include the long-term portion of compensated absences, principal payments due on bonds (net of unamortized premiums and discounts), loans and capital leases with a maturity of more than one year, pension liabilities, and governmental advances for revolving loan programs required to be returned to the federal government upon cessation of the student loan program.

Pension Liabilities

The University records its proportionate share of the State's collective net pension liability and collective pension expense for each defined benefit plan offered to its employees. The collective net pension liability for each plan is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The total pension liability is the portion of the actuarial present value of projected benefit payments that are attributable to past periods of plan member service. Information about the fiduciary net position as well as additions to and deductions from each pension plan's fiduciary net position have been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period the contributions are due and employer contributions are recognized in the period the contributions are appropriated. Benefits and refunds are both recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

Deferred Outflows and Deferred Inflows of Resources

The University reports its proportionate share of collective deferred outflows or collective deferred inflows of resources related to the State's defined benefit plans. Differences between expected and actual experience in the measurement of the total pension liability, changes in assumptions, changes in proportion, and differences between actual and proportionate share of contributions are classified as either deferred outflows or deferred inflows. These differences and changes are recognized over the average of the expected remaining service lives of employees eligible for pension benefits. The net differences between projected and actual earnings on pension plan investments are reported as deferred outflows or deferred inflows and are recognized over five years. Contributions to the pension plan made by the University subsequent to the measurement date of the net pension liability and before the end of the reporting period are reported as deferred outflows of resources related to pensions.

The difference between the reacquisition price and the net carrying amount of refunded bonds is classified as an accumulated net gain or loss in deferred inflows or deferred outflows of resources. Such amounts are amortized as a component of interest expense on a straight-line basis over the life of either the old debt or the new debt, whichever is shorter. The difference between assets and contractual liabilities recorded in connection with a service concession arrangement is also reported as a deferred inflow of resources to be amortized as revenue over the contract term.

Net Position

GASB requires that resources be classified for accounting and reporting purposes into the following categories of net position:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and amortization, reduced by outstanding principal balances of bonds (net of State debt service commitment) and notes that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component.

- **Restricted nonexpendable:** Endowment and similar type assets for which donors or outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity. These assets are invested for the purpose of producing present and future income, which may be expended or reinvested in principal.

- **Restricted expendable:** Assets reduced by liabilities and deferred inflows of resources related to those assets that are expendable but where the University is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external third parties.

- **Unrestricted:** The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets". These assets are not subject to externally imposed stipulations, but they may be subject to internal designations. For example, amounts classified as unrestricted may be assigned to specific purposes by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties. In general, all unrestricted amounts in net position are assigned to support academic and research programs, capital projects, retirement of indebtedness, and auxiliary enterprise activities.

The University's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred is based on a variety of factors. These factors include consideration of prior or future revenue sources, the type of expense incurred, the University's budgetary policies surrounding the various revenue sources, and whether the expense is a recurring cost.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained internally following the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

- **Operating revenues and expenses:** Operating revenues consist of tuition and fees, grants and contracts, sales and services of educational activities, auxiliary enterprises revenue, and other sources of revenue that generally have the characteristics of exchange transactions. GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, requires recipients of government-mandated and voluntary nonexchange transactions to recognize revenue when all applicable eligibility requirements are met for these transactions. Restricted grant revenue that does not meet the nonexchange transaction definition is also recognized to the extent expended or, in the case of fixed price contracts, when the contract terms are met or completed. Operating expenses include all expense transactions incurred other than those related to investing or financing, irrespective as to whether the revenues associated with those expenses are classified as operating or nonoperating. These expenses are reported using natural classification, comprehensive of expenses incurred under both educational and general programs and auxiliary enterprises. See also Note 16 for operating expenses presented by functional classification.

- **Nonoperating revenues and expenses:** All other revenues and expenses of the University are reported as nonoperating revenues and expenses including State appropriation, State debt service commitment for interest, noncapital gifts, investment income, interest expense, net other nonoperating revenues and expenses, and other changes in net position.

Scholarship Discounts and Allowances
GASB requires that revenues be reported net of scholarship discounts and allowances, representing the difference between the stated charge for goods and services provided by the University and the amount that is ultimately paid by students or on their behalf. Any aid applied directly to student accounts in payment of tuition and fees, housing charges, and dining services is reflected as a scholarship allowance deducted from the University's operating revenues. Scholarships and fellowships expense in the accompanying Statement of Revenues, Expenses and Changes in Net Position includes payments made directly to students.

Component Unit
The Law School Foundation prepares its financial statements on the accrual basis of accounting in accordance with GAAP. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the Law School Foundation's net assets and changes therein are classified and reported as follows:

- **Unrestricted net assets:** Net assets that are not subject to donor-imposed restrictions.

- **Temporarily restricted net assets:** Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Law School Foundation or passage of time. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

- **Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Law School Foundation. Generally, the donors of these assets permit the Law School Foundation to use all or part of the income earned on related investments for general or specific purposes.

Unconditional contributions are recognized as revenue when pledged or received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Investments in marketable debt and equity securities, money market funds, and mutual funds are stated at fair value.

On March 6, 2017, the Law School Foundation's Board of Trustees unanimously approved dissolution of the Law School Foundation as of June 30, 2017. Accordingly, all investments were liquidated prior to the dissolution date. After payment of or provision for all existing Law School Foundation liabilities and with the exception of a nominal amount held to satisfy closing expenses, all remaining assets were distributed to the UConn Foundation by July 7, 2017. These assets will continue to be managed in accordance with all donor restrictions and for the sole benefit of the University's Law School.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The University's total cash and cash equivalents and investments included the following as of June 30, 2017 (amounts in thousands):

	2017
Cash maintained by State Treasurer	$ 340,992
Invested in STIF	22,169
Other deposits	5,311
Total Cash and Cash Equivalents	$ 368,472
Foundation-managed endowments	$ 14,484
POET Technologies, Inc.	329
UConn Innovations Fund, LLC	232
Total Investments	$ 15,045

Cash and Cash Equivalents
Collateralized deposits are protected by State statute. This statute requires that any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined mainly by the bank's financial condition, which is measured using ratios of leverage, net worth, and risk-based capital. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State are insured by the Federal Deposit Insurance Corporation or collateralized. As a State agency, the University benefits from this protection, though the extent to which the deposits of an individual State agency such as the University are protected cannot be readily determined.

STIF is a money market investment pool in which the State, municipal entities, and other political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans.

The University's cash management investment policy permits the University to invest in STIF, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, bankers' acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts. Cash and cash equivalents includes $22.2 million invested in STIF, which had a Standard and Poor's rating of AAAm during fiscal year 2017.

Foundation-Managed Endowments

The University designated the Foundation as the manager of the University's endowment funds. The Foundation makes spending allocation distributions to the University for each participating endowment. The distribution is spent by the University in accordance with the respective purposes of the endowments, the policies and procedures of the University and State statutes, and in accordance with the Foundation's endowment spending policy described below.

The endowment spending policy adopted by the Foundation's Board of Directors, in conjunction with a strategic asset allocation policy for the long-term pooled investment portfolio, is designed to provide reliable growth in annual spending allocation levels and to preserve or increase the real value of the endowment principal over time. To meet these objectives, the Foundation utilizes a total return investment approach, with total return consisting of interest and dividends as well as realized and unrealized gains and losses, net of management fees.

The Foundation's endowment spending allocation policy adheres to the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA considers prudence in maintaining an endowment fund in perpetuity. Therefore, spending can occur from an endowment fund whose fair value is below its historic value as long as the governing body has determined that its policies will continue the perpetual nature of the endowment over time.

An administrative fee is assessed to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities to donors and the University. The endowment spending allocation and administrative fee taken together cannot exceed 6.75 percent or fall below 3.00 percent of the fair value of endowment funds at March 31. Should this occur, the calculated amounts will be decreased or increased, respectively, on a pro rata basis.

Over the long term, the Foundation expects the current spending allocation and administrative fee policies to allow endowments to grow on average at least at the annualized rate of inflation. This is consistent with the organization's objective of providing resources for the underlying purposes of its endowment assets over the life of the endowments, whether in perpetuity or for a specified term, as well as to provide additional growth through new gifts and investment return.

University endowment investments are managed by the Foundation in a pooled portfolio that is actively managed by professional investment managers as determined by the Investment Committee of the Foundation's Board of Directors. The Foundation has established asset allocation guidelines for the pooled investment portfolio, providing that the maximum exposure with any one manager would be 20 percent for actively managed liquid assets and 5 percent for illiquid assets. The Foundation's Board of Directors also established an asset allocation policy for the long-term pooled investment portfolio. The Foundation expects that portfolios will be invested in only the strategies described in the following table, and not above or below the individual strategy percentage and its total percentage by objective, unless otherwise specified by its Board of Directors.

Investment Objectives and Strategies	Allocation Range as Percentage of Market Value
Growth	
Public equity	10% - 60%
Private equity	0% - 25%
Risk Minimizing	
Global fixed income	5% - 30%
Hedge funds – non-directional	0% - 20%
Inflation Hedging	
Real assets	0% - 10%

The endowments invested with the Foundation are subject to risk due to the uncollateralized nature of most of its investments. Certain investments of the Foundation include external investment pools. The bond mutual funds had effective durations of 2.46 years. The University endowment's foreign publicly traded equities totaled $2.8 million as of June 30, 2017. Private capital investments totaled approximately $1.5 million as of June 30, 2017.

Other Investments

Certain investments are also held directly by the University. As of June 30, 2017, the University held 1.5 million shares in POET Technologies, Inc. (POET) that were received in previous years in connection with technology licensing and royalty-related transactions. In addition, the University held an ownership interest in UConn Innovation Fund, LLC as of June 30, 2017 (see Note 14).

The investment in POET is denominated in Canadian dollars and therefore is subject to foreign currency risk. Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuation in the value of the U.S. dollar relative to the foreign currencies.

The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the investment balance presented in the Statement of Net Position as of June 30, 2017 (amounts in thousands):

	2017				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Foundation-Managed Investments					
Cash and cash equivalents	$ 426	$ -	$ -	$ -	$ 426
Fixed income securities					
Corporate investment grade	1,771	-	-	-	1,771
Equity securities					
Domestic	8,619	-	-	-	8,619
Foreign	623	-	-	-	623
Private capital					
Buyout and venture capital	-	-	-	689	689
Debt	-	-	-	171	171
Royalties	-	-	-	562	562
Long and short equities	-	-	-	1	1
Private real estate	-	-	-	137	137
Private natural resources	-	-	-	630	630
Relative value	-	-	-	855	855
Total Foundation-Managed Investments	11,439	-	-	3,045	14,484
University-Held Investments					
Equity securities – foreign	329	-	-	-	329
Other	-	-	-	232	232
Total University-Held Investments	329	-	-	232	561
Total Investments	$ 11,768	$ -	$ -	$ 3,277	$ 15,045

Certain investments managed by the Foundation are measured at fair value pricing using NAV, or its equivalent. NAVs provided by third-parties have been utilized in determining fair value where there are significant unobservable inputs related to Level 3 assets, as all investments have been made through commingled fund structures with no direct ownership. The Foundation's investment managers utilize outside pricing services and administrators as well as their own internal valuation models in determining and verifying fair values.

The Foundation performs ongoing due diligence with its investment managers that includes evaluation of managers' operations and valuation procedures, site visits, investor calls, and review of manager filings and audited financial statements. The Investment Committee of the Foundation's Board of Directors monitors performance of investment managers and meets formally with managers on a periodic basis in addition to the ongoing due diligence performed by the Foundation investment staff.

The following table provides additional information relating to investments with fair values derived either from observable market transactions other than quoted market prices or from unobservable inputs as of the fiscal year ended June 30, 2017 (amounts in thousands):

Investment Strategy	Fair Value	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions
Private capital partnerships including venture, buyout, distressed in the U.S. and international, and other	$ 1,653	$ 476	Less than 1 to 12 years	Not applicable	Not redeemable
Private real estate partnerships in commercial, residential, office, and industrial properties	137	39	1 to 8 years	Not applicable	Not redeemable
Natural resource partnerships in energy and timber	630	86	13 years	Not applicable	Not redeemable
Total	$ 2,420	$ 601			

Funds Held in Trust by Others

Certain other funds are held in trust for investment by outside trustees. The University is designated as the income beneficiary and the funds are not under the direct control of the University. Accordingly, the assets of these funds are not included in the accompanying financial statements. The fair value of these funds was $14.3 million as of June 30, 2017. Investment income earned on these assets is transferred to the University in accordance with applicable trust agreements. Income received from those sources for the year ended June 30, 2017, was $524,000.

NOTE 3. ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable as of June 30, 2017, consisted of the following (amounts in thousands):

	2017
Grants and contracts	$ 34,722
Student and general	29,157
Investment income	781
Allowance for doubtful accounts	(7,200)
Total Accounts Receivable, Net	$ 57,460

The University participated in the U.S. Department of Education Federal Direct Lending Program during fiscal year 2017 and distributed student loans through this program of $169.4 million. These distributions and related funding are not reflected as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements. The excess of direct loans distributed over funding received from the U.S. Department of Education as of June 30, 2017, was $740,000; this amount was included as a receivable under grants and contracts.

The University reported student loans receivable of $12.9 million as of June 30, 2017. Student loans receivable are substantially composed of amounts owed from students under the U.S. Department of Education Federal Perkins Loan Program and are reported separately from accounts receivable in the accompanying Statement of Net Position. The 2017 amount is reported net of an allowance for doubtful accounts of $881,000.

NOTE 4. PROPERTY AND EQUIPMENT

The following table describes the changes in property and equipment for the year ended June 30, 2017 (amounts in thousands):

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Capital Assets Not Being Depreciated					
Land	$ 20,679	$ -	$ -	$ -	$ 20,679
Construction in progress	305,290	224,901	-	(125,803)	404,388
Art and historical collections	55,073	40	(130)	-	54,983
Total Capital Assets Not Being Depreciated	381,042	224,941	(130)	(125,803)	480,050
Depreciable Capital Assets					
Non-structural improvements	274,494	7,318	-	14,955	296,767
Buildings and improvements	1,991,444	52,656	(529)	110,848	2,154,419
Intangible assets	26,581	6,475	(1,084)	-	31,972
Library materials	81,904	408	-	-	82,312
Equipment	265,783	20,291	(25,564)	-	260,510
Total Depreciable Capital Assets	2,640,206	87,148	(27,177)	125,803	2,825,980
Less Accumulated Depreciation					
Non-structural improvements	141,706	8,981	-	-	150,687
Buildings and improvements	912,752	67,307	(384)	-	979,675
Intangible assets	16,658	4,930	(1,084)	-	20,504
Library materials	68,911	5,474	-	-	74,385
Equipment	182,997	18,115	(24,421)	-	176,691
Total Accumulated Depreciation	1,323,024	104,807	(25,889)	-	1,401,942
Depreciable Capital Assets, Net	1,317,182	(17,659)	(1,288)	125,803	1,424,038
Property and Equipment, Net	$ 1,698,224	$ 207,282	$ (1,418)	$ -	$ 1,904,088

During fiscal year 2017, a total of $4.8 million was recorded as supplies and other expenses in the accompanying Statement of Revenues, Expenses, and Changes in Net Position for costs relating to a dormitory project that was cancelled. It was determined that costs previously capitalized as construction in progress had no net realizable value.

In conjunction with the Hartford campus relocation, the University executed an agreement to sell the West Hartford campus property to the Town of West Hartford (Town). Under the agreement, the University will transfer land, buildings, and related infrastructure to the Town in exchange for $5.0 million. In the event that the Town sells the property to a third-party prior to October 1, 2024, the University is entitled to 90 percent of the net proceeds less the original $5.0 million purchase price. In April 2017, the Board of Trustees authorized a revision to the agreement that reduces the purchase price to $1.0 million, and extends the date for the third-party sale entitlement from October 1, 2024 to October 1, 2026. As of the date of these financial statements, negotiations with the Town have not been finalized. The closing and transfer of title are anticipated to occur after December 15, 2017.

NOTE 5. UNEARNED REVENUE

As of June 30, 2017, unearned revenue included the following (amounts in thousands):

	2017
Tuition, fees, and other student charges	$ 30,407
Amounts received from grant sponsors	10,488
Athletic tickets, commitments, and other	5,589
Total Unearned Revenue	$ 46,484

NOTE 6. COMPENSATED ABSENCES AND WAGES PAYABLE

The following table shows activity for compensated absences for the fiscal year ended June 30, 2017 (amounts in thousands):

	2017
Beginning Balance, July 1	$ 36,616
Additions, net	3,532
Deductions (separations only)	(3,865)
Ending Balance, June 30	$ 36,283

Wages payable includes salaries and wages for amounts owed to employees at the fiscal year-end. The State administers benefit and retirement plans for the University; therefore, the liability for fringe benefits related to wages payable is included as due to State in the accompanying Statement of Net Position.

NOTE 7. LONG-TERM DEBT AND BONDS PAYABLE

Public Act (PA) No. 95-230 enabled the University to borrow money in its own name for a special 10-year capital improvement program designed to modernize, rehabilitate, and expand the physical plant of the University (UCONN 2000). It authorized projects for Phases I and II of UCONN 2000, estimated to cost $1,250.0 million, of which $962.0 million was to be financed by bonds of the University; $18.0 million was to be funded by State general obligation bonds; and the balance of $270.0 million was to be financed by gifts, other revenue, or borrowing resources of the University.

In fiscal year 2002, the General Assembly of the State of Connecticut (General Assembly) enacted and the Governor signed into law PA No. 02-3, *An Act Concerning 21st Century UConn* (Act). The Act authorized additional projects for the University and UConn Health for what is called Phase III of UCONN 2000. This Act amended PA No. 95-230 and extended the UCONN 2000 financing program.

The Act, as amended by PA No. 10-104 and 11-75, authorized projects under Phase III at a total estimated cost of $1,818.3 million, of which $1,769.9 million was financed by bonds of the University secured by the State's debt service commitment. The remaining $48.4 million was financed by the University's issuance of special obligation bonds, from gifts and other revenue or borrowing resources of the University, or through the deferring of projects or achieved savings.

In June 2013, the General Assembly enacted and the Governor signed into law PA No. 13-233, *An Act Concerning Next Generation Connecticut*, an extension of Phase III that authorized additional projects, increased the cost of certain projects, increased the authorized bond funding secured by the State's debt service commitment by $1,551.0 million, and extended UCONN 2000 for an additional six fiscal years to 2024.

In fiscal year 2017, the Governor proposed a budget deferring $334.1 million in UCONN 2000 authorizations and extending the program three years to 2027. The total estimated cost for Phases I, II, and III under UCONN 2000 is $4,619.3 million.

The University issues general obligation bonds to finance UCONN 2000 projects. The University has also issued several series of general obligation refunding bonds, providing debt service savings for bonds refunded in advance of maturity. Sufficient proceeds are deposited into irrevocable escrow accounts held by the Trustee Bank to meet all obligations on the refunded debt and invested in U.S. Treasury, state and local government securities, and cash in accordance with the escrow agreement. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State debt service commitment – the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State debt service commitment for the payment of the bonds and, accordingly, is not planning to budget any revenues for the payment of these bonds. Under the Master Indenture, the University expects to issue additional bonds to finance UCONN 2000 projects secured by the State debt service commitment.

In January 2017, the University issued general obligation bonds at a face value of $345.2 million, comprising $311.2 million of 2017 Series A bonds and $34.0 million of 2017 Refunding Series A bonds. The total bonds were issued at a premium of $43.8 million. Total net proceeds realized from the 2017 Series A bonds were $350.0 million after the payment of issuance costs and underwriter fees. Of this amount, $27.5 million was allocated to finance projects at UConn Health.

Net proceeds realized from the 2017 Refunding Series A bonds were used to refund $36.1 million of the previously issued 2007 Refunding Series A General Obligation Bonds in advance of maturity. This reduced the general obligation debt service in future years by $3.8 million and resulted in an economic gain (present value of the savings) of $3.3 million. A loss of $945,000 resulting from the debt refunding was reported as a deferred outflow of resources in the accompanying Statement of Net Position. This difference is being amortized to interest expense through the year 2022 using the straight-line method.

As general obligation bonds are issued, nonoperating revenue for State debt service commitment for principal is recognized at face value less any refunded debt and amounts set aside to finance UConn Health projects. For the year ended June 30, 2017, total State debt service commitment for principal recognized was $281.6 million. The portion of proceeds allocated to UConn Health is recorded as due to affiliate in the accompanying Statement of Net Position. As of June 30, 2017, the unspent portion of this balance was $11.5 million. In addition, nonoperating revenue for State debt service commitment for interest on general obligation bonds of $64.8 million was recognized for the year ended June 30, 2017, of which approximately $24.8 million was associated with UConn Health projects. As of June 30, 2017, approximately $596.5 million of the total general obligation bonds outstanding, net of premiums and discounts, pertained to proceeds used to finance UConn Health projects.

In addition, the University may issue special obligation bonds, also called Student Fee Revenue Bonds. There were no special obligation bonds issued or refunded in fiscal year 2017.

Special obligation bonds are secured by certain pledged revenues as defined in the indenture. In fiscal year 2017, this consisted of gross and net revenue amounts of approximately $91.2 million. Gross pledged revenues include the infrastructure maintenance fee and the general university fee plus investment income on the bond accounts held by the Trustee Bank, prior to any payments, deductions, offsets, or provisions. Net pledged revenues include the residential life room fee, student apartment rentals, Greek housing fee, the board (dining) fee, and parking and transportation fees, after providing for the cost of maintaining, repairing, insuring, and operating the facilities for which the fees are imposed and before depreciation expense is deducted. In addition to securing revenue bonds, the gross and net pledged revenues available are pledged toward certain other debt. The University has covenanted to collect, in each fiscal year, fees representing pledged revenues so that the sum of gross and net revenue amounts is no less than 1.25 times the debt service requirements in each respective fiscal year for its special obligation bonds.

The total principal and interest remaining to be paid on all special obligation bonds as of June 30, 2017, was $141.4 million. The total amount paid by pledged revenues was $6.5 million for the principal and $5.1 million for the interest on this debt in fiscal year 2017.

The State issues certain general obligation bonds that are categorized as self-liquidating bonds. These bonds are issued to fund the construction and renovations of revenue-generating capital projects. The University reimburses the State primarily with revenue from student fee charges in the amount equal to the debt service on self-liquidating bonds. All outstanding self-liquidating bonds were paid in full in June 2017.

The University also has a long-term UCONN 2000 Governmental Lease Purchase Agreement to finance the UCONN 2000 Cogeneration facility (see Note 8).

On July 1, 2015, the University assumed a note payable related to the purchase of the Nathan Hale Inn for $5.4 million. The note payable required monthly payments of principal and interest and was paid in full in December 2016.

Unamortized premiums and discounts are recorded as additions or reductions to the face value of bonds payable. These amounts are amortized using the straight-line basis over the life of the bonds, reducing interest expense for premiums and increasing it for discounts.

Long-term debt activity for the year ended June 30, 2017, was as follows (amounts in thousands):

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
General obligation bonds	$ 1,303,870	$ 345,150	$ (144,025)	$ 1,504,995	$ 119,285
Revenue bonds	112,410	-	(6,455)	105,955	6,700
Self-liquidating bonds	275	-	(275)	-	-
Installment loans	282	98	(263)	117	55
Obligation under capital lease for Cogeneration	47,229	-	(4,411)	42,818	4,623
Note payable – Nathan Hale Inn	5,205	-	(5,205)	-	-
Total Long-Term Debt	1,469,271	345,248	(160,634)	1,653,885	130,663
Premiums and discounts	172,757	43,842	(14,741)	201,858	14,694
Total Long-Term Debt, Net	$ 1,642,028	$ 389,090	$ (175,375)	$ 1,855,743	$ 145,357

Long-term debt outstanding as of June 30, 2017, consisted of the following (amounts in thousands):

Type of Debt and Issue Date	Original Amount	Maturity Dates Through Fiscal Year	Interest Rate*	2017 Balance
Bonds				
GO 2009 Series A	$ 144,855	2029	3.0-5.0%	$ 86,525
GO 2010 Series A	97,115	2030	3.0-5.0%	63,110
GO 2010 Ref. Series A	36,095	2021	2.25-5.0%	17,290
GO 2011 Series A	179,730	2031	3.515-5.0%	125,795
GO 2011 Ref. Series A	31,905	2023	2.0-5.0%	17,495
GO 2013 Series A	172,660	2034	2.0-5.0%	146,760
GO 2013 Ref. Series A	51,250	2024	2.0-5.0%	43,665
GO 2014 Series A	109,050	2034	2.0-5.0%	92,690
GO 2014 Ref. Series A	92,940	2025	2.0-5.0%	13,685
GO 2015 Series A	220,165	2035	1.0-5.0%	198,155
GO 2015 Ref. Series A	34,625	2026	4.0-5.0%	31,120
GO 2016 Series A	261,510	2036	3.0-5.0%	248,430
GO 2016 Ref. Series A	80,425	2027	4.0-5.0%	75,125
GO 2017 Series A	311,200	2037	2.5-5.0%	311,200
GO 2017 Ref. Series A	33,950	2022	2.5-5.0%	33,950
Total General Obligation Bonds	1,857,475			1,504,995
Rev 2010 Ref. Series A	47,545	2028	3.0-5.0%	28,845
Rev 2012 Ref. Series A	87,980	2030	1.5-5.0%	77,110
Total Revenue Bonds	135,525			105,955
Total Bonds	1,993,000			1,610,950
Loans and Other Debt				
Installment loans	246	various	1.05-1.959%	117
Obligation under capital lease for Cogeneration	81,900	2026	2.22%	42,818
Total Loans and Other Debt	82,146			42,935
Total Bonds, Loans, and Other Debt	$2,075,146			1,653,885
Add: premiums and discounts				201,858
Total Bonds, Loans, and Installment Purchases, Net				1,855,743
Less: current portion, net				145,357
Total Noncurrent Portion, Net				$1,710,386

**For bonds, the weighted average coupon rates are averaged by year of redemption.*

Long-term debt including general obligation bonds, revenue bonds, and loans are scheduled to mature in the following fiscal years as of June 30 (amounts in thousands):

	General Obligation Bonds			Long-Term Debt Other Than General Obligation Bonds			Total Obligations		
Year(s)	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	$ 119,285	$ 70,141	$ 189,426	$ 11,378	$ 5,768	$ 17,146	$ 130,663	$ 75,909	$ 206,572
2019	115,210	65,646	180,856	11,576	5,404	16,980	126,786	71,050	197,836
2020	109,430	60,333	169,763	12,594	4,993	17,587	122,024	65,326	187,350
2021	104,435	55,311	159,746	12,546	4,541	17,087	116,981	59,852	176,833
2022	99,190	50,366	149,556	13,004	4,079	17,083	112,194	54,445	166,639
2023-2027	432,595	184,223	616,818	60,452	12,940	73,392	493,047	197,163	690,210
2028-2032	333,575	87,685	421,260	27,340	1,993	29,333	360,915	89,678	450,593
2033-2037	191,275	21,063	212,338	-	-	-	191,275	21,063	212,338
Total	$ 1,504,995	$ 594,768	$ 2,099,763	$ 148,890	$ 39,718	$ 188,608	$ 1,653,885	$ 634,486	$ 2,288,371

NOTE 8. LEASES

Capital Leases

In December 2003, the University entered into a 20-year lease purchase agreement for a project to provide on-site generation of electricity, steam, and chilled water for heating and cooling at the University's Storrs campus. The project initially assumed a total cost of $75.0 million and included construction of a building and the engineering, design, and installation of certain equipment to establish the Cogeneration facility. The lease was amended in August 2005 as a result of an increase in the total anticipated cost to $81.9 million. After another amendment, the remaining monthly payments decreased from $517,000 to $482,000 beginning August 2013 and the original lease term did not change. In November 2016, the lease was amended again to reflect a new nominal rate, causing monthly payments to decrease to $462,000 beginning January 2017. Amounts advanced by the lessor include capitalized interest during construction and are reflected as long-term debt in the accompanying Statement of Net Position. At the completion of the lease term, the University has an option to purchase the project assets for one dollar. The historical cost and accumulated depreciation of the Cogeneration facility were $82.6 million and $39.5 million, respectively, as of June 30, 2017.

The University leases equipment assets with a historical cost and accumulated depreciation of $246,000 and $59,000, respectively, as of June 30, 2017.

All assets subject to capital lease agreements are included as property and equipment in the accompanying Statement of Net Position; depreciation on these assets is included as depreciation and amortization expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position (see Note 4). Loans related to these capital lease agreements are included as long-term debt and bonds payable in the accompanying Statement of Net Position (see Note 7).

On August 1, 2017, the University entered into a 25-year master sublease agreement for 116 apartment units at 900 Washington Boulevard in Stamford. The apartments will serve as the University's residential facility for the Stamford campus. The University will have options to purchase the property on each tenth anniversary of the term and a right of first refusal if the lessor receives a bona-fide offer to buy the property. The first year cost under the master sublease will be $2.7 million and payments will increase by 1.9 percent annually.

Operating Leases

The University has leases related to equipment and building space that expire at various dates. Future minimum rental payments at June 30, 2017, under non-cancellable operating leases that exceeded $500,000 each were as follows (amounts in thousands):

Fiscal Year	Payments
2018	$ 3,104
2019	3,479
2020	3,516
2021	3,553
2022	3,534
Thereafter	16,985
Total	$ 34,171

Expenses related to operating lease commitments in excess of $500,000 each were approximately $2.4 million for the fiscal year ended June 30, 2017.

NOTE 9. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

State Retirement Systems

The University sponsors two defined benefit plans administered through the State: the State Employees' Retirement System (SERS) and the Connecticut Teachers' Retirement System (TRS). SERS and TRS do not issue stand-alone financial reports but are reported as fiduciary funds within the State's Comprehensive Annual Financial Report (CAFR). Financial reports are available on the website of the Office of the State Comptroller at www.osc.ct.gov.

Plan descriptions. SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. Approximately 51 percent of the University's eligible employees participate in SERS, which is administered by the State Comptroller's Retirement Division under the direction of the State Employees' Retirement Commission. As of June 30, 2017, SERS consisted of five plans: Tier I, Tier II, Tier IIA, Tier III, and the Hybrid Plan.

TRS is a cost-sharing multiple-employer defined-benefit plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Employees previously qualified for TRS continue coverage during employment with the University and do not participate in any other offered retirement plans. TRS is governed by Chapter 167a of the State General Statutes, as amended through the current session of the State Legislature, and is administered by the Teachers' Retirement Board.

Benefits provided. SERS provides retirement, disability, and death benefits along with annual cost-of-living adjustments (COLAs) to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated in accordance with a basic formula that takes into consideration average salary, credited service, and age at retirement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192x of the State General Statutes.

TRS also provides retirement, disability, and death benefits along with annual COLAs to plan members and their beneficiaries. Generally, monthly plan benefits are based on a formula in combination with the member's age, service, and the average of the highest three years of paid salaries. Further information on TRS plan benefits, COLAs, and other plan provisions are described in Sections 10-183b to 10-183ss of the State General Statutes.

Contributions. SERS contribution requirements 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 two percent and four percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus five percent above that level; Tier I Plan C members are required to contribute five percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute four percent of their annual salary; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute two percent and five percent of their annual salary, respectively. Individuals hired on or after July 1, 2011, who are otherwise eligible for the Alternate Retirement Plan are also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA, and III for individuals hired on or after July 1, 2011, but requires employee contributions three percent higher than the contribution required from the applicable Tier II, IIA, or III Plan. The State is required to contribute at an actuarially determined rate.

TRS contribution requirements are also established and may be amended by the State Legislature. Plan members are required to contribute six percent of their annual salary. Employer contributions are funded by the State on behalf of the participating municipal employers, which is considered to be a special funding situation. However, this special funding situation does not apply to the University, an agency of the State, because there is not a separate non-employer contributing entity.

The University contributes to both plans on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages in each participant category. The rates of actual University contributions as a percentage of covered payroll during fiscal year 2017 were 37.7 percent and 9.9 percent for SERS and TRS, respectively. These amounts are expected to finance the costs of benefits earned by employees during the year and any unfunded accrued liability. The University's contributions for fiscal year 2017 were $73.8 million and $135,000 for SERS and TRS, respectively.

Subsequent to year-end, provisions under collective bargaining agreements were amended for existing SERS plans by revising certain factors including employee contribution rates and COLAs. A Tier IV plan was also placed into effect for employees hired on or after the effective date. These changes were effective July 1, 2017, and their overall impact cannot be reasonably estimated as of the date of this report.

Proportionate share of collective net pension liability (NPL) and collective pension expense. The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2016. The University's proportion of the collective NPL was based on the

University's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, the University's proportion was 4.91 percent and 0.03 percent for SERS and TRS, respectively, at the measurement date of June 30, 2016. SERS increased 0.03 of a percentage point from its proportion measured as of June 30, 2015, and TRS decreased by 0.01 of a percentage point from the same measurement date.

The University's proportionate share of the collective NPL at June 30, 2017, and related pension expense for fiscal year 2017 consisted of the following (amounts in thousands):

	2017		
	SERS	TRS	Total
Proportionate share of collective NPL	$ 1,126,394	$ 4,976	$ 1,131,370
Proportionate share of collective pension expense	$ 154,188	$ 405	$ 154,593

Actuarial assumptions. For SERS, the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for the period after disability.

TRS mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (five percent for females and eight percent for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The TPL was based on an actuarial study for the period July 1, 2011 – June 30, 2015 for SERS and the period July 1, 2010 – June 30, 2015 for TRS, using the following key actuarial assumptions:

	SERS	TRS
Inflation	2.50%	2.75%
Salary increases, including inflation	3.50% – 19.50%	3.25% – 6.50%
Investment rate of return, net of pension plan investment expense, including inflation	6.90%	8.00%

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 adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2016 measurement date are summarized in the following table for each plan:

	SERS		TRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.8%	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%	9.0%	8.3%
Real estate	7.0%	5.1%	7.0%	5.1%
Private equity	11.0%	7.6%	11.0%	7.6%
Alternative investment	8.0%	4.1%	8.0%	4.1%
Fixed income (core)	8.0%	1.3%	7.0%	1.3%
High yield bonds	5.0%	3.9%	5.0%	3.9%
Emerging market bond	4.0%	3.7%	5.0%	3.7%
Inflation linked bonds	5.0%	1.0%	3.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%
Total	100.0%		100.0%	

Discount rate. The discount rate used to measure the TPL was 6.9 percent and 8.0 percent for SERS and TRS, respectively. The projection of cash flows used to determine the discount rates assumed that employee contributions would be made at the current contribution rates and that employer contributions would be made according to actuarially determined amounts in future years. Based on those assumptions, the SERS and TRS pension plans' 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 TPL.

Sensitivity analysis. The following table presents the University's proportionate share of the collective NPL calculated using the discount rate of 6.9 percent and 8.0 percent for SERS and TRS, respectively. The table also shows what the University's proportionate share of the collective NPL would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts in thousands):

	1% Decrease	Current Rate	1% Increase
SERS	$ 1,336,691	$ 1,126,394	$ 951,378
TRS	$ 6,130	$ 4,976	$ 3,993

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the SERS and TRS pension plans are available in the State's CAFR for the fiscal year ended June 30, 2016.

Deferred outflows and deferred inflows of resources related to pensions. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts in thousands):

	SERS	TRS	Total
Deferred Outflows of Resources			
Changes in assumptions	$200,828	$ 660	$201,488
Changes in proportion and differences between University contributions and proportionate share of contributions	99,678	20	99,698
Net differences between projected and actual earnings on pension plan investments	35,322	421	35,743
University contributions subsequent to the measurement date	73,781	135	73,916
Difference between expected and actual experience	31,291	-	31,291
Total Deferred Outflows	$440,900	$ 1,236	$442,136
Deferred Inflows of Resources			
Changes in proportion and differences between University contributions and proportionate share of contributions	$ -	$ 691	$ 691
Difference between expected and actual experience	-	112	112
Total Deferred Inflows	$ -	$ 803	$ 803

The $73.9 million in deferred outflows relating to University contributions made subsequent to the measurement date will be recognized as a reduction of the collective NPL in the reporting year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year	SERS	TRS	Total
2018	$ 87,712	$ 40	$ 87,752
2019	87,712	40	87,752
2020	89,188	115	89,303
2021	66,055	65	66,120
2022	36,451	23	36,474
Thereafter	-	16	16
Total	$ 367,118	$ 299	$ 367,417

Alternate Retirement Plan

The University also sponsors the Alternate Retirement Plan (ARP), a defined contribution plan administered through a third-party administrator, Prudential Financial, Inc. The Connecticut State Employees Retirement Commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

All unclassified employees not already in a pension plan of a constituent unit of the State system of higher education or the central office staff of the Department of Higher Education are eligible to participate in ARP. Participants must contribute five percent of eligible compensation each pay period and their employer must contribute an amount equal to eight percent of the participant's eligible compensation. The University contributes its employer share through a fringe benefit charge assessed by the State. Participant and employer contributions are both 100 percent vested immediately. For fiscal year 2017, the University's employer contributions to ARP were $18.8 million.

A participant who retires or experiences severance of employment for any reason other than retirement may elect, by written notice to the ARP administrator, to commence distribution of his or her account after attaining age 55; provided however, that the participant who experiences a severance of employment from State service with less than 5 years of participation may elect, at the time and in the manner prescribed by the ARP administrator, to have his or her entire account paid directly to an eligible retirement plan in a direct rollover prior to attaining age 55. Other ARP provisions are described in Chapter 66 of the State General Statutes, *State Employees Retirement Act*.

Subsequent to year-end, provisions under collective bargaining agreements were amended by revising certain factors including employee contribution rates related to ARP. These changes were effective July 1, 2017, and their overall impact cannot be reasonably estimated as of the date of this report.

Department of Dining Services

The University's Department of Dining Services (DDS) employs 497 full-time staff, of which 66 participate in either SERS or ARP. The remaining 431 are eligible to participate in two other defined contribution plans: the University of Connecticut, Department of Dining Services Money Purchase Pension Plan (MPPP) or the University of Connecticut, Department of Dining Services 403(b) Retirement Plan (403(b) Retirement Plan). Both plans are administered through a third-party administrator, Pension Consultants, Inc. The fiduciary of the plans has the authority to supervise and control the operation of the plans including the authority to make and amend rules and regulations relating to the administration of the plans.

Under the provisions of MPPP, all employees of DDS with at least 700 hours of service and 12 months of service are eligible to participate. DDS is required to contribute six percent or eight percent of covered compensation for eligible employees, dependent upon hire date, and its employees do not make any contributions to MPPP. Employees are vested after three years of credited service. Any amounts forfeited are used to reduce DDS's contribution. On behalf of MPPP participants, DDS contributed approximately $807,300 to the plan during fiscal year 2017. Forfeitures used to reduce the required contributions were approximately $5,500. Upon separation of service in accordance with plan provisions, a participant or designated beneficiary can withdraw a lump sum payment or receive annuity payments. Other plan provisions can be found in the MPPP document.

Under the provisions of the 403(b) Retirement Plan, all employees who perform services for DDS as common law employees are eligible to participate. For any participant employed on September 1, 1994, or terminated and rehired prior to September 1, 1995, and who has at least 700 hours of service, DDS is required to match 50 percent of the first 4 percent of the employee's contributions. Participants hired after August 31, 1994, do not receive a DDS match. Participant and State matches are both 100 percent vested. On behalf of 403(b) Retirement Plan participants, DDS contributed approximately $18,500 to the plan during fiscal year 2017. Upon separation of service in accordance with plan provisions, a participant or designated beneficiary can withdraw a lump sum payment or receive annuity payments. Other plan provisions can be found in the 403(b) Retirement Plan document.

Post-Employment Benefits Other Than Pension

In addition to pension benefits, the State provides post-retirement health care and life insurance benefits to University employees in accordance with State General Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100 percent of their health care insurance premium cost (including dependents' coverage), depending on the plan chosen by the employee. In addition, the State pays 100 percent of the premium cost for a portion of the employees' life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined by a formula based on the number of years of State service that the retiree had at the time of retirement. The State is responsible for and finances the cost of post-retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the State's General Fund (General Fund); therefore, no liability is recorded by the University as of June 30, 2017.

Effective for fiscal year 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* will require the University to report its proportionate share of the net liability related to its participation in these post-employment benefit plans in its Statement of Net Position. This standard will also require more extensive note disclosures and required supplementary information to be presented about the reported post-employment liabilities. The University is still evaluating the full impact of this new standard.

In addition, certain provisions under collective bargaining agreements were amended subsequent to year-end that will impact post-employment benefits. These changes were effective July 1, 2017, and their overall impact cannot be reasonably estimated as of the date of this report.

NOTE 10. SERVICE CONCESSION ARRANGEMENT

In June 2016, the University contracted with Barnes & Noble College Booksellers, Inc. (Barnes & Noble) to manage the University's bookstore facilities for the next 10 years. The University recorded an execution payment for $1.5 million that will be amortized over the 10-year period. In March 2017, the contract was amended to include an additional location at the new downtown Hartford campus. For each contract year, Barnes & Noble will pay the University a percentage of commissionable sales as defined by the contract with a minimum annual guarantee of $3.5 million for the first year, $4.5 million for the second contract year, and $1.0 million for the third contract year. The University is obligated to provide bookstore facilities and utilities, including amounts related to leased locations in Storrs Center and Hartford. Barnes & Noble is obligated to invest a minimum of $4.0 million to improve and furnish the bookstores by December 31, 2017. As of June 30, 2017, Barnes & Noble has not completed these renovations.

At June 30, 2017, the University reported bookstore facilities as capital assets with a carrying amount of $4.2 million and a receivable of $6.0 million, representing June 2017 income and the present value of the installment payments for the second and third contract year. The University also reported a liability of $6.2 million, representing the present value of the lease obligations and utilities, and a deferred inflow of resources of $3.3 million that will be amortized as revenue over the contract term.

NOTE 11. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2017 (amounts in thousands):

	2017
Deferred Outflows of Resources	
Accumulated loss on debt refundings, net	$ 4,128
Amounts related to pension liabilities	442,136
Total Deferred Outflows of Resources	$ 446,264
Deferred Inflows of Resources	
Amounts related to service concession arrangement	$ 3,338
Amounts related to pension liabilities	803
Total Deferred Inflows of Resources	$ 4,141

NOTE 12. COMMITMENTS

The University had outstanding commitments, in excess of $500,000 each, of $335.6 million as of June 30, 2017. This amount included $271.4 million related to capital projects for the University and $55.1 million related to UCONN 2000 capital projects that are administered by the University for UConn Health. UCONN 2000 expenditures made on behalf of UConn Health offset the due to affiliate liability in the accompanying Statement of Net Position (see Note 7). In addition to the amounts related to capital outlay, approximately $9.1 million in outstanding commitments related to operating expenses. A portion of the total amount of outstanding commitments was also included within accounts payable in the accompanying Statement of Net Position as of June 30, 2017. See Note 8 for amounts related to operating leases.

NOTE 13. TUITION WAIVERS AND GRADUATE ASSISTANTSHIPS

The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, graduate assistants, and certain other students. The University is also required by collective bargaining agreements to waive tuition for certain employees and their dependents. The University has included the portion of waived tuition related to employees and their dependents as a fringe benefit cost and the same amount as tuition revenue in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. This increased tuition and fee revenues and operating expenses by $4.7 million for the fiscal year ended June 30, 2017. The total amount of waivers not reflected in the accompanying financial statements was $57.2 million in fiscal year 2017. Approximately 92 percent of this amount was provided to graduate assistants and $1.2 million was charged back to grants for reimbursement.

NOTE 14. RELATED PARTY TRANSACTIONS

Transactions with related parties occur in the normal course of the University's operations. The following related party transactions were deemed significant and material in nature:

The Foundation

The Foundation is a tax-exempt organization supporting the University and UConn Health (see Note 1). The University entered into a written agreement with the Foundation whereby the University agreed to provide financial support to the Foundation through a guaranteed contractual amount and the Foundation agreed to reimburse the University for certain operating expenses incurred on the Foundation's behalf. The terms of the agreement also stipulate that goals, objectives, and financial arrangements are reviewed and agreed upon by both parties on an annual basis. In addition to this agreement, the University provides other services to the Foundation.

The following transactions occurred between the University and the Foundation as of and for the year ended June 30, 2017 (amounts in thousands):

	2017
Total expenses incurred for guaranteed contractual services provided by the Foundation	$ 9,105
Reimbursements from the Foundation for operating expenses	$ 206
Accrued capital and noncapital gift and grant revenue from the Foundation	$ 20,295
Amount receivable from the Foundation*	$ 5,545

**Included in accounts receivable, net, in the accompanying Statement of Net Position.*

The Foundation also has the primary responsibility for alumni engagement activities for the University. The University has granted the Foundation rights to use the Alumni Center building, which is owned by the University, at an annual rental amount of one dollar.

In accordance with the terms of a ground lease between the University and the Foundation, approximately 1.58 acres on which the Foundation building was constructed is leased to the Foundation at an annual rental amount of one dollar. The initial term of the ground lease is 99 years and the Foundation has the right to extend the term of the ground lease for another 99 years. The ground lease provides that, at its expiration or earlier termination, the Foundation shall surrender the premises and title to the building will be transferred to the University.

The State

The University receives funding from the State for capital projects via UCONN 2000 (see Note 7). In addition, the State supports the University's mission primarily via two mechanisms: State appropriation and the provision of payments for fringe benefits. State appropriation represents amounts appropriated to the University from the General Fund. Payments for fringe benefits are made by the State for reimbursements related to salaries expensed from the General Fund.

State appropriation and the provision of payments for fringe benefits for the year ended June 30, 2017, consisted of the following (amounts in thousands):

	2017
Amount of General Fund appropriation received from the State	$ 217,799
Amount of payments for fringe benefits received from the State	158,314
Decrease of General Fund payroll included in due from the State	(2,000)
Total Appropriation and Payments for Fringe Benefits from the State	$ 374,113

Pursuant to various public or special bond acts, the General Assembly empowers the State Bond Commission to allocate and approve the issuance of bonds for a variety of projects or purposes. PA No. 11-57, as amended by PA 14-98, authorized $169.5 million of State General Obligation Bonds to create a technology park on the Storrs campus. The State Bond Commission allocated the total $169.5 million to finance the initial design, development costs, equipment purchases, and construction related to the technology park. These bonds are an obligation of the State and therefore are not recorded as a liability by the University. The unspent portion related to these bonds was $58.6 million as of June 30, 2017, and was included as part of due from State in the accompanying Statement of Net Position.

UConn Health

The University is responsible for the management of UCONN 2000 funds for UConn Health's construction projects. The unspent portion of these funds was recorded under due to affiliate in the accompanying Statement of Net Position (see Note 7). In addition, the University engaged in certain cost-share arrangements with UConn Health for shared services.

The University and UConn Health have also collaborated to support economic development activities and to achieve successful outcomes for the technology park and Bioscience Connecticut initiatives. In accordance with an annual memorandum of agreement, the University and UConn Health are obligated to provide an equal share of funding for economic development activities. Per the agreement, the University manages the program's budget and UConn Health reimburses the University for the majority of its share of funding obligations. In fiscal year 2017, the University recorded a $2.0 million reduction to expense, representing amounts reimbursed by UConn Health during that period for economic development activities.

In addition, the University and UConn Health have entered into an agreement that supports a unified marketing initiative. This agreement leverages the internal staff, resources, and expertise of both entities to provide marketing support. UConn Health has agreed to reimburse the University a baseline sum for marketing services under the agreement. In fiscal year 2017, the University incurred $3.8 million in expenses that were offset in total by reimbursements from UConn Health for its share of marketing support.

UConn Innovation Fund, LLC

On April 14, 2016, the University entered into an agreement with Connecticut Innovations, Inc. and Webster Bank, N.A. to create an investment fund for the purpose of making investments in early stage technology companies affiliated with the University. Each member commits to contribute $500,000 to the fund during the commitment period that extends to April 2018. In fiscal year 2017, the University paid $250,000 as part of its capital commitment.

Mansfield Downtown Partnership, Inc.

The Mansfield Downtown Partnership, Inc. (MDP) is a not-for-profit corporation that is exempt from taxation under section 501(c)(3) of the Internal Revenue Code and is composed of the Town of Mansfield, the University, and individual business members and residents. MDP is responsible for organizing the enhancement and revitalization of three of the Town of Mansfield's commercial areas: Storrs Center, King Hill Road, and Four Corners. In accordance with its governing by-laws, members are required to submit annual dues, as determined by the Board of Directors, in lieu of financial support. In fiscal year 2017, the University paid $125,000 in annual membership dues to MDP.

NOTE 15. CONTINGENCIES

Certain claims and judgments against the University are covered by the State under State General Statutes section 4-160, which governs most tort claims. Additional coverage is provided for the University by insurance policies and funds maintained by the State.

The University is a party to various legal actions arising in the ordinary course of its operations. Although it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of the majority of these matters will not have a material effect on the University's financial statements. However, there are a small number of outstanding matters, including unasserted claims, of potential individual significance. With respect to one matter, the claimant seeks $20.0 million, though the State expects this matter to be resolved for substantially less than the amount claimed. If the claimant is successful, the claim will be paid from the General Fund, not by the University.

A second matter is being handled under the State's fleet insurance policy. Although no demand has been made, it is expected to be several million dollars. The policy is self-insured for $4.0 million and is funded by the State, not by the University. Payments above that amount are covered by the State's excess coverage. It is unlikely that the final resolution will exceed the excess coverage. Any portion of the claim not covered by insurance will be paid out of the General Fund. In the opinion of legal counsel, the aggregate exposure to the University pertaining to any other remaining claims and unasserted claims cannot be reasonably estimated but is not expected to exceed $5.0 million.

The University also participates in federal, state and local government programs that are subject to final audit by the granting agencies. Management believes any adjustment of costs resulting from such audits would not have a material effect on the University's financial statements.

NOTE 16. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The table below details the University's operating expenses by functional classification for the year ended June 30, 2017 (amounts in thousands):

	Salaries and Wages	Fringe Benefits	Supplies and Other Expenses	Utilities	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	$ 248,171	$ 138,343	$ 32,677	$ 14	$ -	$ 46	$ 419,251
Research	41,206	13,935	24,326	-	-	1,486	80,953
Public service	25,900	16,568	10,297	-	-	351	53,116
Academic support	60,706	41,970	36,210	21	-	5	138,912
Student services	20,264	14,123	5,698	2	-	-	40,087
Institutional support	32,303	26,783	15,137	3	-	-	74,226
Operations and maintenance	29,988	43,751	50,393	13,127	-	-	137,259
Depreciation and amortization	-	-	-	-	104,807	-	104,807
Scholarships and fellowships	133	23	341	-	-	9,809	10,306
Auxiliary enterprises	97,740	53,832	70,278	5,872	-	94	227,816
Total	$ 556,411	$ 349,328	$ 245,357	$ 19,039	$ 104,807	$ 11,791	$ 1,286,733

Required Supplementary Information
State Employees' Retirement System (SERS) and Teachers' Retirement System (TRS)

Schedule of University's Proportionate Share of Collective Net Pension Liability (NPL)
($ in thousands)

	SERS			TRS		
Fiscal Year Ended June 30	2017	2016	2015	2017	2016	2015
Proportion of the collective NPL	4.91%	4.88%	4.51%	0.03%	0.04%	0.04%
Proportionate share of the collective NPL	$ 1,126,394	$ 805,629	$ 722,009	$ 4,976	$ 4,430	$ 4,090
University's covered-employee payroll	$ 200,845	$ 189,903	$ 165,841	$ 1,372	$ 1,214	$ 1,191
Proportionate share of the collective NPL as a percentage of covered-employee payroll	560.83%	424.23%	435.36%	362.68%	364.91%	343.41%
Plan fiduciary net position as a percentage of the total pension liability	31.69%	39.23%	39.54%	52.26%	59.50%	61.51%

Schedule of University Pension Contributions
($ in thousands)

	SERS			TRS		
Fiscal Year Ended June 30	2017	2016	2015	2017	2016	2015
Contractually required employer contribution	$ 73,781	$ 73,668	$ 66,875	$ 135	$ 426	$ 425
Actual University contributions	73,781	73,668	66,875	135	426	425
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 195,810	$ 200,845	$ 189,903	$ 1,364	$ 1,372	$ 1,214
Actual University contributions as a percentage of covered-employee payroll	37.68%	36.68%	35.22%	9.90%	31.05%	35.01%

NOTES TO REQUIRED SCHEDULES

These schedules are presented as required by accounting principles generally accepted in the United States of America; however, until a full 10-year trend is compiled, information is presented for those years available.

Changes in Assumptions
2017 – Amounts reported for both SERS and TRS reflect a rate adjustment to more closely reflect actual and anticipated experience. In addition, amounts reported for SERS reflect an adjustment to economic assumptions, actuarial cost method, and amortization methodology in accordance with a State memorandum effective December 8, 2016.

Other Factors
2017 – The State's assessed fringe benefit rate attributable to TRS reduced to 9.87%, down from a rate of 43.14% in fiscal year 2016, materially decreasing University contributions for that plan.

STATISTICAL SECTION

Statistical Section
Table of Contents

SCHEDULE OF REVENUES BY SOURCE

Last Ten Fiscal Years

($ in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Student tuition and fees, net of scholarship allowances	$ 367,351	$ 341,809	$ 308,174	$ 279,577	$ 261,641	$ 251,017	$ 233,881	$ 223,766	$ 215,642	$ 199,721
Federal grants and contracts	126,186	129,758	118,383	118,492	118,715	124,478	125,798	110,022	92,376	85,328
State and local grants and contracts	25,942	35,135	31,931	29,512	25,898	22,078	27,390	26,086	27,853	25,430
Nongovernmental grants and contracts	28,005	19,490	20,535	14,619	15,212	13,141	11,367	11,075	12,348	10,506
Sales and services of educational departments	20,325	20,543	21,028	19,280	15,814	17,348	16,161	15,204	17,216	15,280
Sales and services of auxiliary enterprises, net of scholarship allowances	209,851	210,455	201,066	195,525	185,240	181,974	178,494	161,780	149,501	133,472
Other sources	11,909	10,758	12,263	10,168	8,114	6,229	6,447	10,855	10,682	10,908
Total Operating Revenues	789,569	767,948	713,380	667,173	630,634	616,265	599,538	558,788	525,618	480,645
State appropriation	374,113	384,747	350,699	308,069	288,456	282,370	328,951	325,462	327,751	328,177
State debt service commitment for interest	64,757	53,092	46,635	42,091	40,571	39,755	39,978	38,557	37,843	39,525
Gifts	23,628	25,380	23,828	21,703	19,996	24,377	21,168	18,081	21,806	24,771
Investment income	2,996	1,448	889	799	859	898	1,020	1,313	4,268	10,384
Other nonoperating revenues, net	-	-	-	-	352	-	-	-	-	-
Total Nonoperating Revenues	465,494	464,667	422,051	372,662	350,234	347,400	391,117	383,413	391,668	402,857
	$ 1,255,063	**$ 1,232,615**	**$ 1,135,431**	**$ 1,039,835**	**$ 980,868**	**$ 963,665**	**$ 990,655**	**$ 942,201**	**$ 917,286**	**$ 883,502**

(% of total revenues)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Student tuition and fees, net of scholarship allowances	29.3%	27.7%	27.1%	26.9%	26.8%	26.1%	23.7%	23.7%	23.5%	22.6%
Federal grants and contracts	10.1%	10.5%	10.4%	11.4%	12.1%	12.9%	12.7%	11.7%	10.1%	9.7%
State and local grants and contracts	2.1%	2.8%	2.8%	2.8%	2.6%	2.3%	2.8%	2.8%	3.0%	2.9%
Nongovernmental grants and contracts	2.1%	1.6%	1.8%	1.4%	1.6%	1.4%	1.1%	1.2%	1.3%	1.2%
Sales and services of educational departments	1.6%	1.7%	1.9%	1.9%	1.6%	1.8%	1.6%	1.6%	1.9%	1.7%
Sales and services of auxiliary enterprises, net of scholarship allowances	16.7%	17.0%	17.7%	18.8%	18.9%	18.9%	18.0%	17.2%	16.3%	15.1%
Other sources	0.9%	1.1%	1.1%	1.0%	0.8%	0.6%	0.7%	1.2%	1.2%	1.2%
Total Operating Revenues	62.8%	62.4%	62.8%	64.2%	64.4%	64.0%	60.6%	59.4%	57.3%	54.4%
State appropriation	29.9%	31.1%	30.9%	29.6%	29.4%	29.3%	33.2%	34.5%	35.7%	37.1%
State debt service commitment for interest	5.2%	4.3%	4.1%	4.0%	4.1%	4.1%	4.0%	4.1%	4.1%	4.5%
Gifts	1.9%	2.1%	2.1%	2.1%	2.0%	2.5%	2.1%	1.9%	2.4%	2.8%
Investment income	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.5%	1.2%
Other nonoperating revenues, net	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Nonoperating Revenues	37.2%	37.6%	37.2%	35.8%	35.6%	36.0%	39.4%	40.6%	42.7%	45.6%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

Last Ten Fiscal Years

($ in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Salaries and wages	$ 556,411	$ 557,497	$ 542,082	$ 521,076	$ 482,685	$ 474,385	$ 472,725	$ 444,481	$ 456,102	$ 435,751
Fringe benefits	349,328	287,553	271,164	237,715	190,549	172,765	168,133	157,746	155,215	151,888
Supplies and other expenses	245,357	248,651	217,413	211,654	205,774	190,442	208,789	192,793	188,420	158,413
Utilities	19,039	19,737	23,212	20,963	19,725	21,684	26,506	27,810	33,600	29,224
Depreciation and amortization	104,807	98,767	95,990	95,377	91,713	88,478	90,335	90,039	90,037	100,187
Scholarships and fellowships	11,791	9,657	10,713	10,953	8,070	9,039	9,910	9,151	8,943	7,519
Total Operating Expenses	1,286,733	1,221,862	1,160,574	1,097,738	998,516	956,793	976,398	922,020	932,317	882,982
Interest expense	59,129	51,333	46,420	45,955	46,961	47,117	48,824	48,558	48,916	51,247
Transfers to State General Fund	-	-	-	-	-	-	15,000	8,000	-	-
Other nonoperating expenses, net	1,776	3,893	1,540	1,873	-	1,635	297	1,957	4,247	2,869
Total Nonoperating Expenses	60,905	55,226	47,960	47,828	46,961	48,752	64,121	58,515	53,163	54,116
	$ 1,347,638	**$ 1,277,088**	**$ 1,208,534**	**$ 1,145,566**	**$ 1,045,477**	**$ 1,005,545**	**$ 1,040,519**	**$ 980,535**	**$ 985,480**	**$ 937,098**

(% of total expenses)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Salaries and wages	41.3%	43.6%	44.9%	45.5%	46.1%	47.1%	45.5%	45.3%	46.3%	46.5%
Fringe benefits	25.9%	22.5%	22.5%	20.8%	18.2%	17.2%	16.2%	16.1%	15.8%	16.2%
Supplies and other expenses	18.2%	19.6%	18.0%	18.4%	19.7%	18.9%	20.0%	19.7%	19.1%	16.9%
Utilities	1.4%	1.5%	1.9%	1.8%	1.9%	2.2%	2.5%	2.8%	3.4%	3.1%
Depreciation and amortization	7.8%	7.7%	7.9%	8.3%	8.8%	8.8%	8.7%	9.2%	9.1%	10.7%
Scholarships and fellowships	0.9%	0.8%	0.9%	1.0%	0.8%	0.9%	1.0%	0.9%	0.9%	0.8%
Total Operating Expenses	95.5%	95.7%	96.1%	95.8%	95.5%	95.1%	93.9%	94.0%	94.6%	94.2%
Interest expense	4.4%	4.0%	3.8%	4.0%	4.5%	4.7%	4.7%	5.0%	5.0%	5.5%
Transfers to State General Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.8%	0.0%	0.0%
Other nonoperating expenses, net	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.0%	0.2%	0.4%	0.3%
Total Nonoperating Expenses	4.5%	4.3%	3.9%	4.2%	4.5%	4.9%	6.1%	6.0%	5.4%	5.8%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF EXPENSES BY FUNCTION
Last Ten Fiscal Years

($ in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	$ 419,251	$ 390,364	$ 382,256	$ 353,251	$ 302,202	$ 291,370	$ 292,203	$ 271,939	$ 284,036	$ 279,087
Research	80,953	80,070	73,596	79,484	74,948	73,509	74,481	72,286	64,029	60,345
Public service	53,116	53,903	48,884	41,919	39,068	35,478	41,470	35,623	36,998	33,855
Academic support	138,912	139,643	131,914	125,557	117,679	108,340	98,393	90,593	87,047	81,514
Student services	40,087	38,916	36,955	36,787	33,315	35,256	39,755	37,063	36,711	36,006
Institutional support	74,226	66,580	57,330	54,484	51,358	53,465	84,744	83,175	83,155	72,314
Operations and maintenance of plant	137,259	122,034	114,889	105,148	94,961	100,402	71,365	66,742	71,432	64,111
Depreciation and amortization	104,807	98,767	95,990	95,377	91,713	88,478	90,335	90,039	90,037	100,187
Student aid	10,306	9,748	9,127	8,796	7,154	6,107	5,490	4,638	3,917	4,010
Auxiliary enterprises	227,816	221,837	209,633	196,935	186,118	164,388	158,422	145,414	144,376	135,061
Other operating expenses	-	-	-	-	-	-	19,740	24,508	30,579	16,492
Interest expense	59,129	51,333	46,420	45,955	46,961	47,117	48,824	48,558	48,916	51,247
Transfers to State General Fund	-	-	-	-	-	-	15,000	8,000	-	-
Other nonoperating expenses, net	1,776	3,893	1,540	1,873	-	1,635	297	1,957	4,247	2,869
	$ 1,347,638	**$ 1,277,088**	**$ 1,208,534**	**$ 1,145,566**	**$ 1,045,477**	**$ 1,005,545**	**$ 1,040,519**	**$ 980,535**	**$ 985,480**	**$ 937,098**

(% of total expenses)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	31.1%	30.6%	31.7%	30.7%	28.8%	29.0%	28.1%	27.7%	28.9%	29.9%
Research	6.0%	6.3%	6.1%	6.9%	7.2%	7.3%	7.2%	7.4%	6.5%	6.4%
Public service	3.9%	4.2%	4.0%	3.7%	3.7%	3.5%	4.0%	3.6%	3.8%	3.6%
Academic support	10.3%	10.9%	10.9%	11.0%	11.3%	10.8%	9.5%	9.2%	8.8%	8.7%
Student services	3.0%	3.0%	3.1%	3.2%	3.2%	3.5%	3.8%	3.8%	3.7%	3.8%
Institutional support	5.5%	5.2%	4.7%	4.8%	4.9%	5.3%	8.1%	8.5%	8.4%	7.7%
Operations and maintenance of plant	10.2%	9.6%	9.5%	9.2%	9.1%	10.0%	6.9%	6.8%	7.2%	6.8%
Depreciation and amortization	7.8%	7.7%	7.9%	8.3%	8.8%	8.8%	8.7%	9.2%	9.1%	10.7%
Student aid	0.8%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%
Auxiliary enterprises	16.9%	17.4%	17.4%	17.2%	17.8%	16.3%	15.2%	14.8%	14.7%	14.4%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	2.5%	3.1%	1.8%
Interest expense	4.4%	4.0%	3.8%	4.0%	4.5%	4.7%	4.7%	5.0%	5.0%	5.5%
Transfers to State General Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.8%	0.0%	0.0%
Other nonoperating expenses, net	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.0%	0.2%	0.4%	0.3%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

Last Ten Fiscal Years

($ in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total revenues	$ 1,255,063	$ 1,232,615	$ 1,135,431	$ 1,039,835	$ 980,868	$ 963,665	$ 990,655	$ 942,201	$ 917,286	$ 883,502
Total expenses	1,347,638	1,277,088	1,208,534	1,145,566	1,045,477	1,005,545	1,040,519	980,535	985,480	937,098
Loss Before Other Changes in Net Position	(92,575)	(44,473)	(73,103)	(105,731)	(64,609)	(41,880)	(49,864)	(38,334)	(68,194)	(53,596)
State debt service commitment for principal	281,576	103,400	56,430	80,346	-	115,400	-	61,714	104,910	-
Capital allocation	-	-	131,500	(20)	20,000	18,000	(479)	-	-	8,000
Capital gifts and grants	1,388	5,071	25,412	21,643	6,675	2,768	1,989	2,396	3,814	6,803
Disposal of property and equipment, net	(1,418)	(8,486)	(473)	(1,043)	103	(540)	(618)	(727)	(439)	(875)
Additions to permanent endowments	1,149	14	66	743	13	-	-	33	20	56
State match to endowments	-	-	-	-	-	-	-	-	-	59
Total Changes in Net Position	190,120	55,526	139,832	(4,062)	(37,818)	93,748	(48,972)	25,082	40,111	(39,553)
Net position, beginning	1,053,125	997,599	1,435,360	1,439,422	1,477,240	1,395,355	1,444,327	1,419,245	1,379,134	1,417,650
Prior year adjustment	-	-	(577,593)	-	-	(11,863)	-	-	-	1,037
Net Position, Ending	**$ 1,243,245**	**$ 1,053,125**	**$ 997,599**	**$ 1,435,360**	**$ 1,439,422**	**$ 1,477,240**	**$ 1,395,355**	**$ 1,444,327**	**$ 1,419,245**	**$ 1,379,134**
Net investment in capital assets	$ 1,557,469	$ 1,365,918	$ 1,207,892	$ 1,187,602	$ 1,217,408	$ 1,160,216	$ 1,144,923	$ 1,131,885	$ 1,143,426	$ 1,187,942
Restricted nonexpendable	14,483	12,593	13,091	13,546	11,902	11,574	11,892	11,122	10,819	13,779
Restricted expendable										
Research, instruction, scholarships and other	34,058	24,455	19,334	15,465	20,602	19,535	17,915	15,748	15,147	14,629
Loans	2,543	2,520	2,533	2,482	2,469	2,426	2,818	3,945	3,758	3,729
Capital projects and debt service	89,146	49,637	184,023	85,447	33,551	115,315	42,433	118,820	98,846	23,271
Unrestricted	(454,454)	(401,998)	(429,274)	130,818	153,490	168,174	175,374	162,807	147,249	135,784
Total Net Position	**$ 1,243,245**	**$ 1,053,125**	**$ 997,599**	**$ 1,435,360**	**$ 1,439,422**	**$ 1,477,240**	**$ 1,395,355**	**$ 1,444,327**	**$ 1,419,245**	**$ 1,379,134**

SCHEDULE OF LONG-TERM DEBT

Last Ten Fiscal Years

($ in thousands, except for outstanding debt per student)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General obligation bonds	$ 1,504,995	$ 1,303,870	$ 1,147,985	$ 1,023,985	$ 828,795	$ 903,550	$ 804,310	$ 877,492	$ 844,945	$ 763,413
Revenue bonds	105,955	112,410	118,625	124,615	130,415	154,170	159,290	164,375	172,830	177,330
Self-liquidating bonds	-	275	349	551	1,050	2,171	2,953	3,793	4,786	5,808
Capital lease obligations	42,818	47,229	51,398	55,437	59,320	62,785	66,098	69,267	72,298	75,196
Installment loans and other	117	5,487	671	1,027	1,319	1,727	150	253	416	178
	1,653,885	1,469,271	1,319,028	1,205,615	1,020,899	1,124,403	1,032,801	1,115,180	1,095,275	1,021,925
Premiums and discounts	201,858	172,757	134,213	107,074	82,980	46,320	25,849	27,956	18,825	13,727
Total Long-Term Debt	1,855,743	1,642,028	1,453,241	1,312,689	1,103,879	1,170,723	1,058,650	1,143,136	1,114,100	1,035,652
Less: State debt service commitment for general obligation bonds	(1,504,995)	(1,303,870)	(1,147,985)	(1,023,985)	(828,795)	(903,550)	(804,310)	(877,492)	(844,945)	(763,413)
Total Long-Term Debt, Net	$ 350,748	$ 338,158	$ 305,256	$ 288,704	$ 275,084	$ 267,173	$ 254,340	$ 265,644	$ 269,155	$ 272,239
Full-time equivalent students*	29,220	28,832	28,134	27,461	27,036	27,240	26,686	26,705	26,382	24,147
Outstanding debt per student	$ 12,004	$ 11,729	$ 10,850	$ 10,513	$ 10,175	$ 9,808	$ 9,531	$ 9,947	$ 10,202	$ 11,274

**Source: IPEDS (Integrated Postsecondary Education Data System) 12-month Instructional Activity surveys for fiscal years 2008 to 2017, including Storrs and Regional Campuses.*

SCHEDULE OF DEBT COVERAGE - REVENUE BONDS

Last Ten Fiscal Years

($ in thousands)

	Gross Revenues (1)	Pledged Revenues (2)	Expenses (3)	Net Revenues Available	Total Gross and Net Revenues Available for Debt Service	Debt Service	Coverage Ratio
2017	$ 51,486	$ 172,444	$ (132,742)	$ 39,702	$ 91,188	$ (11,554)	7.89
2016	50,650	174,991	(134,492)	40,499	91,149	(11,557)	7.89
2015	50,506	168,047	(132,863)	35,184	85,690	(11,552)	7.42
2014	48,515	162,160	(125,014)	37,146	85,661	(11,548)	7.42
2013	45,355	151,766	(120,021)	31,745	77,100	(12,011)	6.42
2012	44,410	150,726	(118,434)	32,292	76,702	(12,667)	6.06
2011	42,022	144,790	(113,620)	31,170	73,192	(12,664)	5.78
2010	39,342	133,554	(102,113)	31,441	70,783	(13,211)	5.36
2009	36,850	124,078	(101,987)	22,091	58,941	(13,209)	4.46
2008	34,038	110,638	(92,568)	18,070	52,108	(13,211)	3.94

(1) Gross revenues include the infrastructure maintenance fee, the general university fee, and investment income.
(2) Pledged revenues include the residential life room fee, student apartment rentals, the Greek housing fee, the board (dining) fee, and the parking and transportation fees.
(3) Expenses include the cost of maintaining, repairing, insuring, and operating the facilities for which the fees in (2) are imposed, before depreciation.

ADMISSIONS AND ENROLLMENT
Last Ten Fiscal Years

FRESHMEN ADMISSIONS (STORRS)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Applications	35,980	34,978	31,280	27,479	29,966	27,247	22,142	21,999	21,058	21,105
Offers of admission	17,560	18,598	15,629	14,745	13,397	12,894	11,949	10,931	11,474	10,429
Percent admitted	49%	53%	50%	54%	45%	47%	54%	50%	54%	49%
Enrolled	3,822	3,774	3,588	3,755	3,114	3,327	3,339	3,221	3,604	3,179
Yield (enrolled/offers)	22%	20%	23%	25%	23%	26%	28%	29%	31%	30%
Total average SAT	1,233	1,233	1,234	1,233	1,226	1,216	1,221	1,212	1,200	1,192

ENROLLMENT	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Non-Resident Alien										
Male	1,890	1,773	1,532	1,301	1,163	1,018	924	872	875	838
Female	1,665	1,462	1,277	1,077	1,012	892	787	725	710	703
Black or African American										
Male	874	813	756	722	723	756	709	673	677	670
Female	1,098	1,053	1,010	981	1,017	1,007	963	977	931	929
American Indian or Alaska Native										
Male	19	18	18	25	25	28	33	43	37	44
Female	25	28	27	29	31	40	41	38	46	53
Asian										
Male	1,475	1,372	1,315	1,213	1,194	1,159	1,119	1,062	1,054	928
Female	1,467	1,419	1,333	1,189	1,106	1,108	1,060	1,038	986	904
Hispanic/Latino										
Male	1,386	1,293	1,233	1,132	1,059	1,006	889	790	746	661
Female	1,616	1,468	1,393	1,315	1,206	1,149	1,095	983	930	895
Native Hawaiian or Other Pacific Islander										
Male	8	8	10	8	12	14	11	*	*	*
Female	12	13	13	16	17	14	11	*	*	*
Two or More Races										
Male	364	330	301	258	238	170	96	*	*	*
Female	442	412	408	381	300	197	90	*	*	*
White										
Male	9,518	9,809	9,916	10,183	10,416	10,795	10,913	10,860	10,764	10,448
Female	9,581	9,789	10,022	10,102	10,209	10,641	10,763	10,940	11,124	11,117
Total Head Count	31,440	31,060	30,564	29,932	29,728	29,994	29,504	29,001	28,880	28,190
Percent female	50.6%	50.4%	50.7%	50.4%	50.1%	50.2%	50.2%	50.7%	51.0%	51.8%
Percent minority	27.9%	26.5%	25.6%	24.3%	23.3%	22.2%	20.7%	19.3%	18.7%	18.0%
Percent non-resident alien	11.3%	10.4%	9.2%	7.9%	7.3%	6.4%	5.8%	5.5%	5.5%	5.5%

White includes other/unknown.
**Beginning Fall 2010, new race/ethnic categories are required for federal reporting.*

Includes all undergraduate, graduate, and professional school enrollments at all campuses; excludes Schools of Dentistry and Medicine; includes full-time and part-time students, and degree and non-degree students.
Source: University of Connecticut Office of Institutional Research and Effectiveness

ACADEMIC YEAR TUITION AND MANDATORY FEES
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Undergraduate resident	$ 14,066	$ 13,366	$ 12,700	$ 12,022	$ 11,242	$ 10,670	$ 10,416	$ 9,886	$ 9,338	$ 8,852
Undergraduate non-resident	$ 35,858	$ 34,908	$ 32,880	$ 30,970	$ 29,074	$ 27,566	$ 26,880	$ 25,486	$ 24,050	$ 22,796
Graduate resident	$ 15,996	$ 15,296	$ 14,472	$ 13,662	$ 12,786	$ 12,130	$ 11,828	$ 11,226	$ 10,594	$ 10,052
Graduate non-resident	$ 37,032	$ 36,082	$ 33,944	$ 31,946	$ 29,994	$ 28,438	$ 27,740	$ 26,310	$ 24,814	$ 23,534

DEGREES CONFERRED
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Associate	30	24	20	21	26	25	29	26	19	35
Bachelor's	5,530	5,197	5,320	5,200	5,122	5,149	4,747	4,606	4,610	4,591
Post-baccalaureate	251	229	167	172	140	141	102	134	41	44
Master's	1,904	1,750	1,713	1,636	1,527	1,573	1,475	1,438	1,499	1,409
Sixth-year education	62	66	69	45	56	79	67	69	89	73
Ph.D.	411	379	372	342	340	341	322	309	266	285
J.D.	155	151	156	190	178	204	172	222	207	188
LL.M.	43	44	31	35	30	30	29	27	33	28
Pharm D.	101	99	95	97	94	94	103	100	98	103
Total	8,487	7,939	7,943	7,738	7,513	7,636	7,046	6,931	6,862	6,756

Includes May graduates of the current calendar year, and August and December graduates of the previous calendar year.
Source: University of Connecticut Office of Institutional Research and Effectiveness

FACULTY AND STAFF

Fall Employment

Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
FACULTY										
Full-time	1,518	1,489	1,517	1,485	1,377	1,330	1,304	1,286	1,324	1,294
Part-time	32	30	33	34	39	43	43	35	36	34
Total Faculty	1,550	1,519	1,550	1,519	1,416	1,373	1,347	1,321	1,360	1,328
Tenured	841	848	877	874	848	841	815	777	815	809
Percentage tenured	54%	56%	57%	58%	60%	61%	61%	59%	60%	61%
Mean salary of full-time teaching faculty	$ 110,138	$ 113,975	$ 107,895	$ 104,458	$ 100,172	$ 101,179	$ 102,482	$ 98,369	$ 99,220	$ 95,846
STAFF										
Full-time	3,198	3,115	3,080	3,063	3,028	2,956	3,017	2,879	3,049	2,994
Part-time	82	158	186	175	180	181	222	210	222	233
Total Staff	3,280	3,273	3,266	3,238	3,208	3,137	3,239	3,089	3,271	3,227
Total Faculty and Staff	4,830	4,792	4,816	4,757	4,624	4,510	4,586	4,410	4,631	4,555
Student to faculty ratio*	16 to 1	17 to 1	16 to 1	16 to 1	17 to 1	18 to 1	18 to 1	18 to 1	17 to 1	17 to 1
Full-time and part-time faculty										
Female	41%	41%	39%	39%	40%	40%	39%	38%	37%	37%
Minority	23%	23%	22%	22%	22%	21%	20%	20%	19%	18%
Full-time and part-time staff										
Female	57%	57%	58%	57%	58%	58%	58%	58%	58%	58%
Minority	17%	17%	17%	17%	17%	17%	15%	15%	15%	15%
Staff covered by collective bargaining agreements	90%	90%	91%	91%	90%	91%	92%	91%	91%	91%
Adjunct lecturers	690	679	708	696	686	692	691	648	669	691

**Full-time equivalent students to full-time instructional faculty, Storrs and regional campuses.*

Source: University of Connecticut Office of Institutional Research and Effectiveness

SCHEDULE OF CAPITAL ASSET INFORMATION
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Academic Buildings										
Net assignable square feet (in thousands)	2,654	2,753	2,753	2,736	2,684	2,604	2,604	2,604	2,604	2,597
Number of buildings	168	171	171	171	171	172	172	172	172	172
Auxiliary and Independent Operations Buildings										
Net assignable square feet (in thousands)	3,753	3,277	3,336	3,279	3,279	3,396	3,430	3,430	3,430	3,430
Number of buildings	189	193	209	213	213	217	220	220	220	220
Administrative and Support Buildings										
Net assignable square feet (in thousands)	852	964	949	949	949	948	948	948	948	948
Number of buildings	88	97	96	96	96	95	95	95	95	95
Total Net Assignable Square Feet (in thousands)	7,259	6,994	7,038	6,964	6,912	6,948	6,982	6,982	6,982	6,975
Total Number of Buildings	445	461	476	480	480	484	487	487	487	487

Source: University of Connecticut Office of Cost Analysis and Office of University Planning, Design and Construction

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Residential halls*	101	115	115	116	117	116	114	114	114	114
Residential hall occupancy	12,699	12,723	12,711	12,668	12,469	12,716	12,546	12,378	11,970	11,307
Percentage of main campus undergraduates in campus housing	67%	70%	71%	72%	72%	73%	74%	73%	71%	68%

**Residential halls include houses owned by the University and used for student housing.*
Source: Office of Institutional Research and Effectiveness

DEMOGRAPHIC AND ECONOMIC STATISTICS

State of Connecticut

Last Ten Fiscal Years

	Personal Income as of June 30 (a)	Population at July 1 (a)	Per Capita Personal Income	Average Annual Unemployment Rate (b)
2017	$ 251,389,254,000	3,568,714	$ 70,443	4.8%
2016	252,249,206,000	3,586,640	70,330	5.5%
2015	240,602,679,000	3,591,282	66,996	6.1%
2014	232,600,172,000	3,596,922	64,666	7.1%
2013	222,984,316,000	3,598,628	61,964	8.1%
2012	224,252,008,000	3,593,857	62,399	8.4%
2011	215,220,960,000	3,589,072	59,966	9.1%
2010	205,145,596,000	3,576,676	57,356	8.8%
2009*	197,824,664,000	3,561,807	55,541	6.9%
2008*	206,731,668,000	3,545,579	58,307	4.9%

**Quarterly population not available. Annual population used 2008-2009.*
(a) Source: U.S. Department of Commerce
(b) Source: Connecticut Department of Labor

DEMOGRAPHIC AND ECONOMIC STATISTICS

TOP TEN NONGOVERNMENTAL EMPLOYERS

State of Connecticut

Current Year and Ten Years Ago

	2017			
NAME	**Employees in CT**	**Percentage of Total CT Employment**	**Rank**	
United Technologies Corp. UTC	20,000	1.1%	1	(1)
Stop & Shop Co. LLC	13,574	0.7%	2	(2)
Foxwoods Resort Casino	10,500	0.6%	3	
Aetna Inc.	10,001	0.5%	4	
Yale University & Health Sys	11,530	0.6%	5	
Immucor (medical supply)	7,200	0.4%	6	
General Dynamics/Electric Boat	6,100	0.3%	8	
Hartford Hospital	6,053	0.3%	8	
Mohegan Sun Casino	6,000	0.3%	9	
Eversource Energy	5,000	0.3%	10	
Hartford Financial Services	5,000	0.3%	10	
Total	100,958	5.4%		

	2008		
	Employees in CT	**Percentage of Total CT Employment**	**Rank**
United Technologies Corp.	26,490	1.5%	1
Stop & Shop Co. Inc	13,574	0.8%	2
Hartford Financial Services	13,000	0.7%	3
Yale University	12,163	0.7%	4
Foxwoods Resort Casino	12,000	0.7%	5
Mohegan Sun Casino	10,000	0.6%	6
Walmart Stores, Inc.	9,204	0.5%	7
General Dynamics/Electric Boat	7,400	0.4%	8
Aetna, Inc.	7,300	0.4%	9
AT&T Connecticut	7,000	0.4%	10
Total	118,131	6.7%	

Sources: 2008 - Hartford Business Journal (HBJ), 2017 Infogroup, Omaha, NE

(1) Includes Sikorsky Aircraft, UTC Aerospace, Pratt & Whitney - Business units of UTC.

(2) Omitted from the HBJ survey. The number equals the employees reported by HBJ in 2008.

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UNIVERSITY OF CONNECTICUT
1881

SCHEDULE 2

UCONN
HEALTH

Financial Report

For the Year Ended June 30, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal

Founded in 1881, the University of Connecticut (the "University") serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research, and service. The University of Connecticut is a comprehensive institution of higher education which includes the University of Connecticut Health Center ("UConn Health"). Although governed by a single Board of Trustees, the University and UConn Health maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. The financial statements contained herein represent the transactions and balances of UConn Health only.

The University's Board of Trustees is vested by law with fiscal oversight of the University. The operational authority granted to the University builds upon the successful implementation of several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. These statutory changes enabled the University to become responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The University is now responsible for the budgetary allocation of its State appropriations, check-writing authority, human resource control, and purchasing authority with the advent of UCONN 2000 in 1995, management of capital activities, including projects for UConn Health starting in 2005.

While the University's operational flexibility and capacity has grown, all of these activities also take place within a context of continuing vigilance. The financial statements contained in this report reflect budget execution results consistent with spending plans, operating and capital budgets approved by the University Board of Trustees. The Board of Trustees, through its Joint Audit and Compliance Committee, exercises oversight over all University financial reporting and processes and internal control systems, as well as direct engagement in the approval of independent auditing services to augment the University's internal audit capacity and the work performed by state auditors. As important component of external oversight, the Auditors of Public Accounts issue an Independent Auditors' Report on the financial statements of UConn Health. They are responsible for auditing its financial operations and their opinion appears in this report.

UConn Health is an academic medical center composed of the School of Medicine, the School of Dental Medicine and their associated Education Clinics, John Dempsey Hospital, the UConn Medical Group, the University of Connecticut Finance Corporation and Correctional Managed Healthcare (CMHC). Established in 1961, UConn Health is dedicated to helping people achieve and maintain healthy lives and restoring wellness and health to the maximum attainable levels. In this quest, UConn Health will continuously enable students, professionals and agencies in promoting the health of Connecticut's citizens. UConn Health will consistently pursue excellence and innovation in the education of health professionals; the discovery, dissemination and utilization of new knowledge; the provision of patient care; and the promotion of wellness.

With approximately 4,900 full time employees (FTE's), UConn Health is one of Connecticut's largest employers and an important contributor to the local and regional economy. UConn Health's campus in Farmington is situated on 209 acres of wooded hilltop from which the skyline of Hartford, the capital of Connecticut, can be seen about eight miles to the east. (The University's main campus is in Storrs, about 30 miles east of Hartford.) UConn Health's campus includes 25 buildings totaling close to 2.8 million square feet.

Educational Programs

Dedicated to providing broad educational opportunities in the biomedical sciences, UConn Health offers degree programs in medicine (M.D.), dental medicine (D.M.D.), and biomedical science (Ph.D.); master's degree programs in public health and dental science; postdoctoral fellowships; residency programs providing specialty training for newly graduated physicians and dentists; and continuing education programs for practicing health care professionals.

Combined degree programs, such as the M.D./Ph.D., D.M.D./Ph.D., Dental Clinical Specialty/Ph.D. and M.D./M.P.H. are also offered.

UConn Health is the only academic health center in the nation where a medical school was founded concurrently with a dental school, a circumstance which has led to strong links. Medical and dental students share an essentially common curriculum during the first two years of their four-year degree programs and study the basic medical sciences together. This experience provides UConn's dental students with an especially strong foundation in the biomedical sciences, reflected in the dental school's decision to award its graduates the D.M.D. (Doctor of Medical Dentistry).

Each year at UConn Health, approximately 400 students work toward the medical doctor's degree and 180 toward the doctor of medical dentistry degree. Admission to each school is highly competitive; both schools offer preferential consideration to qualified Connecticut residents in their admissions policies. School of Dental Medicine students have a long history of outstanding performance on the National Boards. In the years since UConn Health graduated its first students in 1972, 2,593 men and women have received the D.M.D. degree; 4,282 the M.D. degree.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 600 newly graduated M.D.s each year. These physicians come from all over the country to acquire advanced skills in fields such as the surgical specialties, internal medicine, and primary care. Some of the residency training occurs on UConn Health's main campus, but much of it takes place in community hospitals in Greater Hartford, thereby extending UConn Health's positive impact on the region.

Research Programs

Since UConn Health's inception, high-quality research programs have been part of the institution's fabric. This history has enabled UConn Health to recruit distinguished researchers with expertise in neuroscience, molecular biology, molecular pharmacology, biochemistry, cell physiology, toxicology, and endocrinology, among other fields. The Alcohol Research Center is one of only twenty seven such federally supported centers in the nation; the Connecticut Clinical Chemosensory Research Center, one of ten. In recent years, UConn Health has also become a leader in stem cell research. Clinical research is facilitated by the Lowell Weicker General Clinical Research Center and the Clinical Trials Unit. Research awards were over $80.0 million in fiscal 2017.

Health Care Services

Through John Dempsey Hospital (234 licensed beds, 193 staffed acute care beds), UConn Health provides specialized and routine inpatient and outpatient services, including comprehensive cardiovascular, cancer and musculoskeletal services, as well as, high risk maternity and neonatal intensive care. John Dempsey Hospital is home to the only Emergency Department in Connecticut's fast-growing Farmington Valley and contributes to the region's health in other ways. UConn Medical Group, one of the largest medical practices in Greater Hartford, offers primary care and services in more than 50 specialties.

While the hospital and faculty practice continue to have strong volume, the challenges of the health care marketplace (recruitment, increased competition, malpractice costs, and low reimbursement) are a continuing challenge. John Dempsey Hospital's financial health is also directly affected by its size, bed distribution, poorly reimbursed services provided as part of its public mission, and cost factors resulting from its status as a state entity.

Connecticut Health

UConn Health faculty, staff, residents, and students participate in a variety of joint efforts to address public health and community health needs of citizens throughout our state. Under the umbrella of Connecticut Health, hundreds of projects have been developed in collaboration with other state agencies, city and town governments, community-based organizations and the public to serve the poor and uninsured by providing better medical care and health education. UConn Health is committed to finding new and effective ways to reach out to the public as part of UConn Health's ongoing effort to bring a better quality of life to all our citizens.

Economic Condition

Connecticut's expenses exceed revenues at the State level, causing large and continuing overall budget deficits. The growth in expenses is largely due to the State's unfunded pension liability, debt service, and growth in other services. For the biennium fiscal years 2018 and 2019, the budget process was extremely difficult with the State Legislature not passing a budget bill until well into the current fiscal year. After an initial budget was vetoed by the Governor, the biennial budget was approved by the State legislature and signed into law by the Governor. The final budget reduced the amount of expected State Support by an estimated amount greater than $36 million over the next two years compared to the amount of State Support realized in 2017. This cut compared to our temporary spending plan approved by the Board has an $11 million impact to the bottom line which management is confident can be absorbed by operations based on favorable first quarter 2018 results. UConn Health will continue to focus on protecting academic excellence, delivering strong student support, providing excellent patient care, and supporting the research mission.

Awards and Acknowledgements

This year was UConn School of Medicine's first class to experience a newly launched, innovative curriculum to better prepare doctors for the rapidly changing health care landscape known as MDelta (Making a Difference in Education, Learning, and Teaching Across the curriculum) based on the principles of lifelong learning, patient-centered care, and collaborative teamwork.

Thanks to the investments from UConn Health and the State of Connecticut's Bioscience Connecticut initiative, medical and dental students began this curriculum in a new 17,000-square-foot facility featuring a renovated academic entrance and a brand-new, high-tech rotunda.

The Medical School's ranking among top medical schools across the country in U.S. News & World Report's March 2017 listing has jumped to #34 in primary care from #50 last year and in research to #56 from #63. Plus, UConn School of Dental Medicine was named the winner of the 2016 William J. Gies Award for Outstanding Achievement by an Academic Dental Institution, one of the most preeminent awards in dental education.

Also, the new hospital tower at UConn John Dempsey Hospital, thanks to Bioscience CT and UConn Health investments, celebrated its one-year anniversary in May 2017. UConn Health also increased patient volumes, revenues, and market share. Its clinical care has grown to more than 650,000 outpatient appointments, 9,200 inpatients, 34,000 emergency room visits and more than 132,000 additional patient visits conducted at our community sites.

While advancing medicine and education, our staff of 624 faculty, doctors and educators also contribute to the advancement of medicine through innovative scientific research and clinical trials. In fact, UConn Health scientists were awarded in fiscal year 2017 over $80.0 million in research funding which includes a large portion from the National Institutes of Health.

For the third consecutive year, UConn John Dempsey Hospital was awarded the highest A-rating in patient safety by National The Leapfrog Group. Receiving the top A-ranking in patient safety in 2015, 2016, and again in 2017 recognizes UConn John Dempsey's continued excellence in meeting the highest U.S. safety standards in keeping our patients safe from medical errors, infections, and other harms.

UConn Health also received several high honors for patient care excellence across cardiovascular medicine. UConn Health and UConn John Dempsey Hospital received three 'Gold Plus' level awards for continued excellence in stroke, heart failure, and STEMI heart attack patient care by The American Heart Association and the American Stroke Association. Also, for its excellence, UConn Health was designated by the Pulmonary Hypertension Association (PHA) as a Pulmonary Hypertension Regional Clinical Program due to its infrastructure and expertise.

Furthermore, for our youngest patients, at 99.1 percent UConn John Dempsey Hospital has the highest Hepatitis B birth dose vaccination rate for newborns among all Connecticut hospital, soaring high above the 83.5 percent statewide average, according to the latest data of the Connecticut Department of Public Health's Immunization Program released in July 2017.

Respectfully Submitted,

Scott Jordan Executive Vice President for Administration & Chief Financial Officer University of Connecticut	Jeffrey P. Geoghegan Chief Financial Officer UConn Health

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DIRECTORS AND FINANCIAL OFFICERS
June 30, 2017

BOARD OF DIRECTORS

Members at Large

Dr. Kenneth Alleyne	*Bloomfield*
Francis X. Archambault, Jr.	*Storrs*
Richard M. Barry	*Avon*
Cheryl A. Chase	*Hartford*
John F. Droney	*W. Hartford*
Timothy A. Holt	*Glastonbury*
Wayne Rawlins	*Cromwell*
Charles W. Shivery	*Avon*

Appointed by the Governor

Kathleen D. Woods	*Avon*
Teresa M. Ressel	*New Canaan*
Joel Freedman	*S. Glastonbury*

Members Ex Officio

Susan Herbst	*Storrs*
Robert S. Dakers	*Glastonbury*
Raul Pino	*Hartford*

Appointed by Chairperson, Board of Trustees

Sanford Cloud Jr, Chairperson	*Farmington*
Andy F. Bessette	*W. Hartford*
Richard T. Carbray, Jr.	*Rocky Hill*

FINANCIAL OFFICERS

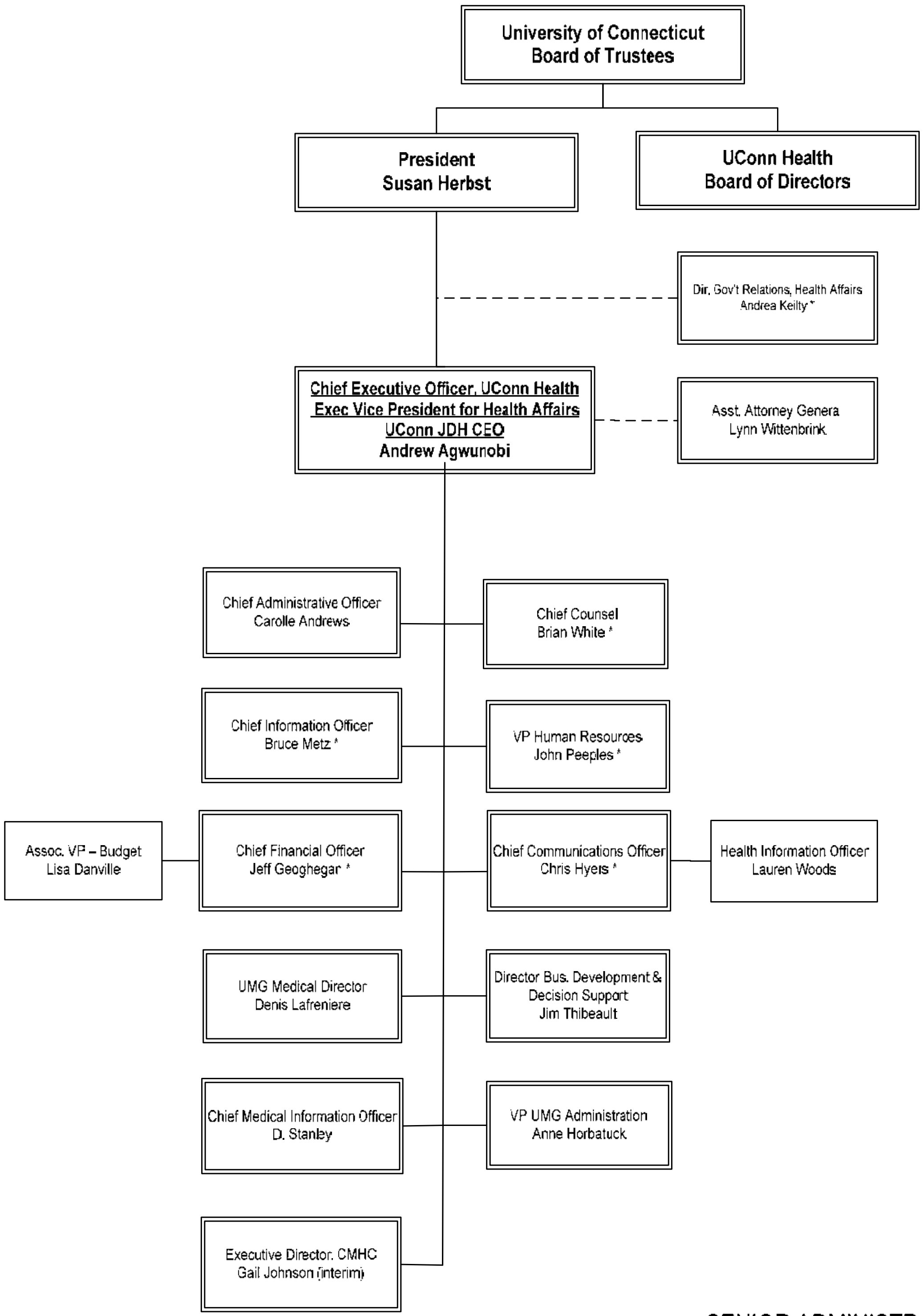
Scott A. Jordan, Executive Vice President for Administration and Chief Financial Officer
Jeffrey P. Geoghegan, Chief Financial Officer
Chad A. Bianchi, Controller

TRUSTEES
As of June 30, 2017

BOARD OF TRUSTEES

UCONN HEALTH

ORGANIZATIONAL CHART



SENIOR ADMINISTRATION
* indicates dual reporting with Storrs

FINANCIAL SECTION

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
JOHN C. GERAGOSIAN 20 TRINITY STREET ROBERT J, KANE
HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT

Board of Directors of the
University of Connecticut Health Center

Report on Financial Statements

We have audited the accompanying financial statements of the University of Connecticut Health Center (UConn Health), a component unit of the University of Connecticut system, which includes the University of Connecticut, UConn Health and the University of Connecticut Foundation, Inc. The accompanying financial statements, which consist of the statements of net position as of June 30, 2017 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise UConn Health's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the John Dempsey Hospital, which represented 36% of the assets of UConn Health as of June 30, 2017 and 38% of the revenues of UConn Health for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the John Dempsey Hospital, is based solely on the report of the 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 of material misstatement.

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

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

Opinion

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of UConn Health, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

The accompanying Management Discussion and Analysis on pages 14 through 24 and the Required Supplemental Information on pages 50 through 52 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express and opinion or provide any assurance on them.

Sincerely,

John C. Geragosian
State Auditor

Robert J. Kane
State Auditor

December 14, 2017
State Capitol
Hartford, Connecticut

Management's Discussion and Analysis

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of the University of Connecticut Health Center ("UConn Health") for the year ended June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Founded in 1881, the University of Connecticut (the "University") serves as the state's flagship for higher education, meeting the educational needs of undergraduate, graduate, professional, and continuing education students through the integration of teaching, research and service. The University of Connecticut is a comprehensive institution of higher education, which includes UConn Health.

The financial statements presented here represent the transactions and balances of UConn Health only. UConn Health offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. UConn Health's component parts are the School of Medicine, the School of Dental Medicine, and their associated Educational Clinics, UConn Medical Group, the University of Connecticut Finance Corporation, Correctional Managed Healthcare (CMHC), and John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2017 was 408 students in the School of Medicine, 179 in the School of Dental Medicine, and 314 Graduate students, taught by over 500 faculty members. UConn Health finished fiscal 2017 with 4,908 FTE's. John Dempsey Hospital (JDH) has 193 staffed acute care beds. In fiscal year 2017, adjusted patient days (a measure of total hospital volume) were 110,673, a 5.8% increase from the prior year. During 2017, UConn Medical Group (UMG) had 658,205 unique patient visits, a .2% increase. The following Management's Discussion and Analysis (MD&A) is required supplemental information. Its purpose is to provide users of the basic financial statements with a narrative introduction, overview and analysis of those statements. It is designed to assist readers in understanding the accompanying financial statements required by GASB. This discussion, which is unaudited, includes an analysis of the financial condition and results of activities of UConn Health for the fiscal year ended June 30, 2017, based on currently known facts, decisions, and conditions. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, notes to the financial statements, and this MD&A are the responsibility of management.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of Management's Discussion and Analysis and the financial statements. The basic financial statements (statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows) present the financial position of UConn Health at June 30, 2017, and the results of operations and financial activities for the year then ended. These statements report information about UConn Health using accounting methods similar to those used by private-sector companies. The statement of net position include all of UConn Health's assets and liabilities. The statement of revenues, expenses and changes in net position reflect the year's activities on the accrual basis of accounting, i.e., when services are provided or obligations are incurred, not when cash is received or paid. This statement reports UConn Health's net assets and how they have changed. Net position (the difference between assets and liabilities) is one way to measure financial health or position. The statement of cash flows provides relevant information about each year's cash receipts and cash payments and classifies them as to operating, investing, noncapital financing and capital and related financing activities. The financial statements include notes that explain information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

UConn Health's financial position at June 30, 2017, consisted of assets of $1.30 billion and liabilities of $1.63 billion. Net assets, which represent the residual interest in UConn Health's assets after liabilities are deducted, decreased $59.5 million in fiscal 2017 after capital appropriations and other changes in net position.

The decrease in net position is attributable to additional pension liability booked under GASB 68. Operating losses and the additional pension liability booked under GASB 68 were only partially offset by Capital Appropriations and non-operating revenues including State Appropriations. Expenses associated with Capital Appropriations will be borne in the future through increased depreciation expenses.

The financial statements contained herein show an operating loss of $374.1 million for the year ending June 30, 2017 (fiscal year 2017). The measure more indicative of normal and recurring activities is net income before Other Changes in Net Position, which includes revenue from State Appropriations. Additions to capital assets are, in a large part, funded by capital appropriations from the state and issuance of UCONN 2000 bond funds (included in the Other Changes in Net Position above), which are not included as revenues in this measurement. However, depreciation expense on those assets is included as an expense in calculating operating income, so a loss under this measurement is expected. UConn Health experienced a loss before Other Changes in Net Position of $101.9 million in fiscal year 2017.

Some sources of recurring operating and non-operating revenues increased in 2017, including patient service revenue and contract and other operating revenue. These categories are expected to have slight increases in 2018. State support, not including state funded capital appropriations, decreased 3.8% in fiscal 2017. Decreases in state support are expected in the upcoming fiscal year due to ongoing efforts by the state to reduce expected budget shortfalls. The 2018-2019 biennial budget reduced the amount of block grant appropriations to UConn Health to $122.4 million and $123.0 million for 2018 and 2019, respectively. In addition, we have already received an additional lapse reduction of $4.7 million in fiscal year 2018.

STATEMENTS OF NET POSITION

The summary statements of net position below present the financial position of UConn Health at the end of the fiscal years 2017 and 2016; it includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of UConn Health. Net position represents assets plus deferred outflows, less liabilities and deferred inflows. Assets represent what is owned by or what is owed to UConn Health. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A deferred outflow of resources represents the consumption of net assets by UConn Health that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net assets by UConn Health that is applicable to a future reporting period. UConn Health's net position is the residual value in UConn Health's assets and deferred outflows, after liabilities and deferred inflows are deducted. The change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year.

The total assets of UConn Health increased by $7.0 million, or .5%, over the prior year. The increase was primarily attributable to increases in Property, Plant and Equipment, which is the result of continued capital expansion at UConn Health including the new University Tower at John Dempsey Hospital.

Due from affiliates decreased by $76.6 million or 86.9% from 2016. This change occurs as UConn Health continues spending on construction related to UConn 2000 construction initiatives.

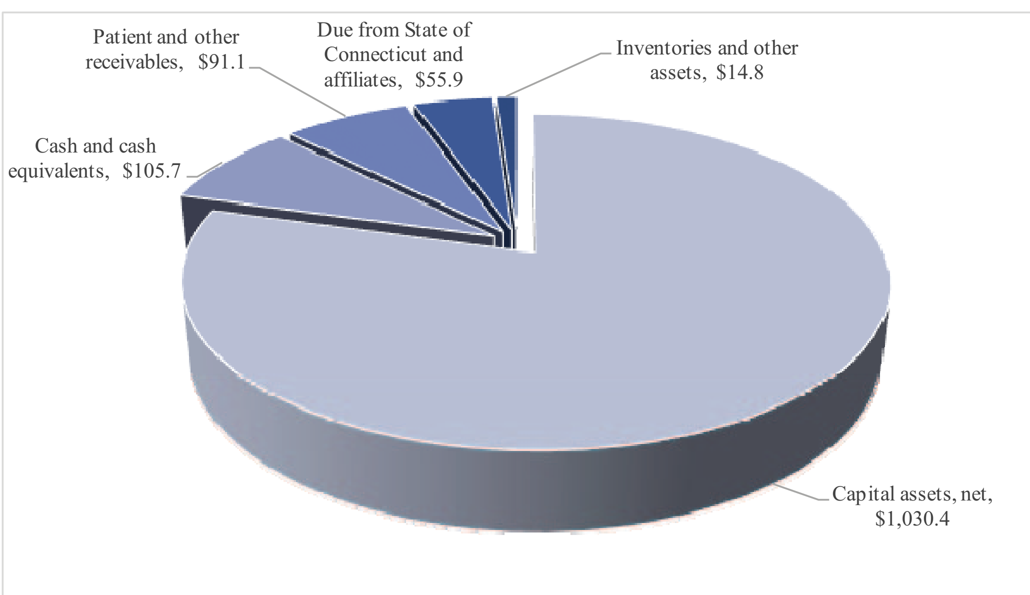
Total liabilities increased by $353.2 million or 27.8% from 2016. The driver of the increase was the addition of $359.0 million in pension liability due primarily to changes in State retirement plans. The combination of the increase in total assets of $7.0 and total liabilities of $353.2 million, offset by the net addition of $286.7 million in deferred inflows/outflows yielded a decrease in total net position of $59.5 million.

Deferred outflows of resources increased $296.9 million and deferred inflows of resources increased $10.2 million mainly due to pension related adjustments, including changes in assumptions, increases from differences between expected versus actual experience, and investment losses offset by a decrease of amortization of changes in proportion.

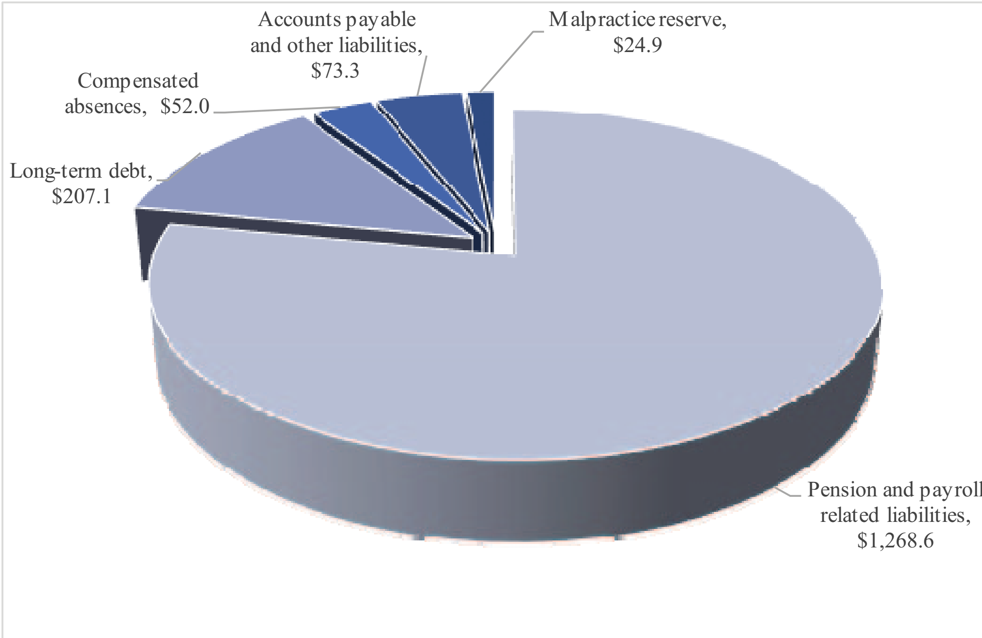
The following table shows a Condensed Schedule of Net Position at June 30 ($ in millions):

	2017	2016	$ Change	% Change
Assets:				
Current assets	$ 240.2	$ 321.8	$ (81.6)	-25.4%
Capital assets, net	1,030.4	945.2	85.2	9.0%
Other noncurrent assets	27.3	23.9	3.4	14.2%
Total assets	1,297.9	1,290.9	7.0	0.5%
Deferred outflows of resources	464.5	167.6	296.9	177.1%
Liabilities:				
Current Liabilities	141.8	136.1	5.7	4.2%
Noncurrent liabilities	1,484.1	1,136.6	347.5	30.6%
Total liabilities	1,625.9	1,272.7	353.2	27.8%
Deferred inflows of resources	10.2	-	10.2	100.0%
Net position:				
Net investment in capital assets	823.3	734.5	88.8	12.1%
Restricted nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	37.0	117.5	(80.5)	-68.5%
Unrestricted	(734.1)	(666.3)	(67.8)	10.2%
Total net position	$ 126.3	$ 185.8	$ (59.5)	-32.0%

The following graph shows total assets of $1.30 billion by major category as of June 30, 2017 ($ in millions):



The following graph shows total liabilities of $1.63 billion by major category as of June 30, 2017 ($ in millions):



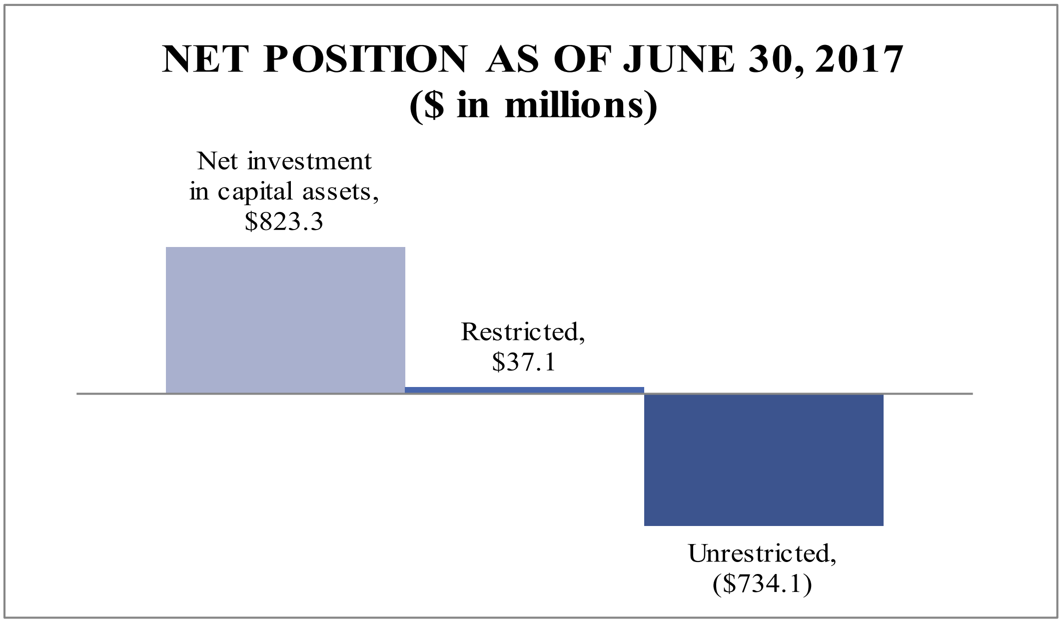
Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, represents UConn Health's equity in property and equipment. The second category, restricted net position, is subdivided into nonexpendable and expendable. The corpus of restricted nonexpendable resources is only available for investment purposes and is included with investments on UConn Health's Statement of Net Position. Expendable restricted net position is available for expenditure by the institution. However, it must be spent for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position, representing funds available to UConn Health for any lawful purpose of the institution. Generally, unrestricted funds are internally assigned to academic, clinical and research programs, capital programs, retirement of debt, and auxiliary enterprise activities. The Statement of Net Position presents assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of UConn Health as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement and is used as a measure of the financial condition of UConn Health. This statement presents a snapshot concerning assets, classified as current (expected to be available for use within one year) and noncurrent (expected to be available beyond one year), liabilities, categorized as current (expected to mature and due within one year), and noncurrent (expected to mature and due after one year), and net position.

Assets represent what is owned by or what is owed to UConn Health, including payments made to others before a service was received. Assets are recorded at their current value except for property and equipment, which is recorded at historical cost net of accumulated depreciation and amortization. Liabilities represent what is owed to others or what has been received from others prior to services being provided by UConn Health. A deferred outflow of resources represents the consumption of net assets by UConn Health that is applicable to a future reporting period, whereas, a deferred inflow of resources is an acquisition of net assets by UConn Health that is applicable to a future reporting period.

UConn Health's net position is the residual value in UConn Health's assets and deferred outflows after liabilities and deferred inflows are deducted. Changes in net position over time are a relative indicator of UConn Health's financial ability.

The following graph shows net position by major category:



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents either an increase or decrease in net position based on revenues received, the expenses paid, and any other gains and losses recognized by UConn Health. Revenues and expenses are classified as operating, non-operating, or other changes in net position according to definitions prescribed by GASB.

Generally, operating revenues are earned when providing goods and services to the various customers of UConn Health. Operating expenses are incurred in the normal operation of UConn Health and represent those expenses paid to acquire or produce the goods and services provided in return for operating revenues. Operating expenses also include the provision for allocated depreciation and amortization of property and equipment. The difference between operating revenues and expenses is the operating income or loss.

By its very nature, a state funded institution does not receive tuition and fees revenue, research awards or clinical program revenue sufficient to support its operations. Non-operating revenues are revenues received for which goods and services are exchanged. These revenues are essential to the continued provision of programs and services by UConn Health. Significant recurring sources of non-operating revenues utilized in balancing the operating loss each year include appropriations from the State of Connecticut (State) for general operations and investment income.

Other changes in net position are composed of capital appropriations and losses on disposal.

The statements of revenues, expenses and changes in net position present UConn Health's results of operating and non-operating activities. A summary of UConn Health's revenues, expenses and changes in net assets for the years ended June 30, 2017 and 2016 is presented below:

	2017	2016	$ Change	% Change
Operating revenues:				
Student tuition and fees (net of scholarship allowances)	$ 17.5	$ 15.7	$ 1.8	11.5%
Patient services	539.8	532.9	6.9	1.3%
Federal grants and contracts	58.1	59.6	(1.5)	-2.5%
Nonfederal grants and contracts	29.0	27.1	1.9	7.0%
Contract and other operating revenues	114.3	108.0	6.3	5.8%
Total operating revenues	758.7	743.3	15.4	2.1%
Operating expenses:				
Instruction	169.1	168.3	0.8	0.5%
Research	59.4	58.2	1.2	2.1%
Patient services	713.3	648.1	65.2	10.0%
Academic support	19.2	18.1	1.1	6.1%
Institutional support	82.2	80.6	1.6	2.0%
Operations and maintenance of plant	37.3	38.7	(1.4)	-3.6%
Depreciation and amortization	52.1	41.5	10.6	25.5%
Student aid	0.2	0.1	0.1	100.0%
Total operating expenses	1,132.8	1,053.6	79.2	7.5%
Operating Loss	(374.1)	(310.3)	(63.8)	20.6%
Nonoperating revenues (expenses):				
State appropriations	278.2	289.3	(11.1)	-3.8%
Gifts	4.1	6.9	(2.8)	-40.6%
Investment income (net of investment expense)	0.1	0.1	(0.0)	0.0%
Interest on capital asset - related debt	(10.2)	(10.5)	0.3	-2.9%
Net nonoperating revenues	272.2	285.8	(13.6)	-4.8%
Loss before other changes in net position	(101.9)	(24.5)	(77.4)	315.9%
Other changes in net position:				
Capital appropriations	43.4	175.0	(131.6)	-75.2%
Loss on disposal	(1.0)	(0.7)	(0.3)	42.9%
Net other changes in net position	42.4	174.3	(131.9)	-75.7%
Increase in net position	(59.5)	149.8	(209.3)	-139.7%
Net position-beginning of year, as adjusted	185.8	36.0	149.8	416.1%
Net position-end of year	$ 126.3	$ 185.8	$ (59.5)	-32.0%

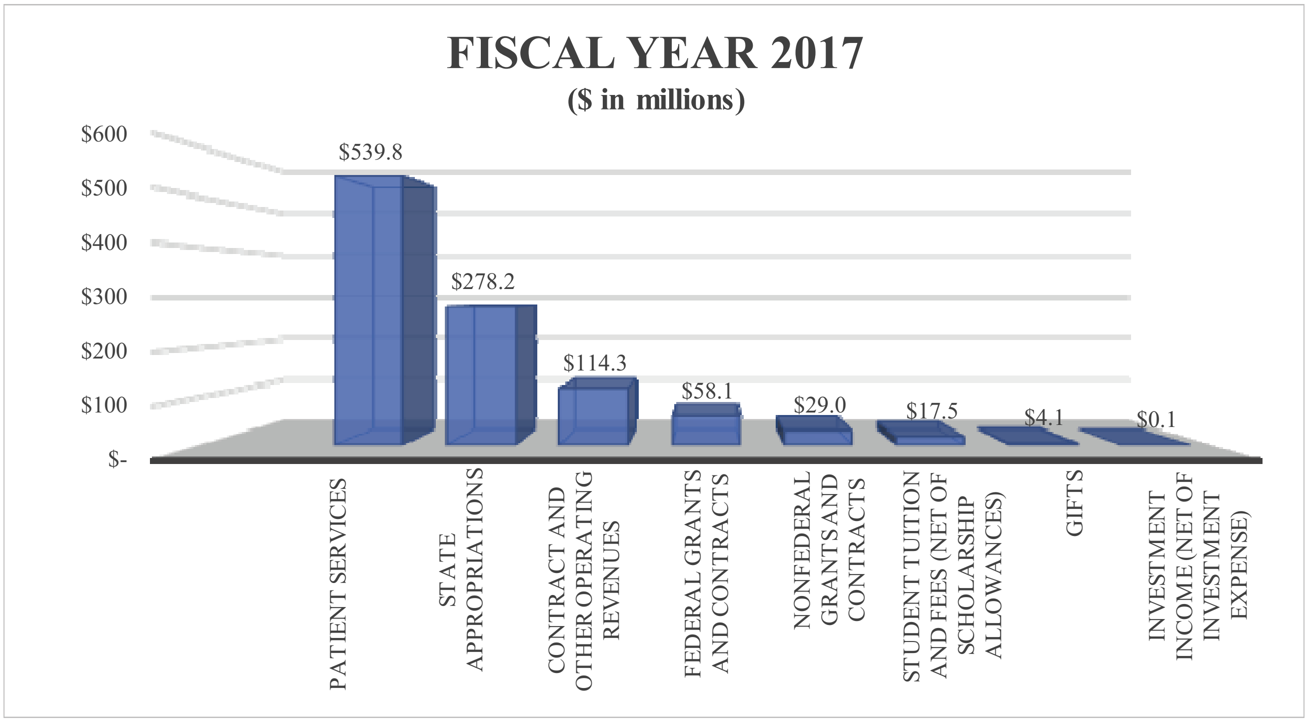
Revenue

Revenue highlights for the year ending June 30, 2017, including operating and non-operating revenues, presented on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

The largest source of revenue was patient service revenue. Net Patient service revenue increased $6.9 million or 1.3% over prior year. Prior to eliminations the increase in net patient service revenue for John Dempsey Hospital was $15.8 million. Increases in John Dempsey Hospital reflect higher surgical and outpatient volumes and strategic rate increases throughout the Hospital's lines of service. The UConn Medical Groups net revenue increased $539,000.

UMG's increases reflect changes in patient mix and UMG's focus on contracted rates. The Correctional Managed Health Care program revenue decreased by $8.6 million compared to prior year. This decrease was attributed to lower operational costs of the program. More detailed information about UConn Health's patient revenue is presented in note 4 of the financial statements.

The State Appropriation (including In Kind Fringe Benefits), which is included in non-operating revenues, totaled $278.2 million. This represents a 3.8% decrease over the prior year.



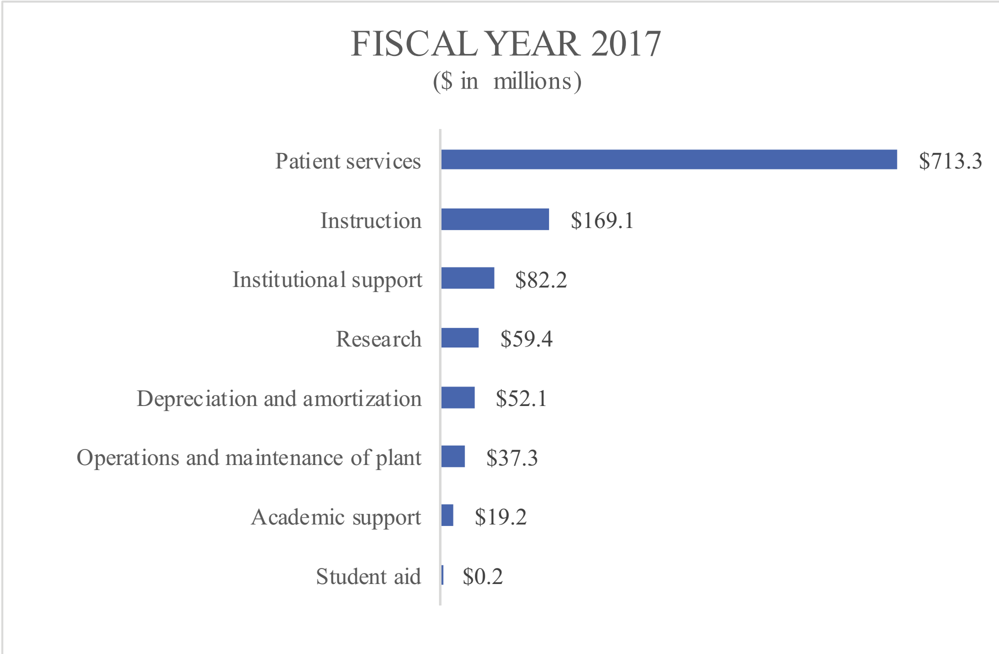
Expenses

Highlights of expenses including operating and non-operating expenses presented on the Statements of Revenues, Expenses and Changes in Net Position are as follows:

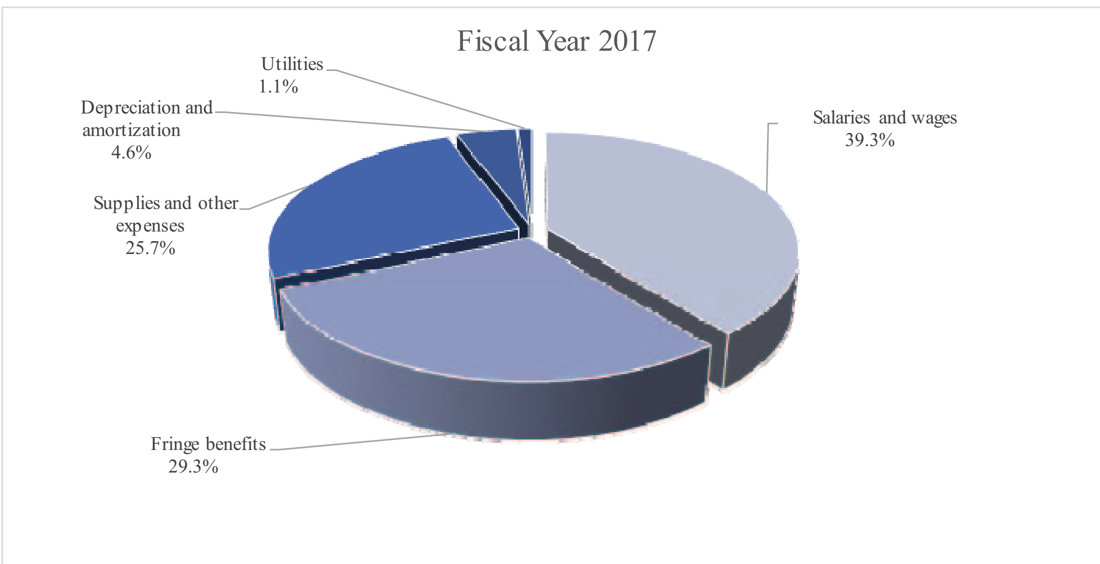
Patient service expense is the largest expense category for UConn Health; it accounts for 63.0% of total operating expenses. It increased by $65.2 million or 10.0% over the prior year. The increase was driven by expenses to support the additional clinical volume in JDH and UMG.

Depreciation and amortization expenses, which comprise about 4.6% of total expenses, grew to $52.1 million from $41.5 million reported in fiscal 2016. The increase was primarily due to increases in depreciable assets, including the New Hospital Tower and the continued depreciation of Outpatient Pavilion.

The following graph shows the functional expenses of UConn Health ($ in millions):



UConn Health's operating expenses by natural classification are presented below:



STATEMENTS OF CASH FLOWS

The Statement of Cash Flows presents detailed information about the cash activity of UConn Health during the year. The first section of this Statement, Cash Flows from operating activities, will always be different from the operating loss amount on the Statement of Revenues, Expenses, and Changes in Net Position. The difference results from non-cash items such as depreciation and amortization expense and the use of the accrual basis of accounting in preparing the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Cash Flows, on the other hand, shows cash inflows and outflows without regard to accruals.

The Statement of Cash Flows has four additional sections. The second section consists of cash flows from investing activities showing the purchases, proceeds, and interest provided from investing activities. The third section reflects cash flows from non-capital financing activities including State Appropriation, debt transactions, gifts, and other non-operating revenues and expenses. The fourth section shows cash flows from capital and related financing activities. The final section is a reconciliation of the operating loss shown on the Statement of Revenues, Expenses and Changes in Net Position to net cash used in operating activities.

The Statements of Cash Flows below provides additional information about UConn Health's financial results by reporting the major sources and uses of cash. A summary of the Statements of Cash Flows for the years ended June 30, 2017 and 2016, is as follows:

(in millions)

	2017	**2016**	**$ Change**	**% Change**
Cash received from operations	$ 758.5	$ 750.9	$ 7.6	1.0%
Cash expended for operations	(862.5)	(846.5)	(16.0)	1.9%
Net cash used in operating activities	(104.0)	(95.6)	(8.4)	8.8%
Net cash provided by investing activities	0.1	0.1	-	0.0%
Net cash provided by noncapital financing activities	140.1	152.3	(12.2)	-8.0%
Net cash used in capital and related financing activities	(30.5)	(49.8)	19.3	-38.8%
Net increase/(decrease) in cash and cash equivalents	5.7	7.0	(1.3)	-18.6%
Cash and cash equivalents, beginning of the year	100.0	93.0	7.0	7.5%
Cash and cash equivalents, end of the year	$ 105.7	$ 100.0	$ 5.7	5.7%

CAPITAL ACTIVITIES

Capital assets, net of accumulated depreciation, consisted of the following ($ in millions):

	2017	2016	$ Change	% Change
Land	$ 13.5	$ 13.5	$ (0.0)	0.0%
Construction in Progess	329.4	256.5	72.9	28.4%
Buildings and Building Improvements	607.6	600.6	7.0	1.2%
Equipment	77.6	74.6	3.0	4.0%
Capital Leases	2.3	0.0	2.3	100.0%
Capital assets, net	$ 1,030.4	$ 945.2	$ 85.2	9.0%

Construction in progress increased approximately $73.0 million driven by continued progress on UCONN 2000 construction initiatives and UConn Health's EMR system build.

As mentioned above, the UConn 2000 program has had a dramatic impact on our campus. This is the third phase of the program also known as 21st Century UCONN, which provides for improvements to facilities at the University and UConn Health. UConn Health is scheduled to receive $775.3 million over the life of this program. UConn Health received $27.5 million capital appropriations during 2017 from the UCONN 2000 bond issuance.

During 2017 and 2016, UConn Health received $16 million and $25 million, respectively, from the State Bond Commission for UConn Health's EMR; which was included in the capital appropriation line in the Statements of Revenues, Expenses, and Changes in Net Position.

UConn Health's fiscal 2018 capital funding requests will be considered for funding by the senior executive committee of UConn Health on an individual basis.

DEBT ACTIVITIES

JDH entered into two capital lease agreements, an MRI machine and a Lab equipment system during fiscal year 2017 for approximately $2.5 million. Scheduled lease payments began in 2017. More detailed information about UConn Health's capital assets and debt activities are presented in notes 9 and 10 of the financial statements.

UConn Health continued payments on the Outpatient Pavilion and UConn Musculoskeletal Institute (formerly the Medical Arts and Research Building) during the year.

BIOSCIENCE CONNECTICUT

Progress on the construction work related to the Bioscience Connecticut initiative continued. The construction of the corridor connecting the University Tower to the Main Building, which was the final phase of the John Dempsey Hospital University Tower project, was completed in November, 2016. The Main Building Lab Renovations – Phase 2 was completed in March, 2017. The Academic Building Addition and Renovation project is in the final phase and all work was completed in October 2017. Phase 1 of the Clinical Building Renovations is nearing final completion, and Phase 2 work began in September 2017. The final phases of work are scheduled to be complete at the end of 2018.

FISCAL YEAR 2018 OUTLOOK

As we look forward to fiscal year 2018, UConn Health's appearance and facilities have been transformed by the State's Bioscience Connecticut initiative. Our stunning new Outpatient Pavilion and University Tower position UConn Health to compete aggressively to be the provider of choice not only in the Farmington Valley but throughout Connecticut. Our new advertising campaign, The Power of Possible, harnesses this optimism.

Research, education, and patient care remain the cornerstones of our mission. Each of these areas contain their own unique challenges. They also share in the uncertainty surrounding both local and national government and funding opportunities.

The competition for researchers and grants is increasingly active. Even with our collaboration with Jackson Laboratories, attracting top talent, and the funding opportunities that come with them, can be difficult and expensive.

Clinically, healthcare reform and shifting regional and national dynamics continue to change the way hospitals serve their communities. As a result UConn Health will continue to explore the possibility of public private partnerships that may be beneficial to the finances and operations of the Clinical Programs and UConn Health as a whole. We continue to seek ways to increase our patient volumes while adapting to changing population demographics, needs and treatment demands. Management believes that our new facilities and advertising campaign provide UConn with the resources it needs to compete effectively in the marketplace.

UConn Health has begun installation of UConn Health One, an EPIC product. UConn Health is about three quarters through its installment with a target date of April 28, 2018. The installation will result in a new medical records system at both John Dempsey Hospital and UMG, linking patients via a single electronic health record (EHR) and positions JDH for compliance with the third stage of meaningful use requirements.

This endeavor creates additional opportunities to improve revenue cycle related operations, and as a result anticipate a reevaluation of clinical business office functions and other potential operational changes to best leverage this tool and our investment in the technology. This is particularly crucial to prevent any disruption to billing or cash flow during the transition period

Continued economic pressures within the State of Connecticut are not expected to improve and may still worsen causing some instability in the predictability of State support across UConn Health. Leadership remains diligent on continued cost reduction work while protecting quality. Additional cuts in State support, beyond those in the original passed budget, are likely depending on how the State plans to balance its budget and address its current economic crisis.

On July 31, 2017, the State Legislature approved the State Employees Bargaining Agent Coalition (SEBAC) 2017 agreement that was ratified by union membership. In addition, contracts were ratified for all of UConn Health bargaining units participating in SEBAC. The SEBAC 2017 agreement includes changes to employee healthcare benefits, retirement plans, and future wage adjustments, resulting in cost-savings for fiscal year 2018, that are expected to offset ongoing increases to fringe benefit costs. The agreement also provides for certain employment protection for bargaining unit employees through June 30, 2021. The full impact of this agreement is unknown at this time.

Management will continue to monitor these and other factors over the upcoming year as it seeks to strengthen UConn Health for the future.

CONTACTING UCONN HEALTH'S FINANCIAL MANAGEMENT

This financial report provides the reader with a general overview of UConn Health's finances and operations. If you have questions about this report or need additional financial information, please contact the Office of the Chief Financial Officer, UConn Health, Farmington, Connecticut 06030.

FINANCIAL STATEMENTS

UCONN HEALTH
STATEMENT OF NET POSITION
As of June 30, 2017

		2017
		($ in thousands)
ASSETS		
Current Assets		
Cash and cash equivalents	$	104,516
Patient receivables, net		51,681
Contract and other receivables		30,254
Construction escrow account		2,479
Due from Affiliates (Note 14)		11,480
Due from State of Connecticut		10,495
Due from Department of Correction		10,909
Inventories		11,780
Prepaid expenses		6,645
Total current assets		240,239
Noncurrent Assets		
Restricted cash and cash equivalents		1,199
Other assets		2,981
Due from State of Connecticut		23,101
Capital assets, net		1,030,426
Total noncurrent assets		1,057,707
Total assets	$	1,297,946
Deferred Outflows of Resources (Note 11)	$	464,517
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$	48,105
Due to State of Connecticut		7,628
Accrued salaries		27,592
Compensated absences - current portion (Note 10)		20,797
Due to third party payors		23,223
Unearned revenues		2,053
Malpractice reserve (Note 10)		5,870
Long-term debt - current portion (Note 10)		6,576
Total current liabilities		141,844
Noncurrent Liabilities		
Malpractice reserve (Note 10)		18,987
Compensated absences - net of current portion (Note 10)		31,196
Pension Liability (Note 11)		1,233,399
Long-term debt - net of current portion (Note 10)		200,523
Total noncurrent liabilities		1,484,105
Total liabilities	$	1,625,949
Deferred Inflows of Resources	$	10,182
NET POSITION		
Net investment in capital assets	$	823,325
Restricted for		
Nonexpendable		
Scholarships		61
Expendable		
Research		(8)
Loans		31
Capital projects		37,061
Unrestricted		(734,138)
Total net position	$	126,332

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

UCONN HEALTH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

	2017
	($ in thousands)
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $6,250)	$ 17,499
Patient services (net of charity care of $310)	539,777
Federal grants and contracts	58,148
Nonfederal grants and contracts	29,009
Contract and other operating revenues	114,284
Total operating revenues	758,717
OPERATING EXPENSES	
Educational and General	
Instruction	169,130
Research	59,400
Patient services	713,342
Academic support	19,186
Institutional support	82,233
Operations and maintenance of plant	37,295
Depreciation and amortization	52,046
Student aid	194
Total operating expenses	1,132,826
Operating loss	(374,109)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	278,211
Gifts	4,079
Investment income (net of investment expense of $56)	104
Interest on capital asset - related debt	(10,214)
Net nonoperating revenues	272,180
Loss before other changes in net position	(101,929)
OTHER CHANGES IN NET POSITION	
Capital appropriations	43,479
Loss on Disposal	(989)
Net Other Changes in Net Position	42,490
Decrease in net position	(59,439)
NET POSITION	
Net position-beginning of year	185,771
Net position-end of year	$ 126,332

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

		2017
		($ in thousands)
Cash flows from operating activities:		
Cash received from patients and third-party payors	$	535,451
Cash received from tuition and fees		17,499
Cash received from grants, contracts and other revenue		205,583
Cash paid to employees for personal services and fringe benefits		(564,258)
Cash paid for other than personal services		(298,231)
Net cash used in operating activities		(103,956)
Cash flows from investing activities:		
Interest received		104
Net cash provided by investing activities		104
Cash flows from noncapital financing activities:		
State appropriations		136,007
Gifts		4,079
Net cash provided by noncapital financing activities		140,086
Cash flows from capital and related financing activities:		
Additions to property and equipment		(138,064)
Capital appropriations		116,050
Interest paid		(10,227)
Net proceeds/(repayment) from long-term debt		1,741
Net cash used in capital and related financing activities		(30,500)
Net increase in cash and cash equivalents		5,734
Cash and cash equivalents at beginning of year		99,981
Cash and cash equivalents at end of year	$	105,715

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

UCONN HEALTH
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2017

		2017
		($ in thousands)
Operating loss	$	(374,109)
Adjustments to reconcile operating loss to net cash		
Used in operating activities:		
Depreciation and amortization		52,046
Personal services and fringe benefits In Kind from State		142,712
Changes in assets and liabilities:		
Patients receivables, net		(1,091)
Contract and other receivables		3,287
Due from DOC		(2,503)
Inventories		(49)
Third party payors		(732)
Prepaid expenses		1,858
Other assets		1,490
Accounts payable and accrued liabilities		6,292
Due to State of Connecticut		1,112
Accrued salaries		349
Pension liabilities and related deferred outflows/inflows		72,305
Compensated absences		(1,044)
Deferred revenue		856
Malpractice reserve		(6,735)
Net cash used in operating activities	$	(103,956)

Schedule of Non-Cash Financing Transactions

Mortgage proceeds held by Trustee in construction escrow account	$	(7,834)
Accruals of expenses related to construction in progress	$	164
Equipment acquired by entering into capital lease agreements	$	2,493

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut Health Center ("UConn Health") is a part of a comprehensive institution of higher education, the University of Connecticut (the "University"). Although governed by a single Board of Trustees, UConn Health and the University maintain separate budgets and are by statute separate entities for purposes of maintaining operating funds and State Appropriations. UConn Health also has a Board of Directors to whom the Board of Trustees has delegated certain responsibility and authority. These financial statements represent transactions and balances of UConn Health for the year ended June 30, 2017, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group (UMG), University of Connecticut Health Center Finance Corporation, Correctional Managed Healthcare (CMHC), Dental Clinics (the "Primary Institution") and John Dempsey Hospital (the "Hospital"). UConn Health offers medical and dentistry degrees and operates a physician/dentist practice and a teaching and research hospital. There is also an affiliated entity that supports the mission of UConn Health: The University of Connecticut Foundation Inc. (the "Foundation"). The Foundation raises funds to promote, encourage, and assist education and research at the University, including UConn Health.

Basis of Presentation

UConn Health's financial statements are prepared using the economic resources measurement focus and in accordance with all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of accounting principles generally accepted in the United States of America (GAAP). During the year ended June 30, 2016, UConn Health adopted this Statement and it did not have material impact on UConn Health's financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. During the year ended June 30, 2016, UConn Health adopted this standard and it did not have a material impact on UConn Health's financial statements based on the composition of UConn Health's assets and liabilities.

UConn Health adopted GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 67 pertains to financial reporting by state and local government pension plans, effective for plan years beginning after June 15, 2013. GASB 68 addresses new accounting and financial reporting requirements for governmental employers that provide their employees with pension benefits administered through a qualified trust and was effective for UConn Health beginning July 1, 2014. This statement establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

Under GASB 68, cost-sharing employers not in a special funding situation are required to recognize a liability for their proportionate share of the net pension liability (of all employers for benefits provided through the pension plan) - the collective net pension liability. Consequently, UConn Health must report its proportionate share of the collective pension amounts related to the State Employees' Retirement System and the Teachers' Retirement System in its stand-alone financial statements. This statement also requires more extensive note disclosure and required supplementary information (RSI) related to pensions.

In addition, UConn Health adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective simultaneously with the provisions of GASB 68. This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Recently Adopted Accounting Pronouncements

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements with periods beginning after June 15, 2016 and adoption of this standard did not have a material impact on UConn Health's financial statements.

In June 2015, GASB issued 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement became effective for financial statements with periods beginning after June 15, 2016 and the adoption of this standard did not have a material impact on UConn Health's financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, No.68, and No.73. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. The adoption of this standard did not have a material impact UConn Health's financial statements.

Upcoming Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* which will require additional disclosures and the recording of UConn Health's proportionate share of the net liabilities related to its participation in the postemployment benefit plans on the statement of net position and requires supplementary information about the postemployment liabilities. This Statement is effective for fiscal years beginning after June 15, 2017. UConn Health is evaluating the impact this standard will have on it financial statements.

In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. UConn Health is currently evaluating the impact this standard will have on its financial statements.

Use of Estimates

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

Proprietary Fund Accounting
UConn Health utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. All revenues and expenses are subject to accrual.

Basis of Presentation
All significant intra-agency transactions have been eliminated in the presentation of the Consolidated Financial Statements. Additional information about eliminations may be found in the supplemental schedules.

Operating and Non-operating revenues:
UConn Health breaks out revenues between operating and non-operating based on the nature of the transaction as being either an exchange or non-exchange transaction. Exchange transactions principally include services provided by UConn Health to the community. Non-exchange transactions include State Appropriations, Gifts, Loss on disposal of property and equipment, and Investment Returns.

Cash and Cash Equivalents:
UConn Health considers all funds that have not been board or otherwise designated and which are held on its behalf by the State of Connecticut to be cash.

Construction Escrow Account:
Funds related to the financing of the Outpatient Pavilion are placed into the Construction Escrow account upon advancement from the lender. UConn Health does not have immediate access to these funds and must submit receipts and other prescribed documentation in order to apply for reimbursement of construction expenses from the fund.

Accounts Receivable and Net Patient Service Revenues
Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Investments and Investment Income
The State of Connecticut has established various funds to account for the operations of UConn Health. These funds include the University Health Center Operating Fund (Fund 12018), the University Health Center Research Foundation Fund (Fund 12023), the University Health Center Hospital Fund (Fund 21002) and the UConn Health Malpractice Fund (Fund 35015). Grants and contracts for research and related retained overhead recoveries are accounted for in the Research Foundation Fund. The Malpractice Fund accounts for assets set aside in conjunction with actuarial funding recommendations. The Operating Fund acts as a "General Fund" for UConn Health, accounting for all operations not accounted for elsewhere.

Unrestricted Research Foundation Fund and Malpractice Fund assets in excess of immediate cash needs are invested in the State of Connecticut Short-Term Investment Fund (STIF). Most restricted Research Foundation Fund assets are not invested, though there are certain exceptions including gift accounts and funds invested at the request of sponsoring organizations. Local student activity funds controlled by UConn Health are also invested in STIF; these funds are minimal in amount.

The STIF, which was established and is operated under Sections 3-27a through 3-27i of the General Statutes, provides State agencies, funds, political subdivisions and others with a mechanism for investing at a daily-earned rate with interest from day of deposit to day of withdrawal. STIF participants have daily access to their account balances. Underlying investments of the STIF are mainly in money market instruments.

Though Operating Fund participation in STIF is not significant, UConn Health earns interest on Operating Fund cash balances through the State Treasurer's interest credit program. Under this program, the Treasurer pays UConn Health STIF equivalent interest on the average daily cash balance held in the Operating Fund each quarter. Additionally, interest is paid on monies transferred from UConn Health's civil list funds into the direct disbursement account used to process checks issued directly to vendors by UConn Health. Though the balance in this account may include assets of the Operating, Research Fund and Hospital Funds, all interest earned is credited to the Operating Fund. The Hospital Fund does not participate in STIF or, other than described above, the Treasurer's interest credit program.

Investment Income also includes amounts received from endowments.

Inventories

Consumable supplies are expensed when received with the exception of certain central inventories. Cost of the inventory is determined on a moving average basis for the Central Warehouse, and on a first-in, first-out basis for the others. Pharmacy inventory is valued at market which approximates cost due to high turnover rates for institutional pharmaceuticals.

Capital Assets

Property and equipment acquisitions are recorded at cost. Betterments and major renewals are capitalized and maintenance and repairs are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Buildings have an estimated useful life of 5 to 50 years and equipment has an estimated useful life of 2 to 25 years.

Medical Malpractice

Health care providers and support staff of the UConn Health are fully protected by state statutes from any claim for damage or injury, not wanton, reckless or malicious, caused in the discharge of their duties or within the scope of their employment ("statutory immunity"). Any claims paid for actions brought against the State as permitted by waiver of statutory immunity have been charged against UConn Health's malpractice self-insurance fund. Effective July 1, 1999, UConn Health developed a methodology by which it could allocate malpractice costs between the Hospital, UMG, and Dental practices. For the years ended June 30, 2017, these costs are included in the statement of revenues, expenses and changes in net position.

Compensated Absences

UConn Health's employees earn vacation, personal, compensatory and sick time at varying rates depending on their collective bargaining units. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Amounts recorded on the statements of net position are based on historical experience. All other compensated absences are accrued at 100% of their balance. Compensated absences have been allocated between current and noncurrent based on historical information.

Pension Liabilities

In accordance with GASB 68, UConn Health records its proportionate share of the collective net pension liability and collective pension expense for each defined-benefit plan offered to its employees. The collective net pension liability for each plan is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is the portion of the actuarial present value of projected benefits payments that are attributable to past periods of plan member service. Information about the fiduciary net position and additions to/deductions from each pension plan's fiduciary net position have been determined on the same basis as they are reported by each pension plan. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Deferred Outflows of Resources and Deferred Inflows of Resources

UConn Health reports its proportionate share of collective deferred outflows of resources or collective deferred inflows of resources related to its defined-benefit plans. Differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions or other inputs, and differences between actual contributions and proportionate share of contributions are classified as either deferred outflows or deferred inflows, and are recognized over the average of the expected remaining service lives of employees eligible for pension benefits. The net differences between projected and actual earnings on pension plan investments are reported as deferred outflows or deferred inflows and are recognized over the average remaining service lives of the plan participants. Contributions to the pension plan from UConn Health subsequent to the measurement date of the net pension liability and before the end of the reporting period are reported as a deferred outflow of resources related to pensions.

Regulatory Matters

The Hospital is required to file semi-annual and annual operating information with the State of Connecticut Office of Health Care Access ("OHCA"), and is required to file annual cost reports with Medicare and Medicaid.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. Approximately $17 million was reclassed from Institutional Support to Operations and Maintenance of Plant. This change did not have an impact on the bottom line.

2. CASH DEPOSITS AND INVESTMENTS

Statement No. 40 of the GASB requires governmental entities to disclose credit risk associated with cash deposits and investment balances, and investment policies applied to mitigate such risks, especially as it relates to uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in UConn Health's name.

UConn Health's cash and cash equivalents, current and noncurrent, balance was $105,714,980, as of June 30, 2017, included the following:

		2017
Cash maintained by State of Connecticut Treasurer	$	63,970,856
Invested in State of Connecticut Short-Term Investment Fund		40,856,616
Deposits with Financial Institutions and Other		876,478
Currency (Change Funds)		11,030
Total cash and cash equivalents		105,714,980
Less: current balance		104,516,127
Total noncurrent balance	$	1,198,853

Collateralized deposits are protected by Connecticut statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio – a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State of Connecticut were insured by the Federal Deposit Insurance Corporation or collateralized. As a State agency, UConn Health benefits from this protection, though the extent to which the deposits of an individual State agency such as UConn Health are protected cannot be readily determined.

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. For financial reporting purposes, STIF is considered to be "cash equivalents" in the statements of net position.

UConn Health's cash management investment policy authorizes UConn Health to invest in the State Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements and savings accounts. The $40,856,616 invested in the State of Connecticut Investment Pool is invested by the State Treasurer in its Short-term Investment Fund and had a Standard and Poor's rating of AAAm during fiscal year 2017.

Certain funds are held by outside fiscal agents and are not under the direct control of UConn Health. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds was $2,543,779 as of June 30, 2017. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income received from those sources was $18,312 the year ended June 30, 2017.

3. HYPOTHECATION

Individual components of UConn Health are allowed to borrow from the State on the basis of their net patient receivables and contract and other receivables to fund operations. These units include John Dempsey Hospital and the UConn Medical Group. John Dempsey Hospital is allowed to borrow from the State at up to 90% of its receivables. UConn Medical Group is allowed to borrow at up to 70% of its receivables. As of June 30, 2017, the Hospital and UMG had the following draws and availability under the State statute:

		2017 John Dempsey Hospital	2017 UConn Medical Group
Amount Drawn under Hypothecation	$	-	3,564,679
Remaining amounts available under Hypothecation	$	46,633,974	4,135,985

4. NET PATIENT SERVICE REVENUE

UConn Health provides health care services primarily to residents of the region. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. UConn Health believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on UConn Health.

UConn Health has agreements with third-party payers that provide for payments at amounts different from its established rates. These third party payers include Medicare, Medicaid and certain commercial insurance carriers and Health Maintenance Organizations. Additionally, under the Correctional Managed Health Care Program, UConn Health provides medical, dental and psychiatric care to the inmates incarcerated at the State's correctional facilities. This program is funded from the State's General Fund through the Department of Correction.

Patient service revenue for UConn Health is as follows:

		2017	
John Dempsey Hospital			
Gross patient services revenue	$	945,652,352	
Less allowances		574,489,709	
Less bad debts		3,448,024	
Net patient service revenue			367,714,619
UConn Medical Group			
Gross patient services revenue		227,786,734	
Less allowances		136,559,524	
Less bad debts		2,141,680	
Net patient service revenue			89,085,530
Correctional Managed Health Care			78,871,336
All other			10,160,421
Total net patient service revenue per business unit			545,831,906
Eliminations			(6,055,032)
Total net patient service revenue	$		539,776,874

(Amounts above include internal transactions eliminated on the face of the statements. Additional information is provided in the Supplemental Information at the end of these statements)

5. CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. During 2017, the Hospital provided charity care services of $310,124. The cost basis of these services was $138,801. All related expenses are included in operating expenses.

6. ENDOWMENTS

UConn Health designated the Foundation as manager of UConn Health's endowment funds. The Foundation makes spending allocation distributions to UConn Health for each participating endowment. The distribution is spent by UConn Health in accordance with the respective purposes of the endowments and with the policies and procedures of UConn Health. Additional information is presented in note 14.

7. RESIDENCY TRAINING PROGRAM

UConn Health's School of Medicine Residency Training Program provides area hospitals with the services of interns and residents. Participating hospitals remit payments to UConn Health, in accordance with an established rate schedule, for services provided. UConn Health, in turn, funds the Capital Area Health Consortium, Inc., which coordinates the payment of payroll and the provision of related fringe benefits to the interns and residents, under a contractual arrangement. Amounts remitted or owed by participating hospitals for payments made to interns and residents, and amounts paid or due under contract to the Capital Area Health Consortium, Inc., are reflected in the accompanying financial statements as current unrestricted revenues and expenditures, respectively.

UConn Health's School of Dental Medicine also operates its Residency Training Program through the Consortium. Dental Residents work in local dental clinics honing their skills while providing services to traditionally underserved populations.

8. CONTINGENCIES

UConn Health is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect on UConn Health's financial statements.

9. CAPITAL ASSETS

Capital assets at June 30, 2017, consisted of the following:

		2017
Land	$	13,537,051
Construction in Progress		329,428,817
Buildings		921,799,316
Equipment		287,929,633
Capital leases		14,084,244
		1,566,779,061
Less accumulated depreciation		536,353,470
Capital assets, net	$	1,030,425,591

UConn Health's fine art collection is capitalized on the statement of net position. This collection is included in equipment in the Primary Institution and totaled $1,101,902 at June 30, 2017. Plant and equipment activity and related information on accumulated depreciation for UConn Health for the year ended June 30, 2017 was as follows:

	2016	Additions	Deletions	2017
Property and equipment:				
Land	$ 13,537,051	$ -	$ -	$ 13,537,051
Construction in Progress	256,476,514	114,934,438	(41,982,135)	329,428,817
Buildings and Building Improvements	887,659,395	36,217,322	(2,077,401)	921,799,316
Equipment	270,365,320	26,618,197	(9,053,884)	287,929,633
Capital leases	11,591,634	2,492,610	-	14,084,244
Total property and equipment	1,439,629,914	180,262,567	(53,113,420)	1,566,779,061
Less accumulated depreciation:				
Buildings and Building Improvements	287,079,190	28,405,147	(1,333,880)	314,150,457
Equipment	195,782,123	23,401,991	(8,808,480)	210,375,634
Capital Leases	11,588,256	239,123	-	11,827,379
Total accumulated depreciation	494,449,569	52,046,261	(10,142,360)	536,353,470
Net property and equipment:				
Land	13,537,051	-	-	13,537,051
Construction in Progress	256,476,514	114,934,438	(41,982,135)	329,428,817
Buildings and Building Improvements	600,580,205	7,812,175	(743,521)	607,648,859
Equipment	74,583,197	3,216,206	(245,404)	77,553,999
Capital leases	3,378	2,253,487	-	2,256,865
Total capital assets, net	$ 945,180,345	$ 128,216,306	$ (42,971,060)	$ 1,030,425,591

Construction in progress at June 30, 2017, represents accumulated costs for various UConn Health construction projects. UConn Health has entered into various contractual arrangements related to these projects. Upon completion, the cost of the project is transferred to the appropriate investment in property and equipment category and depreciation will commence.

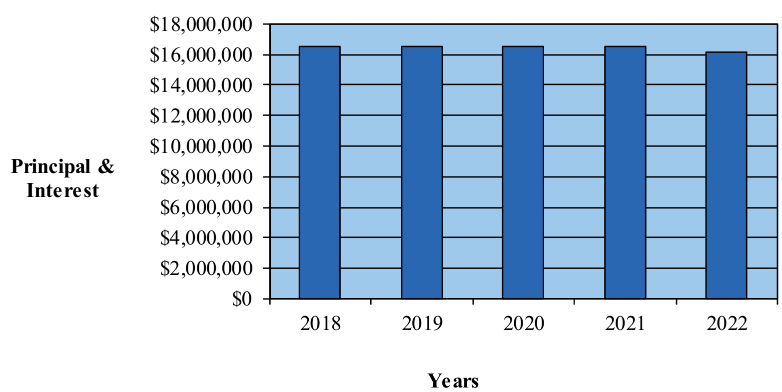
10. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2017 was as follows:

	June 30, 2016 Balance	Additions	Reductions	June 30, 2017 Balance	Amounts due within 1 year
Long-Term debt:					
Capital Leases John Dempsey Hospital	-	2,492,263	(305,664)	2,186,599	485,482
Mortgage Agreements Primary Institution	210,700,241	-	(5,786,545)	204,913,696	6,090,659
Total Long-Term Debt	210,700,241	2,492,263	(6,092,209)	207,100,295	6,576,141
Malpractice reserve	31,592,000	-	(6,735,000)	24,857,000	5,870,000
Compensated absences	53,037,827	35,293,381	(36,337,464)	51,993,744	20,797,498
Total Long - Term Liabilities	$ 295,330,068	37,785,644	(49,164,673)	283,951,039	$ 33,243,639

Estimated cash basis interest and principal requirements for the long-term debt (including the full amounts payable for the Outpatient Pavilion) for the next five years and thereafter are as follows:

Long-Term Debt Requirement



Year	Long-Term Debt
2018	16,508,114
2019	16,508,114
2020	16,508,114
2021	16,508,114
2022	16,173,569
Thereafter	252,850,239
Totals	$ 335,056,264

In 2017, John Dempsey Hospital entered into two five year lease agreements for medical equipment. At the completion of the lease terms, John Dempsey Hospital has an option to purchase the medical equipment at fair market value. The cost and accumulated depreciation of the medical equipment was $2,492,610 and $235,745, respectively, as of June 30, 2017.

All assets subject to capital lease agreements are included in property and equipment on the accompanying Statement of Net Position; depreciation on these assets in included in depreciation in the accompanying Statement of Revenues, Expenses, and Changes in Net Position (see note 9). Loans related to these capital lease agreements are included in long-term debt on the accompanying Statement of Net Position.

UConn Health is self-insured with respect to medical malpractice risks. Estimated losses from asserted and unasserted claims identified under UConn Health's incident reporting system and an estimate of incurred but not reported claims are accrued based on actuarially determined estimates that incorporate UConn Health's past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. The scope of UConn Health's assessment for establishing budgets for malpractice costs encompasses physicians, dentists, and all other UConn Health health care providers, and support staff.

UConn Health is involved in litigation claiming a substantial amount of damages arising in the ordinary course of business. Specifically, claims alleging malpractice have been asserted against UConn Health and are currently in various stages of litigation. Costs associated with these known claims, including settlements, as well as any new claims arising during the course of business will be paid from the malpractice fund.

Pursuant to Public Act No. 09-3, to the extent that claims for cases exceed current year premiums budgeted by UConn Health, UConn Health may petition the State to make up any difference. However, operational subsidies from the State and/or UConn Health may be affected by the performance of UConn Health's malpractice program. At June 30, 2017, UConn Health Malpractice Fund had actuarial reserves of approximately $24.9 million and assets of approximately $7.1 million.

11. RETIREMENT PLAN AND OTHER POST EMPLOYMENT BENEFITS

State Retirement Systems

The University sponsors two defined benefit plans administered through the State: the State Employees' Retirement System (SERS) and the Connecticut Teachers' Retirement System (TRS). SERS and TRS do not issue stand-alone financial reports but are reported as fiduciary funds within the State's Comprehensive Annual Financial Report (CAFR). Financial reports are available on the website of the Office of the State Comptroller at www.osc.ct.gov.

State Employees' Retirement System (SERS)

Pension plan - SERS is a single-employer defined-benefit plan that covers substantially all of the State's full-time employees who are not eligible for another State sponsored retirement plan. SERS is administered by the State Comptroller's Retirement Division under the direction of the State Employees Retirement Commission. As of June 30, 2017, SERS consisted of five plans: Tier I, Tier II, Tier IIA, Tier III, and the Hybrid Plan. In accordance with GASB 68, UConn Health must report for its participation in SERS as if it were a cost-sharing employer plan.

Benefits provided - SERS was established by the Connecticut General Assembly for the purpose of providing retirement, disability, and death benefits along with annual cost-of-living adjustments (COLAs) to plan members and their beneficiaries. Generally, the monthly pension benefit is calculated in accordance with a basic formula, which takes into consideration average salary, credited service, and age at retirement. Further details on plan benefits, COLAs, and other plan provisions are described in Sections 5-152 to 5-192 of the State General Statutes.

Contributions - The contribution requirements 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 two percent and four percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus five percent above that level; Tier I Plan C members are required to contribute five percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute four percent of their annual salary; Tier

IIA and Tier III Plans regular and Hazardous Duty members are required to contribute two percent and five percent of their annual salary, respectively. Individuals hired on or after July 1, 2011, who are otherwise eligible for the Alternate Retirement Plan are also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA, and III for individuals hired on or after July 1, 2011, but requires employee contributions three percent higher than the contribution required from the applicable Tier II, IIA, or III Plan. The State is required to contribute at an actuarially determined rate.

UConn Health makes contributions on behalf of the employees, through a fringe benefit charge assessed by the State. These amounts are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. UConn Health's contributions for regular and hazardous duty members were $84.9 million for fiscal year 2017.

Subsequent to year-end, provisions under collective bargaining agreements were amended for existing SERS plans by revising certain factors including employee contribution rates and COLAs. A Tier IV plan was also placed into effect for employees hired on or after the effective date. These changes were effective July 1, 2017, and their overall impact cannot be reasonably estimated as of the date of this report.

Proportionate share of collective Net Pension Liability (NPL - The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2016. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health's proportion of SERS was 5.36 percent at the measurement date of June 30, 2016.

At June 30, 2017, UConn Health reported liabilities of $1.2 billion for its proportionate share of the SERS collective NPL.

Actuarial assumptions - For SERS, the RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for the period after disability.

The TPL was based on actuarial study for the period July 1, 2011–June 30, 2015 for SERS using the following key assumptions.

Inflation	2.50 %
Salary increases, including inflation	3.50% - 19.50%,
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

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 as of the June 30, 2016 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Market (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternative Investments	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%
TIPS	5.0%	1.0%
Cash	4.0%	0.4%
Total	100.0%	

Discount rate - The discount rate used to measure the TPL at June 30, 2016 was the long-term rate of return of 6.9%. 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 that employer contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2136.

Based on those assumptions, SERS'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 TPL and a municipal bond rate was not used in determining the discount rate.

Sensitivity analysis - The following table presents UConn Health's proportionate share of the collective NPL calculated using the discount rate of 6.9%, as well as what UConn Health's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate (amounts in thousands):

1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
$1,460,534	$1,230,753	$1,039,522

Pension plan fiduciary net position. Detailed information about the fiduciary net position of the SERS pension plan is available in the State's CAFR for the fiscal year ended June 30, 2016.

<u>Connecticut Teachers' Retirement System (TRS)</u>

Pension plan - TRS is a cost-sharing multiple-employer defined-benefit plan covering any teacher, principal, Superintendent, or supervisor engaged in service of public schools in the State. Employees previously qualified for TRS continue coverage during employment with UConn Health, and do not participate in any other offered retirement plans. TRS is governed by Chapter 167a of the State General Statutes, as amended through the current session of the State Legislature, and is administered by the Teachers' Retirement Board.

Benefits provided - TRS provides retirement, disability, and death benefits, and annual COLAs to plan members and their beneficiaries. Generally, monthly plan benefits are based on a formula in combination with the member's age, service, and the average of the highest three years of paid salaries. Further information on TRS plan benefits, COLAs, and other plan provisions are described in Sections 10-183b to 10-183ss of the State General Statutes.

Contributions - The contribution requirements are established and may be amended by the State legislature. Plan members are required to contribute 6.0% of their annual salary. According to Section 10-183z of the State General Statutes a special funding situation requires the State to contribute 100.0% of employer's contributions on behalf of its municipalities at an actuarially determined rate.

However, a special funding situation does not apply to UConn Health because it is an agency of the State and there is not a separate non-employer contributing entity. Therefore, like SERS, UConn Health makes contributions on behalf of these employees, through a fringe benefit charge assessed by the State. UConn Health's TRS contributions for the year ended June 30, 2017, was $238,865.

Proportionate share of collective Net Pension Liability (NPL) - The total pension liability (TPL) used to calculate the collective NPL was determined based on the annual actuarial funding valuation report as of June 30, 2016. UConn Health's proportion of the collective NPL was based on UConn Health's share of contributions relative to total contributions made to the respective pension plans. Based on this calculation, UConn Health's proportion of the TRS was .019 percent at the measurement date of June 30, 2016.

Actuarial assumptions - TRS mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blend from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (five percent for females and either percent for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is sued for the period after disability retirement.

The TPL was based on an actuarial study for the period July 1, 2010 – June 30, 2015 for TRS, using the following key actuarial assumptions:

Inflation	2.75%
Salary increases, including inflation	3.25% – 6.50%,
Investment rate of return, net of pension plan investment expense, including inflation	8.00 %

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 adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2016 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	11.0%	7.6%
Alternate Investment	8.0%	4.1%
Fixed Income (Core)	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bond	5.0%	3.7%
Inflation Linked Bonds	3.0%	1.0%
Cash	6.0%	0.4%
Total	100.0%	

Discount rate - The discount rate used to measure the TPL 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 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 analysis - The following presents UConn Health's proportionate share of the collective NPL calculated using the discount rate of 8.0%, as well as what the UConn Health's proportionate share of the collective NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate (amounts in thousands):

1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
$ 3,259	$ 2,646	$ 2,123

Pension plan fiduciary net position - Detailed information about the fiduciary net position of the TRS pension plan is available in the State's CAFR for the fiscal year ended June 30, 2016.

Deferred outflows and deferred inflows of resources related to pensions -At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts in thousands):

	SERS	TRS	Total
Deferred Outflows of Resources			
Changes in assumptions	$ 219,435	$ 351	$ 219,786
Changes in proportion and differences between University contributions and proportionate share of contributions	85,342	1,281	86,623
Net differences between projected and actual earnings on pension plan investments	38,595	224	38,819
University contributions subsequent to the measurement date	84,860	239	85,099
Difference between expected and actual experience	34,190	-	34,190
Total Deferred Outflows	$ 462,422	$ 2,095	$ 464,517
Deferred Inflows of Resources			
Changes in proportion and differences between University contributions and proportionate share of contributions	10,122	-	10,122
Difference between expected and actual experience	-	60	60
Total Deferred Inflows	10,122	60	10,182

The $85.1 million in deferred outflows relating to contributions made subsequent to the measurement date will be recognized as a reduction of the collective NPL in the reporting year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year	SERS	TRS	Total
2018	$ 22,846	$ 253	$ 23,099
2019	22,846	253	23,099
2020	19,568	253	19,821
2021	8,394	236	8,630
2022	1,566	163	1,729
Thereafter	-	124	124
Total	$ 75,220	$ 1,282	$ 76,502

Alternate Retirement Plan

Defined Contribution Plan - UConn Health also sponsors the Alternate Retirement Plan (ARP), a defined contribution plan administered through a third-party administrator, Prudential Financial, Inc. The Connecticut State Employees Retirement Commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

All unclassified employees not already in a pension plan of a constituent unit of the State system of higher education or the central office staff of the Department of Higher Education are eligible to participate in ARP. Participants must contribute five percent of eligible compensation each pay period and their employer must contribute an amount equal to eight percent of the participant's eligible compensation. UConn Health contributes its employer share through a fringe benefit charge assessed by the State. Participant and employer contributions are both 100 percent vested immediately. For fiscal year 2017, UConn Health's employer contributions to ARP were $26.0 million. The commission has the authority to supervise and control the operation of the plan including the authority to make and amend rules and regulations relating to the administration of the plan.

Upon separation from service, retirement, death or divorce (including alternate payee under a Qualified Domestic Relations Order), if you are age 55 or over and have more than 5 years of plan participation, a participant or designated beneficiary can withdraw a partial or lump cash payment, rollover to another eligible retirement plan or IRA, or receive installment payments or annuity payments. Other ARP provisions are described in Title 5 – State Employees, Chapter 66 – State Employees Retirement Act of the Connecticut General Statutes.

Subsequent to year-end, provisions under collective bargaining agreements were amended by revising certain factors including employee contribution rates related to ARP. These changes were effective July 1, 2017, and their overall impact cannot be reasonably estimated as of the date of this report.

Post-Employment Benefits other than Pension

In addition to the pension benefits, the State provides post-retirement health care and life insurance benefits to UConn Health employees in accordance with State Statutes Sections 5-257(d) and 5-259(a). When employees retire, the State may pay up to 100% of their health care insurance premium cost (including dependents' coverage) based on the plan chosen by the employee. In addition, the State 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 by a formula based on the number of years of State service that the retiree had at the time of retirement. Currently, the State is responsible and finances the cost of post-retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund; therefore, no liability is recorded in UConn Health's financial statements as of June 30, 2017.

Effective for fiscal year 2018, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* will require UConn Health to report its proportionate share of the net liability related to its participation in the postemployment benefit plans on the Statements of Net Position as well as more extensive note disclosures and required supplementary information about the postemployment liabilities. UConn Health is still evaluating the overall impact this standard will have on its overall financial statements.

12. BOND FINANCED ALLOTMENTS

UConn Health recognizes an asset when an allotment is processed for State general obligation bonds or when bonds are funded from UConn Health resources or issued under the UCONN 2000 program are sold.

In fiscal year 2002, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act No. 02-3, An Act Concerning 21st Century UConn (Act), also known as Phase III. This Act amended Public Act No. 95-230 and extended the UCONN 2000 financing program that was scheduled to end in 2005, for an additional 10 years to June 30, 2015. The 21st Century UConn program was amended in fiscal year 2008, extending it an additional year to June 30, 2016, without any change in the total amount. In fiscal year 2010, the Act was amended again including a $25 million reallocation from existing UCONN 2000 UConn Health allocations, and a $207 million increase in UCONN 2000 debt service commitment authorizations for the UConn Health Network. This also extended the UCONN 2000 program two additional years to fiscal year 2018. In fiscal year 2011, the General Assembly enacted and the Governor signed Public Act No. 11-75, An Act Concerning the University of Connecticut Health Center, which increased the authorized project costs for UConn Health under Phase III. The Act, as amended, authorized additional projects for UConn Health at an estimated cost of $775.3 million. The Act also requires UConn Health to contribute not less than $69 million through operations, eligible gifts, or other sources towards new UConn Health construction.

In Fiscal year 2017, the Governor proposed a budget deferring $334.1 million in UCONN 2000 authorizations and extending the program three years. The total estimated cost for Phases I, II, and III under UCONN 2000 is $4,619.3 billion. These deferrals are not expected to have a material impact on UConn Health's ongoing projects.

In fiscal 2017, the University recorded total revenue of $345.2 million as State debt service commitment for principal for the 2017 Series A bonds and Refunding Series A bonds which included $27.5 million to finance projects for UConn Health. UConn Health reports revenues from these bonds as Capital Appropriations. As noted above, Phase III includes a commitment to fund projects totaling $775.3 million for UConn Health. These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. The University therefore acts as custodian of the funds for UConn Health. A corresponding receivable, Due from Affiliates, is recorded for the unspent portion of the bonds, $11.5 million, at June 30, 2017, in the Statement of Net Position.

In the June 2015 Special Session, the General Assembly of the State of Connecticut enacted and the Governor signed into law Public Act 15-01 (June Spec. Sess.), *An Act Authorizing and Adjusting Bonds of the State for Capital Improvements, Transportation, and Other Purposes*. This Public Act empowered the State Bond Commission to authorize the issuance of bonds of the State for specific purposes enumerated in the Act. Section 2(d)(5) of the Act authorized $25 million of the proceeds of the bond sales to be allocated in fiscal year 2016 for the purchase and implementation of an integrated electronic medical records system at The University of Connecticut Health Center ("UConn Health's EMR"), and Section 21(c)(4) of the Act authorized $16 million of the proceeds of the bond sales to be allocated in fiscal year 2017 for UConn Health's EMR. The bill also introduced language effective July 1, 2015, that allows the University to revise, delete or add particular projects to finance implementation of UConn Health's EMR, thus giving the University the flexibility to reallocate existing UCONN 2000 authorizations to the project in future years. As of June 30, 2017, the University has not made such an election. On February 1, 2017, pursuant to Public Act 15-1 (June Spec. Sess.), the State Bond Commission allocated funds to support the fiscal year 2017 installment of $16 million for UConn Health's EMR. UConn Health's unspent portion of State Bond Issuances, $20,394,798, is included in Due from State of Connecticut on its Statement of Net Position.

13. COMMITMENTS

On June 30, 2017, UConn Health had individual outstanding commitments exceeding $300,000 in amount, totaling $8,269,315. A portion of this amount was included in the June 30, 2017 accounts payable. Commitments above do not include any commitments arising from the administration of UCONN 2000 funds by the University on UConn Health's behalf. Such obligations would be paid directly from proceeds of current and future bond issuances.

UConn Health agreed to pay $56,318,904 during the 2017-2018 fiscal year to the Capitol Area Health Consortium to cover the payment of payroll, related fringe benefits, and certain program expenses for interns and residents participating in the School of Medicine and Dental Medicine Residency Training Programs. These costs are to be funded by participating hospitals, which will remit payments to UConn Health, in accordance with an established rate schedule, for services provided. Dental Residency costs will be funded by the School of Dental Medicine.

UConn Health leases various building space under operating lease commitments, which expire at various dates through fiscal year 2027. Expenses related to these leases was $5,605,567 for the year ended June 30, 2017. Future minimum rental payments at June 30, 2017 under non-cancelable operating leases are approximately as follows:

Year		Payments
2018		3,980,491
2019		4,006,750
2020		3,358,577
2021		2,759,405
2022		1,891,951
Thereafter		8,845,115
Total	$	24,842,289

14. RELATED PARTY TRANSACTIONS

The University of Connecticut Foundation, Inc. (the "Foundation") is a tax-exempt organization whose objective is the betterment of the University, including UConn Health. The Foundation is a consolidated part of the University and therefore an affiliated party. UConn Health has an agreement through the University to reimburse the Foundation for certain administrative services and the Foundation agreed to reimburse UConn Health for certain services performed and for operating expenses of the Foundation. The following transactions occurred between UConn Health and the Foundation during the year ended June 30, 2017:

Amount paid to the Foundation	$	13,545
Amount paid to University for Foundation services	$	945,000
Amount received from the Foundation for personnel services and operating expenses	$	4,163,104
Amount received from the Foundation from endowments and gifts	$	1,845,822

In addition, UConn Health also directly engages in transactions with the University. Listed below are the material transactions with the University excluding payments for Foundation services. Not included in this list are certain cost share arrangements for shared services and transactions related to UCONN 2000 for which notation has been made in note 12.

Funds Paid to the University of Connecticut	$	8,568,140

UConn Health is a component unit of the State of Connecticut. Through UConn Health, the State seeks to meet certain unmet needs in the community including the training and development of new doctors and dentists. The State supports UConn Health's mission primarily via two mechanisms: State Appropriations and the provision of In Kind benefits. State Appropriations represent amounts the State allows UConn Health to charge back directly to the State's General Fund. In Kind benefits take the form of forgone fringe benefit expense reimbursements related to salaries expensed on the General Fund. For the year ended June 30, 2017, the amounts of these benefits recognized were as follows:

Amount of General Fund Appropriations from State of Connecticut	$	136,007,101
In Kind Fringe Benefits:		
Recognized through CMHC		53,927,826
Received elsewhere in Primary Institution		88,276,287
Total In Kind Fringe Benefits received from State of Connecticut:	$	142,204,113
Total Appropriations and In Kind Fringe Benefits received from State of Connecticut	$	278,211,214

15. OPERATING EXPENSES BY OBJECT

The table below details UConn Health's operating expenses by object for the years ended June 30, 2017.

Operating Expenses by object for the Years Ended June 30:

		2017
Salaries and wages	$	444,948,481
Fringe benefits		331,533,037
Supplies and other expenses		291,165,089
Utilities		13,133,034
Depreciation and amortization		52,046,261
Total	$	1,132,825,902

REQUIRED SUPPLEMENTARY INFORMATION

UCONN HEALTH
Required Supplementary Information
For the Year Ended June 30, 2017

State Employees' Retirement System (SERS) and Teachers' Retirement System (TRS)

Schedule of UConn Health's Proportionate Share of Collective Net Pension Liability (NPL)
Based on a valuation date lagging one year behind the fiscal year

($ in thousands)

	SERS			TRS		
Fiscal Year Ended June 30	2017	2016	2015	2017	2016	2015
Proportion of Collective NPL	5.36%	5.29%	4.99%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	$ 1,230,753	$ 873,351	$ 799,061	$ 2,646	$ 1,042	$ 963
UConn Health's covered employee payroll	$ 200,050	$ 184,762	$ 167,523	$ 762	$ 573	$ 384
Proportionate share of the collective NPL as a percentage of covered-employee payroll	615.22%	472.69%	476.99%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	31.69%	39.23%	39.54%	52.26%	59.50%	61.56%

Schedule of UConn Health Pension Contributions
Based on contributions for the Fiscal Year Ended June 30,

($ in thousands)

	SERS			TRS		
For the year ended June 30	2017	2016	2015	2017	2016	2015
Contractually Required employer contribution	$ 84,860	$ 80,493	$ 72,496	$ 239	$ 181	$ 93
Actual UConn Health Contribution	84,860	80,493	72,496	239	237	201
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ (56)	$ (108)
UConn Health's covered employee payroll	$ 205,188	$ 200,050	$ 184,762	$ 834	$ 762	$ 573
Actual UConn Health contributions as a percentage of covered employee payroll	41.36%	40.24%	39.24%	28.66%	31.10%	35.08%

NOTES TO REQUIRED SCHEDULES

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

Changes in Assumptions

2017 – Amounts reported for both SERS and TRS reflect a rate adjustment to more closely reflect actual and anticipated experience. In addition, amounts reported for SERS reflect an adjustment to economic assumptions, actuarial cost method, and amortization methodology in accordance with a State memorandum effective December 8, 2016.

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2017

($ in thousands)			2017	
	Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 67,619	$ 36,897	$ -	$ 104,516
Patient receivables, net	10,736	40,945	-	51,681
Contract and other receivables	19,384	10,870	-	30,254
Construction escrow account	2,479	-	-	2,479
Due from Affiliates (Note 12)	11,480	-	-	11,480
Due from State of Connecticut	10,495	-	-	10,495
Due from Primary Institution	-	14,083	(14,083)	-
Due from Department of Correction	10,909	-	-	10,909
Inventories	2,734	9,046	-	11,780
Prepaid expenses	799	5,846	-	6,645
Total current assets	136,635	117,687	(14,083)	240,239
Noncurrent Assets				
Restricted cash and cash equivalents	1,199	-	-	1,199
Other assets	2,177	804	-	2,981
Due from State of Connecticut	23,101	-	-	23,101
Capital assets, net	663,968	366,458	-	1,030,426
Total noncurrent assets	690,445	367,262	-	1,057,707
Total assets	$ 827,080	$ 484,949	$ (14,083)	$ 1,297,946
Deferred Outflows of Resources	$ 334,728	$ 129,789	$ -	$ 464,517
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 29,725	$ 18,380	$ -	$ 48,105
Due to State of Connecticut	3,412	4,216	-	7,628
Accrued salaries	20,747	6,845	-	27,592
Compensated absences - current portion (Note 10)	14,520	6,277	-	20,797
Due to John Dempsey Hospital	14,083	-	(14,083)	-
Due to third party payors	-	23,223	-	23,223
Unearned revenues	1,827	226	-	2,053
Malpractice reserve (Note 10)	5,870	-	-	5,870
Long-term debt - current portion (Note 10)	6,090	486	-	6,576
Total current liabilities	96,274	59,653	(14,083)	141,844
Noncurrent Liabilities				
Malpractice reserve (Note 10)	18,987	-	-	18,987
Compensated absences - net of current portion (Note 10)	21,780	9,416	-	31,196
Pension Liability (Note 11)	945,261	288,138	-	1,233,399
Long-term debt - net of current portion (Note 10)	198,822	1,701	-	200,523
Total noncurrent liabilities	1,184,850	299,255	-	1,484,105
Total liabilities	$ 1,281,124	$ 358,908	$ (14,083)	$ 1,625,949
Deferred Inflows of Resources	$ 10,182	$ -	$ -	$ 10,182
NET POSITION				
Net investment in capital assets	$ 459,054	$ 364,271	$ -	$ 823,325
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	(8)	-	-	(8)
Loans	31	-	-	31
Capital projects	37,061	-	-	37,061
Unrestricted	(625,697)	(108,441)	-	(734,138)
Total net position	$ (129,498)	$ 255,830	$ -	$ 126,332

UCONN HEALTH
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

($ in thousands)	2017 Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 17,499	$ -	$ 17,499	$ -	$ 17,499
Patient services, net	178,117	367,715	545,832	(6,055)	539,777
Federal grants and contracts	58,148	-	58,148	-	58,148
Nonfederal grants and contracts	29,009	-	29,009	-	29,009
Contract and other operating revenues	133,839	30,551	164,390	(50,106)	114,284
Total operating revenues	416,612	398,266	814,878	(56,161)	758,717
OPERATING EXPENSES					
Educational and General					
Instruction	191,572	-	191,572	(22,442)	169,130
Research	59,400	-	59,400	-	59,400
Patient services	340,032	407,029	747,061	(33,719)	713,342
Academic support	19,186	-	19,186	-	19,186
Institutional support	82,233	-	82,233	-	82,233
Operations and maintenance of plant	37,295	-	37,295	-	37,295
Depreciation and amortization	33,237	18,809	52,046	-	52,046
Student aid	194	-	194	-	194
Total operating expenses	763,149	425,838	1,188,987	(56,161)	1,132,826
Operating loss	(346,537)	(27,572)	(374,109)	-	(374,109)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	278,211	-	278,211	-	278,211
Gifts	3,429	650	4,079	-	4,079
Hospital transfer	(36,756)	36,756	-	-	-
Investment income, net	104	-	104	-	104
Interest on capital asset - related debt	(10,185)	(29)	(10,214)	-	(10,214)
Net nonoperating revenues	234,803	37,377	272,180	-	272,180
Loss before other changes in net position	(111,734)	9,805	(101,929)	-	(101,929)
OTHER CHANGES IN NET POSITION					
Capital appropriations	43,479	-	43,479	-	43,479
Loss on Disposal	(849)	(140)	(989)	-	(989)
Net Other Changes in Net Position	42,630	(140)	42,490	-	42,490
Decrease in net position	(69,104)	9,665	(59,439)	-	(59,439)
NET POSITION					
Net position-beginning of year	(60,394)	246,165	185,771	-	185,771
Net position-end of year	$ (129,498)	$ 255,830	$ 126,332	$ -	$ 126,332

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

For the Year Ended June 30, (amounts in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Student tuition and fees (net of scholarship allowances)	$ 17,499	$ 15,728	$ 16,557	$ 15,794	$ 13,812	$ 13,746	$ 13,095	$ 12,163	$ 11,579	$ 10,857
Patient services	539,777	532,876	512,960	450,315	432,032	429,546	422,094	405,660	413,226	399,252
Federal grants and contracts	58,148	59,529	57,920	62,527	60,651	56,904	60,127	59,358	60,479	61,214
Nonfederal grants and contracts	29,009	27,116	24,407	23,803	27,593	27,690	25,885	28,673	27,785	25,788
Contract and other operating revenues	114,284	108,017	109,324	106,771	102,574	93,730	71,694	58,791	52,018	50,418
Total operating revenues	758,717	743,266	721,168	659,210	636,662	621,616	592,895	564,645	565,087	547,529
State appropriations	278,211	289,287	280,645	266,139	213,371	202,997	225,268	218,484	208,531	190,743
Transfer from/(to) State and outside programs	-	-	-	-	-	1,312	(10,807)	(10,000)	-	-
Gifts	4,079	6,865	7,175	7,300	7,658	7,435	2,554	1,602	982	2,698
Investment income (net of investment expense)	104	141	176	93	124	101	134	2,506	5,885	6,625
Net nonoperating revenues	282,394	296,293	287,996	273,532	221,153	211,845	217,149	212,592	215,398	200,066
Total Revenues	**$ 1,041,111**	**$ 1,039,559**	**$ 1,009,164**	**$ 932,742**	**$ 857,815**	**$ 833,461**	**$ 810,044**	**$ 777,237**	**$ 780,485**	**$ 747,595**

For the Year Ended June 30, (percent of total revenues)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Student tuition and fees (net of scholarship allowances)	1.7%	1.5%	1.6%	1.7%	1.6%	1.7%	1.6%	1.6%	1.5%	1.5%
Patient services	51.8%	51.3%	50.9%	48.3%	50.4%	51.5%	52.1%	52.2%	52.9%	53.4%
Federal grants and contracts	5.6%	5.7%	5.7%	6.7%	7.1%	6.8%	7.4%	7.6%	7.7%	8.2%
Nonfederal grants and contracts	2.8%	2.6%	2.4%	2.6%	3.2%	3.3%	3.2%	3.7%	3.6%	3.4%
Contract and other operating revenues	11.0%	10.4%	10.9%	11.4%	11.9%	11.3%	8.9%	7.6%	6.7%	6.7%
Total operating revenues	72.9%	71.5%	71.5%	70.7%	74.2%	74.6%	73.2%	72.7%	72.4%	73.2%
State appropriations	26.7%	27.8%	27.8%	28.5%	24.9%	24.3%	27.8%	28.1%	26.7%	25.5%
Transfer from/(to) State and outside programs	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	-1.3%	-1.3%	0.0%	0.0%
Gifts	0.4%	0.7%	0.7%	0.8%	0.9%	0.9%	0.3%	0.2%	0.1%	0.4%
Investment income (net of investment expense)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.8%	0.9%
Net nonoperating revenues	27.1%	28.5%	28.5%	29.3%	25.8%	25.4%	26.8%	27.3%	27.6%	26.8%
Total Revenues	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF EXPENSES BY FUNCTION

For the Year Ended June 30, (amounts in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Instruction	$ 169,130	$ 168,299	$ 163,703	$ 152,618	$ 141,182	$ 129,217	$ 129,793	$ 126,206	$ 115,261	$ 109,503
Research	59,400	58,233	56,961	59,518	60,918	63,080	58,892	59,967	59,329	60,275
Patient services	713,342	648,071	607,435	581,558	522,825	506,720	492,788	464,366	471,209	445,746
Academic support	19,186	18,070	22,458	20,824	20,011	20,200	16,355	14,470	16,111	15,687
Institutional support	82,233	80,638	83,260	66,416	53,114	53,059	58,421	55,016	59,122	62,514
Operations and maintenance of plant	37,295	38,714	35,363	31,548	33,606	28,031	27,653	26,223	27,073	23,549
Depreciation and amortization	52,046	41,469	37,830	32,780	32,365	30,875	30,075	28,881	29,168	28,226
Student aid	194	84	32	50	136	165	416	480	659	417
Total operating expenses	1,132,826	1,053,578	1,007,042	945,312	864,157	831,347	814,393	775,609	777,932	745,917
Interest on capital asset - related debt	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574	2,768
Total nonoperating expenses	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574	2,768
Total Expenses	**$ 1,143,040**	**$ 1,064,065**	**$ 1,010,862**	**$ 946,319**	**$ 865,229**	**$ 832,442**	**$ 815,963**	**$ 777,973**	**$ 780,506**	**$ 748,685**

For the Year Ended June 30, (percent of total expenses)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Instruction	14.8%	15.8%	16.2%	16.1%	16.3%	15.5%	15.9%	16.2%	14.7%	14.6%
Research	5.2%	5.5%	5.6%	6.3%	7.0%	7.6%	7.2%	7.7%	7.6%	8.1%
Patient services	62.4%	60.9%	60.1%	61.5%	60.4%	60.9%	60.4%	59.7%	60.4%	59.5%
Academic support	1.7%	1.7%	2.2%	2.2%	2.3%	2.4%	2.0%	1.8%	2.1%	2.1%
Institutional support	7.2%	7.6%	8.2%	7.0%	6.1%	6.4%	7.2%	7.1%	7.6%	8.3%
Operations and maintenance of plant	3.3%	3.6%	3.5%	3.3%	3.9%	3.3%	3.4%	3.4%	3.5%	3.1%
Depreciation and amortization	4.5%	3.9%	3.8%	3.5%	3.8%	3.7%	3.7%	3.7%	3.7%	3.8%
Student aid	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Total operating expenses	99.1%	99.0%	99.6%	99.9%	99.9%	99.9%	99.8%	99.7%	99.7%	99.6%
Interest expense	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%	0.4%
Total nonoperating expenses	1.0%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%	0.4%
Total Expenses	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION

	For the Year Ended June 30, (amounts in thousands)									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Expenses:										
Salaries and wages	$ 444,948	$ 452,363	$ 430,988	$ 418,305	$ 403,159	$ 391,890	$ 377,149	$ 363,741	$ 374,301	$ 359,204
Fringe benefits	331,533	264,911	239,288	223,850	180,323	128,613	162,684	151,534	143,393	140,420
Supplies and other expenses	291,166	282,218	286,170	258,778	237,013	266,778	229,952	217,425	215,290	201,814
Utilities	13,133	12,617	12,766	11,599	11,297	13,191	14,533	14,028	15,780	16,253
Depreciation and amortization	52,046	41,469	37,830	32,780	32,365	30,875	30,075	28,881	29,168	28,226
Total operating expenses	1,132,826	1,053,578	1,007,042	945,312	864,157	831,347	814,393	775,609	777,932	745,917
Interest on capital asset - related debt	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574	2,768
Total nonoperating expenses	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574	2,768
Total Expenses	**$ 1,143,040**	**$ 1,064,065**	**$ 1,010,862**	**$ 946,319**	**$ 865,229**	**$ 832,442**	**$ 815,963**	**$ 777,973**	**$ 780,506**	**$ 748,685**

	For the Year Ended June 30, (percent of total expenses)									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Expenses:										
Salaries and wages	38.9%	42.5%	42.6%	44.2%	46.6%	47.1%	46.2%	46.8%	48.0%	48.0%
Fringe benefits	29.0%	24.9%	23.7%	23.7%	20.8%	15.6%	19.9%	19.5%	18.4%	18.7%
Supplies and other expenses	25.5%	26.5%	28.3%	27.3%	27.4%	32.0%	28.2%	27.9%	27.6%	26.9%
Utilities	1.1%	1.2%	1.3%	1.2%	1.3%	1.6%	1.8%	1.8%	2.0%	2.2%
Depreciation and amortization	4.6%	3.9%	3.7%	3.5%	3.8%	3.7%	3.7%	3.7%	3.7%	3.8%
Total operating expenses	99.1%	99.0%	99.6%	99.9%	99.9%	99.9%	99.8%	99.7%	99.7%	99.6%
Interest expense	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%	0.4%
Total nonoperating expenses	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%	0.4%
Total Expenses	**100%**	**100%**	**100%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

	For the Year Ended June 30, (amounts in thousands)									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Total revenues (from Schedule of revenues by source)	$ 1,041,111	$ 1,039,559	$ 1,009,164	$ 932,742	$ 857,815	$ 833,461	$ 810,044	$ 777,237	$ 780,485	$ 747,595
Total expenses (from schedule of expenses by natural classification and function)	1,143,040	1,064,065	1,010,862	946,319	865,229	832,435	815,963	777,973	780,506	748,685
Loss before other changes in net position	(101,929)	(24,506)	(1,698)	(13,577)	(7,414)	1,026	(5,919)	(736)	(21)	(1,090)
Capital appropriations	43,479	175,000	159,810	193,214	5,000	62,500	170	35,610	40,276	(165)
Loss on disposal	(989)	(695)	(3,902)	(573)	(2,978)	(7)	(482)	(38)	(281)	(228)
Net other changes in net position	42,490	174,305	155,908	192,641	2,022	62,493	(312)	35,572	39,995	(393)
Total changes in net position	(59,439)	149,799	154,210	179,064	(5,392)	63,519	(6,231)	34,836	39,974	(1,483)
Net position-beginning of year (as previously stated)	185,771	35,972	576,794	397,730	403,122	339,610	345,841	311,005	271,031	272,514
Cumulative effect of implementing GASB 68 and 71 (see note 1)	-	-	(695,032)	-	-	-	-	-	-	-
Net position-beginning of year as restated	185,771	35,972	(118,238)	397,730	403,122	339,610	345,841	311,005	271,031	272,514
Net position, ending	**$ 126,332**	**$ 185,771**	**$ 35,972**	**$ 576,794**	**$ 397,730**	**$ 403,129**	**$ 339,610**	**$ 345,841**	**$ 311,005**	**$ 271,031**
Net investment in capital assets	823,325	$ 734,480	$ 579,241	$ 405,672	$ 335,015	$ 301,969	$ 277,865	$ 243,088	$ 216,044	$ 197,694
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	(8)	(876)	(139)	547	1,982	3,436	4,047	4,359	4,251	4,031
Loans	31	953	1,348	104	794	1,081	875	1,864	2,401	2,512
Capital projects	37,061	117,466	104,082	152,707	30,829	51,287	5,758	30,649	32,802	14,362
Unrestricted	(734,138)	(666,313)	(648,621)	17,703	29,049	45,288	51,004	65,820	55,446	52,371
Total net position	**$ 126,332**	**$ 185,771**	**$ 35,972**	**$ 576,794**	**$ 397,730**	**$ 403,122**	**$ 339,610**	**$ 345,841**	**$ 311,005**	**$ 271,031**

SCHEDULE OF LONG-TERM DEBT

For the Year Ended June 30,
(amounts in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Bonds Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 66
Loans Payable	-	-	-	-	-	415	1,245	2,076	2,906	3,737
Capital Leases	2,187	-	-	-	-	472	1,087	2,318	4,302	6,679
Mortgage Agreement	204,914	210,700	216,198	168,024	62,889	17,281	18,097	29,630	30,712	31,726
Total long-term debt	**$ 207,101**	**$ 210,700**	**$ 216,198**	**$ 168,024**	**$ 62,889**	**$ 18,168**	**$ 20,429**	**$ 34,024**	**$ 37,920**	**$ 42,208**

FACULTY AND STAFF

For the Year Ended June 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
BARGAINING UNIT										
Faculty	529.4	517.6	507.8	512.8	508.0	505.7	486.8	-	-	-
University Health Professionals	2,477.0	2,462.8	2,420.4	2,457.9	2,440.1	2,375.1	2,285.0	2,220.1	2,189.4	2,141.5
All Other	1,356.0	1,404.6	1,422.1	1,437.9	1,436.9	1,430.8	1,401.6	1,420.9	1,431.2	1,413.6
Total FTE's	4,362.4	4,385.0	4,350.3	4,408.6	4,385.0	4,311.6	4,173.4	3,641.0	3,620.6	3,555.1
EXEMPT										
Faculty	56.2	56.8	60.6	61.5	60.5	60.1	57.8	545.5	563.7	557.5
Managerial	153.9	160.6	159.3	158.3	156.2	151.9	144.1	145.0	152.0	151.9
All Other	335.1	329.3	353.2	392.7	404.1	408.9	369.0	376.7	368.4	400.4
Total FTE's	545.2	546.7	573.1	612.5	620.8	620.9	570.9	1,067.2	1,084.1	1,109.8
TOTAL FTE's	4,907.6	4,931.7	4,923.4	5,021.1	5,005.8	4,932.5	4,744.3	4,708.2	4,704.7	4,664.9

SCHEDULE OF CAPITAL ASSET INFORMATION
DETAIL FOR BUILDINGS ONLY - BY FUNCTION

	For the Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Academic										
Net assignable square feet (in thousands)	82	74	74	74	74	74	74	74	74	74
Number of buildings/major areas of Main Building*	2	1	1	1	1	1	1	1	1	1
Research buildings										
Net assignable square feet (in thousands)	456	456	435	435	435	442	442	442	442	442
Number of buildings/major areas of Main Building*	6	6	6	6	6	17	17	17	17	17
Patient care buildings										
Net assignable square feet (in thousands)	885	885	662	529	529	529	529	529	529	529
Number of buildings/major areas of Main Building*	6	6	6	8	8	8	8	8	8	8
Administrative and support buildings										
Net assignable square feet (in thousands)	865	873	769	769	698	179	179	179	179	179
Number of buildings/major areas of Main Building*	11	12	11	11	10	9	9	9	9	9
Total net assignable square feet (in thousands)	2288	2288	1940	1807	1736	1224	1224	1224	1224	1224
Number of buildings/major areas of Main Building*	25	25	24	26	25	35	35	35	35	35

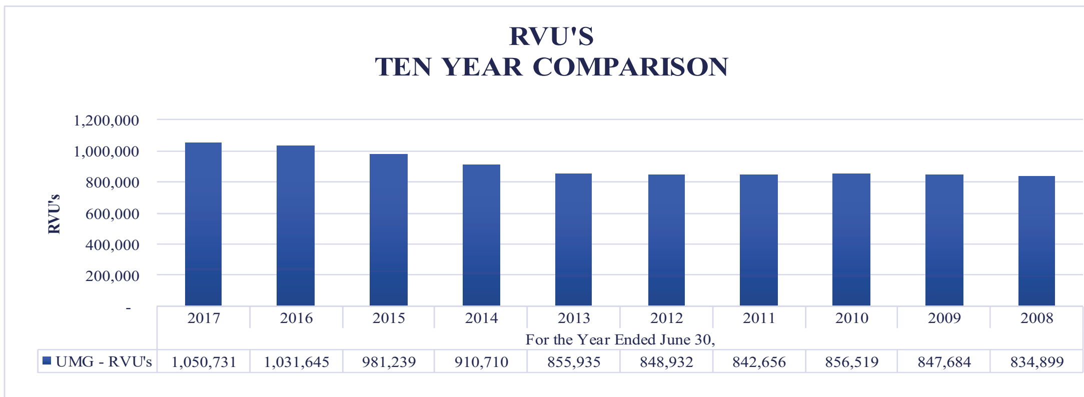
*** Notes**

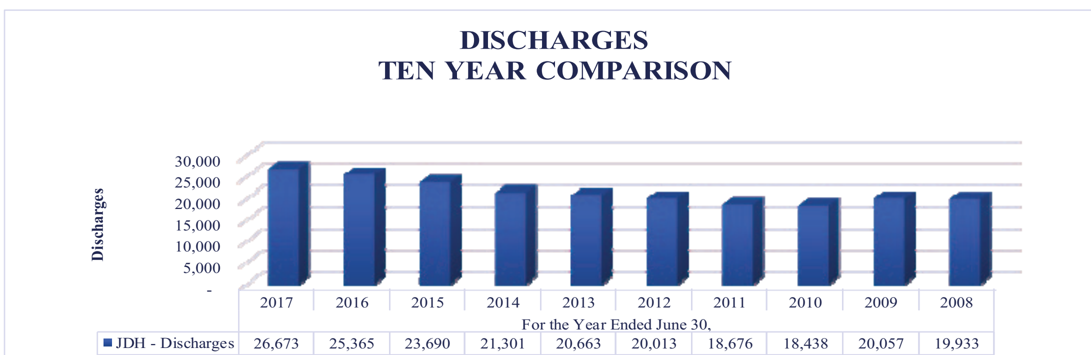
The Main Building at UConn Health has commonly been understood and tracked by major areas assigned separate names and alphanumeric identifiers. These areas are counted as buildings here.
Many buildings have more than one usage. For the purposes of this schedule, the buildings (or areas of the Main Building) are categorized according to their primary use.
Parking garages are included under administrative and support buildings, and the parking is included in the NASF. Total NASF for G1, G2, and G3 = 695 (in thousands)
Buildings 9 and 28 were incorporated into Building 8 in 2009. For the purposes of this schedule, they are considered to have always been part of Building 8.

RVU'S AND DISCHARGES

	For the Year Ended June 30,									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
UMG - RVU's	1,050,731	1,031,645	981,239	910,710	855,935	848,932	842,656	856,519	847,684	834,899

	For the Year Ended June 30,									
	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
JDH - Discharges	26,673	25,365	23,690	21,301	20,663	20,013	18,676	18,438	20,057	19,933





DEMOGRAPHIC AND ECONOMIC STATISTICS
State of Connecticut
Last Ten Fiscal Years

Year	Personal Income as of June 30 (a)	Population at July 1 (a)	Per Capita Personal Income	Average Annual Unemployment Rate (b)
2017	$ 251,389,254,000	3,568,714	$ 70,443	4.8%
2016	252,249,206,000	3,586,640	70,330	5.5%
2015	240,602,679,000	3,591,282	66,996	6.1%
2014	232,600,172,000	3,596,922	64,666	7.1%
2013	222,984,316,000	3,598,628	61,964	8.1%
2012	224,252,008,000	3,593,857	62,399	8.4%
2011	215,220,960,000	3,589,072	59,966	9.1%
2010	205,145,596,000	3,576,676	57,356	8.8%
2009*	197,824,664,000	3,561,807	55,541	6.9%
2008*	206,731,668,000	3,545,579	58,307	4.9%

(a) Source: U.S. Department of Commerce
(b) Source: Connecticut Department of Labor
*Quarterly population not available. Annual population used 2008-2009

DEMOGRAPHIC AND ECONOMIC STATISTICS
TOP TEN NONGOVERNMENTAL EMPLOYERS
State of Connecticut
Current Year and Ten Years Ago

	2017			
Name	Employees in CT	Percentage of Total CT Employment	Rank	
United Technologies Corp. UTC	20,000	1.1%	1	(1)
Stop & Shop Co. LLC	13,574	0.7%	2	(2)
Foxwoods Resort Casino	10,500	0.6%	3	
Aetna Inc.	10,001	0.5%	4	
Yale University & Health Sys	11,530	0.6%	5	
Immucor (medical supply)	7,200	0.4%	6	
General Dynamics/Electric Boat	6,100	0.3%	7	
Hartford Hospital	6,053	0.3%	8	
Mohegan Sun Casino	6,000	0.3%	9	
Eversource Energy	5,000	0.3%	10	
Hartford Financial Services	5,000	0.3%	10	
Total	100,958	5.4%		

	2008		
Name	Employees in CT	Percentage of Total CT Employment	Rank
United Technologies Corp. UTC	26,490	1.5%	1
Stop & Shop Co. LLC	13,574	0.8%	2
Hartford Financial Services	13,000	0.7%	3
Yale University	12,163	0.7%	4
Foxwoods Resort Casino	12,000	0.7%	5
Mohegan Sun Casino	10,000	0.6%	6
Walmart Stores, Inc.	9,204	0.5%	7
General Dynamics/Electric Boat	7,400	0.4%	8
Aetna Inc.	7,300	0.4%	9
AT&T Connecticut	7,000	0.4%	10
Total	118,131	6.7%	

Sources: 2008 - Hartford Business Journal (HBJ), 2017 Infogroup, Omaha, NE
(1) Includes Sikorsky Aircraft, UTC Aerospace, Pratt & Whitney - Business units of UTC.
(2) Omitted from the HBJ survey. The number equals the employees reported by HBJ in 2008.

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APPENDIX I-B – EXCERPTS FROM THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST

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APPENDIX I-B – EXCERPTS FROM THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST

The following are the excerpts of certain provisions of the Master Indenture of Trust (the "Master Indenture") and should not be regarded as full statements of the Master Indenture. Reference is made to the Master Indenture in its entirety for a complete statement of the provisions thereof.

AUTHORIZATION AND ISSUANCE OF THE BONDS

201. Authority for this Indenture. This Indenture is made and entered into by virtue of and pursuant to the provisions of the Act. The University has ascertained and hereby determines and declares that the execution and delivery of this Indenture is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of the University in accordance with the Act and to carry out powers expressly given thereby, and that each and every covenant and agreement herein contained and made is necessary or convenient to carry out and effectuate the purpose of the Act.

202. Authorization for Issuance of Bonds and Obligation of University. In order to provide sufficient funds for the UConn 2000 Infrastructure Improvement Program, Bonds of the University are hereby authorized to be issued without limitation as to amount except as herein provided or as may be limited by law and the Bonds shall be issued subject to the terms, conditions and limitations established in this Indenture and the Act.

It is hereby expressly provided that the Bonds shall be general obligations of the University for the payment of which, in accordance with their terms, the full faith and credit of the University are hereby pledged and are payable out of any revenues or other assets, receipts, funds or moneys of the University, subject only to any agreements permitted by the Act and this Indenture with the holders of particular notes or bonds pledging any particular revenues, assets, receipts, funds or moneys. All Bonds issued hereunder shall be additionally secured and entitled to the benefit of the continuing pledge of and lien on the Trust Estate created by this Indenture and the covenants of the University and the State contained herein to secure the full and final payment of the principal, or Redemption Price, if applicable, thereof and the interest thereon. Bonds issued hereunder shall not be deemed to constitute a debt or liability of the State or any municipality thereof or a pledge of the faith and credit of the State or of any such municipality and the Bonds, Notes, Swaps, obligations of the University under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Termination Payments or other similar obligations of or payments by the University issued or incurred shall not constitute a debt or liability issued or guaranteed by or otherwise of the State within the meaning of Section 3-21 of the General Statutes of the State, except the amount required by the Act to be so included. All Bonds shall contain on the face thereof a statement to the effect that the Bonds shall not constitute a debt or liability of the State or any municipality or any political subdivision of the State but shall be payable solely from the resources of the University described in and pursuant to this Indenture under which they are issued.

GENERAL TERMS AND PROVISIONS OF THE BONDS

301. Medium of Payment; Form and Date; Letters and Numbers.

1. The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

2. The Bonds shall be issued in the form of fully registered Bonds without coupons. The Bonds shall be in such form as provided in this Indenture substantially as set forth in Exhibit B with such insertions, omissions and variations as may be deemed necessary or appropriate by an Authorized Officer of the University executing the same and as shall be permitted by the Act, this Indenture and the applicable Supplemental Indenture authorizing such Bonds.

3. Each Bond shall be lettered and numbered as provided in this Indenture or the applicable Supplemental Indenture so as to be distinguished from every other Bond.

4. The date of original issuance of each Bond shall be the date as provided in the Supplemental Indenture. Bonds issued in exchange for Bonds of the same Series shall be dated the date of authentication and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) such date of authentication precedes the first Interest Payment Date of such Series, in which case such Bonds shall bear interest from the date of original issuance of such Series, or (ii) such date of authentication is an Interest Payment Date, in which case such Bonds shall bear interest from their date of authentication; provided that if, as shown by the records of the Trustee, interest on such Bonds shall be in default, the Bonds issued in lieu of Bonds surrendered for transfer shall bear interest from the date to which interest has been paid in full on the Bonds surrendered.

304. Exchange, Transfer and Registry of Bonds.

1. All the Bonds issued under this Indenture shall be subject to the provisions for registration and transfer contained in this Indenture and in the Bonds. So long as any of the Bonds shall remain Outstanding, the University shall maintain and keep, at the principal corporate trust office of the Trustee, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at said office, the University shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee may prescribe, any Bond. So long as any of the Bonds remain Outstanding, the University shall make all necessary provision to permit the exchange of Bonds at the principal corporate trust office of the Trustee.

2. The Bonds shall be transferable only upon the books of the University, which shall be kept for the purpose at the principal corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, the University shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, tenor and Series and maturity as the surrendered Bond.

3. The registered owner of any Bond or Bonds of one or more denominations shall have the right to exchange such Bond or Bonds for a new Bond or Bonds of any denomination of the same aggregate principal amount, tenor and Series and maturity of the surrendered Bond or Bonds. Such Bond or Bonds shall be exchanged by the University for a new Bond or Bonds upon the request of the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender of such Bond or Bonds together with a written instrument requesting such exchange satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney.

4. The University and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the University as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the University nor any Fiduciary shall be affected by any notice to the contrary. The University agrees to indemnify and save each Fiduciary harmless

from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under this Indenture, in so treating such registered owner.

305. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the University shall execute and the Trustee shall authenticate and make available for delivery Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the University or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, and, except (i) with respect to the delivery of definitive Bonds in exchange for temporary Bonds, (ii) in the case of a Bond issued upon the first exchange or transfer of a Bond or Bonds surrendered for such purpose within 60 days after the first authentication and delivery of any of the Bonds of the same Series, or (iii) as otherwise provided in this Indenture, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Neither the University nor the Trustee shall be required (a) to register, transfer or exchange Bonds of any Series for a period of fifteen days next preceding an interest payment on the Bonds of such Series or next preceding any selection of Bonds to be redeemed or thereafter until after the first mailing of any notice of redemption; or (b) to register, transfer or exchange any Bonds called for redemption.

306. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the University shall execute, and thereupon the Trustee shall authenticate and make available for delivery, a new Bond of like Series, tenor, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee of evidence satisfactory to the University and the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the University and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the University and the Trustee may prescribe and paying such expenses as the University and Trustee may incur. All Bonds so surrendered to the Trustee shall be promptly cancelled by it. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the University, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Indenture, in any moneys or securities held by the University or the Fiduciary for the benefit of the Bondholders.

REDEMPTION OF BONDS

406. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the offices specified in such notice, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. All interest installments which shall have matured on or prior to the redemption date shall continue to be payable to the registered owner. If there shall be drawn for redemption less than all of a Bond, the University shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, at the option of the owner thereof, Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and, except with respect to any mandatory redemption, shall not be deemed to be in default hereunder.

THE PLEDGE, FUNDS AND ACCOUNTS

601. Pledge Effected by Indenture. The Trust Estate is hereby pledged to secure the payment of the principal or Redemption Price, if any, and the interest on the Bonds (including the Sinking Fund Installments for the retirement thereof) in accordance with their terms and the provisions of this Indenture permitting the application or release thereof for or to the purposes and on the terms and conditions herein set forth. In accordance with the Act, and pursuant to each Supplemental Indenture authorizing Bonds to be additionally secured by the State Debt Service Commitment, the amount of the State Debt Service Commitment in each fiscal year shall be pledged for the punctual payment of the Special Debt Service Requirements on such Bonds as the same arise and shall become due and payable. The pledges made or provided for in this Section pursuant to Section 8 of the Act is and shall be deemed a statutory lien as provided in subsection (2) of section 42a-9-102 of the General Statutes of the State and shall be valid and binding from the date hereof; the revenues, receipts, moneys or funds so pledged and hereafter received by the University shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and the lien of any pledge made hereunder shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the University, irrespective of whether such parties have notice thereof.

602. Establishment of Funds and Accounts. The University hereby establishes and creates the following funds and accounts to be held by the Treasurer or the Trustee:

(1) Bond Proceeds Fund
- (a) Construction Account - Trustee
- (b) Costs of Issuance Accounts - Treasurer

(2) Debt Service Fund - Trustee
- (a) Interest Account
- (b) Principal Installment Account

(3) Renewal and Replacement Fund - Trustee

(4) Redemption Fund - Trustee

The University reserves the right and power, subject to this Indenture, to establish additional funds, accounts and sub-accounts hereunder. All funds, accounts and sub-accounts created under this Indenture, in addition to other funds, accounts or sub-accounts from time to time established hereunder, shall be held and maintained by the Treasurer, the Trustee or the University in accordance with the terms of this Indenture.

603. Bond Proceeds Fund. Subject to Section 501, there shall be deposited into the Bond Proceeds Fund the proceeds of all Bonds issued under this Indenture.

a. <u>Construction Account</u>. (1) Within the Bond Proceeds Fund the Trustee shall maintain a separate account designated "Construction Account".

(2) Monies in the Construction Account shall be expended only for the UConn 2000 Infrastructure Improvement Program, subject to the provisions of this Section of this Indenture.

(3) Except as may be limited by the purposes for which a Series is issued as set forth in this Indenture or in the Supplemental Indenture authorizing any such Series, amounts in the Construction Account shall be expended by the University from time to time only to payments:

(a) for the financing of UConn 2000 Projects for the UConn 2000 Infrastructure Improvement Program,

(b) of principal, redemption price, if any and interest when due (whether at the maturity of principal or the due date of interest or upon redemption) on any Notes of the University,

(c) to the State, of monies paid or advanced by the State, to the University and used by the University for the UConn 2000 Infrastructure Improvement Program,

(d) to the University, of monies paid or advanced by the University and used by the University for the UConn 2000 Infrastructure Improvement Program,

(e) to the extent that other monies are not available, of Principal Installments of and interest on Bonds when due, and

(f) to any other valid purpose of the University under the Act.

(4) There shall be paid into the Construction Account the amounts required to be so paid by the provisions of this Indenture or any Supplemental Indenture, and there may be paid by the University into the Construction Account any moneys received by the University from any other source, unless required to be otherwise applied as provided by this Indenture or any Supplemental Indenture. The University may establish within the Construction Account separate sub-accounts for UConn 2000 Phase I Projects, for UConn 2000 Phase II Projects and for UConn 2000 Phase III Projects and a sub-account for proceeds of Special Eligible Gifts, each of which shall be maintained by the Trustee.

(5) The University is further authorized and directed to order each disbursement from the Construction Account upon a certification filed with the Treasurer and Trustee, signed by an Authorized Officer of the University. Such certification shall (i) state the requisition number, (ii) specify the Project and the nature of each item or category of cost and certify the same to be correct and proper under this Section and that such item or category of cost has been properly paid or incurred as a cost of the Project and, pursuant to Section 910 hereof, is consistent with the covenant of the University respecting tax exempt obligations and any Tax Regulatory Agreement with respect thereto, (iii) certify that none of the items or categories for which the certification is made has formed the basis for any disbursement theretofore made from the Construction Account, (iv) certify that the payee and amount stated with respect to each item in the certification are correct and that such item is due and owing, and (v) specify the name and address of the person to whom payment is due or has been made.

(6) The proceeds of insurance maintained pursuant to this Indenture against physical loss of or damage to each Project, or of contractors' performance bonds with respect to each Project, received during the period of construction thereof, shall be paid into the appropriate sub-account in the Construction Fund or, subject to the Tax Regulatory Agreement, into the Debt Service Fund, as the case may be.

(7) If the University has established with the Trustee separate subaccounts, then the completion of construction of UConn 2000 Phase I Projects and UConn 2000 Phase II Projects, as the case may be, shall be evidenced by a certificate of an Authorized Officer of the University filed with the Treasurer and Trustee stating the date of such completion and the amount, if any, estimated to be required for the payment of any remaining part of the costs of any UConn 2000 Phase I Projects or UConn 2000 Phase II Projects, as the case may be, financed by Bonds. Upon the filing of such certificate, any balance in the

separate sub-account in the Construction Account established for UConn 2000 Phase I Projects in excess of the amount, if any, stated in such certificate shall, upon written direction of the University, be applied to the Cost of Construction of any UConn 2000 Phase II Project or UConn 2000 Phase III Projects, as the case may be, or be deposited in the Redemption Fund and applied to the purchase or redemption of Bonds pursuant to Section 4.07 herein.

(8) Pursuant to a Supplemental Indenture, the University may, from time to time, deposit any amounts of Special Eligible Gifts into the Construction Account and may pledge the amounts thereof as additional security for other Indebtedness issued as Bonds hereunder.

b. Costs of Issuance Account. Within the Bond Proceeds Fund is a Costs of Issuance Account created pursuant to Section 602 of this Indenture and shall be maintained by the Treasurer. There shall be deposited in the Costs of Issuance Account (i) all moneys required to be deposited therein both pursuant to this Indenture and pursuant to a Supplemental Indenture under which Bonds are issued and (ii) all other moneys of the University available therefore, as determined by the University. The Treasurer in consultation with the University shall apply amounts in the Costs of Issuance Account to pay the Costs of Issuance incurred in connection with the authorization, issuance and delivery of the corresponding Bonds.

After payment of all Costs of Issuance on the Bonds, any interest earnings in the Bond Proceeds Fund remaining shall be remaining amounts and credited to the General Fund of the State and, prior thereto, any such amounts shall be credited to such fund or account thereof as shall be necessary to comply with the Tax Regulatory Agreement and Section 910 hereof and, upon determination of the Treasurer, to meet an expenditure exception to the rebate requirement of the Code.

c. Amounts in the Construction Account may be invested by the Trustee, at the direction of the University with the consent of the Treasurer and amounts in the Costs of Issuance Account may be invested by the Treasurer, each in obligations permitted for State general obligation bonds pursuant to paragraph (f) of Section 3-20 of the General Statutes to the extent same are Investment Obligations and maturing in such amounts and at such times as may be necessary to provide funds when needed to pay the costs to which such moneys are applicable provided, however, interest earnings thereon shall be transferred to the Costs of Issuance Account. Pursuant to Section 17(b) of the Act the Treasurer shall establish such requirements for compliance with Code, including the execution of a Tax Regulatory Agreement in order for the University to comply with Section 910 hereof.

604. Debt Service Fund. In order to provide for the punctual payment of Principal Installments and interest on the Bonds, the University shall pay to the Trustee from Assured Revenues the Debt Service Fund Requirement for deposit in the Debt Service Fund and, consistent with Sections 909(B) and 914 hereof and the Act, with respect to Bonds additionally secured by the State Debt Service Commitment, shall rely on the amount of the State Debt Service Commitment applicable to the Debt Service Fund Requirement being directly deposited into the Debt Service Fund on or before 12 Noon, Hartford, Connecticut time on the Interest Payment Date with respect to interest on such Bonds and on the Principal Installment Date with respect to Principal or Sinking Fund Installments on such Bonds by the Treasurer, such amounts having been appropriated out of the resources of the General Fund of the State, as part of the contract of the State with the Bondholders of the Bonds additionally secured by the State Debt Service Commitment by Section 5(c) of the Act.

(A) The Trustee shall pay out of the Interest Account of the Debt Service Fund to the respective Paying Agents for any Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of interest on Outstanding Bonds and Swap Payments due on such date and (ii) on or before the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments.

(B) The Trustee shall pay out of the Principal Installment Account of the Debt Service Fund to the respective Paying Agents on or before each Principal Installment Date the amounts required for the payment of principal due on Outstanding Bonds on such date and such amounts shall be applied by the Paying Agents to such payments.

(C) The amount accumulated in the Principal Installment Account for each Sinking Fund Installment may, and if so directed by the University shall, be applied (together with amounts accumulated in the Interest Account with respect to interest on Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Installment as follows:

> (1) to the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price for such Bonds when such Bonds are redeemable by application of such Sinking Fund Installment plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or
>
> (2) to the redemption, pursuant to Article IV, of such Bonds then redeemable by their terms at the Redemption Price referred to in clause (1) hereof.

(D) Upon the purchase or redemption of any Bond pursuant to subsection (C) of this Section, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order. The portion of any Sinking Fund Installment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in subsection (G) of this Section (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculating Sinking Fund Installment due on a future date.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption pursuant to Section 403, on such due date, Bonds of the maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Bonds of such maturity. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Principal Installment Account sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of such Principal Installment Account to the appropriate Paying Agents on the day preceding each such Redemption Date the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) The University may, from time to time, by written instructions direct the Trustee to make purchases under subsection (C) above only upon receipt of tenders after published notice. The University may specify the length of notice to be given and the dates on which tenders are to be accepted or may authorize the Trustee to determine the same in its discretion. All such tenders shall be sealed proposals and no tenders shall be considered or accepted at any price exceeding the price specified hereunder for the purchase of Bonds. The Trustee shall accept bids with the lowest price and if the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and there shall be tenders at any equal price above the amount of moneys available for purchase, then the Trustee shall select by lot, in such manner as the Trustee shall determine in its discretion, the Bonds tendered which shall be purchased. No purchase of Bonds, either on tenders or otherwise, shall be made by the Trustee within the period of forty-five days next preceding any date on which such Bonds are subject to redemption.

(G) If at any time Bonds of any Series or maturity for which Sinking Fund Installments shall have been established are purchased or redeemed other than pursuant to this Article, the University may from time to time and at any time by written notice to the Trustee, specify the portion, if any, of such Bonds so purchased or redeemed and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments. Such notice shall specify the amounts of such Bonds to be applied as a credit against such Sinking Fund Installment or Installments and the particular Sinking Fund Installment or Installments against which such Bonds are to be applied as a credit; provided, however, that none of such Bonds may be applied as a credit against a Sinking Fund Installment to become due less than 30 days after such notice is delivered to the Trustee. All such Bonds to be applied as a credit shall be surrendered to the Trustee for cancellation on or prior to the due date of the Sinking Fund Installment against which they are being applied as a credit. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installments for the purpose of calculation of Sinking Fund Installments due on a future date.

606. Renewal and Replacement Fund.

(A) The University shall provide from time to time for deposit of amounts into the Renewal and Replacement Fund so that the amounts therein equals the Renewal and Replacement Requirement.

(B) The University is hereby authorized to apply the amounts in the Renewal and Replacement Fund to the payment or reimbursement of the extraordinary expenses incurred for the rebuilding, replacement, relocating, repair and restoration of any UConn 2000 Project financed by the University under this Indenture and other facilities forming part of the physical university plant so to permit the University to operate and maintain the physical university plant in sound operating condition.

(C) The University is further authorized and directed to order each disbursement from the Renewal and Replacement Fund upon a certification filed with the Trustee, signed by an Authorized Officer of the University. Such certification shall (i) state the requisition number, (ii) specify the project or other facilities financed with such disbursement and the nature of each item or category of cost and certify the same to be correct and proper under this Section and that such item or category of cost has been properly paid or incurred as a cost of the project or other facilities, (iii) if the money in the Renewal and Replacement Fund is proceeds of a tax exempt obligation, then, pursuant to Section 912 hereof, such disbursement is consistent with the covenant of the University respecting tax exempt obligations and any Tax Regulatory Agreement with respect thereto, (iv) certify that none of the items or categories for which the certification is made has formed the basis for any disbursement theretofore made from the Bond Proceeds Fund (v) certify that the payee and amount stated with respect to each item in the certification are correct and that such item is due and owing, and (vi) specify the name and address of the person to whom payment is due or has been made.

607. Redemption Fund.

(A) The Trustee shall establish in the Redemption Fund a separate Series account for the Bonds of each Series.

(B) Any monies which are required or permitted to be deposited into a Series account established as aforesaid, of the Redemption Fund pursuant to this Indenture shall be set aside in such sub-account. Upon deposit of such monies in any such Series account or within thirty (30) days thereafter, the University may give written direction to the Trustee signed by an Authorized Officer, of the Redemption Date, of the maturity or maturities of the Bonds of such Series to be purchased or redeemed and of the principal amounts of each maturity or maturities to be purchased or redeemed, subject to any limitations with respect thereto contained in this Indenture and the Supplemental Indenture authorizing such Series.

(1) Monies so held in each such separate account by the Trustee shall be applied to the purchase or retirement of Bonds of the Series in respect of which such account was created as follows:

The Trustee shall promptly apply such monies to the purchase of Bonds of such maturity or maturities of the Series in respect of which such account was created, as may be directed by an Authorized Officer in the manner provided in this paragraph (B) and in such order or priority and subject to any limitations and permissions with respect thereto contained in this paragraph or the applicable Supplemental Indenture at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds shall then be subject to redemption, such price, however, not to exceed the Redemption Price applicable by operation of the Redemption Fund which would be payable on the next ensuing Redemption Date on which Bonds of the Series so purchased are redeemable according to their terms. Unless otherwise directed by an Authorized Officer as aforesaid and subject to the other limitations set forth in the preceding sentence the Trustee may purchase any Bonds of such Series. The Trustee shall pay the interest accrued on Bonds so purchased to the date of delivery thereof to the Trustee from the Interest Account and the balance of the purchase price from the applicable Account established within the Redemption Fund, as hereinabove provided, but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding a date on which such Bonds are subject to redemption under the provisions of the Supplemental Indenture authorizing the issuance thereof.

In the event the Trustee is able to purchase a principal amount equivalent to the sum of the deposits in the Account as provided in this paragraph of Bonds for such Account in accordance with and under the foregoing provisions of this paragraph (B) at a purchase price less than the sum of such deposits to such Account, excluding the applicable transfers from the Interest Account, upon the payment by the Trustee of the purchase price of such Bonds, the University shall direct the Trustee to transfer the balance of monies remaining in such Account to, and deposit the same in the Debt Service Fund.

(2) In the event the Trustee is unable to purchase Bonds of a Series in accordance with and under the foregoing provisions of this paragraph, and there is $100,000 or more in the Account established for such Series of Bonds, the Trustee shall call for redemption on the next ensuing Redemption Date such amount of Bonds of such maturity or maturities of the Series in respect of which such Account was created as may be directed by an Authorized Officer in the manner provided in this paragraph (B) and in such order or priority and subject to any limitations and permissions with respect thereto contained in this paragraph or the applicable Supplemental Indenture, as at the Redemption Price applicable by operation of the Redemption Fund in the next ensuing Redemption Date, will exhaust said Account as nearly as may be. Unless otherwise directed by an Authorized Officer as aforesaid and subject to the other limitations set forth in the preceding sentence the Trustee shall redeem Bonds of such Series in inverse order of their maturities and by lot within a maturity. Such redemption shall be made pursuant to the provisions of Article IV hereof. The Trustee shall pay the interest accrued on the Bonds so redeemed to the date of redemption from the Interest Account and the Redemption Price from the applicable Account.

(C) Except as otherwise required in paragraph (B) hereof, and subject to the provisions of any Supplemental Indenture directing or permitting the application of any part of the monies in the Redemption Fund to the purchase or redemption of Bonds of any particular Series, and to the redemption provisions of the Bonds, amounts in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds (accrued interest on such Bonds to be provided out of the Interest Account), provided however, the University shall direct the selection of the Bonds to be purchased and the purchase price thereof, within the limits provided by law, and the amount and date of redemption of the Bonds to be redeemed, so as to apply amounts in said Sub-Account to such purposes as rapidly as in its judgment is reasonably practicable. Such purchases shall be made in such manner as the Trustee shall determine and such redemption shall be made in the manner provided in Article IV.

(D) The University may, from time to time, by written instruction direct the Trustee to make purchases under paragraphs (B) and (C) above only after receipt of tenders after published notice. The University may specify the length of notice to be given and the dates on which tenders are to be accepted. All such tenders shall be sealed proposals and no tenders shall be considered or accepted at any price exceeding the price specified under paragraphs (B) and (C) above for the purchase of Bonds. The Trustee shall accept bids with the lowest price and if the monies available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and there shall be tenders at an equal price above the amount of monies available for purchase then the Trustee shall select by lot, in such manner as the Trustee shall determine in its discretion, the Bonds tendered which shall be purchased. No purchase of Bonds, either on tenders or otherwise, shall be made by the Trustee within the period of forty-five (45) days next preceding any date on which such Bonds are subject to redemption.

(E) Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established other than by application of Sinking Fund Installments, an amount equal to the applicable Redemption Prices thereof (as specified below) shall be credited toward a part or all of any one or more of such Sinking Fund Installments, as directed by the University, or, failing such direction by the 15th day of the second month preceding the date of the applicable Sinking Fund Installment, toward such Sinking Fund Installments in inverse order of their due dates. Such applicable Redemption Prices shall be the respective Redemption Prices which would be applicable upon the redemption of such Bonds from the respective Sinking Fund Installments on the due dates thereof. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of the calculation of Principal Installments due on a future date.

(F) Amounts in the Redemption Fund may, and at the direction of the University shall, be invested in Investment Obligations maturing not later than five days prior to the date when such monies must be applied to the purchase or redemption of Bonds in accordance with Article IV.

(G) The University may direct the Trustee to withdraw amounts in the Redemption Fund which constitute interest earned and gains realized by the investments of monies held in the Redemption Fund and the Trustee shall forthwith deposit the amount so withdrawn, as Assured Revenues into the Debt Service Fund.

(H) With respect to any Bonds additionally secured by the State Debt Service Commitment, no redemption, purchase or investment under this Section shall be effective without the consent of the Treasurer.

INVESTMENT OF FUNDS

701. Investment of Funds and Accounts held by Trustee.

(1) Except as otherwise set forth in Sections 607 and 1401, the Trustee shall upon direction of the University in writing, signed by an Authorized Officer, deposit monies or cause monies to be deposited from any fund or account held by the Trustee, in Investment Obligations, or may make other similar banking arrangements, with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation and which are permitted by State law to be a depository of public funds; provided that each such Investment Obligation or other similar banking arrangement shall permit the monies so placed to be available for use at the times provided with respect to the investment or reinvestment of such monies; and provided further, that all monies in such other similar banking arrangement shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the State or the United States of America, of a market value equal at all times to the amount of the other similar banking arrangement; provided

further, however, with respect to amounts of the State Debt Service Commitment deposited in the Debt Service Fund, Investment Obligations shall include only those defined in (i) thereof or such similar banking arrangements secured as heretofore described and effective only with the consent of the Treasurer. Other similar banking arrangements shall include repurchase agreements of banks, trust companies or investment banking institutions, which require the deposit of the collateral security as described above with the Trustee; such collateral to be evaluated at least once a week.

(2) Except as otherwise provided for in this Indenture: Obligations purchased as an investment of monies in any fund or account held by the Trustee under the provisions of this Indenture shall be deemed at all times to be a part of such fund or account and the income or interest earned, gains realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(3) Except as otherwise provided in this Indenture, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligation purchased by it as an investment pursuant to this Indenture whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the University in writing, on or before the twentieth day of each calendar month, of the details of all investments held for the credit of each fund and account in its custody under the provisions of this Indenture as of the end of the preceding month.

(4) The Trustee and University shall not permit the deposit of any monies with any Depository, other than the Trustee, in an amount exceeding fifteen per centum (15%) of the amount which an officer of such Depository shall certify to the Trustee and University as the combined capital and surplus of such Depository provided, however, such provision shall not apply or be construed to apply as a restriction on investments in Investment Obligations.

CONCERNING THE TRUSTEE

808. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture by giving not less than sixty (60) days' written notice to the University and publishing notice thereof, specifying the date when such resignation shall take effect, once in an Authorized Newspaper. Such resignation shall take effect upon the date specified in such notice unless previously a successor shall have been appointed, as provided in Section 809, in which event such resignation shall take effect immediately on the appointment of such successor; provided that no resignation shall take effect until a successor Trustee shall have been appointed and shall have accepted such appointment.

809. Removal of Trustee. 1. During any period in which no Event of Default shall have occurred or be continuing, the Trustee may be removed for any reason, with or without cause (i) by the University, by written instrument delivered to the Trustee, or (ii) by the holders of at least 25% of the Outstanding Bonds, by written instrument or concurrent instruments in writing signed and acknowledged by such holders or by their attorneys-in-fact and delivered to the University and the Trustee.

2. During any period in which any Event of Default shall have occurred or be continuing, the Trustee may be removed (i) by the University, with cause, by written instrument delivered to the Trustee, or (ii) by the holders of at least 25% of the Outstanding Bonds, with cause, by written instrument or concurrent written instruments signed and acknowledged by such holders or by their attorneys-in-fact and delivered to the University and the Trustee. Notwithstanding the foregoing, holders of at least 25% of the Outstanding Bonds may cancel or overturn any removal of the Trustee undertaken by the University pursuant to this paragraph (2) by written instrument or concurrent written instruments signed and acknowledged by such holders or their attorneys-in-fact and delivered to the University and the Trustee prior to the date of removal of the Trustee. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to

the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the University or of the holders of not less than ten percent of the Outstanding Bonds.

3. The removal of the Trustee will not relieve the Trustee of liability for (i) any action or omission to act in breach of its fiduciary duties hereunder that occurred prior to the date of removal, or (ii) acting or proceeding in violation of, or failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee that occurred prior to the date of removal.

810. Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the University covenants and agrees that it will thereupon appoint a successor Trustee. If in the reasonable judgment of the University any such event referred to in the preceding sentence is likely to occur, the University, in its sole discretion and without the request of Holders of Bonds as required in Section 808 hereof, may remove the Trustee and the University covenants and agrees that it will thereupon appoint a successor Trustee. The University shall publish notice of any such appointment made by it in an Authorized Newspaper, such publication to be made within twenty (20) days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the University written notice, as provided in Section 808, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of this Section 810 in succession to the Trustee shall be a bank or trust company having its principal corporate trust office in the State, and having a capital and surplus aggregating at least One Hundred Million Dollars ($100,000,000) if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

PARTICULAR COVENANTS

901. Payment of Bonds. The University shall duly and punctually pay or cause to be paid, the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds.

903. Operating Budget. Pursuant to the Act for the ensuing Fiscal Year and prior to each such ensuing Fiscal Year or as soon as possible during such Fiscal Year, the University shall adopt an Operating Budget for the University and, pursuant to this Indenture, shall include amounts necessary to provide for the amounts necessary to meet the Renewal and Replacement Fund Requirement.

For the purposes of calculating and budgeting the Renewal and Replacement Fund Requirement with respect to a Project or Projects financed under this General Obligation Indenture, the University shall be entitled for the purpose of this covenant to not include such expenses in its Operating Budget and to the extent applicable, to rely on a person with whom the University contracts to perform and pay for such expenses to such extent as the contract requires such person to perform and pay for such services for such period as the contract covers and so long as the University is of the opinion and determines that such person is competent to perform and financially capable of paying such expenses.

906. Power to Issue Bonds and Make Pledges. The University is duly authorized pursuant to law to create and issue the Bonds and to adopt this Indenture and to pledge its moneys, securities and funds purported to be pledged by this Indenture in the manner and to the extent provided in this Indenture. The moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledges created by this Indenture, and all corporate action on the part of the University to that end has been duly and validly taken. The Bonds and the provisions of this Indenture are and will be the valid and legally enforceable obligations of the University in accordance with their terms and the terms of this Indenture. The University shall at all times, to the extent permitted by law, defend, preserve and protect the pledges of the moneys, securities and funds pledged under this Indenture and all the rights of the Bondholders under this Indenture against all claims and demands of all persons whomsoever including defending, preserving and protecting such pledges as statutory liens as set forth in Section 8 of the Act and as provided in subsection (2) of Section 42a-9-102 of the General Statutes of the State.

907. Indebtedness and Liens. (A) Except as provided below in this section, the University shall not issue any bonds, notes or other evidences of indebtedness secured by a pledge of particular revenues, receipts, funds or moneys constituting Assured Revenues, and other than the lien and pledge created or provided for by this Indenture with respect to the State Debt Service Commitment and on the Bond proceeds, the Debt Service Fund and the Redemption Fund, shall not create or cause to be created any lien or charge on Assured Revenues and on any account or funds established hereunder.

(B) (1) Nothing in this Indenture shall prevent the University from issuing indebtedness payable out of, or secured by a pledge, assignment or other encumbrances of, the Assured Revenues to be derived on and after such date as this General Obligation Indenture shall be discharged and satisfied as provided in Section 1401, or (B)(2) if authorized by law, other than the Act, for University purposes other than the UConn 2000 Infrastructure Improvement Program (a) from issuing its general obligation or other indebtedness payable out of Assured Revenues and (b) may be additionally secured by a pledge, assignment or encumbrance of particular Assured Revenues other than the State Debt Service Commitment, so long as prior to the issuance thereof such particular Assured Revenues have not been pledged, assigned or encumbered pursuant to this Indenture or a Dedication Instrument and the authorizing documents with respect to (a) and, if applicable (b) hereof shall be filed with the Trustee, accompanied by a Counsel's Opinion stating, in effect, that such indebtedness is authorized by law and is within the requirements of this provision (B)(2).

(C) Nothing in this Indenture shall prevent the University, in accordance with the Act, from authorizing by resolution of the Board of Trustees and issuing its Revenue Bonds for financing any one Project, or more than one Project or any combination of Projects pursuant to a financing program of the University or otherwise as set forth in the resolution of the Board of Trustees, or pledging, assigning or encumbering any Project Revenues, or other receipts, funds, moneys, or assets of the University derived from one or more Projects, including Assured Revenues that may be restricted by the terms thereof to such a particular Project or Projects to be so financed, or any special capital reserve fund created therefor pursuant to the Act.

(D) Nothing in this Indenture shall prevent the University from pledging, assigning or otherwise encumbering any or a portion of Assured Revenues, other than the State Debt Service Commitment (herein "Encumbered Assured Revenues), subject to the conditions and limitations described below to secure bonds, notes or other evidences of indebtedness by the University including, pursuant to a Supplemental Indenture, Bonds (herein "Other Indebtedness") so long as before or simultaneously with each and any such pledge, assignment or encumbrance there is delivered to or filed with the Trustee:

(1) a copy of the Dedication Instrument effecting such pledge, assignment or other encumbrance, certified as correct by an Authorized Officer of the University,

(2) if any such Other Indebtedness is variable rate indebtedness, a certificate of an Authorized Officer specifying the maximum rate therefore, or the budgeted rate, as applicable, and the aggregate principal amount and the stated maturities of and mandatory sinking fund requirements, if any, for such Other Indebtedness to which such rate applies and certifying that a liquidity facility or source of payment other than Assured Revenues is available in the event of a mandatory tender by the holders of such Other Indebtedness thereunder,

(3) a Counsel's Opinion to the effect that (a) such Dedication Instrument is a legal, valid and binding obligation of the University in accordance with its terms and does not adversely affect the pledge of the State Debt Service Commitment to pay Outstanding Bonds additionally secured thereby, and (b) that the approvals required by the Act as a condition or conditions precedent to the issuance of such Other Indebtedness as securities under the Act and as Projects to be financed thereby have been obtained.

908. Issuance of Additional Bonds; Execution of Swaps. 1. No additional Series of Bonds may be authorized and issued under this Indenture unless:

(a) the University delivers to the Trustee a Certificate of an Authorized Officer and the State Treasurer stating that the principal amount thereof, together with the principal amount of the bonds, notes and other obligations of the University theretofore authorized and unissued and theretofore authorized, issued and outstanding, will not exceed in aggregate principal amount any limitation thereon imposed by law; and

(b) in the event the Additional Bonds are Bonds additionally secured by the State Debt Service Commitment, a Counsel's Opinion is delivered to the Trustee to the effect that the provision of the Act relating to the State appropriation of all amounts of the State Debt Service Commitment has not been amended, repealed or modified and is in full force and effect.

2. No Swap (a) with respect to Bonds additionally secured by the State Debt Service Commitment, shall be entered into by the University unless, with respect to such Swap, written confirmation affirming the existing ratings on the Bonds additionally secured by the State Debt Service Commitment is filed thereupon with the Trustee and (b) with respect to Other Indebtedness issued as Bonds hereunder, shall be entered into by the University without meeting requirements, if any, set forth in the Supplemental Indenture authorizing such Bonds.

909. UConn 2000 Infrastructure Improvement Program. (A) The University shall with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and with the provisions of this Indenture, use and apply the proceeds of the Bonds for the UConn 2000 Infrastructure Improvement Program and shall do all such acts and things appropriate or necessary to receive and collect Assured Revenues.

(B) The University, as its rate covenant, hereby covenants for the benefit of the State and its Bondholders that so long as any Bonds are Outstanding that it has established and will charge, collect and increase, from time to time, and in time, tuition, fees and charges for its educational services, its auxiliary enterprises, including dormitory housing, food services and sale of textbooks and use of the physical university plant and for all other services and goods provided by the University, in an amount of which, together with other Assured Revenues or other revenues otherwise available to the University including proceeds available from the special external gift fund established pursuant to the Act, shall in each of its Fiscal Years be sufficient to pay when due, the Special Debt Service Requirements on Outstanding Bonds and to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education and to operate and maintain the physical university plant in sound operating condition and to otherwise permit the performance of all covenants included in the financing documents.

(C) The University shall not lease or finance or lease-finance any land or building outside the Storrs campus through any other State agency or quasi-public agency other than those leases, financings or lease purchases in the ordinary course of its activities and provided the annual expenditure thereof during the period of agreements related thereto whether expressed as rent, debt service, lease purchase payments or the like does not exceed for each item which is the subject matter of the lease, finance or lease-finance agreement, fifty thousand dollars in any year and such limitation shall apply so long as the University is authorized in accordance with section 7(a) of the Act to issue securities under sections 1 to 25, inclusive of the Act.

(D) The University covenants that it will promptly proceed with the construction of each UConn 2000 Project financed in whole or in part by the issuance of Bonds in conformity with law and all requirements of the governmental authorities having jurisdiction thereover and that it will complete such construction with all expedition possible.

(E) The University covenants that it will at all times maintain, to the extent reasonably obtainable, insurance with respect to each Project with such variations as shall reasonably be required to conform to applicable standard or customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing, qualified to do business in Connecticut, and shall be payable to the University. The University shall be deemed to be in compliance with this Paragraph E to the extent any Project is covered by the State under a State insurance policy or to the extent the State is a self-insurer on such Project.

910. Tax Exemption. In the event Bonds are sold under this Indenture or a Supplemental Indenture hereto as federally tax-exempt bonds, the University covenants that it will not take any action or fail to take any action with respect to the proceeds of such Bonds that would result in loss of the exclusion from federal income taxation pursuant to Section 103(a) of the Code of interest paid on such Bonds.

911. No Impairment of Rights of Bondholders. Except to the extent otherwise provided in this Indenture, the University shall not enter into any contract or take any action by which the rights of the Bondholders may be restricted, precluded or otherwise impaired.

914. Pledge of State to Bondholders. Pursuant to the Act, the University includes the following pledge and undertaking for the State, in this Indenture and in the Bonds issued hereunder:

> Pursuant to the Act, the State has pledged and hereby agrees with the Holders of any Bonds issued under this Indenture and the Act, and with those Bondholders pursuant to the provisions of the Act, that the State will not limit or alter the rights vested in the University by this Indenture and the Act until such Bonds, together with the interest thereon, are fully met and discharged and such contracts (this Indenture and the Bonds) are fully performed on the part of the University, provided nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Holders of such Bonds of the University.

SUPPLEMENTAL INDENTURES

1001. Modification and Amendment Without Consent. The University may, at any time or from time to time enter, into Supplemental Indentures without consent of the Bondholders, the provider of either a Bond Facility, or a Swap Facility or Swap Provider for any one or more of the following purposes:

(1) (a) To modify, amend or revise the UConn 2000 Infrastructure Improvement Program as reflected on Appendix A, consistent and in accordance with the Act and this Indenture and (b) to provide for the issuance of Bonds or Notes or Swaps pursuant to the provisions of this Indenture and to prescribe the terms and conditions pursuant to which such Bonds or Notes or Swaps may be issued, paid or redeemed;

(2) To add additional covenants and agreements of the University for the purpose of further securing the payment of the Bonds or Notes or Swaps, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the University contained in this Indenture;

(3) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the University which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the University by the terms of this Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the University contained in this Indenture;

(5) To confirm as further assurance any pledge under this Indenture subject to any lien, claim or pledge created or to be created by the provisions of this Indenture, of the moneys, securities or funds;

(6) To modify any of the provisions of this Indenture or any previously adopted Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Indenture shall cease to be Outstanding, and all Bonds issued under such indentures shall contain a specific reference to the modifications contained in such subsequent indentures;

(7) To cure any ambiguity, or defect or inconsistent provision in this Indenture or to insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with this Indenture as theretofore in effect;

(8) Consistent with Section 910 hereof, to ensure the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes;

(9) To grant or to confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as therefore in effect; or

(10) To grant such rights and remedies and make such other covenants subject to this Indenture (including any prior Supplemental Indenture) as may be necessary for issuance of a Bond Facility, a Swap or a Swap Facility so long as such rights, remedies and covenants are not contrary to or inconsistent with this Indenture as theretofore in effect.

1002. Amendments and Supplemental Indentures Effective With Consent of Bondholders. The provisions of this Indenture may also be modified or amended, at any time or from time to time, by a Supplemental Indenture, subject to the consent of Bondholders and State Bond Commission in accordance with and subject to the provisions of Article XI hereof, such Supplemental Indenture to become effective upon the execution thereof by the University and the Trustee, and the filing with the Trustee of a copy thereof certified by an Authorized Officer of the University and by the Secretary of the State Bond Commission.

1003. General Provisions Relating to Supplemental Indentures. This Indenture shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Article X and Article XI. Nothing contained in this Article X or Article XI shall affect or limit the rights or obligations of the University to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of Section 905 or the right or obligation of the University to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in this Indenture provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Supplemental Indenture entered into by the University and the Trustee when filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully entered into in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and is valid and binding upon the University and enforceable in accordance with its terms.

The Trustee is hereby authorized to enter into any Supplemental Indenture and to accept delivery of a certified copy of any Supplemental Indenture permitted or authorized pursuant to the provisions of this Indenture and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on Counsel's Opinion that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

AMENDMENTS OF INDENTURE

1101. Powers of Amendment. Except as otherwise provided in Article X hereof, any modification or amendment of this Indenture and of the rights and obligations of the University and of the Holders of the Bonds hereunder, in any particular, may be made by a Supplemental Indenture, with the written consent given as hereinafter provided in Section 1102, of the Holders of not less than 66 2/3% in principal amount of the Outstanding Bonds of each Series affected by such amendment or amendments or Supplemental Indenture or Indentures; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section and further provided, however, that no such modification or amendment shall permit (i) a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond; or (ii) shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series.

The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of this Indenture and any such determination shall be binding and conclusive on the University and all Holders of Bonds. The Trustee may receive an opinion of counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of this Indenture.

1102. Consent of Bondholders. (A) The University and the Trustee may at any time enter into a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 1101 to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the University to Bondholders and be published at least once a week for two (2) successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as in this Section provided).

(B) Such Supplemental Indenture shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of Holders of the percentages of Outstanding Bonds specified in Section 1101 and (ii) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully entered into by the University and the Trustee and filed by the University in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the University and enforceable in accordance with its terms, and (b) a notice shall have been published as hereinafter in this Section 1102 provided.

(C) Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1301. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 1301 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1301 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof).

(D) At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the University and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed.

(E) At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the University and the Trustee on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section 1102, shall be given to Bondholders by the University by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as in this Section 1102 provided) and by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture and the written statement of the Trustee hereinabove provided for is filed. The University shall file with the Trustee proof of the publication of such notice, and, if the same shall have been mailed to Bondholders, of the mailing thereof. A transcript, consisting of the papers required or permitted by this Section 1102 to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the University, the Trustee, each Paying Agent and the Holders of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the University, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

1103. Modifications by Unanimous Consent. The terms and provisions of this Indenture and the rights and obligations of the University and of the Holders of the Bonds hereunder may be modified or amended in any respect upon the execution by the University and the Trustee of a Supplemental Indenture and filing with the Trustee by the University of a copy of said Supplemental Indenture certified by an Authorized Officer of the University and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 1102, except that no notice to Bondholders either by mailing or publication shall be required.

1105. Exclusion of Bonds. Bonds owned or held by or for the account of the University shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Indenture, and the University shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Indenture. At the time of any consent or other action taken under this Indenture, the University shall furnish the Trustee a certificate of an Authorized Officer of the University, upon which the Trustee may rely, describing all Bonds so to be excluded.

1107. Consent of Bond Facility Provider. For purposes of this Article XI, but only so long as the Bond Facility provider has not defaulted on its obligations under the Bond Facility, the provider of a Bond Facility shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Supplemental Indenture.

1108. Approval of State Bond Commission. Any amendment under this Article shall be deemed a substantive amendment of this Indenture for which the Act requires the approval of the State Bond Commission.

EVENTS OF DEFAULT

1201. Events of Default. Each of the following events is hereby declared an "event of default" if:

(1) the University shall default in the payment of the principal of or Redemption Price, if any, or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(2) the State shall default in observance of its pledge and agreement as set forth in the Act and Section 914 of this Indenture or, with respect to Bonds secured by the State Debt Service Commitment, the Treasurer shall fail to pay the amount of the State Debt Service Commitment as provided as part of the contract of the State with the Bondholders of such Bonds and in accordance with Section 604 hereof; or

(3) the University shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, or (vii) take any action for the purpose of effecting any of the foregoing; or

(4) except as provided in (1) above, the University shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Indenture or in any Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds.

1202. Remedies. (A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) and (2) of Section 1201, the Trustee shall proceed or, upon the happening and continuance of any Event of Default specified in paragraph 3 of Section 1201, the Trustee may proceed and, upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, shall proceed, in its own name, subject to the provisions of Section 804, to protect and enforce the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including (a) the right to require the University to receive and collect revenues, including Assured Revenues adequate to carry out the covenants and agreements as to, and any specific pledge of, such Assured Revenues and to require the University to carry out any other covenants or agreements with Bondholders and to perform its duties under the Act and (b) pursuant to Section 5(C), Section 12 and Section 21 of the Act and Section 604 and Section 914 hereof, under the contract of the State with the Bondholders secured by the State Debt Service Commitment, the right to require the Treasurer to pay the annual amount of the State Debt Service Commitment and otherwise enforce and compel the performance of any duty required by sections 1 to 25, inclusive, of the Act and in accordance with this Indenture or the Act to be performed by any officer mentioned in said sections 1 to 25, inclusive, and to perform the duties of the State under or as contracted for and pledged by such sections first mentioned in this clause (b);

(2) by bringing suit upon the Bonds or under the Act upon the contract of the State with the Bondholders of Bonds secured by the State Debt Service Commitment;

(3) by action or suit in equity, to require the University or the State with respect to Bonds secured by the State Debt Service Commitment, to account as if each were the trustee of any express trust for the holders of the Bonds; and

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds.

(B) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the University for principal, Redemption Price, interest or otherwise, under any provision of this Indenture or a Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the University or State for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable provided, however, with respect to Bonds secured by a pledge of the State Debt Service Commitment the right or remedy of the Trustee shall not be construed to include any right to appoint a receiver pursuant to section 12 of the Act or any acceleration of payments of Principal Installments of or interest on such Bonds and with respect to Other Indebtedness issued as Bonds hereunder the right or remedy to appoint a receiver pursuant to section 12 of the Act or to so accelerate shall be available only if included in the Supplemental Indenture authorizing such Bonds.

(C) All remedies conferred upon or reserved to the Holders of Bonds hereunder may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by a Supplemental Indenture and may be cumulative as provided in Section 1208 hereof. Nothing herein shall preclude the University from providing in an applicable Supplemental Indenture or in any Bond Facility, any Swap or any related Swap Facility authorized thereby, that the exercise of any remedy hereunder or the waiver of any event of default hereunder by the Trustee or the Holder of any such Bond shall be subject to the prior written consent of the provider of any related Bond Facility, any Swap Provider or the provider of a related Swap Facility. Such Supplemental Indenture or related Bond Facility or related Swap Facility may provide that any and all notices required to be given under this Article XII by the University or the Trustee to the Holder of any Bond shall also be given to the provider of any related Bond Facility, any Swap Provider or the provider of a related Swap Facility.

1203. Priority of Payments After Default. In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act and this Article XII, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Indenture, shall be applied as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due on any Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

Third: To the payment to other persons entitled to payment hereunder or under the applicable Supplemental Indenture.

Whenever monies are to be applied by the Trustee pursuant to the provisions of this Section, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such monies with the Paying Agents, or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the University, to any Bondholder or to any other person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. Unless otherwise required by the book-entry system for the Bonds, the Trustee shall not be required to make payment to the Holder of any unpaid interest or any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

1204. Termination of Proceedings. In case any proceeding taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the University, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

1205. Bondholders' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, except for paragraph (C) of Section 1202, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise that in accordance with law or the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

1206. Limitation on Rights of Bondholders. No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Indenture or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been afforded to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected, to take any such action; request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Indenture or for any other remedy hereunder or under law. It is understood and intended that no one or more Holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under law with respect to the Bonds of this Indenture, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders of the Outstanding Bonds. Nothing in this Article contained shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on his Bonds, or the obligation of the University to pay the principal of and interest on each Bond issued hereunder to the holder thereof at the time and place expressed in said Bond.

Anything to the contrary notwithstanding contained in this Section 1206, or any other provision of this Indenture, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Indenture or any Supplemental Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

1210. Notice of Event of Default. The Trustee shall give to the Bondholders notice of each event of default hereunder known to an officer in the Corporate Trust Administration Department of the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal or Redemption Price of or interest on any of the Bonds, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing written notice thereof: (1) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds except by the Trustee; (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

DEFEASANCE

1401. Defeasance. If the University shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then, at the option of the University, expressed in an instrument in writing signed by an Authorized Officer of the University and delivered to the Trustee, the covenants, agreements and other obligations of the University to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the University, execute and deliver to the University all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the University all moneys, securities and funds held by them pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

1402. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the University of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with effect expressed in subsection 1 of this Section. Any Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection 1 of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the University shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption as provided in Article IV of this Indenture on said date of such Bonds, (b) there shall have been deposited with the Trustee either (i) moneys in an amount which shall be sufficient, (ii) non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed or (iii) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (ii), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under Section 809 hereof, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee, or other bank or trust company, at the same time, shall be sufficient, to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the University shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed, qualified certificates evidencing ownership of the right to payments of principal or interest on such obligations, moneys deposited with the Trustee pursuant to this Section and principal or interest payments on any such securities shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the University, as received by the Trustee, free and clear of any trust, lien or pledge.

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APPENDIX I-C

DEFINITIONS OF CERTAIN TERMS OF THE INDENTURES

Definitions. [Section 101]. The following terms shall have the following meanings for all purposes of the Master Indenture and the supplements thereto, including the Twenty-third Supplemental Indenture, except as otherwise defined:

"2018 Series A Bonds" means the Bonds authorized by, and issued in one or more series, pursuant to Article II of the Twenty-third Supplemental Indenture.

"Accreted Value" shall mean, as of the date of computation with respect to any capital appreciation bonds, an amount equal to:

a. the initial reoffering price of such capital appreciation bonds, plus

b. the interest accrued thereon from the date of delivery compounded on each __________ and __________ (through and including the maturity date of such Bond) at the "approximate reoffering yield" of such Bond, provided that the accreted value on any date other than __________ and __________ shall be calculated by straight line interpolation of the accreted values as of the immediately preceding and succeeding __________ and __________. The term "approximate reoffering yield" means, with respect to any particular Bond, the yield to maturity of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each __________ and __________.

"Act" means Public Act No. 95-230, as amended.

"Additional Bonds" means all Bonds issued under the Master Indenture other than the Initial Bonds and Refunding Bonds for the UConn 2000 Infrastructure Improvement Program.

"Annual Financial Information" means,

(A) (i) the Audited Financial Statements of the University for the preceding Fiscal Year (commencing with the Fiscal Year beginning on or after January 1, 1996), and Unaudited Financial Statements for such Fiscal Year if such Audited Financial Statements are unavailable, pursuant to the Master Indenture;

(ii) investments in the Bond Fund and in the various accounts under the Indenture;

(iii) identification of all Bonds issued by the University and Outstanding Bonds including a table summarizing certain Bond information, such as coupon rates, and call features; and

(iv) to the extent not provided in the financial statements described in (i) above, financial information and operating data within the meaning of the Rule, included in the Official Statement.

(B) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of such financial and operating data listed in (A) above.

Any or all of the items listed above may be included by specific reference to other documents which have been submitted to each NRMSIR and the SID, if any, or filed with the SEC. If such document is an Official Statement, it must be available from the MSRB.

In the event that any of the financial information or operating data constituting Annual Financial Information no longer can be generated because the operations to which such information or data relate have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

"Annual Financial Information" shall mean, with respect to the State, the Annual Financial Information submitted to or to be submitted by or on behalf of the State pursuant to the State's written continuing disclosure undertaking in compliance with the requirements of paragraph (b)(5) of the Rule.

"Assured Revenues" means those revenues of the University (i) other than Project Revenues particularly pledged under Dedication Instruments of the University for the payment of Revenue Bonds or State Bonds or patient revenues or any other revenues derived from the clinical operations of the University or (ii) not otherwise expressly by an existing contract or by statute or by grant restricted or encumbered for specific purposes and, except as limited by the foregoing (i) and (ii) shall include (a) revenues from fees, tuition, rentals, charges, gifts, investments, endowments and from grants, subsidies, contracts, leases or other agreements made by or with the federal government, the State or any political subdivision, agency or instrumentality of the federal government or the State, or others, including the State Debt Service Commitment, the Minimum State Operating Provision and Special Eligible Gifts, and (b) any payment made or required to be made to the University, or to the Trustee, under any Swap or Swap Facility, including, without limitation, Swap Receipts, Termination Receipts and any payment receipts in respect of a Swap for application by the University for Project Operating Expenses.

"Audited Financial Statements" means, with respect to the University, the annual financial statements, if any, of the University, audited by such auditor as shall then be required or permitted by State law or the Master Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however*, that the University may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared including Financial Policy Number 2 of State Comptroller respecting Accounting and Financial Reporting Standards for State of Connecticut Constituent Units of Higher Education, as same may be implemented and amended from time to time. Notice of any such modification shall include a reference to the specific federal or State law or regulation describing such accounting basis and shall be provided by the University to the Trustee, who shall promptly deliver such notice to (i) either the MSRB or each NRMSIR, and (ii) the SID.

"Audited Financial Statements" shall mean, with respect to the State, the Audited Financial Statements submitted or to be submitted by or on behalf of the State pursuant to the State's written continuing disclosure undertaking in compliance with the requirements of paragraph (b)(5) of the Rule.

"Authorized Denomination" means $5,000 or any integral multiple thereof for current interest bonds and for capital appreciation bonds shall mean denominations such that the accreted value of each capital appreciation bond on the maturity date thereof will be $5,000 or an integral multiple thereof.

"Authorized Officer" means, in the case of the University, the Chairman or Vice-Chairman of the Board of Trustees, the finance committee of the Board of Trustees (acting by resolution and constituting the finance committee of the Board of Trustees within the meaning of the Act), the President, the Provost and Executive Vice President for Academic Affairs, the Executive Vice-President For Administration and Chief Financial Officer, or the Manager of Treasury Services (for the purpose of making disbursements and investments only), the Controller (for the purpose of making disbursements only), or any other person duly authorized by the bylaws or resolution of the University to perform the act or sign the document in question.

“Board of Trustees” means the board of trustees of the University.

“Bond” or **“Bonds”** means the 1996 Series A Bonds, together with any Additional Bonds issued under and pursuant to the Master Indenture.

“Bondholders” or **“Holder of Bonds”** or **“Holder”** or **“Owner”** (when used with reference to Bonds) or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond;

“Bond Facility” shall mean an insurance policy, surety bond or agreement, standby purchase agreement, line of credit, letter of credit or other credit enhancement or liquidity facility entered into for the same or similar purposes, with respect to Bonds.

“Bond Proceeds Fund” means such fund of the University established by Section 602 of the Master Indenture and governed by Section 603 of the Master Indenture.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent or any remarketing agent is located, are required or are authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

“Calendar Year” means a twelve-month period commencing January 1 and ending December 31 of any year.

“Capital Appreciation Bonds” shall mean those Bonds for which interest is compounded periodically on each __________ and __________ (through and including the maturity dates thereof) and payable in an amount equal to the then current accreted value only at the maturity or earlier redemption thereof, all as so designated in the supplemental indentures.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“Construction Account” means such account of the Bond Proceeds Fund established under Section 601 of the Master Indenture.

“Costs of Issuance” means all costs related to the proceedings under which Bonds are issued under the Indenture including but not limited to salaries, administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility, a Swap Facility, a Swap Provider, including a Termination Payment, other than Reimbursement Obligations or Swap Payments or other termination payments, auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and paying agents, fees and expenses of remarketing agents and dealers, fees and expenses of the underwriters if payable other than as a result of a discount on the purchase price of Bonds or Notes, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers’ fees or charges incurred by the University or Treasurer on behalf of the University to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Internal Revenue Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with the Master Indenture.

"Costs of Issuance Account" means such account established by Section 602 of the Master Indenture.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Treasurer, in consultation with the University (who may be the Attorney General or other counsel to the University); provided, however, that for the purposes of Article II and Article IX of the Master Indenture such term shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds.

"Current Interest Bonds" shall mean those Bonds which bear interest payable on __________ and __________ of each year through and including the maturity dates thereof, which may be either serial or term obligations.

"Debt Service Fund" means the fund from which debt service on all Outstanding Bonds of the University shall be paid as provided in the Act, established by Section 602 of the Master Indenture.

"Debt Service Fund Requirement" means, as of any date of computation, an amount at least equal to the aggregate amount of Principal Installments and Interest Requirements as the same become due and payable on all Outstanding General Obligation Bonds of the University.

"Dedication Instrument" means any document or agreement (including a Supplemental Indenture with respect to Other Indebtedness if issued hereunder), duly authorized and executed by or on behalf of the University and approved by resolution of the Board of Trustees of the University, in order to accomplish the UConn 2000 Infrastructure Improvement Program, to the extent permitted by applicable law and the Master Indenture, (a) authorizing the issuance of (i) Revenue Bonds and providing a pledge or assignment of all or any portion of Project Revenues to secure such Revenue Bonds or (ii) General Obligation Bonds and providing a pledge or assignment of all or any portion of Assured Revenues (other than the State Debt Service Commitment) to secure any Other Indebtedness and (b) containing such other terms, provisions or restrictions as the University may deem necessary or appropriate in connection with the foregoing purposes, in each case as each such document, agreement or resolution may be amended or supplemented from time to time in accordance with terms thereof and hereof and the provisions of the Act including any financing documents and financing transaction proceedings as defined in the Act.

"Event of Default" shall have the meaning given to such terms in Article XII of the Master Indenture.

"Fiduciary" or **"Fiduciaries"** means the Trustee, any Paying Agent, or either or both of them, as may be appropriate.

"Fiscal Year" shall mean a twelve-month period commencing on the first day of July of any year.

"GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board ("GASB").

"General Obligation Bonds" shall mean the bonds of the University issued under the Master Indenture.

"Indenture" or **"Master Indenture"** means the General Obligation Master Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms and provisions thereof.

“Information Services” means Financial Information, Inc. “Daily Called Bond Service,” Moody’s Investors Service “Municipal and Government,” Standard & Poor’s “Called Bond Record,” and Fitch Investors Service, Inc., any NRMSIR, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the State may designate in writing to the Trustee.

“Initial Bonds” shall mean the initial general obligation bonds issued under the Master Indenture pursuant to the Act and the First Supplemental Indenture.

“Interest Payment Date” shall mean each date on which interest is payable on General Obligation Bonds under the Master Indenture or the applicable Dedication Instrument, or, if such date is not a Business Day, the immediately succeeding Business Day.

“Interest Requirement” means, as of the date of computation with respect to a Calendar Year, an amount equivalent to the aggregate maximum amount coming due during such Calendar Year on any Interest Payment Date, of (i) interest which may be payable on Outstanding Bonds and (ii) Swap Payments, provided that interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate, and further provided that if the University shall have entered into one or more Swaps with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the University under such Swap; if the University shall have entered into one or more Swaps with respect to a Bond or Note that is not a Variable Interest Rate Bond or Note which calls for a Variable Interest Rate Swap Payment by the University then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as a Variable Interest Rate Bond or Note bearing interest for such period at the Variable Interest Rate payable by the University under such Swap.

“Investment Obligations” shall mean and includes any of the following:

(i) Direct obligations of or obligations guaranteed by the United States of America;

(ii) Any bond, debenture, note, participation or other similar obligation issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers’ Home Administration and Export-Import Bank;

(iii) Any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by a Federal Agency backed by the full faith and credit of the United States of America other than as provided in (i) hereof;

(iv) Any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State or obligation which may be purchased with proceeds of general obligation bonds of the State under Section 3-20 of the General Statutes as then in effect;

(v) Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or Project Notes issued by Public Housing

Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(vi) Direct and general obligations of or obligations guaranteed by the State of Connecticut, to the payment of the principal of and interest on which the full faith and credit of the State is pledged;

(vii) Deposits in interest-bearing time or demand deposits or certificates of deposit secured by (a) obligations described in (i) hereof or (b) obligations described in (v) hereof, or (c) obligations described in (iv) hereof;

(viii) Deposits in interest-bearing time or demand deposits or certificates of deposit secured by obligations described in (ii), (iii) or (iv) hereof;

(ix) Participation certificates for the combined investment pool administered by the State Treasurer pursuant to No. 236 of the Public Acts of 1971; and

(x) the Tax Exempt Proceeds Fund, established by the Treasurer pursuant to Section 3-24a of the General Statutes.

"Maturity Amount" shall mean with respect to a capital appreciation bond its accreted value on its maturity date, being the amount to be paid on a capital appreciation bond at maturity.

"Minimum State Operating Provision" means the commitment of the State to appropriate, annually, an amount for the University for operations after receiving a request from the University therefor and consideration of other amounts available to the University for its operations which amount so appropriated shall be consistent with the University continuing to operate in furtherance and pursuant to the provisions of Section 2 of article eighth of the Constitution of the State and applicable law as an institution dedicated to the excellence in higher education, including the operation of the components of UConn 2000 at Storrs and elsewhere in the State pursuant to Section 5 of the Act; provided, however, nothing in Section 1 to 25, inclusive, of the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous fiscal year so long as the appropriation act provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor entity.

"Notes" shall mean any obligations or other evidences of indebtedness or borrowing of the University, other than Bonds, issued for the purposes of the Act to provide funds for deposit in the Bond Proceeds Fund and issued in anticipation of Bonds.

"Notional Amount" means the non-payable or the theoretical amount with reference to which Swap Payments and Swap Receipts are calculated, as specified as such for each Swap in the documentation applicable thereto.

"NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule.

“Official Statement” shall means the “final official statement”, as defined in paragraph (f) (3) of the Rule, relating to any Series of Bonds.

“Operating Budget” means the annual operating budget of the University approved by the Board of Trustees pursuant to law.

“Other Indebtedness” shall have the meaning given in Section 907 of the Master Indenture.

“Outstanding” (1) when used with reference to Bonds, other than Bonds referred to in Section 1105 of the Master Indenture, shall mean, as of any date, a Bond or Bonds of such Series theretofore or thereupon being authenticated and delivered under the Master Indenture except:

(i) any Bonds canceled by the Trustee, and Paying Agent or the University at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which cash, equal to the principal amount or Redemption Price, shall be held in trust under the Master Indenture for such purpose (whether at or prior to maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Master Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III, Section 406 and Section 1106 of the Indenture; and

(iv) Bonds deemed to have been paid as provided in Section 1401 of the Master Indenture.

(2) When used with reference to General Obligation Bonds which are State Bonds, shall have the meaning, as of any date, given in the applicable Dedication Instrument.

“Outstanding Bonds” means any Bond with respect to which a Principal Installment, Interest Payment, Sinking Fund Installment or other payment is or will be due in the future and for which moneys or defeasance securities have not been deposited in escrow.

“Paying Agent” for the Bonds of any series means the bank or trust company located within or without the State and its successor or assigns, appointed by the University pursuant to the provisions of the Master Indenture and any successor or assign so appointed and approved.

“Preliminary Official Statement” shall mean the preliminary official statement of the University relating to the 2018 Series A Bonds.

“Principal” or **“principal”** means (1) with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), provided, however, when used in connection with (a) the authorization and issuance of Bonds and (b) the order of priority of payments of Bonds after a default under Article XII of the Master Indenture, “Principal” or “principal” means the Original Principal Amount of a Capital Appreciation Bond (being the initial public offering price of such Bond and the difference between the Accreted Value and the Original Principal Amount being deemed interest), and provided further, however, that when used in connection with determining whether the Bondholders of the requisite principal amount of Outstanding Bonds have given any required consent, notice, waiver, request, demand, authorization, direction or notice, "Principal" or "principal" means the Accreted Value, and (2) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

"Principal Amount" means the outstanding principal of a Current Interest Bond and, in the case of a capital appreciation bond, its Accreted Value.

"Principal Installment" for any Calendar Year, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding,(i) the principal amount of Bonds of said Series which mature in such Year, reduced by the aggregate principal amount of such Bonds which would be retired before such Year by reason of the payment when due of, and application, in accordance with the Master Indenture, of Sinking Fund Installments payable before such Year for the retirement of such Bonds, plus (ii) the unsatisfied balance (determined as provided in the Master Indenture) of the Sinking Fund Installments, if any, due during such Year for the Bonds of such Series.

"Principal Installment Date" means each date on which Principal and Sinking Fund Installments, if any, is payable on the Bonds as provided in or pursuant to the Master Indenture (or, if such date is not a Business Day, the immediately succeeding Business Day).

"Project" means, in accordance with the Act, any structure designed for use as a dormitory or other housing facility, dining facility, student union, academic building, administrative facility, library, classroom, building, research facility, faculty facility, office facility, athletic facility, health care facility, laboratory, maintenance, storage or utility facility or other building or structure essential, necessary or useful for instruction in a program of education provided by the university; or any multipurpose structure designed to combine two or more of the functions performed by the types of structures enumerated in this subsection, including, without limitation, improvements, reconstruction, replacements, additions and equipment acquired in connection with a project or in connection with operation of any facilities of the University existing on the effective date of the Act. "Project" includes all real and personal property, lands, improvements, driveways, roads, approaches, pedestrian access roads, parking lots, parking facilities, rights-of-way, utilities, easements and other interests in land, machinery and equipment, and all appurtenances and facilities either on, above or under the ground that are used or usable in connection with any of the structures mentioned in this definition. "Project" also includes landscaping, site preparation, furniture, machinery, equipment and other similar items useful for the operation of a particular facility or structure in the manner for which its use is intended, but does not include items that are customarily under applicable accounting principles considered as a current operating charge, unless the category and maximum amount thereof is specifically included by a determination of the Board of Trustees in the financing transaction proceedings and by percentage or otherwise as may be limited pursuant to such proceedings in order to preserve the excludability of the interest on the securities issued therefor from federal taxation under the applicable provisions of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States as from time to time amended.

"Project Revenues" means revenues received from projects existing on the effective date of the Act, from Project or Projects under construction or from a combination of projects existing on the effective date of this Act and Projects, the acquisition, construction or accomplishment of which, the University has entered into a binding commitment, anticipated by the Board of Trustees to produce annual revenues in an amount not less than the anticipated annual cost of operation, maintenance and repair of any such Project or Projects, and annual debt service payments on any financing transaction proceedings under which Revenue Bonds have been issued for the Project or Projects during the term effected under the Act, as determined by the Board of Trustees.

"Record Date" means the close of business on the fifteenth day preceding an Interest Payment Date, or if such day shall not be a Business Day, the immediately preceding Business Day.

"Redemption Fund" means such fund of the University established by Section 602 of the Master Indenture.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Master Indenture.

"Refunding Bond" means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Section 205 of the Master Indenture.

"Reimbursement Obligations" means any obligation of the University to make payments to a provider of a Bond Facility in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance or other payment made by such provider for the purpose of paying

(i) the Principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or

(ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable supplemental Indenture,

but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (i) any payments of any fees, expenses, or other similar obligations to any such provider, unless specifically included as a part thereof and approved as a portion of the Special Debt Service Requirement or (ii) any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds," which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

"Renewal and Replacement Fund" means such account established by Section 602 of the Master Indenture.

"Renewal and Replacement Fund Requirement" means that amount necessary for the University to meet the extraordinary renewal and replacement expenses of Projects financed by the University under the UConn 2000 Infrastructure Improvement Program and other facilities forming part of the physical university plant so as to permit the University to operate and maintain the physical university plant in sound operating condition and in conformity with Section 909(B) of the Master Indenture, as determined in each Operating Budget or otherwise.

"Revenue Bonds" means special obligation securities issued by the University pursuant to the Act.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of the Master Indenture, including any official interpretations thereof issued either before or after such date which are applicable to the Master Indenture.

"SEC" means the United States Securities and Exchange Commission or any successor agency.

"Securities Depositories" means The Depository Trust Company, Midwest Securities Trust Company, Philadelphia Depository Trust Company, or successor entities or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the University may designate to the Trustee.

"Series of Bonds" or **"Bonds of a Series"** or words of similar meaning, means the Series of Bonds authorized by the Master Indenture and a Supplemental Indenture.

"SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. (As of the date hereof, there is no SID.)

"Sinking Fund Installment" means, for any Calendar Year as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the Master Indenture or a Supplemental Indenture to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the University by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

"Special Debt Service Requirements" means for any period, and with respect to the Bonds, subject to the Master Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum of (A) the Principal Installments and interest accruing and coming due during such period, (B) the amounts, if any, required, with respect to interest rate fluctuations on variable rate debt, or with respect to securities not secured by the State Debt Service Commitment during such period to establish or maintain reserves, sinking funds or other funds or accounts at the respective levels required to be established or maintained therein in accordance with the proceedings authorizing the issuance of securities, (C) annual expenses of issuance and administration with respect to securities, (D) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to authority granted under the proceedings authorizing the issuance of securities, (E) net amounts owing under interest rate agreements authorized and effective under Section 10 of the Act, (F) arbitrage rebate requirements pursuant to subsection (b) of Section 17 of the Act on securities secured by the State Debt Service Commitment and (G) any other annual costs or expenses necessary or proper to be paid in connection with the securities, including, without limitation, the annual cost of any Bond Facility, issued by a financial institution pursuant to an agreement approved in the financing transaction proceedings.

"Special Eligible Gift" means a gift to the University of cash or assets which may be reduced to cash by the University which the donor has specifically designated as a donation for use by the University in furtherance of UConn 2000 or which explicitly or implicitly by the terms thereof the University may use for UConn 2000 and which the University determines to so use therefor pursuant to subsection (a) of Section 9 of the Act.

"State" means State of Connecticut and for purposes of the rule, means the State of Connecticut, an obligated person with respect to the Bonds within the meaning of the Rule, acting by and through the Office of the State Treasurer.

"State Bonds" means general obligation bonds of the State issued or to be issued by the State for the purpose of financing capital improvements for the infrastructure of the University.

"State Debt Service Commitment" means with respect to the Bonds issued as general obligations of the University pursuant to subsection (c) of Section 7 of the Act for the UConn 2000

Infrastructure Improvement Program and additionally secured by this State Debt Service Commitment under the Master Indenture and any Supplemental Indenture, an annual amount, commencing in the State Fiscal Year ending June 30, 1996, and any Fiscal Year thereafter for any Special Debt Service Requirements when due and payable.

"Submission Date" shall have the meaning ascribed to it in Section 1502 of the Master Indenture.

"Supplemental Indenture" means any series or supplemental indenture entered into by the Trustee and the University pursuant to and in compliance with the provisions of Article X or Article XI of the Master Indenture providing for the issuance of Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X or Article XI of the Master Indenture amending or supplementing the provisions of the Master Indenture as originally executed or as theretofore amended or supplemented.

"Swap" means any financial arrangement (i) that is entered into by the University with an entity that is a Swap Provider at the time the arrangement is entered into; (ii)(a) which provides that the University shall pay to such entity an amount based on the interest accruing at a fixed rate on the Notional Amount equal to all or part of the outstanding principal amount of a Series of Bonds issued hereunder, and that such entity shall pay to the University an amount based on the interest accruing on the Notional Amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in (ii)(c) hereof, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; (b) which provides that the University shall pay to such entity an amount based on the interest accruing on the Notional Amount equal to all or part of the outstanding principal amount of a Series of Bonds issued hereunder, at a variable rate of interest computed according to a formula set forth in such arrangement and that such entity shall pay to the University an amount based on the interest accruing at a fixed rate on the Notional Amount (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in (ii)(c) hereof, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; or (c) which is included as part of or covered by the financial transaction described in (ii)(a) or (ii)(b) above or is separately executed and which is a cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated) or any combination thereof or any option with respect thereto executed by the University for the purpose of moderating interest rate fluctuations or otherwise pursuant to the Act, as amended; and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the University and authenticated or otherwise registered by the Trustee hereunder as a Swap with respect to a Series of Bonds or Notes. "Swap" shall also include any such financial arrangement described in clauses (ii) and (iii) above entered into by the University with a Swap Provider, as a replacement of a Swap that has been terminated and which has been so designated in writing to the Trustee by an Authorized Officer of the University with respect to a Series of Bonds or Notes.

"Swap Facility" means an insurance policy, surety bond, letter of credit or other credit enhancement with respect to a Swap or any similar facility entered into for the same or similar purposes and may include Investment Obligations properly pledged to the University hereunder pursuant to the Swap Facility or by the Swap Provider, in each case sufficient to maintain any existing rating of the University's Bonds. Payments by the University under a Swap Facility related to a Swap shall be deemed Swap Payments under the Master Indenture and shall not be deemed Reimbursement Obligations and payments to the University under a Swap Facility related to a Swap shall be deemed Swap receipts.

Payment by the University under a Swap Facility applicable to any fees, expenses or similar other charges or obligations thereunder shall be a Cost of Issuance or an operating expense, as applicable.

"Swap Payment" means the net amount required to be paid by the University under a Swap that is applicable to the interest rate exchange effected thereunder, but not any (a) fees, expenses or similar other charges or obligations thereunder (which shall be Costs of Issuance or operation expense, as applicable) or (b) an Termination Payment or other payments by the University on account of termination of the Swap.

"Swap Provider" means a financial institution whose long term debt obligations, or whose obligations under a Swap are fully covered by a Swap Facility whose long term debt obligations are (i) rated at least as high by at least two nationally recognized rating agencies as the greater of (a) the University's Bonds additionally secured by the State Debt Service Commitment and (b) the State's general obligation bonds or (ii) secured by a pledge of Investment Obligations in amounts sufficient to achieve the ratings described in (i) hereof or (iii) meeting the requirements of Section 908.2 of the Master Indenture.

"Swap Receipt" means the net amount required to be paid to the University under a Swap, but shall not include any Termination Receipt.

"Tax Regulatory Agreement" means a tax regulatory agreement, including any supplements and amendments thereto, of the University, signed by an Authorized Officer and by the Treasurer, to be delivered in connection with the issuance of any Bonds under the Master Indenture and setting forth the expectations, certifications and representations concerning the use of the proceeds of such Bonds and other matters relating to compliance with the Code and consistent with the covenant of the University pursuant to Section 910 of the Master Indenture.

"Termination Payment" means with respect to a Swap an amount required to be paid by the University to the Swap Provider or related Swap Facility as a result of the termination of the Swap or required to be paid by the University into a collateral account as security for any termination provided that any payment by the University on account of termination of a Swap shall be subject to amortization over several fiscal years to be determined and approved by the Treasurer in the Swap.

"Termination Receipt" means with respect to a Swap an amount required to be paid by the Swap Provider or related Swap Facility as a result of the termination of the Swap.

"Treasurer" means the Treasurer of the State or the Deputy Treasurer.

"Trust Estate" means all of the funds, securities, property, rights, privileges and interests granted, bargained, sold, conveyed, pledged and assigned unto the Trustee in the Granting Clauses of the Master Indenture securing the payment of the principal or redemption price, if any, of and interest on the Bonds according to their terms and all other amounts due in connection therewith and the performance and observance by the University of all the covenants expressed or implied therein and in Bonds.

"Trustee" means U. S. Bank National Association, as successor to Fleet National Bank of Connecticut, and any successor trust company or bank having the powers of a trust company within or without the State succeeding a prior trust company or bank as trustee, appointed pursuant to Section 810 of the Master Indenture.

"Twenty-third Supplemental Indenture" means the Amended and Restated Twenty-third Supplemental Indenture dated as of April 1, 2018, authorizing the 2018 Series A Bonds (secured by the State Debt Service Commitment).

"UConn 2000 Infrastructure Improvement Program" means the promotion, planning, designing, developing, encouraging, assisting, acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of any UConn 2000 Project and assisting directly or indirectly in the financing of the cost thereof pursuant to the Act including the program of the University pursuant to which it issues bonds under the Master Indenture.

"UConn 2000 Phase I Project" means any Project which is identified and referenced in Section 5 of the Act as a Phase I Project, as same may be revised, deleted or added in accordance with the Act and the Master Indenture.

"UConn 2000 Phase II Project" means any Project which is identified and referenced in Section 5 of the Act as a Phase II Project, as same may be revised, deleted or added in accordance with the Act and the Master Indenture.

"UConn 2000 Phase III Project" means any Project which is identified and referenced in Section 10a-109e of the Act as a Phase III Project, as the same may be revised, deleted or added in accordance with the Act and the Indenture.

"UConn 2000 Project" means any UConn 2000 Phase I Project, UConn 2000 Phase II Project and UConn 2000 Phase III Project which the Board of Trustees by resolution authorizes to finance with Bonds under the Indenture provided such resolution is submitted to the Governor and has not been disapproved by the Governor within thirty (30) days of its submission.

"Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

"Underwriters" means the initial purchasers of the 2018 Series A Bonds pursuant to a bond purchase agreement duly executed by the University, the Treasurer and such purchasers.

"University" means the University of Connecticut, a constituent unit of the State system of public higher education, including The University of Connecticut Health Center and pursuant to the Act having perpetual succession as a body politic and corporate and an instrumentality and agency of the State or any body, agency, or instrumentality of the State or the State which shall hereafter succeed to the powers, duties and functions of the University under the Indenture.

"Variable Interest Rate" means a variable interest rate to be borne by any Bond or Note within a Series of Bonds or Notes or by any Swap (whether a Swap Payment or Swap Receipt). The method or computing such variable interest rate shall be specified in the Supplemental Indenture authorizing such Series of Bonds or Notes or the Swap relating thereto. Such Supplemental Indenture or Swap shall also specify either (i) the particular period or periods of time for which such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

"Variable Interest Rate Bonds or Notes or Swap Payments" means Bonds or Notes which bear a Variable Interest Rate or a Swap Payment which by the terms of the Swap requires and provides for a Variable Interest Rate Swap Payment by the University.

"Variable Interest Rate Calculation Rate" means with respect to each Calendar Year (i) with respect to Variable Interest Rate Bonds or Notes or Swap Payments bearing a Variable Interest Rate, which is not capped pursuant to the Swap or a Swap Facility, and/or is for a period or periods of time ending prior to the next immediate Interest Payment Date, the interest rate thereon in effect (pursuant to the Variable Interest Rate Bonds or Notes or a Swap applicable thereto) until the next date of change (being the date of calculation referred to in the definition of Variable Interest Base Rate) and thereafter for the balance of such Calendar Year the Variable Interest Base Rate or (ii) with respect to Variable Interest Rate Bonds or Notes or Swap Payments bearing a Variable Interest Rate which, for a period of time ending on or after the next immediate Interest Payment Date, is either capped by its terms or pursuant to the Swap or a Swap Facility or is fixed, the lesser of (a) the interest rate by which the Variable Interest Rate is so capped if less than the rate calculated in (i) hereof or (b) the Variable Interest Rate, so fixed, on the Variable Interest Rate Bonds or Notes or Swap Payments, respectively (pursuant to the Variable Interest Rate Bonds or Notes or a Swap applicable thereto).

APPENDIX I-D

FORM OF OPINIONS OF BOND COUNSEL AND CO-BOND COUNSEL

Upon the delivery of the 2018 Series A Bonds, Pullman & Comley, LLC, Bond Counsel, and Law Offices of Joseph C. Reid, P.A., Co-Bond Counsel, propose to issue their final approving opinions in substantially the following form:

___________, 2018

University of Connecticut
352 Mansfield Road
Storrs, Connecticut 06269

Honorable Denise L. Nappier, Treasurer
State of Connecticut
Office of the Treasurer
55 Elm Street
Hartford, Connecticut 06106

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $276,075,000 General Obligation Bonds, 2018 Series A (the "2018 Series A Bonds") of the University of Connecticut (the "University"), a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State"), operating and existing under the Constitution and laws of the State. Capitalized terms used herein and not otherwise defined shall have the definitions assigned to them by the Indentures (as hereinafter defined).

The 2018 Series A Bonds are authorized to be issued pursuant to The University of Connecticut 2000 Act, constituting Sections 10a–109a to 10a-109y inclusive of the Connecticut General Statutes, as amended to the date hereof (the "Act"), the General Obligation Master Indenture of Trust, as amended and supplemented by certain supplemental indentures (the "Master Indenture"), including the Amended and Restated Twenty-third Supplemental Indenture (the "Twenty-third Supplemental Indenture" and together with the Master Indenture, the "Indentures."). The Master Indenture was entered into as of November 1, 1995 by and between the University and Fleet National Bank of Connecticut, as original trustee (predecessor to U.S. Bank National Association) (the "Trustee").

The 2018 Series A Bonds are dated, will mature on the dates, will bear interest at the rates, and may be subject to redemption prior to maturity, all as set forth in or determined pursuant to the Indentures.

The University is authorized to issue bonds, in addition to the 2018 Series A Bonds, upon the terms, conditions and covenants set forth in the Act and the Master Indenture, and such bonds, when issued, shall, with the 2018 Series A Bonds and with all other such bonds theretofore issued under the Master Indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Master Indenture, in accordance with its terms.

We have examined the law and such other materials as we have deemed necessary in order to render this opinion. We have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the University and the Treasurer and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents.

We are of the opinion that:

1. Under the Constitution and laws of the State, the University exists as a body politic and corporate and an instrumentality and agency of the State, performing an essential public function with good right and lawful authority, among other things, to carry out the UConn 2000 Infrastructure Improvement Program and to provide funds therefor by the execution of the Indentures and the issuance and sale of bonds, including the 2018 Series A Bonds, and to perform its obligations under the terms and conditions of the Indentures including provisions relating to the receipt of Assured Revenues, particularly annual amounts of the State Debt Service Commitment as covenanted in the Master Indenture.

2. The Indentures have been duly executed by the University and are valid and binding upon the University and enforceable in accordance with their terms.

3. The 2018 Series A Bonds have been duly authorized, executed and authenticated and are legal, valid and binding general obligations of the University in accordance with their terms for the payment of the Principal Installment of, interest on and Redemption Price of which, the full faith and credit of the University has been legally and validly pledged. The 2018 Series A Bonds are entitled to the equal benefit, protection, and security of provisions, covenants and remedies provided by the Act and the Indentures.

4. The 2018 Series A Bonds are additionally secured by a pledge of and lien on the State Debt Service Commitment in the manner and to the extent set forth in and created by the Indentures. The Indentures create the valid pledge of and lien upon the Trust Estate and the annual amounts of the State Debt Service Commitment, which the Indentures purport to create, subject only to the provisions of the Indentures permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indentures.

5. Pursuant to the Act and as part of the contract of the State with the holders of the 2018 Series A Bonds, the State has validly appropriated all amounts of the State Debt Service Commitment (including the Principal Installments of, interest on and Redemption Price of the 2018 Series A Bonds) out of the resources of the general fund of the State and the Treasurer has the legal duty and is validly mandated and obligated to pay such amount to the Trustee, as paying agent on the 2018 Series A Bonds as the same arise and shall become due and payable. Such appropriation, mandate and obligation of payment do not require further legislative approval.

6. Pursuant to the Act, the 2018 Series A Bonds do not constitute a debt or liability of the State of Connecticut or any municipality or other political subdivision thereof or bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut (except to the extent set forth in the Act), do not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation and are payable solely from the funds provided therefor pursuant to the Indentures and the Act. The University has no taxing power.

7. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met on and subsequent to the delivery of the 2018 Series A Bonds in order that interest on the 2018 Series A Bonds be not included in gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to the use and expenditure of gross proceeds of the 2018 Series A Bonds, restrictions on the investment of 2018 Series A Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2018 Series A Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the University and the Treasurer will execute a Tax Regulatory Agreement (the "Tax Regulatory Agreement") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the University and the Treasurer covenant that they will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 7, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) continuing compliance by the University and the Treasurer with the procedures and covenants set forth in the Tax Regulatory Agreement as to such tax matters.

Under existing law, interest on the 2018 Series A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for taxable years that began before January 1, 2018 for certain corporations (as defined for federal income tax purposes) such interest may be taken into account in computing the corporation's federal alternative minimum tax liability. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the University and the Treasurer and others in connection with the 2018 Series A Bonds, and we have assumed compliance by the University and the Treasurer with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

8. Under existing statutes, interest on the 2018 Series A Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates, and interest on the 2018 Series A Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Except as stated in paragraphs 7 and 8 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the 2018 Series A Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the 2018 Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2018 Series A Bonds may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Very truly yours,

PULLMAN & COMLEY, LLC

APPENDIX I-E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is dated as of ______, 2018 and is executed and delivered by the University of Connecticut (the "University") and U.S. Bank National Association (the "Dissemination Agent") in connection with the issuance of $276,075,000 University of Connecticut General Obligation Bonds, 2018 Series A (the "Bonds"). The Bonds are being issued pursuant to a General Obligation Master Indenture of Trust, dated as of November 1, 1995 as supplemented and amended to date (the "Indenture"), between the University of Connecticut and U.S. Bank National Association (as successor to Fleet National Bank of Connecticut), as Trustee (the "Trustee"). For valuable consideration, the receipt of which is acknowledged, the Dissemination Agent and the University covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the University and the Dissemination Agent for the benefit of the Bondholders (defined below) and the beneficial owners of the Bonds, and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the University pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Bondholder" or the term "Holder", when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Bond and any beneficial owner thereof.

"Disclosure Representative" shall mean the Manager of Treasury Services or the Executive Vice President for Administration and Chief Financial Officer of the University or his or her designee, or such other person as the University shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean the initial Dissemination Agent hereunder, which is U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the University and acceptable to the State and which has filed with U.S. Bank National Association a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system for municipal securities disclosure (http://emma.msrb.org) or any other repository of disclosure information that may be designated by the SEC (defined below).

"Filing Date" shall have the meaning given to such term in Section 3(a) of this Disclosure Agreement.

"Listed Events" shall mean, with respect to the Bonds, any of the events listed in subsection (b)(5)(i)(C) of the Rule (defined below) which are listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

"Official Statement" shall mean the Official Statement dated April [ ], 2018 relating to the Bonds.

"Participating Underwriters" shall mean any or all of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of Connecticut acting by and through the Treasurer of the State.

"Tax-exempt" shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) The University, commencing with fiscal year ending June 30, 2018 , shall, or shall cause the Dissemination Agent to, not later than February 28 of each year, or in the event of a change in the University's fiscal year from the present July 1 to June 30 fiscal year, within eight months after the end of such fiscal year (the "Filing Date"), provide to the MSRB through EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. On or prior to the Filing Date (except that in the event the University elects to have the Dissemination Agent file such report, five (5) Business Days prior to such date) such Annual Report shall be provided by the University to the Dissemination Agent together with either (i) a letter authorizing the Dissemination Agent to file the Annual Report with the MSRB, or (ii) a certificate stating that the University has provided the Annual Report to the MSRB and the date on which such Annual Report was provided. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the University may be submitted separately from the balance of the Annual Report; and provided further that audited financial statements of the University shall be submitted as soon as practicable after the audited financial statements become available. The University shall promptly notify the Dissemination Agent of any change in the University's fiscal year.

(b) If by 5 Business Days prior to the Filing Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the University to request a report regarding compliance with the provisions governing the Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB through EMMA by the Filing Date, the Dissemination Agent shall send a reminder notice to the University and shall send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall file a report with the University and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the University has filed a report (directly or through the Dissemination Agent) purporting to be an Annual Report pursuant to this Disclosure Agreement, and stating the date it was provided (if such report was provided).

SECTION 4. Content of Annual Reports. The University's Annual Report shall contain or incorporate by reference the following:

(a) audited financial statements (including notes) of the University and University of Connecticut Health Center ("UConn Health"), provided, however, if audited financial statements are not available by the Filing Date, the University may file unaudited financial statements in lieu of such audited financial statements until such audited financial statements become available, which financial statements may be individual, combined or consolidated, prepared in accordance with generally accepted accounting/auditing principles as in effect from time to time, and consistently applied, unless otherwise explained in notes to the financial statements.

(b) Financial information and operating data of the University for the preceding fiscal year which shall include annual or year-end information of the University as applicable, of the type included in the Official Statement as set forth below:

(1) student statistical information of the type set forth in Appendix A to the Official Statement ("Appendix A") under the headings,

(i) Schedule of Freshmen Enrollment Storrs Campus;
(ii) Average Total SAT Scores (excluding writing component);
(iii) Total Enrollment Data (Head Count);
(iv) Percentage of Enrollment by Residence Status;
(v) In-State Student Enrolled at the University (Annual Tuition and Fees);
(vi) Financial Aid to University Students (excluding Tuition Waivers);

(2) to the extent not otherwise incorporated in the financial statements of the University provided in accordance with Section 4(a) hereof, revenue, expense and fund data of the type set forth in the Official Statement under the headings,

(i) Statement of Revenues, Expenses and Changes in Net Position;
(ii) Statement of Current Funds Operations;
(iii) Schedule of State Operating Support and Fringe Benefits to the University;
(iv) State Legislative Bond Authorizations for the University;
(v) Governmental Grants and Contracts;
(vi) Assets, Support and Revenue, Expenditures of UConn Foundation and Law School Foundation;
(vii) Debt Service on General Obligation Bonds;
(viii) Total UConn 2000 Debt Obligations Outstanding;

(3) student statistical information of UConn Health and, to the extent not otherwise incorporated in the financial statements of UConn Health provided in accordance with Section 4(a) hereof, revenue, expense and fund data all of the type set forth in Appendix A under the headings:

(i) Average Total MCAT and DAT Scores;
(ii) Passing Rates on National Exams;
(iii) Annual Cost of an In-State Student Enrolled at UConn Health by School;
(iv) Percentage of Enrollment by Residence Status;
(v) Statement of Revenues, Expenses and Changes in Net Position;
(vi) Statement of Current Funds Operations;
(vii) Governmental Grants and Contracts;
(viii) Long Term Liabilities;

together with a narrative explanation, if necessary to avoid misunderstanding, regarding the presentation of financial and operating data concerning the University and the financial and operating condition of the University; provided, however, that the references above to specific section headings of the Official Statement used as a means of identification shall not prevent the University from reorganizing such material in subsequent official statements and Annual Reports.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including financial statements provided under Section 4(a) hereof, or official statements of debt issues with respect to which the University is the issuer, which have been (i) made available to the public on EMMA or (ii) filed with the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The University shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events.

(a) The University shall, or shall cause the Dissemination Agent to, give notice of the occurrence of any of the Listed Events relating to the Bonds to the MSRB in a timely manner not in excess of ten (10) Business Days after the occurrence of any of such Listed Events:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices of determination with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to the rights of holders of the Bonds, if material;

(8) Bond calls, if material, and tender offers (other than mandatory sinking fund redemptions);

(9) Bond defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the University or the State;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the University in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the University or the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the University or the State.

(13) the consummation of a merger, consolidation, or acquisition involving the University or the State or the sale of all or substantially all of the assets of the University or the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional paying agent or trustee or the change of the name of the paying agent or trustee, if material.

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative and inform such person of the event. "Actual knowledge" for purposes of this subsection (b) shall mean actual knowledge of an officer of the Corporate Trust Administration of the Dissemination Agent.

(c) Whenever the University obtains knowledge of the occurrence of a Listed Event set forth in clauses (2), (7), (8) (relating to Bond calls only), (10), (13) or (14) of subsection (a) above, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the University shall as soon as possible determine if such event would constitute material information for Bondholders, and if such event is determined by the University to be material, the University shall, or shall cause the Dissemination Agent to, give notice of such event to the MSRB not later than ten (10) Business Days after the occurrence of such event.

(d) If the University elects to have the Dissemination Agent file notice of any Listed Event, the University will provide the notice to the Dissemination Agent within 5 Business Days after the occurrence of the Listed Event, along with an instruction to file the notice with the MSRB.

SECTION 6. Termination of Reporting Obligation.

(a) The University's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

(b) In addition, the University's obligations under the provisions of this Disclosure Agreement shall terminate (in whole or in part, as the case may be) in the event that (1) the University delivers to the Dissemination Agent and the Trustee an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Dissemination Agent and the Trustee to the effect that those portions of the Rule which require the provisions of this Disclosure Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion (but such termination of the University's obligations shall be effective only to the extent specifically addressed by such opinion), and (2) the Dissemination Agent delivers copies of such opinion to (i) the MSRB, (ii) the Trustee (if other than the Dissemination Agent), and (iii) JP Morgan, as representative of the Participating Underwriters. The Dissemination Agent shall so deliver such opinion promptly.

SECTION 7. Dissemination Agent.

(a) The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

(b) The Dissemination Agent, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the University and the registered owners of the Bonds, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the date a successor shall have been appointed by the University or by a court upon the application of the Dissemination Agent.

(c) In case the Dissemination Agent, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Dissemination Agent or of its property shall be appointed, or if any public officer shall take charge of control of the Dissemination Agent, or of its property or affairs, the University shall forthwith appoint a Dissemination Agent to act. The University shall give or cause to be given written notice of any such appointment to the Bondholder and the Trustee (if the Trustee is not the Dissemination Agent).

(d) Any company into which the Dissemination Agent may be merged or with which it may be consolidated or any company resulting from any merger or consolidation to which it shall be a party or any company to which such Dissemination Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Dissemination Agent, without any further act or deed.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the University and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment not modifying or otherwise affecting its duties, obligations or liabilities in such a way as they are expanded or increased) and any provision of this Disclosure Agreement may be waived, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the University or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the University shall have delivered an opinion of counsel, addressed to the University, the Dissemination Agent and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the University shall have delivered to the Trustee and the Dissemination Agent an opinion of counsel unaffiliated with the University (such as bond counsel) and acceptable to the University, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds or (ii) the Bondholders consent to the amendment to this Disclosure Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of the Bondholders pursuant to the Indenture as in effect on the date of this Disclosure Agreement, and (5) the University shall have delivered copies of such opinion(s) and amendment to the MSRB. The Dissemination Agent may rely and act upon such opinions.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the University chooses to include any information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event. Nothing in this Disclosure Agreement shall be deemed to prevent U.S. Bank National Association from providing a notice or disclosure as it may deem appropriate pursuant to any other capacity it may be acting in relating to the Bonds.

SECTION 10. Default. In the event of a failure of the University or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of any of the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds who have provided security and indemnity deemed acceptable to the Dissemination Agent, shall), or any party who can establish beneficial ownership of any of the Bonds, or any Bondholder may, after providing fifteen (15) days written notice to the University to give the University opportunity to comply within such fifteen-day period, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the University to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy available to the Dissemination Agent, any beneficial owners of the Bonds or the Bondholders under this Disclosure Agreement in the event of any failure of the University or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent that the Dissemination Agent is required under the terms of this Disclosure Agreement to report any information, it is only required to report information that it receives from the University in the form in which it is received, and the Dissemination Agent shall be under no responsibility or duty with respect to the accuracy and content of the information which it receives from the University.

(b) The Dissemination Agent shall have all such immunities and liabilities vested in the Trustee under the Indenture.

SECTION 12. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB pursuant to this Disclosure Agreement shall be provided to EMMA.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the University, the Trustee, the Dissemination Agent, the Participating Underwriters, parties who can establish beneficial ownership of the Bonds and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Notices. The parties hereto may be given notices required hereunder at the addresses set forth for them in the Indenture.

SECTION 16. Applicable Law. This Disclosure Agreement shall be governed by the laws of the State, and by applicable federal laws.

Dated as of ______________________

UNIVERSITY:

UNIVERSITY OF CONNECTICUT

By:____________________________________
Name: Scott Jordan
Title: Executive Vice President for Administration and Chief Financial Officer

DISSEMINATION AGENT:

U.S. BANK NATIONAL ASSOCIATION

By:____________________________________
Name:
Title:

[SIGNATURE PAGE -CONTINUING DISCLOSURE AGREEMENT – ____________________, 20__]

EXHIBIT A
To Continuing Disclosure Agreement

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: University of Connecticut (the “University”)

Name of Bond Issue:

Date of Issuance:

NOTICE IS HEREBY GIVEN that the University has not yet provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement by and between the University and U.S. Bank National Association (the “Dissemination Agent”) dated as of _______________, ____. The University has informed the Dissemination Agent that the Annual Report will be filed with the Dissemination Agent by _______________.

Dated:____________________

U.S. Bank National Association,
as Dissemination Agent

By:________________________________
Name:___________________________
Title:____________________________

cc: University

APPENDIX I-E-1

FORM OF STATE CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (the "State") will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data and (ii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

This Continuing Disclosure Agreement ("Agreement") is made as of the __ day of May, 2018 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $276,075,000 University of Connecticut General Obligation Bonds, 2018 Series A, dated May __, 2018 (the "Bonds") and U.S. Bank National Association, as Dissemination Agent (the "Dissemination Agent"). The Bonds are being issued pursuant to a General Obligation Master Indenture of Trust entered into by the University of Connecticut (the "Issuer") and U.S. Bank National Association, as Trustee (the "Trustee") dated as of November 1, 1995, as supplemented and amended from time to time (the "Indenture") for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means Part II of the official statement of the Issuer dated May __, 2018 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2018) as follows:

(i) Audited financial statements of the State comprising its basic financial statements, currently consisting of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash method of accounting as described in Part II to the Final Official Statement, under the caption **FINANCIAL PROCEDURES - Accounting Procedures)**. As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule described below (with references to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports:

1. Until such time as the State's only method of presenting its financial statements is substantially in accordance with generally accepted accounting principles ("GAAP"):

a. General Fund - Summary of Operating Results - Budgetary (Modified Cash/Statutory) Basis (for most recent fiscal year) (See Table 2 and Appendices II-D-6 and II-D-7).

b. General Fund - Summary of Operating Results - Budgetary (Modified Cash/Statutory) Basis vs. GAAP Basis (for most recent fiscal year) (See Table 3).

c. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash/Statutory) Basis (as of the end of the most recent fiscal year) (See Table 4 and Appendices II-D-4 and II-D-5).

d. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash/Statutory) Basis vs. GAAP Basis (as of the end of the most recent fiscal year) (See Table 5).

2. Statutory Debt Limit (as of end of most recent fiscal year or a later date) (See Table 7).

3. Direct General Obligation Indebtedness - Principal Amount Outstanding (as of end of most recent fiscal year or a later date) (See Table 8).

4. Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 10).

5. Outstanding Long-Term Direct General Obligation Debt (as of end of most recent fiscal year) (See Table 11).

6. Authorized But Unissued Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 12).

7. Statutory General Obligation Bond Authorizations and Reductions (for recent fiscal years, if any legislative action) (See Table 13).

8. Special Capital Reserve Fund Debt (as of end of most recent fiscal year or a later date) (See Table 16).

9. Funding status of the State Employees' Retirement Fund and the Teachers' Retirement Fund.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The State's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Material Events.

(Not applicable to State).

Section 4. Notice of Failure to Provide Annual Financial Information.

The State agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. Termination.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Section 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

Section 8. Miscellaneous.

(a) All documents provided by the State to a Repository pursuant to the State's undertakings set forth in Sections 2 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The State and the Dissemination Agent shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 51% of the aggregate principal amount of the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By:______________________________________
Denise L. Nappier
Treasurer

U.S. BANK NATIONAL ASSOCIATION
as Dissemination Agent

By:______________________________________
Authorized Officer

SUPPLEMENT TO

PART II OF THE OFFICIAL STATEMENT

DATED APRIL 19, 2018 FOR

$276,075,000

UNIVERSITY OF CONNECTICUT

GENERAL OBLIGATION BONDS

2018 SERIES A

(the "Bonds")

Supplement Dated April 20, 2018

The information in this Supplement is subject to change without notice, and investors should not assume that there have been no other changes in the affairs of the State since the date of the Official Statement. The above-referenced Official Statement is hereby supplemented to add the following information:

Pursuant to Section 4-66 of the Connecticut General Statutes, on April 20, 2018, the Office of Policy and Management ("OPM") provided projected estimates to the Comptroller of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. In its letter, OPM projected a deficit from operations of $363.5 million in the General Fund for Fiscal Year 2018, an increase of $170.8 million from the level reported in its last monthly letter. The Secretary of OPM indicated that approximately $150 million of this change is due to their assumption that the federal government's decision about reimbursement for budgeted increases in hospital rates and supplemental payments will be delayed beyond June 30, 2018 which will result in a shift of the $150 million from Fiscal Year 2018 to Fiscal Year 2019.

The Secretary of OPM noted that this General Fund balance projection masks a significant improvement in the Budget Reserve Fund. It is estimated that $1,050.0 million will be transferred from the General Fund to the Budget Reserve Fund due to the volatility cap included in the 2017 Budget Act, resulting in a Budget Reserve Fund balance of $1,262.9 million or 6.7% of General Fund expenditures.

The Secretary of OPM also noted that OPM anticipates releasing an updated forecast after issuance on April 30, 2018 of the consensus revenue estimate required under section 2-36c of the Connecticut General Statutes, which should contain more complete information regarding personal income tax collections and associated refunds.

This Supplement is an integral part of the referenced Official Statement dated April 19, 2018. Investors should read this Supplement together with the April 19, 2018 Official Statement in order to obtain information essential to making an informed investment decision.

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INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

FEBRUARY 15, 2018

This Information Statement of the State of Connecticut (the "State") contains information through February 15, 2018. The State expects to include this Information Statement in its Official Statements for securities offerings as a "Part II" and has numbered the pages accordingly. The State expects to update this Information Statement from time to time with supplementary information in connection with such offerings, but except as expressly noted all information is as of February 15, 2018. Such updates are expected to include certain interim financial information prepared on a statutory basis, but are not expected to include interim financial information prepared in accordance with GAAP.

This Information Statement and any appendices attached hereto, should be read collectively and in their entirety.

This Information Statement may be obtained electronically at www.buyctbonds.com or by contacting the Office of the State Treasurer, Attn.: Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3035.

Constitutional Elected Officers

Governor	**Dannel P. Malloy**
Lieutenant Governor	**Nancy S. Wyman**
Secretary of the State	**Denise W. Merrill**
Treasurer	**Denise L. Nappier**
Comptroller	**Kevin P. Lembo**
Attorney General	**George C. Jepsen**

TABLE OF CONTENTS

INDEX TO TABLES

FORWARD-LOOKING INFORMATION AND BONDHOLDER CONSIDERATIONS

This Information Statement and its appendices attached hereto include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words "may," "believe," "could," "might," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate," "contemplate," "continue," "target," "goal" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Information Statement and its appendices are based on information available to the State up to, and including, the date of this document, and the State assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future federal budgetary matters, including federal grants and other forms of financial aid to the State; (ii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the State; future energy costs; (iii) health care related matters including Medicaid reimbursements; (iv) federal defense spending; (v) financial services industry developments; (vi) litigation or arbitration; (vii) natural disasters and other acts of God; (viii) changes in retirement rates, inflation rates, interest rates, increases in healthcare costs, longevity rates and other factors used in estimating future obligations of the State, among others; (ix) others contained in this Information Statement and its appendices. Investors should carefully review all of the factors.

INTRODUCTION

This Information Statement of the State of Connecticut (the "State") contains certain information that a potential investor might consider material in reaching a decision to invest in securities of the State. Quotations from and summaries and explanations of provisions of laws of the State contained in this Information Statement do not purport to be complete and are qualified in their entirety by reference to such provisions of law. This Information Statement and any appendices attached hereto should be read collectively and in their entirety.

The information included in this Information Statement is organized as follows:

Financial Procedures discusses the legal and administrative processes, procedures, controls and policies that generally apply to all State funds.

State General Fund discusses the State's General Fund, which is the source of financing for most operating activity of the State. The discussion includes both prospective and historical information about the General Fund. Additional information regarding General Fund activity is included in **Appendices II-C, II-D and II-E** to this Information Statement.

State Economic Initiatives discusses formal programs enacted by the General Assembly targeted to encourage economic growth within the State.

State Debt describes the procedures for the authorization to incur State debt and the various ways in which the State may borrow funds to finance State functions and capital projects. This section provides both current and historical information about the State's borrowing practices and State indebtedness.

Other Funds, Debt and Liabilities provides an overview of certain obligations of the State that are not accounted for in the General Fund but that are contingent liabilities of the State. Certain additional information regarding these other funds, debt and liabilities of the State is included in **Appendix II-C** to this Information Statement.

Pension and Retirement Systems describes the major pension and retirement systems of the State. Additional information regarding these systems is included in **Appendix II-C** to this Information Statement.

Litigation comprises a summary of pending legal actions in which the fiscal impact of an adverse decision may not be determined at this time and the Attorney General is unable to opine that a final judgment against the State in such suits would not materially adversely affect the State's financial position.

Other Matters includes additional matters that do not fall within the other headings.

Appendices II-A through II-E to this Information Statement contain detailed information relating to the information summarized in the Information Statement and should be read in their entirety. **Appendix II-A** provides information concerning the organization of the State government and services. **Appendix II-B** provides information about the State's economy. **Appendices II-C and II-D** provide financial statements of the State. **Appendix II-E** provides additional budgetary and financial information.

The State's fiscal year begins on July 1 and ends on June 30. References to "Fiscal Year" throughout this Information Statement refer to the referenced fiscal year ending June 30. For example, Fiscal Year 2018 refers to the fiscal year beginning July 1, 2017 and ending June 30, 2018.

The Information Statement speaks only as of its date. For information about the State after February 15, 2018, the State expects to update this Information Statement from time to time with supplementary information identified as such and included herein and the reader should refer to this Information Statement in its entirety.

FINANCIAL PROCEDURES

The State has in place a number of constitutional provisions, statutes, regulations, and administrative policies and procedures that bear on fiscal management and accountability. These include provisions that limit debt and expenditures and provisions that lay out a sequence for planning future budgets, the development and adoption of a biennial budget, and the monitoring of the State's financial position against the current budget. Taken as a whole, the State believes these provisions provide budgetary discipline, financial controls and forecasting and monitoring resulting in sound fiscal management and accountability. These provisions include the following elements, each of which are explained in more detail in the text that follows:

Budget Discipline	***Balanced Budget Requirement***	The State Constitution provides that the General Assembly may not authorize general budget expenditures in excess of estimated revenues. State law (CGS 2-35) requires that total net appropriations for each fund shall not exceed estimated revenue for such fund.
Financial Controls	***Spending Cap***	The General Assembly is prohibited from increasing expenditures from year to year by a percentage exceeding the greater of the percentage increase in personal income or the percentage increase in inflation, with certain exceptions.
Budget Discipline	***Biennial Budget***	The budget covers a two year period and the power to propose, enact, and implement such budget rests with the Governor and General Assembly.
Budget Discipline	***Line Item Veto***	Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill.
Financial Controls	***Debt Limit***	By statute, the State may not authorize general obligation debt in excess of a multiple of 1.6 of General Fund tax receipts, subject to statutory exceptions. The Treasurer certifies as to the debt limit in connection with each authorization of debt by the General Assembly and the State Bond Commission
Forecasting and Monitoring	***Regular Revenue Forecasting, Monitoring of Fiscal Progress and Multiple-Year Planning Tools***	Monthly reports from the Comptroller and the Office of Policy and Management, and periodic reports from other governmental entities, including the Legislature's Office of Fiscal Analysis.
Financial Controls	***Rescission Authority and Deficit Mitigation***	The Governor is required to propose mitigation plans should projections indicate a General Fund deficit greater than 1% of total General Fund appropriations. The Governor is authorized to reduce allotments up to 5% of any appropriation not to exceed 3% of any fund and to make further reductions with legislative backing.
Budget Discipline	***Budget Reserve Fund***	Constitutional and statutory regime for funding the Budget Reserve Fund.
Financial Controls	***GAAP Based Budgeting***	The State has transitioned from the use of a modified cash basis of accounting to the application of Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board.
Transition to GAAP		See **Accounting Procedures –** ***Financial Reporting***

The Budgetary Process

Balanced Budget Requirement and Spending Cap. The State Constitution provides that the amount of general budget expenditures authorized for any fiscal year may not exceed the estimated amount of revenue for such fiscal year. The Constitution also precludes the General Assembly from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage that exceeds the greater of the percentage increase in personal income or the percentage increase in inflation unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three fifths of the members of each house of the General Assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. The constitutional limitation on general budget expenditures does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There is no statutory or constitutional prohibition against bonding for general budget expenditures.

In 1996, the Connecticut Supreme Court ruled in *Nielson v. State* that the provisions of the constitutional budget cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly for implementation of the spending cap. In a 2015 opinion, the State Attorney General concluded that unless and until the General Assembly adopts, by the necessary three-fifths vote of the members of each house of the General Assembly, the definitions required by the constitutional spending cap, the constitutional spending cap has no legal effect. Pursuant to Public Act No. 17-2 of the June Special Session, (referred to herein as the "2017 Budget Act"), the General Assembly adopted definitions by a three-fifths vote.

The General Assembly had been following a statutory provision similar to the Constitutional budget cap. In addition to the exclusion of debt service from the budget cap, the new definitions exclude expenditures of any federal funds granted to the State or its agencies, expenditures to implement federal mandates and court orders in the first fiscal year in which such expenditures are authorized, expenditures for federal programs in which the State is participating for which the State received federal matching funds in the first fiscal year in which such expenditures are authorized and temporarily payments for a portion of the state employee and teachers' pension contributions. In addition, a base year adjustment is made in any fiscal year in which an expenditure item is moved on or off budget.

In addition to the above limitations on the authorization of general budget expenditures, on and after July 1, 2019, a new cap on General Fund and Special Transportation Fund appropriations prohibits the General Assembly from authorizing General Fund and Special Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed a specified percentage (declining from 99.5% to 98%) of the estimated revenues included in the budget act, subject to certain exceptions.

Biennium Budget. The State's fiscal year begins on July 1 and ends on June 30. The General Statutes require that the budgetary process be on a biennium basis. The Governor is required to transmit a budget document to the General Assembly in February of each odd-numbered year setting forth the financial program for the ensuing biennium with a separate budget for each of the two fiscal years and a report that sets forth estimated revenues and expenditures for the three fiscal years after the biennium to which the budget document relates. In each even-numbered year, the Governor must prepare a report on the status of the budget enacted in the previous year with any recommendations for adjustments and revisions, and a report, with revisions, if any, that sets forth estimated revenues and expenditures for the three fiscal years after the biennium in progress.

Preparation of the Budget. Formulation of the budget document commences with the preparation of estimates of expenditure requirements for each fiscal year of the next biennium by the administrative head of each budgeted agency. These estimates are submitted on or before September 1 of each even-numbered year to the Office of Policy and Management ("OPM") and to the joint legislative standing committee on appropriations and the committee having cognizance of matters relating to such budgeted agency. On or before September 1 of each odd-numbered year, each agency submits its recommended adjustments or revisions of such estimates. A detailed statement showing revenue and estimated revenue for the current fiscal year and estimated revenue for the next fiscal year, and in the even-numbered year, for the next biennium, must also be submitted by such agency heads to OPM on or before September 1 and the joint legislative standing committee on finance on or before November 15. Upon receipt of such agency reports, it is OPM's practice to prepare a preliminary budget report.

Budget Document. The budget document is published and transmitted to the General Assembly in February of each odd-numbered year. A report summarizing recommended adjustments or revisions is submitted by the Governor to the General Assembly on the day on which the General Assembly first convenes in even-numbered years. By statute, the budget document must contain the Governor's budget message, the Governor's program for meeting the expenditure needs of the State, as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated basis for the fiscal year in progress and the fiscal years to which the budget relates. The Governor also will recommend the manner in which any deficit will be met or any surplus used.

Adoption of the Budget. Following publication and presentation of the budget document to the General Assembly, the Governor or a representative then appears before the appropriate committee of the General Assembly to explain and address questions concerning the budget document or related reports. Prior to June 30 of each odd-numbered year, the General Assembly enacts legislation making appropriations for the next two fiscal years and setting forth revenue estimates for those years.

Line Item Veto. Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. The General Assembly may separately reconsider and repass such disapproved appropriation items by a two thirds vote of each house.

Statutory Debt Limit. In addition to the biennial budget, the General Assembly also authorizes a variety of types of debt. Section 3-21 of the Connecticut General Statutes provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there are certain statutory exclusions and deductions. See **STATE DEBT – State Direct General Obligation Debt –** ***Statutory Debt Limit***.

Consensus Revenue Estimates. OPM and the Legislature's Office of Fiscal Analysis ("OFA") are required by statute to issue consensus revenue estimates each year by November 10. The estimates must cover a five-year period that includes the current biennium and the three following fiscal years. It also requires the two offices, by January 15 and April 30 each year, to issue either (1) a consensus revision of their previous estimate or (2) a statement that no revision is needed. If the two agencies cannot arrive at a consensus estimate, they must issue separate ones. In such a case, the Comptroller must issue the consensus estimate based upon the separate estimates. The Comptroller's estimate must equal one of the separate estimates or fall between the two.

Fiscal Accountability Report. By November 15 annually, the Secretary of OPM and the Director of OFA each submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of State agencies and to finance, revenue and bonding: (1) for the current biennium and the next ensuing three fiscal years an estimate of State revenues, the level of expenditure change from current year expenditures allowable by consensus revenue estimates in each fund, any changes to current year expenditures necessitated by fixed cost drivers, and the aggregate changes to current year expenditures required to accommodate fixed cost drivers without exceeding current revenue estimate; (2) the projected tax credits to be used in the current biennium and the next ensuing three fiscal years, and the assumptions on which such projections are based; (3) a summary of any estimated deficiencies in the current fiscal year, the reasons for such deficiencies, and the assumptions upon which such estimates are based; (4) the projected balance in the Budget Reserve Fund at the end of each uncompleted fiscal year of the current biennium and the next ensuing three fiscal years; (5) the projected bond authorizations, allocations and issuances in each of the next ensuing five fiscal years and their impact on the debt service of the major funds of the State; (6) an analysis of revenue and expenditure trends and of the major cost drivers affecting State spending, including identification of any areas of concern and efforts undertaken to address such areas, including efforts to obtain federal funds; and (7) an analysis of possible uses of surplus funds, including the Budget Reserve Fund, debt retirement and funding of pension liabilities.

By November 30 annually, the legislative committees then meet with the Secretary of OPM and the Director of OFA to consider the submitted reports. Pursuant to the 2017 Budget Act, the November 15, 2017 reports were not required to be submitted.

Financial Controls

Expenditures. The financial control procedures utilized by the State are described below and may be generally summarized as follows: initially, the legislature appropriates funds for a particular purpose; such funds must then be allotted for such purpose by the Governor; and thereafter such funds are encumbered by the Comptroller upon the request of the responsible State agency. Once this appropriation, allotment and encumbrance procedure (which may be modified as described below) has been completed, State funds are paid by the Treasurer upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. Certain receivables from the federal government or other sources do not require allotment by the Governor.

Governor's Role in Expenditure Control. Before an appropriation for a budgeted agency becomes available for expenditure, the agency must submit to the Governor not less than 20 days before the beginning of the fiscal year for which the appropriation is made, a requisition for the allotment of funds needed for each quarter of the fiscal year. Appropriations for capital outlays may be allotted in any manner the Governor deems advisable. The Governor may reduce the budget allotment request by not more than three percent of the total appropriation from any fund or not more than five percent of any appropriation under certain circumstances. Such allotments are subject to further modification by the Governor throughout the course of the fiscal year if conditions warrant. If the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one per cent of the total of General Fund appropriations, the Governor is required, within thirty days of such statement date, to file a report with the joint standing committees of the General Assembly on appropriations and on finance, revenue and bonding. The report must include a plan that the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities or any budgeted agency of the legislative or judicial branch, except that the Governor may propose an aggregate allotment reduction of a specified amount for the legislative or judicial branch.

Comptroller's Role in Expenditure Control. The Comptroller is responsible for keeping an account in connection with each appropriation. No warrant, draft or order may be issued by the Comptroller in excess of the available balance of the applicable account unless the General Assembly has passed a deficiency bill for the purpose or unless such appropriation has been increased by the Governor in the limited circumstances of emergency expenditures or allotment modifications. The Comptroller is required to issue cumulative monthly financial reports concerning the State General Fund on or before the first day of the following month. OPM provides estimates to the Comptroller by the twentieth day of each month of the revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report.

Treasurer's Role in Expenditure Control. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. Payments of principal or interest of State bonds and payments of interest on funds held by the Treasurer on which the Treasurer is required to pay interest do not require specific appropriations.

Use of Appropriations; Unexpended Appropriations. No appropriation or part thereof may be used for any purpose other than for the purpose for which it was made, except with respect to certain transfers and revisions of appropriations permitted to be made by the Governor with the concurrence of the Finance Advisory Committee, composed of members of the executive and legislative departments. All unexpended balances of appropriations for each fiscal year lapse on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except for certain continuing appropriations.

Unappropriated Surplus – Budget Reserve Fund. The State Constitution provides that any unappropriated surplus shall be used to fund a Budget Reserve Fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. The 2017 Budget Act which was passed by a three-fifths vote of each house of the General Assembly restructured the funding and use of the Budget Reserve Fund. All revenue in excess of $3.15 billion received by the State each fiscal year from estimated and final payments of the personal income tax imposed under chapter 229 of the general statutes is to be transferred by the Treasurer to the Budget Reserve Fund. The State received approximately $3.164 billion in Fiscal Year 2017 from estimated and final payments of such personal income tax, which does not include withholding tax receipts. The Treasurer is also required to transfer any unappropriated surplus in the General Fund to a Budget Reserve Fund, unless otherwise directed by law. When the amount in the Budget Reserve Fund in any fiscal year equals 15% of the net General Fund appropriation for the current fiscal year, no further transfers shall be made by the Treasurer and the amount of such funds in excess of that transferred to such fund shall be deemed to be appropriated, as selected by the Treasurer in the best interests of the State to (i) the State Employees Retirement Fund according to a formula set forth in the general statutes or (ii) the Teachers' Retirement Fund up to 5% of the unfunded actuarial accrued liability. Thereafter, amounts are appropriated for redemption, purchase or extinguishment of outstanding indebtedness or additional contributions to the State Employees Retirement Fund or Teachers' Retirement Fund or, under specified conditions, may be transferred to the General Fund. Whenever the amount in the Budget Reserve Fund equals 5% or more of the net General Fund appropriations for the current fiscal year, the General Assembly may transfer funds in excess of the 5% threshold from the Budget Reserve Fund, the purpose of paying unfunded past service liability of the State Employees Retirement Fund or the Teachers' Retirement Fund as the General Assembly, in consultation with the Treasurer determines to be in the best interests of the State. Whenever in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary, the amount of funds credited to the Budget Reserve Fund shall be deemed to be appropriated for purposes of funding such deficit. In addition, the General Assembly may transfer funds from the Budget Reserve Fund to the General Fund if any consensus revenue estimate for the current biennium projects a decline in General Fund revenues for the current biennium of 1% or more from the total amount of General Fund estimated revenue on which the budget act or adjusted revenue plan enacted by the General Assembly was based or from the April 30th annual consensus revenue estimate. Any such transfer may be made at any time during the remainder of the current biennium.

Notwithstanding the above, legislation is passed from time to time that assigns different uses to such surpluses. The balance in the Budget Reserve Fund as of June 30, 2017, as estimated by the Comptroller, is $212.9 million, which is 1.1% of the net General Fund appropriations for Fiscal Year 2018.

Accounting Procedures

Books and Records. The State uses an enterprise resource planning system called Core-CT to address its automated financial accounting and human resources needs. This statewide system uses technology to manage financial transaction activities ranging from contracting and purchasing to payment and reporting. The State's financial applications are fully integrated with human resources, providing a single comprehensive management and reporting system.

Financial Reporting. For a number of years, the State has prepared annual financial statements in two ways: financial statements prepared using the guidance of Generally Accepted Accounting Principles ("GAAP"), as prescribed by the Government Accounting Standards Board ("GASB"), and financial statements prepared on a statutory basis (that is, following the adopted budget and related statutes, "statutory basis"). As described below, the State has transitioned to both budgeting and statutory financial statement reporting more in line with GAAP standards.

While not required to prepare financial statements in accordance with GAAP, since 1988 the State has issued comprehensive annual financial reports in accordance with the guidelines established by GASB. These reports include audited annual financial statements prepared using the guidance of GAAP. The State does not prepare GAAP statements on an interim basis.

The Comptroller prepares financial statements annually on a statutory basis for submission to the Governor by September 30 of each year, unless extended by State law. The State's Auditors of Public Accounts must audit the books and accounts of the Treasurer and the Comptroller at least annually and have discretion to audit them at more frequent intervals.

The statutory basis of accounting used for budgetary financial reporting and the modified accrual basis used for GAAP financial reporting are different and, as a result, often produce varying financial results, primarily because of differences in the recognition of revenues and expenditures. As described below under "**GAAP Based Budgeting**", commencing in Fiscal Year 2014 appropriations have been made in line with the accrual of expenses for GAAP purposes, and the differences between the two methods are less significant than they would be without the budgetary conversion to GAAP budgeting, discussed below. Under the statutory basis, expenditures are recorded in the fiscal year in which the payment is processed versus when the expense is realized under a GAAP basis. In addition, there is a recording of expenditure accruals to the fiscal year in which specific goods and services are received even though payment is not processed until the next fiscal year. Such accrued expenditures include State of Connecticut payroll expenses, general agency operating expenses, and Medicaid expenses. Certain appropriations that have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations. Under the statutory basis, there are limited modifications from the cash basis in recording revenues which are permitted by statute or decision of the Comptroller. Under the modified accrual basis used for GAAP financial recording, generally all revenues are recognized when they are realized or realizable and earned.

The audited statutory basis financial statements for the fiscal year ending June 30, 2017 and the audited financial statements of the State prepared using the guidance of GAAP for the fiscal year ending June 30, 2017 appear in **Parts II-C** and **II-D**.

GAAP Based Budgeting. Legislation passed in 2011 required the transition from the previously used modified cash basis of accounting to GAAP. This legislation required that the budget, commencing with Fiscal Year 2014, be prepared in accordance with GAAP, commonly referred to as GAAP budgeting. While GASB does not recognize a concept of GAAP budgeting or prescribe standards for GAAP budgeting, the State interprets the policy objectives of the GAAP budgeting requirement as a requirement to authorize expenditures in line with the accrual of the expenditures, to estimate revenues in line with the accrual of revenues, and an intention, over time, to eliminate the GAAP deficit. The transition to the implementation of the use of GAAP accrual principles with respect to the preparation of the biennial budget included changing the meaning of a deficit as it relates to the requirement that the Governor's budget includes recommendations to the General Assembly regarding the manner in which any deficit shall be met. As a result, prior to the start of the biennium for which the budget document is transmitted to the General Assembly, the Governor now accounts for the amount necessary to extinguish any unreserved negative balance in each budgeted fund as addressed in the most recently issued statutory basis annual financial report issued by the Comptroller. The Governor is not required to account for the extinguishment of any unreserved negative balance resulting from adjustments that are not accounted for within the budget process.

The Comptroller initiated a process intended to result in the implementation of the policy objectives of GAAP with respect to the preparation and maintenance of the biennial budget and the annual financial statements of the State previously prepared on a modified cash basis. The Comptroller established an opening combined balance sheet for each appropriated fund reflecting GAAP accrual principles. This combined balance sheet reflected as a deferred charge the accumulated deficit in the General Fund on June 30, 2013 of $1,217.1 million, as determined on the modified accrual basis of GAAP and identified in the comprehensive annual financial report of the State as the unassigned fund balance in the General Fund, commonly referred to as the accumulated GAAP deficit. As part of a two-part plan to extinguish such deficit, the State issued bonds in October 2013 in the amount of $560.43 million generating net proceeds of approximately $600 million, which was deposited in the General Fund and applied to reduce the accumulated GAAP deficit ("GAAP Bonds"). The second part of the plan was additional legislation that deemed appropriated the amounts needed to amortize the difference between the remaining accumulated GAAP deficit from Fiscal Year 2016 to Fiscal Year 2028. The GAAP Bonds contain a contractual covenant with bondholders that no future action of the General Assembly shall diminish the appropriation so long as the GAAP Bonds are outstanding, unless the Governor declares an emergency or there are other extraordinary circumstances.

In accordance with the second part of the plan, the deferred charge of the accumulated deficit discussed above is required to be amortized in each fiscal year of each biennial budget commencing with Fiscal Year 2016, and for the next succeeding twelve fiscal years. Commencing with Fiscal Year 2018 and for the succeeding ten years, the Secretary of OPM is required to annually publish an amortization schedule to fully reduce the negative unassigned balance by June 30, 2028. Additionally, the unreserved negative balance in the General Fund reported in the comprehensive annual financial report of the State for Fiscal Year 2014, reduced by (i) the negative unassigned balance of the General Fund for Fiscal Year 2013 and (ii) any funds from resources deposited in the General Fund for the purpose of reducing the negative unassigned balance of the General Fund, resulting in $108.7 million, is required to be amortized in each fiscal year of each biennial budget commencing with Fiscal Year 2018 and for the succeeding ten fiscal years. To date, there has been one amortization payment made for the GAAP deficit in the amount of $47.6 million in Fiscal Year 2016. In recent years, enacted budgets have postponed the amortization payments and most recently, pursuant to the 2017 Budget Act, the Fiscal Year 2018 and Fiscal Year 2019 amortization payments of $57.5 million in each year were postponed. While delaying the amortization of the accumulated GAAP deficit, this plan is intended to result in the elimination of the accumulated GAAP deficit as of June 30, 2013 by the end of Fiscal Year 2028. Although the State's two-part plan has resulted in the reduction of the overall GAAP deficit and the mitigation of its growth, the GAAP deficit has continued to grow over time largely due to the growth in spending accruals within the budgeted funds.

The negative unassigned fund balance in the General Fund to be amortized by June 30, 2028 pursuant to Public Act No. 17-61 was $679,628,154 as of June 30, 2017.

Cash Management and Investment

The Treasurer has the investment responsibility for all funds of the State and functions as the trustee of all State pension, retirement and trust funds. The Treasurer is authorized to invest funds under the control of the Treasurer, subject to certain conditions, including in certain circumstances the approval of the Investment Advisory Council, in a variety of investments allowed by statute.

Cash Management. The cash management system and the investment by the Treasurer of State monies, other than monies invested on a longer-term basis, including pension and certain trust funds, are based on the concept of available cash. Available cash consists of the State's common cash pool and funds invested in certain accounts in the Short-Term Investment Fund ("STIF"), including proceeds of various State bonding programs and miscellaneous other STIF accounts. The common cash pool is comprised of the operating cash of most State funds, including the General Fund and the Budget Reserve Fund, and is held or invested in bank deposits, STIF, and other short term investments. It is the State's practice to permit temporary inter-fund transfers to the common cash pool as needed to address mismatches in the timing of receipts and disbursements. This cash management policy is intended to provide flexibility for expenditures to occur when they are needed without the need to resort to short-term financing mechanisms that could impose additional costs on the State. Cash transferred pursuant to these temporary inter-fund transfers is returned as cash pool balances allow. The State's available cash varies from day to day. The week-ending balances of available cash for Fiscal Year 2017 averaged $2.3 billion.

In addition, the Treasurer has the authority to establish, and has in the past established, lines of credit and other short-term financing mechanisms to secure the availability of cash.

On a daily basis, the Treasurer calculates expected cash receipts and disbursements, necessary bank balances, and amounts available for investment. The Treasurer is required to submit a monthly report to certain legislative members and the OFA that includes among other items, a weekly list of the State's cash balance, a year to date total of authorized but unissued bonds, debt instruments or commercial paper of the State, and the amounts in the State's common cash pool.

Short-Term Investment Fund. STIF is a combined investment pool of high quality, short-term money market instruments, which is an investment vehicle for the temporary surplus cash of all funds for which the Treasurer is custodian and/or trustee, except certain bond funds, State pension funds and selected trust funds. All agencies, instrumentalities and political subdivisions of the State are permitted to invest in STIF. The State is responsible to these governmental entities to manage their deposits and accumulated earnings in a prudent manner. Individual participants in STIF can add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of STIF are the preservation of principal and the provision of liquidity to meet participants' daily cash flow needs, while seeking to earn competitive yields. STIF is managed in accordance with the investment guidelines established by the Treasurer and the investment restrictions of Section 3-27d of the Connecticut General Statutes. These investment guidelines prohibit investment in derivative securities other than floating rate securities that vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements to amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution. STIF is rated "AAAm" by Standard & Poor's.

Other Funds. Other State monies are held in certain other funds. Up to $100 million of the State's operating cash may be invested in certificates of deposit of community banks and credit unions, pursuant to Section 3-24k of the CGS. In addition, investments may be made in individual securities pursuant to Section 3-31a of the CGS. Allowable investments under Section 3-31a of the CGS include United States government and agency obligations, shares or interests in an investment company or investment trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements collateralized by such obligations, certificates of deposit, commercial paper, savings accounts, and bank acceptances. The Treasurer has adopted guidelines for investments made under Section 3-31a of the CGS that specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $1.5 billion. Pursuant to Section 3-28a of the CGS and guidelines adopted by the Treasurer, the Treasurer is authorized to invest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers acceptances, repurchase agreements collateralized by such securities and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest.

Investment and Payment of Bond Proceeds. Proceeds of bonds are accounted for in various bond funds. Generally, all invested assets of the bond funds are invested in STIF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor. Assets of the bond funds may from time to time be transferred temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, transfer of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an expenditure is charged to the bond funds. In no case does the temporary transfer of bond fund assets to the common cash pool alter the timing or the extent of expenditures for the purposes for which the bonds were issued.

Investment Advisory Council. Trust fund investments by the Treasurer are reviewed by the Investment Advisory Council, comprised of the Treasurer and the Secretary of OPM as *ex-officio* members, five members of the public with experience in investment matters, three representatives of the teachers' union and two representatives of the State employees' unions. The Treasurer, with the approval of the Council, adopts an Investment Policy Statement for trust funds. Under certain limited circumstances, all private equity or real estate investments require approval of the Investment Advisory Council. The Governor may direct the Treasurer to change any investments when, in the judgment of the Council, such action is in the best interest of the State.

Investment of Pension Funds. Eleven investment funds serve as the investment medium for the various pension, retirement and trust funds of which the Treasurer is the trustee. They are the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Inflation Linked Bond Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Private Investment Fund, the Real Estate Fund, the Liquidity Investment Fund, and the Alternative Investment Fund. The pension, retirement and trust funds acquire units, in varying proportions depending on the investment policies of the funds, in one or more of the eleven investment funds. By statute no more than 60% of any of the State's trust funds may be invested in common stock and if market fluctuations cause this limit to be exceeded, after six months no more than 65% of the State's trust funds may remain invested in common stock. Other than these limits, the statutes of the State permit investment in securities under the "Prudent Investor" rule. See also **PENSION AND RETIREMENT SYSTEMS** herein.

STATE GENERAL FUND

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

The State finances most of its operations through its General Fund. Certain State functions, such as the State's transportation budget, are financed through other State funds. See **OTHER FUNDS, DEBT AND LIABILITIES** herein. For budgetary purposes, the State's General Fund has been accounted for in accordance with accounting standards prescribed by statutes ("statutory-basis"). The State has not been required by law to prepare generally accepted accounting principles ("GAAP") financial statements, although it has prepared such statements annually since 1988. Legislation was passed in 2011 which facilitated a transition from the prior modified cash basis of accounting to a basis of accounting that incorporates certain policy objectives of GAAP. For an explanation of the differences between the statutory basis and GAAP based accounting and a discussion of the transition to GAAP, see **FINANCIAL PROCEDURES — Accounting Procedures** herein.

GAAP based audited financial statements for certain funds including the General Fund of the State for Fiscal Year 2017 are included as **Appendix II-C** to this Information Statement. Modified cash basis audited financial statements for the General Fund for Fiscal Year 2013 and statutory basis audited financial statements for the General Fund for Fiscal Years 2014 through 2017 are included in **Appendix II-D** to this Information Statement. The adopted budget and final financial statutory basis results for Fiscal Year 2017, the adopted budget and estimated budget (as of December 31, 2017) for Fiscal Year 2018, and the adopted budget for Fiscal Year 2019 are included as **Appendix II-E** to this Information Statement. Unless otherwise stated, amounts set forth in the discussion that follows under this caption **STATE GENERAL FUND** refer to such amounts as calculated on the statutory basis of accounting.

General Fund Revenues

Forecasted, Adopted and Historical Revenues

Procedure For Forecasting Revenues. Revenues are forecast by the legislature in adopting a budget and by the executive branch in proposing a budget and tracking performance through the year and for other planning purposes. Revenue forecasting in Connecticut incorporates a blend of econometric modeling and economic advice obtained from an array of expert sources. Some of these major sources include: "Blue Chip Economic Indicators", which is a compilation of the consensus forecast for major national economic indicators from the top 50 economic and financial institutions and IHS Global Inc., a nationally recognized econometric forecasting firm.

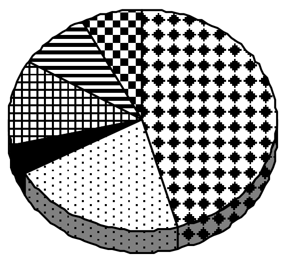
Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a consensus interpretation of all available data. Annual revenue estimates from the beginning of each year attempt to account for possible variations in economic activity during the year. Periodic economic data, such as seasonal adjustments to estimated personal income growth, or a monthly drop in employment, are analyzed on an on-going basis. Adjustments are made when the aggregate values of such changes deviate beyond tolerance levels derived from aggregate and historical estimates. The State believes that the process followed in developing Connecticut's revenue forecast is consistent with approaches taken in many other states.

Fiscal Year 2018 and 2019 Adopted Revenues. General Fund revenues are forecasted by the legislature at the adoption of the budgets for Fiscal Years 2018 and 2019 ("Adopted Revenues") and are reflected in **Appendix II-E** to this Information Statement.

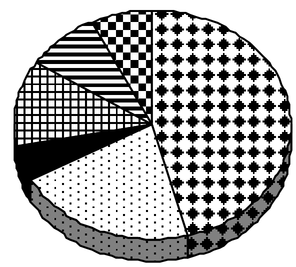
General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. The State, as of the forecast date, expected to derive approximately 85 percent and 84 percent of its General Fund revenues from taxes during Fiscal Year 2018 and Fiscal Year 2019, respectively. A summary of anticipated General Fund revenue sources based on the Adopted Revenues for Fiscal Years 2018 and 2019, is set forth below:

Adopted General Fund Revenues (In Millions)

Adopted Revenues
Fiscal Year 2018
$18,723.7 [(a)]



Adopted Revenues
Fiscal Year 2019
$18,890.4 [(a)]



	Fiscal Year 2018		Fiscal Year 2019	
Personal Income Tax	$ 9,182.5	45.8%	$ 9,312.2	45.9%
Sales and Use Tax	4,220.5	21.0%	4,288.1	21.1%
Corporate Business Tax	933.3	4.7%	988.7	4.9%
Other Taxes[(b)]	2,482.2	12.4%	2,463.9	12.1%
Unrestricted Federal Grants	1,732.9	8.6%	1,764.0	8.7%
Other Non-Tax Revenues[(c)]	1,503.9	7.5%	1,466.6	7.2%

Note: Totals may not add to 100% due to rounding.

(a) The pie charts reflect the total of the listed tax and revenue amounts of $20,055.3 million for Fiscal Year 2018 and $20,283.5 million for Fiscal Year 2019, while the amounts in the title of the pie charts reflect reductions resulting from tax refunds, R&D Credit Exchange and transfers to other funds of $1,331.6 million for Fiscal Year 2018 and $1,393.1 million for Fiscal Year 2019. See **Appendix II-E** for anticipated adjustments to adopted tax revenues.

(b) Other taxes are comprised of inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers, and other miscellaneous taxes. See **Appendix II-E**.

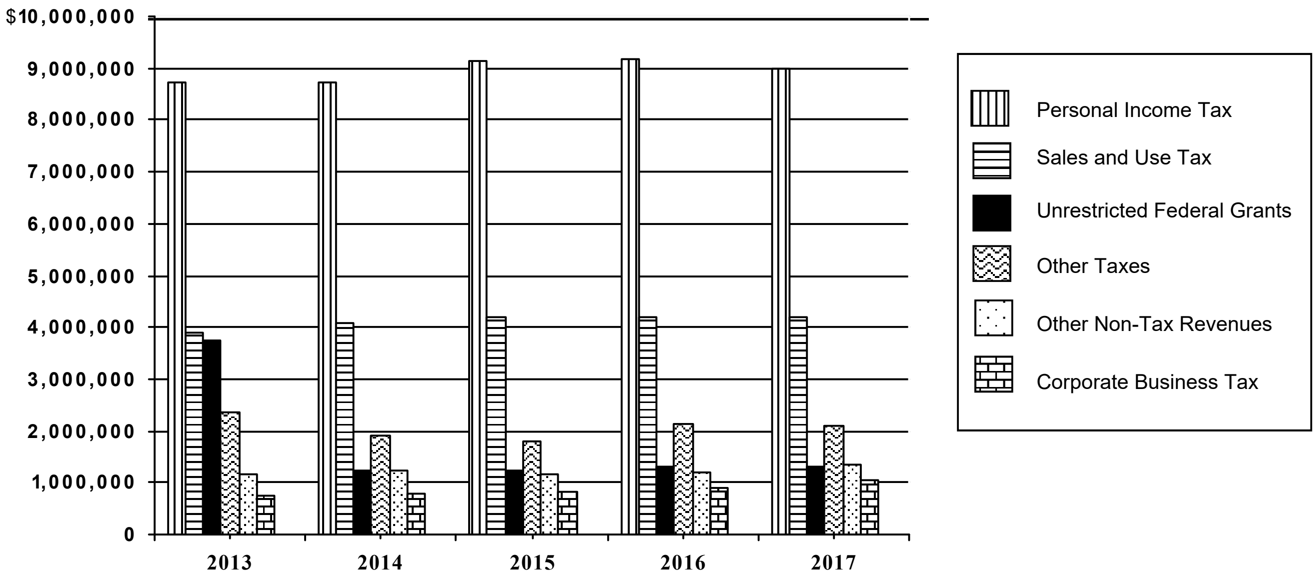
(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund. **See Appendix II-E**.

SOURCE: Public Act No. 17-2 of the June Special Session, as amended by Public Act No. 17-4 of the June Special Session and Public Act No. 17-1 of the January 2018 Special Session.

Historical General Fund Revenues

Actual General Fund revenues for Fiscal Years 2013 through 2017 are set forth in **Appendix II-D** to this Information Statement. A summary of the composition of General Fund gross revenues for the last five fiscal years is illustrated below:

General Fund Revenues[(a)]
Fiscal Year Ending June 30
(In Thousands)



	2013	2014	2015	2016	2017
Taxes:					
Personal Income Tax	$ 8,719,245	$ 8,718,659	$ 9,151,037	$ 9,181,648	$ 8,988,667
Sales Tax	3,896,998	4,100,564	4,205,051	4,181,852	4,192,203
Corporate Business Tax	742,515	782,239	814,805	880,449	1,037,565
Other Taxes[(b)]	2,343,005	1,909,126	1,792,973	2,142,039	2,106,400
Subtotal..............................	$15,701,763	$15,510,588	$15,963,866	$16,385,988	$16,324,835
R & D Credit Exchange……….	(4,086)	(5,055)	(7,878)	(7,623)	(5,485)
Refunds of Taxes	(1,144,993)	(1,182,397)	(1,163,639)	(1,223,198)	(1,263,824)
Total Net Taxes	$14,552,684	$14,323,136	$14,792,349	$15,155,167	$15,055,526
Other Revenue:					
Federal Grants					
(Unrestricted).........................	$ 3,733,909	$ 1,243,861[(d)]	$ 1,241,244[(d)]	$ 1,301,532[(d)]	$ 1,325,237
Other Non-Tax Revenues[(c)]	1,143,366	1,229,032	1,174,912	1,207,958	1,353,113
Transfers to Other Funds	(128,028)	(61,800)	(61,780)	(61,688)	(58,100)
Transfers from Other Funds......	103,100	873,828[(e)]	135,313	177,853	27,192
Total Other Revenues	$ 4,852,347	$ 3,284,921	$ 2,489,689	$ 2,625,655	$ 2,647,442
Total Revenues..................	$19,405,031	$17,608,057	$17,282,038	$ 17,780,822	$17,702,968

(a) The bar graph reflects the gross listed tax and revenue amounts and does not reflect the listed adjustments for tax credits and refunds and transfers to or from other funds. See **Appendix II-D** for adjustments to revenues.

(b) Other taxes are comprised of inheritance and estate taxes; taxes on gross receipts of public service corporations, net direct premiums of insurance companies, oil companies, cigarettes and alcoholic beverages, real estate transfers, admissions and dues, and healthcare providers; electric generation and other miscellaneous taxes.

(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues and special transfers to the resources of the General Fund less refunds of payments.

(d) Beginning with Fiscal Year 2014, the State significantly altered the manner in which it handles federal Medicaid grants for budget and accounting purposes. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of Medicaid expenditures being appropriated.

(e) The Fiscal Year 2014 amount includes $598.5 million in GAAP Conversion Bonds, the proceeds of which were used to reduce the cumulative GAAP deficit of the state.

SOURCE: 2013, 2014, 2015, 2016 and 2017 Annual Reports of the State Comptroller.

Components of Revenue

Personal Income Tax. The State imposes a Personal Income Tax on the income of residents of the State (including resident trusts and estates), part-year residents and certain non-residents who have taxable income derived from or connected with sources within Connecticut. The current tax is imposed on a graduated scale, with a maximum rate of 6.99%, on Connecticut taxable income. Depending on federal income tax filing status, the taxable year and Connecticut adjusted gross income, personal exemptions are available to taxpayers, ranging from $15,000 to $24,000. In addition, tax credits ranging from 1% to 75% of a taxpayer's Connecticut tax liability are also available depending upon federal income tax filing status, the taxable year and Connecticut adjusted gross income. Such exemptions and tax credits are phased out at higher income levels. Under the current structure, the top rate increases to 6.99% with a rate of 3% applicable to taxable income up to certain amounts. The first $20,000 of taxable income for a joint filer and the first $10,000 of taxable income for a single filer is taxed at the 3% rate, rising thereafter to 6.99%. Lower rates are phased out for all filers who exceed certain income thresholds. There is an income tax credit for property taxes paid of $200 per filer for tax years beginning on or after January 1, 2016. Taxpayers also are subject to a Connecticut minimum tax, based on their liability, if any, for payment of the federal alternative minimum tax. Neither the personal exemption nor the tax credits described above are available to trusts or estates.

Sales and Use Taxes. A Sales Tax is imposed, subject to certain limitations, on the gross receipts from certain transactions within the State of persons engaged in business in the State, including (a) retail sales of tangible personal property, (b) the rendering of certain services, (c) the leasing or rental of tangible personal property, (d) the production, fabrication, processing, printing, or imprinting of tangible personal property to special order or with materials furnished by the consumer, (e) the furnishing, preparation or serving of food, meals, or drinks, and (f) hotel, lodging house rooms or bed and breakfast establishment for a period not exceeding thirty consecutive calendar days. A Use Tax is imposed, with certain exceptions, on the consideration paid for certain services or purchases or rentals of tangible personal property used within the State pursuant to a transaction not subject to the Sales Tax. The tax rate for each of the Sales and Use Taxes is 6.35%. A separate rate of 15% is charged on the occupancy of hotel rooms or lodging house rooms and 11% for bed and breakfast establishments. Various exemptions from the Sales and Use Taxes are provided, based on the nature, use or price of the property or services involved or the identity of the purchaser. Tax returns and accompanying payments with respect to these taxes are generally due monthly on or before the last day of the month next succeeding the taxable month.

Corporation Business Taxes. A Corporation Business Tax is imposed on any corporation, joint stock company or association, any dissolved corporation that continues to conduct business, any electric distribution company or fiduciary of any of the foregoing that carries on or has the right to carry on business within the State, owns or leases property, maintains an office within the State, or is a general partner in a partnership or a limited partner in a limited partnership, except an investment partnership, which does business, owns or leases property or maintains an office within the State. Certain financial services companies and domestic insurance companies are exempt from this tax. Corporations are required to compute their tax liability under three methods, determine which calculation produces the greatest tax, and pay that amount to the State.

- The first method of computing the Corporation Business Tax is a tax measured by the net income of a taxpayer (the "Income-Base Tax"). Net income means federal gross income with limited variations less certain deductions, most of which correspond to the deductions allowed under the Internal Revenue Code of 1986, as amended. The Income-Base Tax is at a rate of 7.5% for taxable years commencing on and after January 1, 2000.
- The second method of computing the Corporation Business Tax is a tax on capital. This tax is determined either as a specific maximum dollar amount or at a flat rate on a defined base, usually related in whole or in part to the corporation's capital stock and balance sheet surplus, profit and deficit.
- The third method of computing the Corporation Business Tax is a minimum tax in the amount of $250.

The State limits corporation credits from reducing tax liability by more than 50.01% for most credits. The State imposes a corporation business tax surcharge of 20% for income years 2012 through 2017 for businesses with over $100 million in federal adjusted gross income. Under current law, the surcharge will decrease to 10% for income year 2018 and phase out completely for income year 2019.

A $250 charge, due biennially, is levied on LLCs, LLPs and S corporations. The tax extends to single-member LLCs that are not considered entities separate from their owners for federal tax purposes.

Other Taxes. Other tax revenues are derived from inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers; and other miscellaneous taxes.

Federal Grants. Depending upon the particular program being funded, federal grants-in-aid are normally conditioned, to some degree, on resources provided by the State. Most unrestricted federal grant revenue is based on expenditures. The largest components of federal grants in Fiscal Year 2017 were related to medical assistance provided to low income individuals under Medicaid and temporary assistance for needy families. The State also receives certain restricted federal grants that are not reflected in annual appropriations but that nonetheless are accounted for in the General Fund. In addition, the State receives certain federal grants that are not accounted for in the General Fund but are allocated to the Special Transportation Fund, various Capital Project Funds and other funds.

For the periods presented in this Information Statement, two matters affect comparability.

- Beginning with Fiscal Year 2014, the State significantly altered the manner in which it handles federal Medicaid grants for budget and accounting purposes. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of Medicaid expenditures being appropriated. These changes reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015, compared to the prior method.
- Beginning January 1, 2014, the Affordable Care Act (ACA) increased income eligibility under Medicaid from 53% of the federal poverty level to 133% of the federal poverty level, referred to as Medicaid expansion. Prior to calendar year 2017, the Medicaid expansion population was 100% federally reimbursed. It is now being reimbursed at 95% and will be phased down to 90% in 2020 absent any federal changes. To the extent services under DSS' Medicaid account are covered through federal reimbursement, the costs are not included in the State's General Fund budget.

Other Non-Tax Revenues. Other non-tax revenues are derived from special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenue sources; and designated Tobacco Settlement Revenues.

General Fund Expenditures

<u>Appropriated and Historical Expenditures</u>

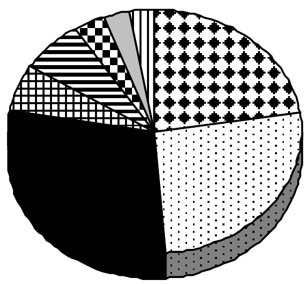
Fiscal Year 2018 and 2019 Appropriated Expenditures. State expenditures are categorized for budget and appropriation purposes under ten functional headings, with expenditures by agency generally shown as subheadings in the following functional categories, listed in order of magnitude of expenditure for the current budget biennium: Human Services; Education, Libraries and Museums; Non-Functional (debt service and miscellaneous expenditures including fringe benefits); Health and Hospitals; Corrections; General

Government; Judicial; Regulation and Protection; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, although minor expenditures for transportation related expenditures are occasionally paid from the General Fund. See – **OTHER FUNDS, DEBT AND LIABILITIES - Special Transportation Fund and Deb**t herein.

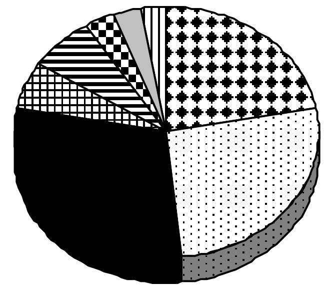
The adopted budget and final financial statutory basis results for Fiscal Year 2017, the adopted budget and estimated budget (as of December 31, 2017) for Fiscal Year 2018 and the adopted budget for Fiscal Year 2019 are included as **Appendix II-E** to this Information Statement. A summary of appropriated General Fund expenditures for Fiscal Years 2018 and 2019 is set forth below.

Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures
Fiscal Year 2018
$18,673.9 [(a)]



Appropriated Expenditures
Fiscal Year 2019
$18,790.6 [(a)]



	Fiscal Year 2018		Fiscal Year 2019	
Human Services	$ 4,408.1	22.5%	$ 4,354.6	21.9%
Education, Libraries and Museums	5,185.4	26.5%	5,275.0	26.5%
Non-Functional	5,609.8	28.7%	5,917.6	29.8%
Health and Hospitals	1,196.8	6.1%	1,209.6	6.1%
Corrections	1,386.1	7.1%	1,367.0	6.9%
General Government	687.2	3.5%	657.9	3.3%
Judicial	561.5	2.9%	571.4	2.9%
Other Expenditures[(b)]	538.0	2.8%	532.3	2.7%

(a) The pie charts reflect the total listed expenditures of $19,572.9 million for Fiscal Year 2018 and $19,885.4 million for Fiscal Year 2019, while the references in the title of the pie charts reflect adjustments for unallocated lapses of $898.9 million for Fiscal Year 2018 and $1,094.7 million for Fiscal Year 2019. See **Appendix II-E** for anticipated adjustments to appropriated expenditures.

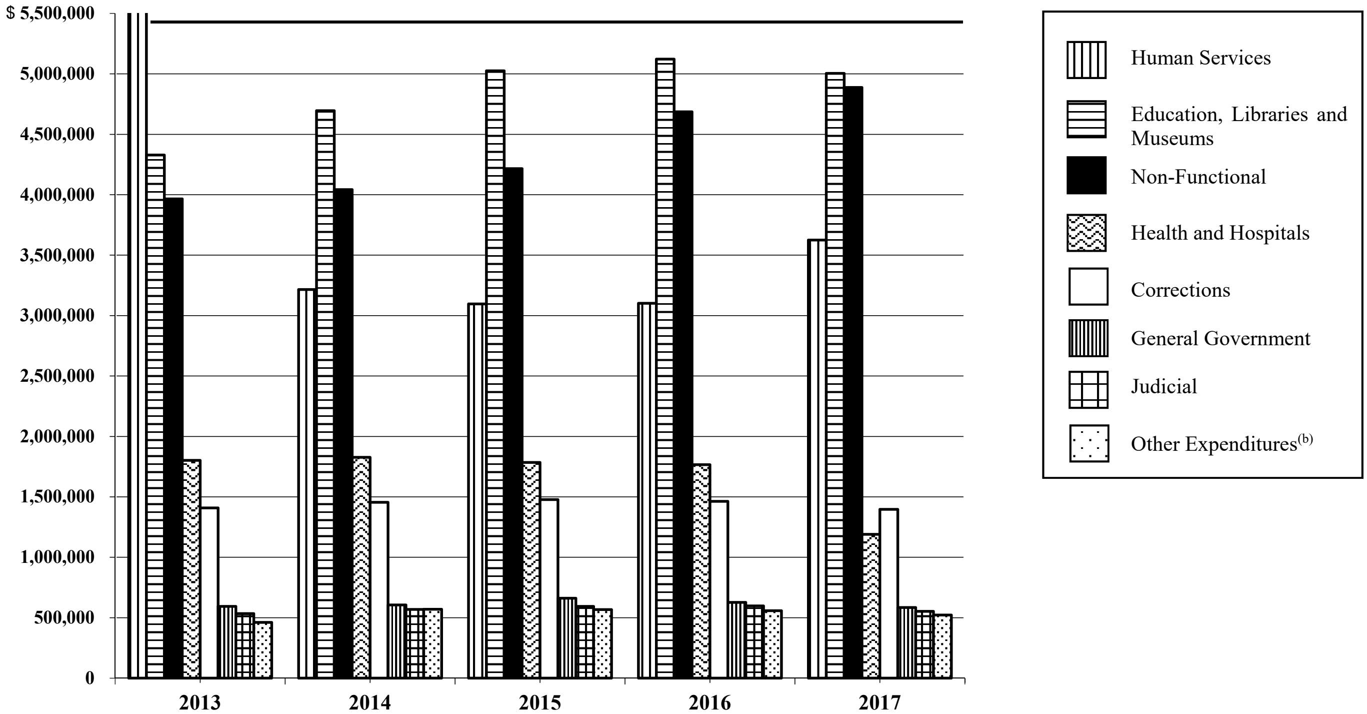
(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

SOURCE: Public Act No. 17-2 of the June Special Session, as amended by Public Act No. 17-4 of the June Special Session and Public Act No. 17-1 of the January 2018 Special Session.

Historical General Fund Expenditures

Actual General Fund expenditures for Fiscal Years 2013 through 2017 are set forth in **Appendix II-D** to this Information Statement. A summary of the composition of General Fund expenditures for the last five fiscal years is illustrated below:

General Fund Expenditures By Function[a]
Fiscal Year Ending June 30
(In Thousands)



	2013	2014	2015	2016	2017
Human Services	$ 5,931,567	$ 3,215,827[c]	$ 3,095,929[c]	$ 3,102,021[c]	$3,624,957[c][d]
Education, Libraries and Museums	4,328,894	4,695,646	5,025,391	5,122,029	5,003,923
Non-Functional	3,965,211	4,042,481	4,215,341	4,686,059	4,888,164
Health and Hospitals	1,801,952	1,827,308	1,785,337	1,765,944	1,189,787[d]
Corrections	1,408,761	1,454,442	1,476,753	1,463,065	1,397,113
General Government	593,367	605,677	661,000	627,035	584,707
Judicial	534,512	569,056	593,314	597,584	552,369
Other Expenditures[b]	461,403	569,607	566,624	557,521	522,020
Totals	$19,025,667	$16,980,044	$17,419,689	$17,921,258	$17,763,040

(a) The bar graphs and amounts listed do not reflect the offsetting effect of restricted federal and other grants. See **Appendix II-D**.

(b) Other expenditures are comprised of appropriations for Regulation and Protection, Conservation and Development; and Legislative.

(c) Beginning with Fiscal Year 2014, the State significantly altered the manner in which it handles federal Medicaid grants for budget and accounting purposes. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of Medicaid expenditures being appropriated.

(d) The Community Residential Services program, which expended $522.4 million in Fiscal Year 2017, was transferred from the Health and Hospital function to Human Services in Fiscal Year 2017.

Note: Totals may not add due to rounding.

SOURCE: 2013, 2014, 2015, 2016 and 2017 Annual Reports of the State Comptroller.

Components of Expenditures

Human Services. Virtually all of the State expenditures for Human Services are allocated to the Department of Social Services for various programs and services, including Medicaid payments, Temporary Assistance to Families, and General Assistance payments. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of payments to private Medicaid providers being appropriated. Federal payments applied to such costs are not appropriated. This has reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015 compared to the cost of current services.

Education, Libraries and Museums. The majority of State expenditures for Education, Libraries and Museums is allocated to the Department of Education, the largest share of which consists of payments to local governments. The remaining consists of expenditures for higher education (including the University of Connecticut, Connecticut State Colleges and Universities and Office of Higher Education), the Office of Early Childhood Education, the Teachers' Retirement Board and the State Library.

Non-Functional. Non-Functional State expenditures consist of debt service payments, State employee fringe benefit accounts and other miscellaneous appropriations.

Health and Hospitals. State expenditures for Health and Hospitals are allocated primarily for programs and services provided by the State Departments of Public Health, Developmental Services, and Mental Health and Addiction Services.

Corrections. Appropriations to the State Department of Correction and the Department of Children and Families comprise the largest portion of State expenditures for Corrections.

General Government. State expenditures for General Government may be classified into three categories: executive, financial administration and legal, the largest of which is expenditures for financial administration. Such expenditures are primarily for salaries and other miscellaneous expenses of various State departments.

Judicial. Judicial expenditures are comprised of salaries, expenses and payments for special programs of the Judicial Department and the Public Defender Services Commission.

Regulation and Protection. State expenditures for Regulation and Protection consist primarily of appropriations for the Department of Public Safety for salaries, equipment, training and other services and expenses. Other agencies and programs for which appropriations are made include the Police Officer Standards and Training Council, the Board of Firearms Permit Examiners, the Military Department, the Commission on Fire Prevention and Control, the Department of Consumer Protection, the Department of Labor, the Commission on Human Rights and Opportunities, and the Office of the Child Advocate.

Conservation and Development. State expenditures for Conservation and Development fall into three general categories: agriculture; development of housing, historical sites, commerce and industry; and environment.

Legislative. Legislative expenditures are comprised primarily of salaries, equipment and other expenses necessary for Legislative Management and the Auditors of Public Accounts.

Expenditures by Type

General Fund appropriations and the corresponding State expenditures can be categorized into two groups, non-fixed costs and fixed costs. Non-fixed costs can be described as the costs of State administration and include expenditures used directly to operate the facilities and programs of State agencies. This includes such items as salaries and wages for State employees; utility and fuel costs; food; institutional and office supplies; equipment; rent for office space and other facilities; and other current expenses, variable costs and discretionary items.

Fixed costs, consist largely of payments to State employee and teacher benefits including pensions and retiree health; entitlement programs such as Medicaid; and payments of debt service. Fixed costs amount to approximately 49.3% of total General Fund expenditures for Fiscal Year 2017 and 48.8% of total General Fund estimated expenditures for Fiscal Year 2018. A summary of non-fixed and fixed costs for the General Fund is shown below.

TABLE 1[(a)]

Fixed Costs – General Fund
Summarized by Major Expenditure Category
(In Millions)

	Fiscal Year 2016 (Actual)	Fiscal Year 2017 (Actual)	Fiscal Year 2018 (Estimated)
Non-Fixed Costs	$9,483.3	$9,087.2	$9,482.9
Fixed Costs:			
Debt Service	1,967.7	2,058.2	2,291.1
Teachers' Pensions	975.6	1,012.2	1,271.0
State Employees Retirement System	1,096.8	1,124.7	1,051.3
Other State Pensions	19.8	16.2	27.1
State and Teacher OPEB	665.9	726.4	736.9
Medicaid	2,391.1	2,407.1	2,533.8
All Other Entitlement Accounts[(b)]	1,321.0	1,331.0	1,325.6
Total Fixed Costs	$8,437.9	$8,675.8	$9,236.8
Fixed Cost Percent of Total Expenditures	47.1%	48.8%	49.3%

(a) Table 1 includes actual expenditures for Fiscal Years 2016 and 2017, and estimated expenditures for Fiscal Year 2018 per OPM's January 20, 2018 letter to the Comptroller.

(b) Includes entitlement programs under the Department of Mental Health and Addiction Services, Department of Development Services, Department of Social Services, Department of Children and Families and adjudicated claims under the Office of the State Comptroller.

Note: Totals may not add due to rounding.

SOURCE: Office of Policy and Management

Fiscal Year 2017 Operations

Pursuant to the Comptroller's audited statutory based financial report provided on October 31, 2017, as of June 30, 2017, General Fund revenues were $17,703.0 million, General Fund expenditures and net miscellaneous adjustments and reservations (including net appropriations continued and estimated lapses) were $17,725.7 million and the General Fund deficit for Fiscal Year 2017 was $22.7 million. A transfer from the Budget Reserve Fund to the General Fund will eliminate the shortfall. As a result of such transfer, the balance in the Budget Reserve Fund will decrease from the prior level of $235.6 million to $212.9 million, which is equal to 1.1% of the net General Fund appropriations for Fiscal Year 2018.

Forecasted Operation

Consensus Revenue Estimates

Pursuant to Section 2-36c of the Connecticut General Statutes, on January 16, 2018, OPM and OFA issued their consensus revision to their November 13, 2017 consensus revenue estimates for the current biennium and the three ensuing fiscal years as follows:

General Fund Consensus Revenue Estimate
(in Millions)

	Fiscal Year				
	2018	**2019**	**2020**	**2021**	**2022**
Revenue Estimate[(a)]	$18,479.6	$18,625.4	$17,510.1	$17,612.9	$17,753.5

(a) Pursuant to the 2017 Budget Act, the estimate assumes no transfers of sales tax revenues are made from the General Fund to the Municipal Revenue Sharing Fund in Fiscal Year 2018 and Fiscal Year 2019. Such transfers are assumed to be made in Fiscal Years 2020 through 2022 and thereby reduce the amount of General Fund revenues in those years.

The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the State will not indicate changes in the final results of the fiscal years reported.

Fiscal Accountability Report

Pursuant to the 2017 Budget Act, the fiscal accountability reports due for November 15, 2017 were not required to be submitted. The last fiscal accountability report submitted by OPM and OFA were on November 15, 2016. Pursuant to the requirements of Public Act No. 16-3 of the May Special Session, the methodology for those reports varied from that used in prior years. The reports show the level of expenditure change from current year expenditures allowable by consensus revenue estimates in the General Fund, the changes to current year expenditures necessitated by fixed cost drivers which include generally, pension and other retiree costs, debt service, Medicaid, and certain other costs for the Department of Social Services and the Department of Children and Families, and the aggregate changes to current year expenditures required to accommodate such fixed cost drivers without exceeding current revenue estimates.

When comparing estimated costs for "fixed components" of the budget to the November 2016 consensus revenue forecast, both reports estimated fixed cost growth in the General Fund exceeding revenue growth for Fiscal Year 2018 by approximately $1.2 to $1.3 billion requiring a reduction in non-fixed costs by such amount in order to achieve a balanced budget. Beyond Fiscal Year 2018, revenue and fixed cost growth were anticipated to be more closely matched.

The reports indicated the State's expenditure cap would allow growth in capped expenditure of approximately $300 million in Fiscal Year 2018 over Fiscal Year 2017 levels. Allowable growth rates are 2.00% in Fiscal Year 2018 over Fiscal Year 2017, 2.3% in Fiscal Year 2019 over Fiscal Year 2018, and 3.4% in Fiscal Year 2020 over Fiscal Year 2019.

The reports also estimated general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. The reports estimated fairly stable general obligation bond issuances over the five year period of $2.0 billion with the expenditure on debt service generally gradually increasing over such period.

The projections of OPM and OFA are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates, adjustments or actions of the State will not reflect changes in the operations of the General Fund or in the estimated or final results of such fiscal years. In addition, the State has a balanced budget requirement and an expenditure cap as discussed in the **Financial Procedures** section under the heading **The Budgetary Process –** ***Balanced Budget Requirement***. As such, budgets adopted for future fiscal years will need to comply with those requirements. As a result, the figures included in the report do not represent a projection of the actual financial results that might be expected, but instead serve as a planning tool.

Governor's Recommended Budget for Fiscal Years 2018 and 2019

On February 8, 2017, the Governor presented to the General Assembly his proposed budget for Fiscal Years 2018 and 2019. The Governor's proposed budget was not adopted and the General Assembly ended its regular session without a budget.

Adopted Biennium Budget for Fiscal Years 2018 and 2019

The General Assembly ended its regular session without adoption of a biennial budget. In a subsequent special session, in October 2017, the General Assembly passed the 2017 Budget Act for the biennium ending June 30, 2019. The Governor signed the 2017 Budget Act on October 31, 2017. However, he used his veto power to line-item veto appropriations in support of a new hospital tax proposal, citing its potential unsound legal basis in federal law. The Governor indicated that the bill impermissibly conditioned the payment of the tax to the hospitals to the receipt of supplemental payments and further established an unacceptable tax rate. He urged lawmakers to use a mechanism which the Governor had previously recommended and which he thinks will be in compliance with federal law.

The act makes General Fund appropriations of $18,738.8 million in Fiscal Year 2018, which represents 4.8% growth over Fiscal Year 2017 appropriations, and $18,907.4 million in Fiscal Year 2019. The budget projects General Fund revenues of $18,739.3 million is Fiscal Year 2018 and $18,908.2 million in Fiscal Year 2019, resulting in a projected surplus of $0.5 million in Fiscal Year 2018 and $0.8 million in Fiscal Year 2019.

The budget bill includes $1,654.2 million in revenue enhancements in Fiscal Year 2018 and $1,734.7 million in Fiscal Year 2019. The significant revenue changes include:

- Revisions to the Hospital Provider Tax that are expected to yield $343.9 million in Fiscal Year 2018 and $343.9 million in Fiscal Year 2019.
- Additional federal revenue due to increased payments to hospitals that are expected to yield $448.4 million in Fiscal Year 2018 and $448.4 million in Fiscal Year 2019.
- Suspension of transfers from the Sales Tax to the Municipal Revenue Sharing Account that will yield $327.8 million in Fiscal Year 2018 and $335.4 million in Fiscal Year 2019.
- Various fund transfers to the General Fund that will yield $172.8 million in Fiscal Year 2018 and $213.1 million in Fiscal Year 2019.
- Limitations to the property tax credit and the earned income tax credit under the Personal Income Tax that are expected to yield $90.3 million in Fiscal Year 2018 and $90.3 in Fiscal Year 2019.
- Increases in various Tobacco Taxes that are expected to yield $35.3 million in Fiscal Year 2018 and $50 million in Fiscal Year 2019.

The significant expenditure changes as compared to current services include:

- Savings related to the State's workforce are expected to yield $700.0 million in Fiscal Year 2018 and $867.6 million in Fiscal Year 2019.
- Reductions to various education related grants to towns are expected to yield $159.6 million in Fiscal Year 2018 and $182.1 million in Fiscal Year 2019.
- Reductions to higher education totaling $68.4 million in Fiscal Year 2018 and $85.5 million in Fiscal Year 2019.
- The above savings were offset with increases primarily related to payments to hospitals totaling $586.2 million in Fiscal Year 2018 and $518.1 million in Fiscal Year 2019.
- Section 2-33a of the Connecticut General Statutes sets out the State's expenditure cap. The adopted budget would be $785.8 million below the expenditure cap for Fiscal Year 2018 and $198.5 million below the expenditure cap for Fiscal Year 2019.

In November the General Assembly passed Public Act No. 17-4 of the June Special Session which, among other items, addressed the Governor's concerns regarding the hospital tax proposal and restored the supplemental payment appropriation to hospitals that the Governor had earlier line-item vetoed. General Fund appropriations were revised to $18,690.1 in Fiscal Year 2018 and $18,790.6 million in Fiscal Year 2019. Public Act No. 17-4 of the June Special Session did not make any revisions to the revenue estimates contained in the 2017 Budget Act which therefore would yield a projected surplus of $49.2 million in Fiscal Year 2018 and $117.6 million in Fiscal Year 2019. It should be noted that on November 13, 2017, the State released a revised consensus revenue forecast which lowered projected General Fund revenues. See discussion below under Fiscal Year 2018 Operations for the latest projected balance in the General Fund.

In January 2018 the General Assembly passed Public Act No. 17-1 of the January 2018 Special Session to restore eligibility requirements under the Medicare Savings Program to Fiscal Year 2017 levels. This action resulted in a Medicaid cost increase of approximately $20.5 million with a corresponding reduction in Federal Grants revenue by $33.4 million in Fiscal Year 2018. The act also included a reduction to the Teachers' Retirement Board's Retirement Contribution account by $19.4 million in Fiscal Year 2018 to reflect a revised actuarial valuation. In addition, the General Assembly increased the Fiscal Year 2018 lapse target by $17.3 million and eliminated a $17.8 million transfer of Fiscal Year 2018 General Fund resources to Fiscal Year 2019. These actions reduced Fiscal Year 2018 appropriations by $16.2 million to $18,673.9 million and reduced Fiscal Year 2018 revenue by $15.6 million to $18,723.7 million resulting in a revised surplus of $49.8 million. The elimination of the $17.8 million transfer to Fiscal Year 2019 reduced projected Fiscal Year 2019 revenues to $18,890.4 million which resulted in a reduction in the projected Fiscal Year 2019 surplus to $99.8 million.

Fiscal Year 2018 Operations

By statute, the State's fiscal position is reported on or before the first day of each month by the Comptroller. Pursuant to Section 4-66 of the Connecticut General Statutes, by the twentieth day of each month, OPM provides projected estimates to the Comptroller of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. The following summarizes OPM's and the Comptroller's estimates of General Fund revenues; expenditures and miscellaneous adjustments (including net appropriations continued and estimated lapses); and surplus/(deficit) balance in the General Fund for the 2018 Fiscal Year as of the referenced ending period in accordance with specific budgetary basis accounting standards set forth by statute which incorporate new budgeted expenditure accruals consistent with specific statutory reporting requirements:

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

OPM and Comptroller Estimates Fiscal Year 2018
(in Millions)

	OPM's Report			Comptroller's Report		
Period Ending[a]	**Revenues**	**Expenditures**[b]	**Surplus/ (deficit)**	**Revenues**	**Expenditures**[b]	**Surplus/ (deficit)**
November 30, 2017	$18,495.6	$18,718.1	$(222.5)	$18,495.6	$18,719.6	$(224.0)[c]
December 31, 2017	$18,479.6	$18,719.8	$(240.2)	$18,479.6	$18,724.2	$(244.6)[c]
January 31, 2018	$18,497.4	$18,692.2	$(194.8)	$18,497.4	$18,695.9	$(198.5) [c]
February 28, 2018	$18,497.4	$18,690.1	$(192.7)	$18,497.4	$18,695.1	$(197.7)

(a) Estimates reflect projections for Fiscal Year 2018 as of the period ending date.
(b) Expenditures include net appropriations, continued and estimated lapses and miscellaneous adjustments.
(c) Figures derived from the Comptroller's monthly letters to the Governor.

In connection with the December 31, 2017 estimates, the Secretary of OPM noted that the largest positive revision to the projections was in the estimates and finals component of the personal income tax, up $675 million as collections related to January 15th estimated payments were expected to significantly exceed the State's target by approximately $1.2 billion because of (i) taxpayers maximizing their federal tax deduction for State income taxes paid in calendar year 2017 prior to the expiration of the uncapped state and local tax deduction as part of the recently passed federal tax reform package and (ii) one-time payments received under Section 457A of the Internal Revenue Code requiring hedge fund managers to bring overseas profits back into the United States by the end of 2017. Payments which were accelerated, would have otherwise occurred in April and therefore April collection targets were reduced by more than $500 million. Payments made in connection with referenced Section 457A were not an acceleration and had not previously been budgeted. Pursuant to the 2017 Budget Act a new volatility cap on the estimates and finals component of the personal income tax was established which requires revenue above $3,150.0 million be transferred to the State's Budget Reserve Fund. As a result, the consensus revenue forecast projected a transfer of $664.9 million to the Budget Reserve Fund by the close of Fiscal Year 2018 which would increase the balance within the Budget Reserve Fund to a projected $877.8 million.

In his March 20, 2018 letter, the Secretary of OPM noted that his expenditure and revenue estimates assume that the budgeted level of rate increases and supplemental payments to hospitals will be made, and that the budgeted amount of the hospital user fee and federal revenue will be collected. He explained that statutory provisions require the State to process certain hospital rate and supplemental payments in advance of full federal approval. The State's submissions are currently under federal review, but it is unclear whether and when federal approvals will be obtained. If approvals are delayed beyond the end of the current fiscal year, there could be a budgetary impact of approximately $150 million, due largely to the shift of receipt of federal reimbursement from Fiscal Year 2018 to Fiscal Year 2019, although such a shift would be revenue-neutral across the biennial budget period. If federal approvals are not received, these payments are subject to recovery by the State, mitigating any potential budgetary impact over the biennium.

On March 26, 2018, OFA projected a deficit in the General Fund of $162.6 million for Fiscal Year 2018.

OPM's estimate for the Fiscal Year 2018 operations of the General Fund (as of the period ending December 31, 2017) has been outlined in Appendix II-E to this Annual Information Statement. The next monthly report of OPM is expected on April 20, 2018 and the next monthly report of the Comptroller is expected on May 1, 2018. The projections discussed above are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by OPM, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2018 operations of the

General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2018 operations of the General Fund.

The operating results for the period ending October 31, 2017 projected, and subsequent operating results continue to project, a deficit greater than one percent of net General Fund appropriations, requiring the submission of a deficit mitigation plan by the Governor to the legislature pursuant to Section 4-85 of the General Statutes. On December 13, 2017 the Governor issued a deficit mitigation plan that provided the General Assembly with both revenue and expenditure options totaling $302.0 million. To date, the General Assembly has not taken any action to address the current shortfall.

Governor's Midterm Budget Revisions for Fiscal Year 2019

Per Section 4-71 of the Connecticut General Statutes, the Governor is required to submit a status report to the General Assembly on the biennial budget enacted in the previous year. The status report shall include any recommendations for adjustments and revisions to the enacted budget. On February 5, 2018, the Governor presented a status report including detailed projects of expenditures and revenues and proposed midterm budget revisions for Fiscal Year 2019.

The Governor's Budget Proposal adjusts the Fiscal Year 2019 General Fund appropriations by $65.4 million to $18,856.0 million, resulting in a projected surplus of $4.0 million. This represents a growth of 0.9% over Fiscal Year 2018 appropriations.

Revenues

The Governor's midterm budget adjustment includes $234.6 million in revenue enhancements in 2019. The significant revenue changes include:

- Elimination of the $200 property tax credit under the income tax
- A repeal of the sales tax exemption for nonprescription drugs
- An increase on the tax on cigarettes from $4.35 to $4.60 per pack
- Expansion of the bottle bill to include wine and liquor at 25 cents
- An increase in the real estate conveyance tax rates from 0.75% to 0.85% and 1.25% to 1.4%
- Creation of a new pass-through entity tax which will be offset by a corresponding personal income tax credit in response to Federal tax changes. This change is revenue neutral.

Expenditures

The Governor's proposed budget assumes $65.4 million in expenditure increases from the adopted Fiscal Year 2019 budget resulting from:

- Adjustments from the 2017 labor agreement with SEBAC
- Accounting changes for Higher Education Alternative Retirement Plan
- Funding for Juan F. compliance costs (see Litigation herein)
- Reductions in municipal aid growth and grants

The Governor's budget proposal would be $170.2 million below the expenditure cap for Fiscal Year 2019.

In addition, the Governor proposes several revenue changes to the Special Transportation Fund in order to continue to fund the Let's Go CT transportation infrastructure initiative. These include (i) increasing the gasoline tax by seven cents over four years, (ii) accelerating transfer of the motor vehicles sales tax to the Special Transportation Fund by two years, (iii) imposing a new tire fee of three dollars beginning in Fiscal Year 2019, (iv) eliminating transfers to the school bus seat belt account in Fiscal Year 2020 and (v) instituting statewide electronic tolling in Fiscal Year 2023.

As part of the midterm budget, the Governor has also proposed other changes including the restructure of the Teachers' Retirement System to permit the teachers' retirement board to adopt changes to the assumptions and methodologies used in the actuarial valuations. Such changes include (i) assumption of an annual investment rate of return that is not greater than seven percent, (ii) a new closed amortization period for any outstanding unfunded liability of not more than 30 years from the date of the next following valuation of the fund, (iii) a change to level dollar amortization for any unfunded liability, and (iv) separate amortization period of not more than 25 years for any future changes in unfunded liability incurred as a result of market gains and losses.

Finally the Governor has proposed an additional $141 million in general obligation bond authorizations in Fiscal Year 2019 which are partially offset by the cancellation of $40 million in existing general obligation bond authorizations.

Deliberations on the Governor's budget recommendations are expected to continue throughout the legislative session with a scheduled adjournment date of May 9, 2018.

In addition to the proposed midterm budget revisions, the Governor also presented a three year budget report for Fiscal Years 2020, 2021 and 2022. The report indicated out-year projected revenues, expenditures and balances in the General Fund as follows:

Three Year Budget Report
(In Millions)

Fiscal Year	2020	2021	2022
Revenues	$ 18,708.6	$ 18,870.3	$ 19,045.4
Expenditures	19,552.7	20,375.2	20,988.7
Surplus / (Deficit) [a]	$ (844.1)	$ (1,504.9)	$ (1,943.3)

(a) Article 3 Section 18 of the State Constitution requires a balanced budget.

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

Connecticut Commission on Fiscal Stability and Economic Growth

Pursuant to the 2017 Budget Act, the General Assembly established a Commission on Fiscal Stability and Economic Growth to develop and recommend policies to achieve state government fiscal stability and promote economic growth and competitiveness to (i) achieve consistently balanced and timely budgets that are supportive of the interests of families and business and the revitalization of major cities within the State and (ii) materially improve the attractiveness of the State for existing and future business and residents. This commission delivered a report on March 1, 2018 presenting a "Plan for Connecticut" which they believe will lead to budget stability and economic growth within the State. The commission noted in its report that (i) the United States as a whole and Connecticut's neighboring states have economies that are growing while the State's economy is smaller than it was in 2004, (ii) the State is losing ground on numerous key measures of competitiveness such as tax climate, business climate, transportation quality and vitality of cities, and (iii) the State is facing ongoing budget deficits of $2 billion to $3 billion in Fiscal Year 2020 and beyond, growing by approximately $500 million per year. The commission made several recommendations for the legislature to adopt noting that the recommendations are linked and the plan's success is dependent on all recommendations being adopted. The recommendations included tax changes, employee benefit and collective bargaining changes, reform of the Teachers' Retirement System, reinvestment in transportation and cities and revenue and expenditure limits, among others. There is no assurance that the legislature will adopt some or all of the recommendations.

General Fund Budget History

The table below summarizes the results of operation of the General Fund on a budgetary-basis. Summaries of actual revenues and expenditures on the budgetary (modified cash/statutory) basis for the Fiscal Years 2013 through 2017 are set forth in **Appendix II-D** to this Information Statement.

TABLE 2

General Fund
Summary of Operating Results — Budgetary (Modified Cash/Statutory) Basis[a]
(In Millions)

Fiscal Year	2013	2014	2015	2016	2017
Total General Fund Revenues[b]	$ 19,405.0	$ 17,608.1	$17,282.0	$17,780.8	$17,703.0
Net Appropriations/Expenditures[c]	19,007.0	17,359.6	17,395.2	17,951.2	17,725.7
Operating Surplus/(Deficit)	$ 398.0[d]	$ 248.5[e]	$ (113.2)[f]	$ (170.4)[g]	$ (22.7)[h]

____

(a) Fiscal Year 2013 is reported on a modified cash basis while Fiscal Years 2014-2017 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

(b) Does not include Restricted Accounts and Federal and Other Grants. See **Appendix II-D-6**.

(c) Does not include expenditures for Restricted Accounts and Federal and Other Grants. Includes Amounts Reserved for Prior Year Appropriations Less Appropriations Carried Forward and Other Adjustments. See **Appendix II-D**.

(d) Pursuant to Public Act No. 13-184, $220.8 million was reserved for future fiscal year funding and $177.2 million was reserved for a statutory transfer to the Budget Reserve Fund, leaving no unappropriated surplus for Fiscal Year 2013.

(e) In accordance with State statute and accounting procedures, this amount was transferred to the Budget Reserve Fund.

(f) The Fiscal Year 2015 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

(g) The Fiscal Year 2016 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

(h) The Fiscal Year 2017 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual operations surplus (deficit) under the budgetary (modified cash/statutory) basis to the GAAP basis of accounting for the last five fiscal years. Audited GAAP based financial statements for Fiscal Year 2017 are included in **Appendix II-C**.

TABLE 3

General Fund
Summary of Operating Results — Budgetary (Modified Cash/Statutory) Basis[a] vs. GAAP Basis
(In Millions)

Fiscal Year	2013	2014	2015	2016	2017
Modified Cash/Statutory Basis Operating Surplus/ (Deficit) [a]	$ 398.0	$ 656.8	$ (113.2)	$ (170.4)	$ (22.7)
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(38.7)	(29.5)	147.7	(139.0)	(24.4)
Other Receivables	(74.5)	44.6	44.0	112.5	161.8
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	87.8	(110.2)	(213.7)	(275.5)	19.8
Salaries and Fringe Benefits Payable	(32.8)	12.0	8.7	16.6	22.8
Increase (decrease) in Continuing Appropriations	(17.9)	(26.5)	(21.0)	31.6	(36.3)
GAAP Based Operating Surplus/(Deficit)	$ 321.9	$ 547.2	$ (147.5)	$ (424.2)	$ 121.0

(a) Fiscal Year 2013 is reported on a modified cash basis while Fiscal Years 2014-2017 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

SOURCE: Comptroller's Office

The table below sets forth on the budgetary (modified cash/statutory) basis the actual cumulative unreserved fund balance (deficit) for the General Fund for the last five fiscal years.

TABLE 4

General Fund
Unreserved Fund Balance — Budgetary (Modified Cash/Statutory) Basis[a]
(In Millions)

Fiscal Year	2013	2014	2015	2016	2017
Operating Surplus/(Deficit)	$ 398.0	$ 248.5	$ (113.2)	$(170.4)	$ (22.7)
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	177.2	248.5	0.0	0.0	0.0
Transfers from Budget Reserve Fund	--	--	113.2	170.4	22.7
Reserve for Subsequent Fiscal Year Operations[b]	220.8	--	--	--	--
Total Transfers/Reserves	$ 0.0	$ 0.0[c]	$ 0.0	$ 0.0	$ 0.0
Unreserved Fund Balance Surplus/(deficit)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0

(a) Fiscal Year 2013 is reported on a modified cash basis while Fiscal Years 2014-2017 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

(b) $30 million reserved in Fiscal Year 2013 was released in Fiscal Year 2015.

(c) Fiscal Year 2014 General Fund balance includes $598.5 million in GAAP Conversion Bonds.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual cumulative unreserved General Fund balance (deficit) under the budgetary (modified cash/statutory) basis to the GAAP basis of accounting for the last five fiscal years.

TABLE 5

General Fund
Unreserved Fund Balance — Budgetary (Modified Cash/Statutory) Basis[(a)] vs. GAAP Basis
(In Millions)

Fiscal Year	2013	2014	2015	2016	2017
Unreserved Fund Balance (Deficit)					
Modified Cash/Statutory Basis[(a)]	$ 0.0	$ 0.0	$ 0.0	$ 116.1	$ 116.1
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(372.5)	(437.0)	(475.0)	(447.1)	(387.5)
Eliminate Corporation Accrual	(8.9)	(7.8)	(19.3)	(18.5)	(39.6)
Additional Taxes Receivable	4.4	4.4	1.9	4.3	5.1
Net Increase (Decrease) Taxes	(377.0)	(440.4)	(492.4)	(461.3)	(422.0)
Net Accounts Receivable	291.4	326.8	398.1	388.0	449.5
Federal and Other Grants Receivable[(b)]	325.3	37.5	185.6	46.2	21.9
Due From Other Funds	26.2	39.2	48.7	46.4	43.7
GAAP Conversion Bonds	--	598.5	--	--	--
Total Additional Assets	$ 265.9	$ 561.6	$ 140.0	$ 19.3	$ 93.1
Additional Liabilities					
Salaries and Fringe Payable	(147.4)	65.5	(74.2)	90.8	113.6
Accounts Payable—Department of Social Services	(550.8)	(1.9)[(c)]	(31.2)	(42.9)	(11.4)
Accounts Payable—Trade & Other	(575.3)	(538.5)	(432.3)	(728.6)	(681.1)
Payable to Federal Government	(124.6)	(202.9)	(304.7)	(360.8)	(357.7)
Due to Other Funds	(84.9)	(81.0)	(90.8)	(92.8)	(93.7)
Total Additional Liabilities	$ (1,483.0)	$ (758.8)	$ (933.2)	$ (1,134.3)	$ (1,030.3)
Statutory Requirement – Change in Accounting Method	--	(529.9)	--	--	--
Unreserved Fund Balance (Deficit)					
GAAP Basis	$ (1,217.1)	$ (727.1)	$ (793.2)	$ (998.9)	$ (821.1)

(a) Fiscal Year 2013 is reported on a modified cash basis while Fiscal Years 2014-2017 are reported on a statutory basis. See Accounting Procedures under FINANCIAL PROCEDURES for further explanation.

(b) Primarily reimbursement for additional liabilities accrued to federal grant accounts or programs with federal participation, e.g., Medicaid.

(c) Due to a statutory change, Federal Medicare spending has been transferred from the General Fund to the Restricted Grants Account Fund.

SOURCE: Comptroller's Office

The table below sets forth on a GAAP basis the components of the fund balance for the General Fund for the last five fiscal years.

TABLE 6

General Fund Fund Balances-GAAP Basis
(In Millions)

Fiscal Year	**2013**	**2014**	**2015**	**2016**	**2017**
Reserved:					
Budget Reserve	$ 270.7	$ 519.2	$ 406.0	$ 235.6	$ 212.9
Future Budget Years	220.8	30.5	81.2	--	-
Loans & Advances to Other Funds	30.5	34.7	36.5	38.1	40.3
Inventories	15.5	15.7	14.6	14.4	13.3
Continuing Appropriations	91.0	85.9	65.0	96.6	60.2
Total	$ 628.5	$ 686.0	$ 603.3	$ 384.7	$ 326.7
Unreserved:	(1,217.1)	(727.2)	(793.2)	(998.9)	(821.1)
Total Fund Balance	$ (588.6)	$ (41.2)	$ (189.9)	$ (614.2)	$ (494.4)

SOURCE: Comptroller's Office

STATE ECONOMIC INITIATIVES

The General Assembly has enacted formal programs targeted at encouraging economic growth within the State. Below is a summary of certain of these programs, including several new initiatives.

First Five

Legislation passed in 2011 allowed the State's existing incentive and tax credit programs to be combined and augmented in order to create incentive packages for the first five companies that promise to either create not less than 200 new jobs within two years or invest not less than $25 million and create not less than 200 new jobs within five years. Several companies including Cigna, ESPN, NBC Sports, Bridgewater Associates, Henkel Corporation and AQR Capital Management have agreed to participate in this program, pledging to create over 4,600 combined jobs in Connecticut in return for forgivable loans, grants, and tax credits from the State and potential further tax credits depending on expenditure levels of certain of the companies. After securing these commitments, legislation was passed to expand the program to allow incentives to be bundled in this manner for up to 15 companies.

Bioscience Connecticut

Legislation was passed in 2011 to expand the University of Connecticut Health Center ("Health Center") by making programmatic changes, providing State funding for expansion (including the construction of a new patient tower and renovation of existing facilities), and setting the framework for strengthening research capabilities in the State, including at the Health Center. Later in 2011, the State passed legislation to expand this initiative into an effort to promote the expansion of the bioscience industries in the State. The State reached an agreement to collaborate with Jackson Laboratory, the University of Connecticut, and Yale University for the construction of a new research laboratory on the Health Center campus with a particular focus on personalized medicine. The State is providing $290.7 million in support for this project over ten years, with $145 million in the form of a secured, forgivable construction loan; $46.7 million in the form of a secured, forgivable equipment loan; and $99 million in research partnership funding. These funds are to be provided through the issuance of general obligation bonds over a ten year period. The Jackson Laboratory project is expected to generate short-term construction jobs in addition to 6,800 permanent jobs over the next 20 years. No assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments, legislative actions, or other events will not indicate changes in the final results of this initiative.

Bioscience Innovation Fund

Legislation passed in 2013 which, in concert with the bioscience initiative above, would support the State's growing bioscience sector by strengthening the State's capacity to create competitive investment tools and attract additional federal and private dollars. The State will invest $204 million in the new Bioscience Innovation Fund over a twelve year period which will be administered by Connecticut Innovations, Inc.

Economic and Manufacturing Assistance Act

Since 1990, the Economic and Manufacturing Assistance Act program has been one of the State's primary economic development incentive tools. The program provides incentive-driven direct loans for projects with strong economic development potential. The loan funds may be used for the planning of a municipal development project or business development project; the acquisition of real property, machinery or equipment; the construction of site and infrastructure improvements relating to a municipal development or business development project; the construction, renovation and demolition of buildings; relocation expenses for the purpose of assisting an eligible business to locate, construct, renovate or acquire a facility; or such other reasonable expenses necessary or appropriate for the initiation, implementation and completion of the project, including administrative expenses and business support services such as labor training, day care, energy conservation, and pollution control and recycling.

Small Business Assistance Revolving Loan Program

Legislation passed in 2010 provides for loans and lines of credit for businesses with less than 100 employees. The program provides financing of up to $500,000 per business at 4% interest for up to ten years and is capped at $15 million of such loans and lines of credit outstanding at any time.

Small Business Express Program

Legislation passed in 2011 created a program to support the retention and growth of small businesses with 50 or fewer employees through a streamlined process that provides financial assistance in the form of revolving loans, job creation incentives, and matching grants. Loans are available from the revolving loan fund for a maximum of $100,000 per loan to assist small businesses with capital and operational needs. Job creation incentive loans of up to $250,000 per loan are also available to assist small businesses to spur growth, and payments on these loans may be deferred or forgiven if certain prescribed job creation goals are attained. A matching grant component provides grants up to $100,000 per grant to small businesses for training, working capital, acquisition of machinery and equipment, construction or leasehold improvements, relocation within the State, or other authorized expenses so long as the small business matches any funds awarded to it under this program.

Subsidized Training and Employment Program

Legislation passed in 2011 provides for job creation incentives to employers to expand opportunities for unemployed workers. Under the program, small businesses and manufacturers with less than 50 full-time workers may receive wage and training subsidies of up to $12,500 per newly-hired person over six months if they hire an unemployed worker who meets the program eligibility requirements.

Business Tax Credits

The State offers many business tax credits for firms conducting certain activities. Tax credits are offered for investments in human and fixed capital, research and development expenditures, expenditures related to film production and investment, and for job creation, among others.

STATE DEBT

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

The following information supplements information contained within this STATE DEBT section:

On April 11, 2018 the State issued $250,000,000 General Obligation Bonds (2018 Series A) maturing in varying amounts between April 15, 2019 through April 15, 2021, April 15, 2023 through April 15, 2026 and April 15, 2028 through April 15, 2038 and bearing interest at rates ranging from 3.75% per annum to 5.00% per annum and $276,440,000 General Obligation Refunding Bonds (2018 Series B) maturing in varying amounts between April 15, 2019 through April 15, 2023 and April 15, 2025 through April 15, 2028 and bearing interest at rates ranging from 4.00% per annum to 5.00% per annum.

Constitutional Provisions

The State has no constitutional limit on its power to issue obligations or incur debt, except that it may borrow only for public purposes. There are no reported court decisions relating to State bonded debt other than two cases validating the legislative determination of the public purpose for improving employment opportunities and related activities. The State Constitution has never required a public referendum on the question of incurring debt. Therefore, the General Statutes govern the authorization and issuance of State debt, including the purpose, the amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, the security therefor, and other related matters.

Types of State Debt

Pursuant to various public and special acts, the State has authorized a variety of types of debt. These types fall generally into the following categories: direct general obligation debt, which is payable from the State's General Fund; special tax obligation debt, which is payable from specified taxes and other funds that are maintained outside the State's General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds that are maintained outside the State's General Fund, including credit revenue bonds secured by a pledge of withholding tax receipts. In addition, the State provides annual appropriation support for, or is contingently liable on, the debt of certain State quasi-public agencies and political subdivisions. See **OTHER FUNDS, DEBT AND LIABILITIES** for information concerning debt and contingent liabilities on debt other than direct general obligation debt.

State Direct General Obligation Debt

Statutory Authorization and Security Provisions. The State issues general obligation bonds pursuant to specific bond acts and Section 3-20 of the General Statutes (the "General Obligation Bond Procedure Act" or the "Act"). The Act provides that such bonds shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on such bonds as the same become due. The Act further provides that, as a part of the contract of the State with the owners of such bonds, there is made an appropriation of all amounts necessary for the punctual payment of principal and interest on such bonds, and the Treasurer shall pay such principal and interest as the same become due. In addition, the 2017 Budget Act authorized a new form of bonds secured by a statutory pledge of the State's withholding tax receipts ("credit revenue bonds"). See ***New Credit Revenue Bond Program.***

There are no State constitutional provisions precluding the exercise of State power by statute to impose any taxes, including taxes on taxable property in the State or on income, in order to pay debt service on bonded debt now or hereafter incurred. The constitutional limit on increases in General Fund expenditures for any fiscal year does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There are also no constitutional or statutory provisions requiring or precluding the enactment of liens on or pledges of the State's General Fund revenues or taxes, or the establishment of priorities for payment of debt service on the State's general obligation bonds. There are no express statutory provisions establishing any priorities in favor of general obligation bondholders over other valid claims against the State.

Statutory Debt Limit. Section 3-21 of the Connecticut General Statutes provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted (i) the principal amount of revenue anticipation notes having a maturity of one year or less, (ii) refunded indebtedness, (iii) bond anticipation notes, (iv) borrowings payable solely from the revenues of a particular project, (v) the balances of debt retirement funds associated with indebtedness subject to the debt limit as certified by the Treasurer, (vi) the amount of federal grants certified by the Secretary of OPM as receivable to meet the principal of certain indebtedness, (vii) all authorized and issued indebtedness to fund any budget deficit of the State for any fiscal year ending on or before June 30, 2009, (viii) all authorized debt to fund the tax increment bond program of Connecticut Innovations, Inc., (ix) any indebtedness represented by agreements entered into pursuant to certain provisions of the General Statutes, provided the indebtedness in connection with which such agreements were entered into shall be included in such aggregate amount of indebtedness, (x) any indebtedness issued for the purpose of meeting cash flow needs, and (xi) any indebtedness issued for the purpose of covering emergency needs in times of natural disaster. On and after July 1, 2018, the Treasurer may not issue general obligation bonds or notes or credit revenue bonds that exceed in the aggregate $1.9 billion in any fiscal year, which limit shall be subject to prescribed inflationary adjustments commencing July 1, 2019. The Governor shall not approve allotment requisitions that would result in the issuance of general obligation bonds or notes or credit revenue bonds that exceed in the aggregate $1.9 billion in any fiscal year, which limit shall be subject to prescribed inflationary adjustments commencing July 1, 2019. For purposes of the debt limit statute, all bonds and notes issued or guaranteed by the State and payable from General Fund tax receipts are counted against the limit, except for the exclusions or deductions described above, and certain other debt specifically excluded by statute. In addition, the amount of authorized but unissued debt for the UConn 2000 program is limited to the amount permitted to be issued under the cap. See ***Types of Direct General Obligation Debt — UConn 2000 Financing Program***.

Under the Connecticut General Statutes, the Treasurer is required to compute the aggregate amount of indebtedness as of January 1 and July 1 each year and at other statutorily prescribed times and to certify the results of such computation to the Governor and the General Assembly. If the aggregate amount of indebtedness reaches 90% of the statutory debt limit, the Governor shall review each bond act for which no bonds, notes or other evidences of indebtedness have been issued, and recommend to the General Assembly priorities for repealing authorizations for remaining projects so that the aggregate amount of indebtedness authorized will be below 90% of the statutory debt limit. The General Assembly is not required to act upon such recommendations.

The total tax receipts for Fiscal Year 2018 as last estimated by the General Assembly's joint standing committee on finance, revenue and bonding, the calculation of the debt limit, the aggregate amount of outstanding debt and of authorized but unissued debt subject to such limit, and the debt incurring margin, all as of February 15, 2018, are described in the following table.

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

TABLE 7

Statutory Debt Limit
As of February 15, 2018

Total General Fund Tax Receipts	$15,549,400,000	
Multiplier	1.6	
Debt Limit		$24,879,040,000
Outstanding Debt[(a)]	$14,622,571,886	
Guaranteed Debt[(b)]	$ 1,421,390,000	
Authorized Debt[(c)]	$ 5,429,180,612	
Total Subject to Debt Limit		$21,473,142,498
Aggregate Net Debt		$21,473,142,498
Debt Incurring Margin		$ 3,405,897,502

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, CRDA Bonds, CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds and lease financings other than the Juvenile Training School.

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt**. **Table 7** reflects only guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds secured by the State's debt service commitment.

(c) Includes UConn 2000 Bonds secured by the State's debt service commitment that are authorized but unissued under the statutory cap for Fiscal Year 2018.

SOURCE: State Treasurer's Office

State Bond Commission. The General Obligation Bond Procedure Act establishes the State Bond Commission (the "Commission") and empowers it to authorize the issuance of general obligation bonds and credit revenue bonds for purposes and in amounts and subject to other limits established by the legislature in a bond act. The Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management ("OPM"), the Commissioner of Administrative Services, and the Co-Chairpersons and Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of OPM serves as secretary to the Commission.

Upon authorization, the principal amount of bonds so authorized is deemed to be appropriated for such purpose or project and, subject to allotment thereof by the Governor, contracts may be awarded and obligations incurred with respect to the project or purpose in amounts not exceeding the authorized principal amount. Such contracts and obligations may at any particular time exceed the amount of the bond proceeds received by the State up to that time. The Commission also determines the terms and conditions of the bonds authorized or delegates such determination to the Treasurer. The Commission generally meets monthly. Commencing January 1, 2017 and for each calendar year thereafter, the Commission may not authorize general obligation or credit revenue bond issuances of greater than $2.0 billion in the aggregate in any calendar year, subject to prescribed inflationary adjustments commencing January 1, 2018.

Bond Covenant. For each fiscal year during which general obligation bonds or credit revenue bonds of the State issued on and after May 15, 2018 and prior to July 1, 2020 are outstanding, the State shall include a covenant in such bonds (which shall be applicable for a period of ten years from the date of the first issuance of each such bond) that the State will comply with and not alter the provisions of (i) Section 4-30a of the general statutes (funding of the Budget Reserve Fund), (ii) the cap on General Fund and Special Transportation fund aggregate appropriations, (iii) Section 2-33a of the general statutes (cap on spending), (iv) limitation of $2.0 billion on the authorization of bonds by the State Bond Commission in any calendar year, and (v) the debt limit set forth in section 3-21 of the general statutes. Alterations are permissible (i) if and when adequate provision is made by law for the protection of the holders of such bonds, or (ii) (1) if and when the Governor declares an emergency or the existence of extraordinary circumstances, (2) at least 3/5 of the members of the General Assembly vote to alter such required compliance during the fiscal year for which the emergency or existence of extraordinary circumstances are determined and (3) any such alteration is for the fiscal year in progress only.

Types of Direct General Obligation Debt

General Obligation Bonds. Pursuant to various public or special bond acts, the General Assembly empowers the Commission to authorize bonds for a variety of projects or purposes. Each bond act is usually specific as to its projects or purposes and the amount of bonds to be issued therefor, although each bond act may contain several projects or purposes. Each bond act also generally sets forth a maximum maturity of the bonds.

The types of projects and purposes for which the State has authorized general obligation debt include the following: acquisition, construction, renovation and improvement of buildings and facilities for State departments and agencies, educational institutions, prisons, college and university facilities, library facilities and courthouses, acquisition of development rights to preserve open space and farmland, and the provision of grants and loans to promote economic development within the State. Some bonds authorized for university and college facilities are self-liquidating, and certain fees and charges collected by the college or university are set aside and used to service the debt on these bonds. Bonds are also authorized to fund a wide variety of grant programs. Such grants are made to local governments for local school construction projects or to finance a variety of local government, economic development, highway, bridge and other capital improvement projects. Certain bonds are authorized to finance grants and loans to local housing authorities and developers of affordable housing. Other general obligation debt finances grants and loans to municipalities for design and construction of water pollution control facilities, in addition to loans that are financed under the State's Clean Water revenue bond program.

New Credit Revenue Bond Program. The 2017 Budget Act authorized the State to issue a new form of credit revenue bonds secured by a statutory gross pledge of the State's withholding tax receipts to fund its capital projects.

It is intended that through the issuance of the credit revenue bonds, that the State will achieve the following three goals. First, it is expected that due to the pledge of the State's withholding tax receipts, such bonds will have higher credit ratings and lower borrowing costs resulting in savings when compared to the issuance of general obligation bonds. Second, it is intended that the issuance of the credit revenue bonds will improve the State's general obligation credit because such savings will annually be transferred into the State's Budget Reserve Fund. Third, it is intended that the issuance of the credit revenue bonds will improve the value of the State's outstanding general obligation bonds. It is anticipated that, over time, the credit rating of the State's outstanding general obligation bonds will improve so that there would be no great advantage in continuing the issuance of the credit revenue bonds and the State would revert to issuance of general obligation bonds.

As established in the 2017 Budget Act, credit revenue bonds will be revenue bonds secured by a statutory lien on withholding tax receipts of the State. These receipts will be paid into segregated pledged accounts from which the trustee for the credit revenue bonds will withdraw amounts to be set aside for debt service on the credit revenue bonds. Withholding tax revenues withdrawn to be set aside for debt service on the credit revenue bonds will not be available to pay debt service on general obligation bonds. Amounts in the segregated pledged accounts in excess of the amounts withdrawn for debt service will be swept daily into other accounts of the State, free of the credit revenue bond lien and available for all purposes of the General Fund, including payment of debt service on the State's general obligation bonds. The credit revenue bonds will have no claim on any other revenues of the State and will not be subject to acceleration. The credit revenue bonds may be issued for any purpose for which general obligation bonds are authorized, including refunding bonds, and, if issued, would be in lieu of general obligation bonds. Credit revenue bonds will be authorized in the same manner as general obligation bonds, and accounted for within the State's General Fund. The credit revenue bonds will be treated as general obligation bonds for purposes of the State bond cap, and therefore do not represent an avenue for additional bond issuance. Issuance of credit revenue bonds is subject to an additional bonds test requiring a debt service coverage ratio of 3x.

As of February 15, 2018, no credit revenue bonds have been issued. No assurances can be given that the credit revenue bond program will be implemented or, if implemented, will be successful in achieving its goals, including debt service savings, increased balances in the State's Budget Reserve Fund, and improvement in the credit rating of the State's general obligation credit.

Teachers' Retirement Fund Pension Obligation Bonds. In April 2008 the State issued $2,277 million of bonds to fund up to $2 billion of the unfunded accrued liability in the Teachers' Retirement Fund plus capitalized interest and issuance costs. $2,369.5 million (reflecting the accreted value) of such bonds are outstanding as of February 15, 2018. While the bonds are outstanding, the State is required to appropriate annually the actuarially-determined annual required contribution to the Teachers' Retirement Fund. The bonds are general obligations of the State, but are excluded from the calculation of the statutory debt limit.

UConn 2000 Financing Program. The University of Connecticut is a separate corporate entity and instrumentality of the State empowered to issue bonds and construct certain infrastructure improvements at the University's various campuses. Known as UConn 2000, the infrastructure improvement program now is estimated to cost $4,619.3 million to be financed over a thirty-two year period. The UConn 2000 program contemplates total issuance of $4,282.9 million general obligation bonds of the University secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. Under the enabling legislation, appropriations of all amounts of the State's debt service commitment are made out of the resources of the State's General Fund and the Treasurer is obligated to make such payments. For this reason, all general obligation borrowings by the University that are secured by the State's debt service commitment are treated as part of the State's general obligation debt, and are reflected in **Tables 8 through 14**. The amount of the University's bonds secured by the State's debt service commitment is capped for each fiscal year, but any amount not used may be carried forward to future fiscal years. As of February 15, 2018, $3,358.6 million of such debt secured by the State's debt service commitment had been issued (including refunding bonds), of which $1,420.5 million remain outstanding, with a remaining authorization of $302.4 million. It is anticipated that additional authorizations will become effective in future fiscal years.

Special obligation bonds of the University are secured by particular revenues of the University and are not subject to the cap on the University's general obligation debt service commitment bonds and are not counted against the State's debt limit.

The General Assembly has and may continue to authorize capital improvements for the University of Connecticut in addition to the UConn 2000 Program. General obligation bonds authorized for such purposes are reflected in the Authorized but Unissued Direct General Obligation Debt shown in **Table 12**. However, the construction of a new $203 million ambulatory care center at the University of Connecticut Health Center authorized in 2011, but financed through a lease financing through the University of Connecticut Health Center Finance Corporation is not reflected in **Table 12**.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities (none of which are outstanding) and an energy facility at a juvenile training school, each based upon State rental payments under a lease purchase agreement between the State and the project developer. The State has treated this method of lease financing as general obligation debt. The State is evaluating opportunities for the lease financing of energy improvements under existing statutory authorizations. The State has entered into other leasing arrangements for the development of government facilities that are not treated as general obligation debt, most often in circumstances where the lease is an operating lease or the State is not a participant in the securitization of rental payments under the lease.

Tax Increment Financing. Connecticut Innovations, Inc. ("CI") is authorized to issue tax increment bonds for certain types of economic development projects. Under the program the amount of such bonds that may be issued is limited so that the debt service on the bonds may not exceed the estimated increases in the sales tax and the admissions, cabaret and dues taxes generated by the project and allocated by CI for debt service on the bonds. Debt service on the bonds is required to be paid from such tax receipts (whether or not the actual tax receipts equal or exceed the estimated amount) and is deemed appropriated from the General Fund. The State has classified such tax increment bonds as general obligation debt. No such tax increment bonds may be issued without the approval of the Commission. Such tax increment bonds are not reflected in **Table 7**, but are reflected in **Tables 8 through 12**.

Supportive Housing Financing. The Connecticut Housing Finance Authority ("CHFA") in conjunction with other state agencies developed a collaborative plan to create affordable housing and support services for specified eligible persons. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in support of the program and the Commission has authorized the Treasurer and OPM to enter into a contract to provide State assistance and pay debt service on the bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and other similar bond-related expenses. Bonds supported by such State assistance may not exceed $105 million in the aggregate. As of February 15, 2018, $56.6 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Emergency Mortgage Assistance Program. CHFA is authorized to issue up to $50 million of bonds to fund an Emergency Mortgage Assistance Program and the Treasurer and OPM are required to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and similar bond-related expenses. As of February 15, 2018, the entire $50 million had been issued, of which $38.1 million was then outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Economic Recovery Notes. The Treasurer was authorized to issue notes to fund the State's budget deficit for Fiscal Year 2009, to pay costs of issuance of such notes and certain interest payable or accrued on such notes and to exempt these notes from the calculation of the statutory debt limit. In December 2009, the State issued $915,795,000 of such Economic Recovery Notes which are no longer outstanding.

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

Municipal Contract Assistance. The 2017 Budget Act created a new Municipal Accountability Advisory Board ("MARB") to supervise distressed municipalities in the State, and authorized the State, acting through the Treasurer and the Secretary of OPM, to enter into contract assistance agreements with municipalities operating as "Tier III" or "Tier IV" municipalities under the MARB. Such contract assistance may provide for payment by the State of all or a portion of annual debt service on refunding bonds issued to refund outstanding indebtedness of such a municipality, plus costs of issuance. The legislation also authorized the State to provide alternate forms of credit support, provided the alternate support is not in excess of the amount of contract assistance otherwise available. The contract assistance would be deemed appropriated, and would constitute the full faith and credit obligation of the State. Currently, both the City of Hartford and the City of West Haven are "Tier III" municipalities; there are no "Tier IV" municipalities. Hartford's outstanding debt is approximately $540 million. The State and Hartford have entered into an agreement which obligates the State to make payments equal to principal and interest, when due, on all of Hartford's currently outstanding general obligation bonds with the State retaining the right to restructure the outstanding debt in the future. This contract assistance program is in addition to, but not in duplication of, assistance available to municipalities and described under "OTHER FUNDS – Assistance to Municipalities".

Certain Short-Term Borrowings. The Connecticut General Statutes authorize the Treasurer, subject to the approval of the Governor, to borrow such funds, from time to time, as may be necessary, and to issue obligations of the State therefor, which shall be redeemed by the Treasurer whenever, in the opinion of the Treasurer, there are funds in the treasury available for such purpose, or not later than two years from the date of issuance, whichever is earlier. The State has established programs of temporary note issuances and credit facilities from time to time to cover periodic cash flow requirements. No temporary notes are outstanding and no such credit facilities are in effect.

Forms of Debt. In addition to the bonds, notes and lease financings described above, the Treasurer has the authority to issue refunding bonds, bond anticipation notes, and capital appreciation bonds. The Act provides that the Treasurer may issue temporary notes and any renewals thereof in anticipation of the proceeds from the sale of bonds whenever the Commission has adopted a resolution authorizing bonds. The Treasurer is also authorized by the Act to issue refunding bonds whenever the Treasurer finds that a refunding is in the best interests of the State and that the State reasonably expects to achieve net debt service savings as a result of such refunding.

Certain of the State's general obligation bonds have been issued as capital appreciation bonds. Capital appreciation bonds are issued at a deep discount and interest on the bonds is compounded semi-annually and only paid at maturity. For purposes of the State's debt tables, the interest that has accrued on capital appreciation bonds up to the date of the table is added to the principal amount of the State's outstanding debt. Pursuant to State statute, accrued interest on UConn 2000 capital appreciation bonds is excluded from the calculation of the statutory debt limit.

Derivatives. The Treasurer, with the authorization of the Commission, has the power to enter into reimbursement and similar agreements in connection with liquidity or credit facilities and to pledge the full faith and credit of the State or other collateral to secure the State's payment obligations under any such agreement. The Treasurer, with the authorization of the Commission, has the power to enter into contracts to place the obligation of the State as represented by bonds or notes of the State, on such interest rate or cash flow basis as the Treasurer may determine, including swap agreements and other arrangements to manage interest rate risk. When any such arrangement is entered into, the counter-party to the arrangement must have a rating on its unsecured long-term obligations that is the same as or higher than the underlying rating of the State on the applicable bonds. The Commission may authorize the Treasurer to pledge the full faith and credit of the State and any other collateral pledged to secure the applicable bonds to also secure the State's payment obligations under any such contract.

The State has entered into swap agreements in connection with various bond issues. The swap agreements typically provide for early termination in certain events, and such "termination events" could result in the State being required to make unanticipated termination payments. Such payments, if any are due, may be substantial. In some cases the State has up to 270 days to make any such termination payments. The amounts payable to each swap provider under the respective swap agreement, including any termination payments, will be general obligations of the State. The State is obligated to make debt service payments on its bonds regardless of the performance of the swap provider of its obligations under the swap agreement. Listed below is a summary of the remaining swap agreement the State has entered into in connection with its general obligation bonds. See also **Appendix II-C, Note 19 – Derivative Financial Instruments**.

Swap Agreements as of February 15, 2018

Bond Issue	Notional Amount	Termination Date	Fixed Rate Paid by State
2005 Series B	$ 20,000,000	June 1, 2020	5.20%

Debt Statement. The following table shows all direct general obligation indebtedness (including the accreted value of capital appreciation bonds) for the payment of the principal and interest on which the State has pledged its full faith and credit or which is otherwise payable from the State's General Fund.

TABLE 8

Direct General Obligation Indebtedness[(a)]
Principal Amount Outstanding as of February 15, 2018
(In Thousands)

General Obligation Bonds	$14,038,169
Pension Obligation Bonds	2,369,532
UConn 2000 Bonds	1,420,535
Other [(b)]	302,343
Long Term General Obligation Debt Total	$18,130,579
Short Term General Obligation Debt Total	400,000
Gross Direct General Obligation Debt	$18,530,579
Net Direct General Obligation Debt	$18,530,579

(a) The table does not include refunded bonds for which escrow funds and investments are sufficient to pay all debt service. The table also does not include limited or contingent liabilities of the State or obligations of the State to towns for participation in the construction and alteration of school buildings. See **OTHER FUNDS, DEBT AND LIABILITIES**.

(b) "Other" includes lease financings, tax increment financings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. However, it does not include CRDA Bonds or CHEFA Child Care Facilities Bonds. See **OTHER FUNDS, DEBT AND LIABILITIES – Other Debt Service and Contractual Commitments**.

SOURCE: State Treasurer's Office

Debt Ratios. The following table sets forth certain ratios relating to the State's gross and net direct general obligation indebtedness:

TABLE 9

Outstanding Long Term General Obligation Debt and Debt Ratios

Fiscal Year	2013	2014	2015	2016	2017
Gross Direct Debt[(a)]	$14,762,696	$15,819,826	$16,879,336	$17,704,949	$18,534,494
Ratio of Debt to Personal Income[(b)]	6.40%	6.62%	6.89%	7.14%	7.48%
Ratio of Debt to Estimated Full Value of Equalized Grand List[(c)]	2.90%	3.06%	3.17%	3.27%	3.42%
Per Capita Debt[(d)]	$4,098	$4,394	$4,697	$4,934	$5,166

(a) In thousands. Includes gross direct general obligation bonded indebtedness outstanding (including economic recovery notes) as of June 30 of each fiscal year as set out in **Table 11** which includes bonds that are considered self-liquidating.

(b) See **Appendix II-B, Table B-2**. Personal Income: 2013 — $230.6 billion; 2014 — $239.1 billion, 2015 — $244.9 billion; and 2016 — 247.9 billion. The 2017 ratio uses 2016 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2011 – $508.6 billion; 2012 – $517.2 billion; 2013 – $532.3 billion; 2014 – $541.1 billion; and 2015 – $541.7 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2013 ratio uses 2011 data; 2014 ratio uses 2012 data; 2015 ratio uses 2013 data; 2016 ratio uses 2014 data; and 2017 ratio uses 2015 data.

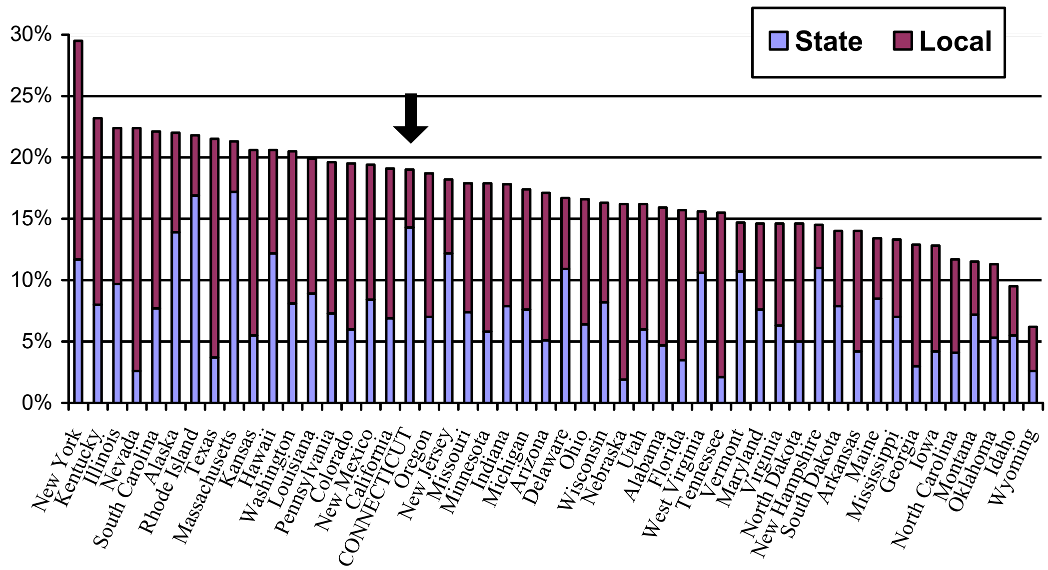
(d) See **Appendix II-B, Table B-1**. State population in thousands: 2013 — 3,602; 2014 — 3,600; 2015 — 3,594; 2016 — 3,588; and 2017 — 3,588.

Aggregate State and Local Debt

The following table sets forth the per capita aggregate debt level of each state, including debt issued at both the state and local levels, compared to per capita personal income within the state. As the chart shows, the State of Connecticut is 33rd among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the seventh lowest ratio of per capita local debt to per capita personal income and fourth lowest ratio of local debt to aggregate debt. This is due in part to the State's practice of financing school construction primarily at the state level and the absence of county-level government in the State.

TABLE 9a(a)(b)

Combined State and Local Debt Compared to State Personal Income



(a) The percentages along the vertical axis are calculated by dividing per capita aggregate debt over per capita personal income. Population figures used in the underlying calculations are the population estimates as of July 1, 2016 from the U.S. Census Bureau, Population Division. State and local debt figures used in the underlying calculations are from the U.S. Census Bureau, 2015 Annual Surveys of State and Local Finances. Per capita income figures used in the underlying calculations are from the Bureau of Economic Analysis, which used data from 2016.

(b) The Census Bureau state and local debt figures include debt obligations of all dependent agencies of the state and local government, respectively, including agencies, boards, commissions, or other organizations, regardless of the responsibility for debt service. This differs from the components of debt in other places within this Information Statement.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau

Debt Service Schedule. The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of February 15, 2018. Although not specifically reflected as a result of combining all outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years. The exceptions include thirty-year Rental Housing Term Bonds and certain other bonds with maturities of less than twenty years where required by statute or in instances where the expected period of usefulness of the project or purpose financed does not warrant a maturity of twenty years.

TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)] As of February 15, 2018

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b)(c)]	Total Debt Service
2018	$ 713,080,113	$ 335,321,279	$ 1,048,401,392
2019	1,394,721,471	776,482,369	2,171,203,840
2020	1,338,135,614	719,153,858	2,057,289,472
2021	1,317,071,206	662,472,143	1,979,543,349
2022	1,282,024,111	655,830,899	1,937,855,010
2023	1,315,021,122	610,821,097	1,925,842,219
2024	1,215,279,066	579,923,767	1,795,202,833
2025	1,162,627,437	528,114,617	1,690,742,053
2026	1,136,380,000	390,730,185	1,527,110,185
2027	1,089,565,000	336,145,820	1,425,710,820
2028	1,036,735,000	282,334,977	1,319,069,977
2029	924,450,000	232,770,486	1,157,220,486
2030-2038	4,063,940,000	556,742,921	4,620,682,921
Totals	$ 17,989,030,140	$ 6,666,844,417	$ 24,655,874,557

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($17,989,030,140), plus accreted interest ($141,548,869), total the amount of such long-term debt ($18,130,579,009) as shown in **Table 8**. See footnotes (b) and (c) for further explanation.

(b) Principal payments include aggregate stated initial values of capital appreciation bonds. Interest payments include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds. Capital appreciation bonds mature in Fiscal Years 2018 through 2025.

(c) Some of the State's direct debt pays interest at variable rates. For purposes of this **Table 10**, the interest on such debt is calculated based on the following assumed average rates:

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
2005	$ 300,000,000	$ 10,000,000	2019-2023	3.50%
2005*	20,000,000	20,000,000	2020	5.20
2011	337,620,000	64,740,000	2018	3.50
2011	75,000,000	25,000,000	2019	3.50
2012	212,400,000	94,400,000	2018-2020	3.50
2012	219,865,000	50 000,000	2018-2024	3.50
2013	244,570,000	164,570,000	2018-2025	3.50
2013	115,000,000	55,000,000	2018-2020	3.50
2014	47,000,000	36,000,000	2018-2023	3.50
2015	200,000,000	175,000,000	2018-2024	3.50
2015	180,745,000	110,035,000	2018-2022	3.50
2016	300,000,000	300,000,000	2019-2034	3.50
2017	300,000,000	300,000,000	2019-2037	3.50
2017	134,865,000	134,865,000	2019-2024	3.50
Totals	$2,687,065,000	$1,539,610,000		

* Assumed average interest rate based on interest rate swap agreement(s), including projected basis risk.

SOURCE: State Treasurer's Office

Outstanding Long-Term Direct General Obligation Debt

The following table sets forth the total long-term direct general obligation debt outstanding (including economic recovery notes) at the end of each of the last ten fiscal years. The long-term debt outstanding includes bonds that are considered self-liquidating. See Table 8.

TABLE 11

Outstanding Long-Term Direct General Obligation Debt
As of June 30
(In Thousands)

Fiscal Year	Gross Debt
2008	$13,102,857
2009	14,008,863
2010	15,066,507
2011	14,680,676
2012	14,678,736
2013	14,762,696
2014	15,819,826
2015	16,879,336
2016	17,704,949
2017	18,534,494

SOURCE: State Treasurer's Office

Future Issuance of Direct General Obligation Debt

Authorized But Unissued Direct General Obligation Debt. The General Assembly has empowered the Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of February 15, 2018, the amount of bonds authorized by bond acts in effect, the amount the Commission has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued and the balance available for authorization. The following table shows the same information for UConn 2000 bonds secured by the State's debt service commitment authorized to be issued under the cap through June 30, 2018.

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of February 15, 2018
(In Thousands)

	State Direct Debt[a]	Pension Obligation Bonds[b]	UCONN 2000[c]	Tax Increment[d]	Total
Bond Acts in Effect	$38,832,518	$2,276,578	$2,975,777	$74,750	$44,159,624
Amount Authorized[e]	36,158,342	2,276,578	2,975,777	74,750	41,485,447
Amount Issued	33,704,278	2,276,578	2,673,377	68,040	38,722,273
Authorized but Unissued	2,454,064	0	302,400	6,710	2,763,174
Available for Authorization	2,674,177	0	0	0	2,674,177

(a) Includes CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds and GAAP Deficit Bonds. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds, General Obligation Economic Notes and lease financings.

(b) The amount available does not include additional amounts which may exceed the cap to finance issuance costs and capitalized interest.

(c) Includes bonds that may be issued under the cap in effect on the date of the table. The amount available for authorization does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. The amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.

(d) The amount of tax increment bonds authorized is based on the amount authorized by the State Bond Commission, since there is no statutory amount of authorization.

(e) The amount authorized reflects amounts allocated by the State Bond Commission.

SOURCE: State Treasurer's Office; Office of Policy and Management

Bond Authorizations and Reductions. The General Assembly authorizes bonds in various public and special acts each year or each biennium. In addition to authorizing bonds for new projects and purposes, the General Assembly reviews prior authorizations and may repeal certain projects and bond authorizations or otherwise reduce prior bond authorizations. The following table and graph list the amount of new authorizations of general obligation debt that take effect during the fiscal year listed, and the net amount after subtracting prior bond authorizations that have been repealed or reduced. Pension obligation bonds and economic recovery notes are not included since they are not recurring authorizations.

TABLE 13

Statutory General Obligation Bond Authorizations and Reductions[(a)]
(In Millions of Dollars)

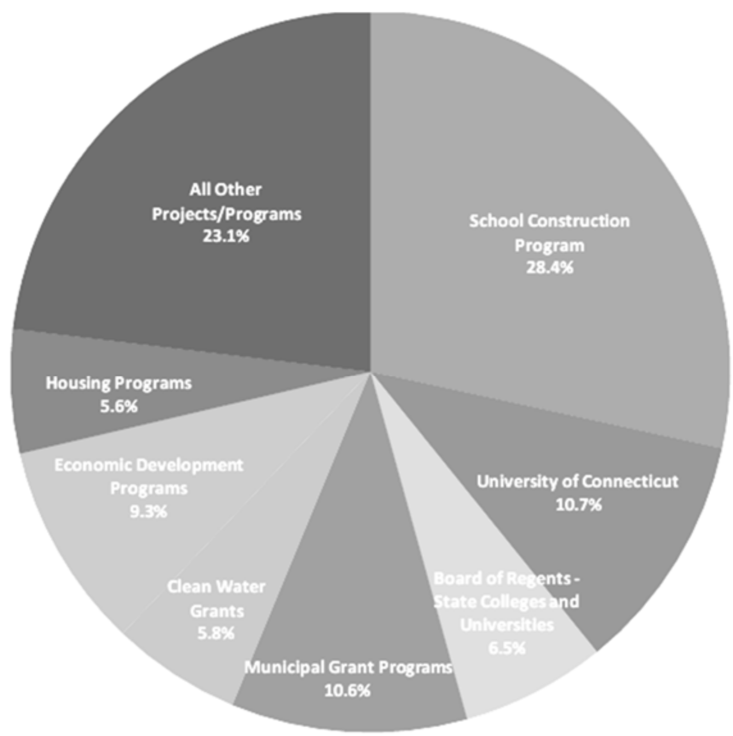
Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
New Authorizations	1,965.0	1,564.5	1,195.4	1,147.2	1,724.8	2,673.3	1,993.6	2,843.6	2,391.5	2,661.3	1,875.6	1,618.0
Reductions	(206.9)	0.0	(140.5)	(474.6)	(10.8)	(22.3)	(12.0)	(27.8)	(272.5)	(985.7)	(263.3)	0.0
Net New Authorizations	1,758.1	1,564.5	1,054.9	672.6	1,714.0	2,651.0	1,981.6	2,815.8	2,119.0	1,675.6	1,612.3	1,618.0

Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Does not include GAAP Deficit Bonds authorized in Fiscal Year 2014 in an aggregate principal amount sufficient to generate net proceeds of not more than $598.5 million. Includes amount for UConn 2000 bonds available under the cap for Fiscal Years 2008 through 2019, as amended, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Amounts are listed in the fiscal year that the bond authorizations become effective. Does not include any authorizations which take effect after Fiscal Year 2019. See **Table 14**.

SOURCE: State Treasurer's Office; Office of Policy and Management

TABLE 14

Projected General Obligation Bond Allocations for Fiscal Years 2017 – 2020



SOURCE: Office of Policy and Management as of November 2016. No subsequent projections have been produced.

OTHER FUNDS, DEBT AND LIABILITIES

The State conducts certain of its operations through State funds other than the State General Fund and, may issue debt secured by the special taxes or revenues pledged to certain of such funds. In addition, the State is contingently liable, or has limited liability, from the resources of the State's General Fund, for payment of debt service on certain obligations of quasi-public State agencies and municipalities of the State. The State also has committed to pay debt service on loans to finance certain child care facilities and has committed to certain municipalities to make future grant payments for school construction projects, payable over a period of years, and has certain other contingent liabilities for future payments.

Special Transportation Fund and Debt

In 1984 the State adopted legislation establishing a transportation infrastructure program and authorizing Special Tax Obligation ("STO") bonds to finance the program. The transportation infrastructure program is a continuous program for planning, construction and improvement of transportation infrastructure, and is administered by the Department of Transportation.

The cost of the transportation infrastructure program for Fiscal Years 1985-2022, which will be met from federal, State, and local funds, is currently estimated at $39.2 billion. The State's share of such cost, estimated at $18.6 billion, is to be funded from transportation-related taxes, fees and revenues deposited in the Special Transportation Fund, as described below, and from the proceeds of STO bonds. The portion of State program costs not financed by STO bonds is estimated at $0.8 billion and includes the expenses of the transportation infrastructure program that either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds.

The State's share of the cost of the infrastructure program for Fiscal Years 1985-2022 to be financed by STO bonds currently is estimated at $17.8 billion.

During Fiscal Years 1985-2019, $35.1 billion of the total transportation infrastructure program was approved by the appropriate governmental authorities. The remaining $4.1 billion of such infrastructure costs is anticipated to be funded with the proceeds of $2.1 billion of future special tax obligation bonds, $2.0 billion in anticipated federal funds, and $40.8 million in anticipated revenues and other available funds.

The State has established the Special Transportation Fund for the purpose of budgeting and accounting for all transportation-related taxes, fees and revenues credited to such Fund and securing the STO bonds. STO bonds are payable solely from revenues of the Special Transportation Fund and other pledged receipts, funds or moneys. The aggregate of certain transportation related taxes and other transportation related revenue sources, and any direct pay federal interest subsidy received by the State in connection with the issuance of any taxable STO bonds (Build America Bonds) are intended to cover the cost of the State's share of the infrastructure program, including debt service requirements on STO bonds.

The table below shows the amount of STO bonds authorized by bond acts in effect, the amount the State Bond Commission (the "Commission") has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued, the balance available for authorization, and the amount outstanding. It is anticipated that additional STO bonds will be authorized by the General Assembly annually in an amount necessary to finance and complete the transportation infrastructure program. Such additional bonds may be issued on an equal rank with the outstanding bonds provided certain pledged revenue coverage requirements of the STO bond indentures controlling the issuance of such bonds are met.

TABLE 15

Special Tax Obligation Bonds
As of February 15, 2018
(In Millions)

	New Money	Refundings[(a)]	Total
Bond Acts in Effect	$16,076.2	N/A	$16,076.2
Amount Authorized[(b)]	14,458.3	N/A	14,458.3
Amount Issued	11,520.2	$4,226.9	15,747.1
Authorized but Unissued	2,938.1	N/A	2,938.1
Available for Authorization	1,617.9	N/A	1,617.9
Amount Outstanding	4,823.0	717.5	5,540.5

(a) Refunding Bonds do not require legislative approval.

(b) The Amount Authorized reflects amounts allocated by the State Bond Commission.

SOURCE: State Treasurer's Office

In 2015, Governor Malloy proposed a 30-year, $100 billion transportation initiative to modernize Connecticut's infrastructure. In conjunction with that proposal the Governor established the Transportation Finance Panel and appointed its members consisting of experts in transportation, finance and economic development. The panel was charged with examining funding options and developing recommendations for the implementation of Governor Malloy's transportation initiative and on January 15, 2016 the panel presented its report to the Governor. In 2015, legislation created a new statutory transportation "lock box" which established the Special Transportation Fund as a perpetual fund, the resources of which are to remain in the Special Transportation Fund to be expended solely for transportation purposes, including the payment of debt service. All sources of moneys required by State law to be credited to the Special Transportation Fund after June 29, 2015 are to continue to be credited to such fund to the extent the State collects or receives such moneys. Further, in 2017, the General Assembly approved a resolution which created a new statutory transportation "lock box", and proposed that an amendment to the Constitution of the State to that effect be presented to the electors at the general election to be held on November 6, 2018. In addition, in his budget proposal on February 5, 2018, the Governor included several revenue changes to the Special Transportation Fund in order to continue to fund the Let's Go CT transportation infrastructure initiative. These include (i) increasing the gasoline tax by seven cents over four years, (ii) accelerating transfer of the motor vehicles sales tax to the Special Transportation Fund by two years, (iii) imposing a new tire fee of three dollars beginning in Fiscal Year 2019, (iv) eliminating transfers to the school bus seat belt account in Fiscal Year 2020 and (v) instituting statewide electronic tolling in Fiscal Year 2023.

Other Special Revenue Funds and Debt

Bradley International Airport. Bradley International Airport, located in Windsor Locks, Connecticut, is owned and operated by the Connecticut Airport Authority ("CAA"), a quasi-public authority of the State. The General Assembly authorized the issuance of revenue bonds for improvements at Bradley International Airport payable from all or a portion of the revenues generated at the Airport. As of February 15, 2018, there were $109.3 million of Bradley International Airport Revenue Refunding Bonds outstanding. In addition, the State is a party to certain interest rate swap agreements with respect to certain of these bonds. Any obligations of the State under the interest rate swap agreements are payable from all or a portion of the revenues generated at the Airport. See ***Quasi Public Agencies - Connecticut Airport Authority ("CAA")***.

Additional special obligation bonds to finance self-sustaining special facilities at Bradley International Airport payable solely from the revenues derived from such special facilities were authorized in 1993. In March 2000 the State issued $53.8 million Bradley International Airport Special Obligation Parking Revenue Bonds to finance the construction of a five story parking garage facility at the airport and as of February 15, 2018, $25.3 million of such bonds were outstanding.

State Revolving Fund ("SRF"). The General Assembly has authorized the issue of revenue bonds for the purpose of funding various State and federally mandated water pollution control and drinking water projects for up to $3,533.8 million, of which $2,216.6 million have been issued. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys of the SRF. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities and public water systems to finance water pollution control and drinking water improvements, and the loan repayments by the municipalities and public water systems secure the revenue bonds. The loan obligations of the municipalities and public water systems are secured by either the full faith and credit of each such entity, or the revenues and other funds of a municipal sewer or public water system. As of February 15, 2018, $993.5 million revenue bonds were outstanding (including refunding bonds).

Unemployment Compensation. The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the State may borrow from the Federal Unemployment Trust Fund or issue bonds in an aggregate amount outstanding at any time not in excess of $1.0 billion, plus amounts for certain reserves and costs of issuance. No such borrowings or bonds are outstanding and none are anticipated.

Second Injury Fund. The Second Injury Fund is a State-run workers' compensation insurance fund that pays lost wages and medical benefits to qualified injured workers. The Second Injury Fund is now closed to future second injury claims. However, there remain authorized the issuance of an amount not to exceed $750 million in revenue bonds and notes outstanding at any one time to provide funds for paying past claims. No bonds or short-term borrowings are currently outstanding. The State's management objective is to pay additional claims and settlements from current income and, if necessary, short term borrowings.

Contingent Liability Debt

The General Assembly has the power to impose limited or contingent liabilities upon the State in such a manner as it may deem appropriate and as may serve a public purpose. This power has been used to support the efforts of quasi-public agencies, municipalities and other authorities formed to carry out essential public and governmental functions by authorizing these entities to issue indebtedness backed, partially or fully, by General Fund resources of the State. Not all entities that are authorized to issue such indebtedness have done so, and the description below of the State's limited or contingent liability is restricted only to specific indebtedness backed by the State.

Special Capital Reserve Funds. The primary vehicle through which the State has undertaken contingent or limited liability is the special capital reserve fund. A special capital reserve fund ("SCRF"), if established, provides additional security for bonds issued by a quasi-public agency, municipality or other authority. Subject to certain legislative exceptions, monies held in and credited to a SCRF are intended to be used solely for the payment of the principal of bonds secured by such SCRF, the purchase of such bonds, the payment of interest on such bonds or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. The SCRF is frequently funded with bond proceeds to a specified amount (the minimum of which is often the maximum annual principal and interest payments due on the bonds). The State undertakes the obligation to restore a SCRF to its minimum level. The method for determining such required minimum capital reserve is set out in the legislation authorizing the SCRF. If the SCRF should fall below the required minimum capital reserve amount, an official of the issuer which established the SCRF is to certify to the Secretary of OPM or the Treasurer or both the amount necessary to restore such SCRF to the required minimum capital reserve amount. On or before December 1, annually, there is deemed to be appropriated from the State's General Fund such amount as specified in the certificate, which amount shall be allotted and paid to the entity that established the SCRF. On an annual basis, the State's liability under any SCRF mechanism is limited to its obligation to restore each SCRF to its minimum capital reserve amount.

By statute, the Connecticut Green Bank, CAA, CHEFA, CHESLA, CHFA, CI, CRDA, MIRA and CPA may borrow money or issue bonds or notes that are guaranteed by the State or for which there is a State supported SCRF with the approval of the Treasurer or the Deputy Treasurer, and for certain of these quasi-public issuers, the Secretary of the Office of Policy and Management ("OPM"). The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to (1) pay the principal of and interest on the bonds and notes to be issued, (2) establish, increase and maintain any reserves deemed by the authority to be advisable to secure the payment of the principal of and interest on such bonds and notes, (3) pay the cost of maintaining, servicing and properly insuring the purpose for which the proceeds of the bonds and notes have been issued, if applicable, and (4) pay such other costs as may be required.

Similarly, no municipality may issue any obligation for which there is a State supported SCRF without the approval of the Treasurer. The Treasurer's approval shall be based upon factors delineated in the general statutes, including the establishment of a property tax intercept procedure to service the municipality's debt.

Quasi-Public Agencies

The State has established a number of quasi-public agencies that are not departments, institutions or agencies of the State. They are, however, bodies politic and corporate that constitute public instrumentalities and political subdivisions of the State. These organizations provide a wide range of services that might otherwise be provided directly by the State.

Among the public authorities are: the Connecticut Green Bank; the Connecticut Airport Authority; the Connecticut Health and Educational Facilities Authority; the Connecticut Higher Education Supplemental Loan Authority; the Connecticut Housing Finance Authority; Connecticut Innovations, Incorporated; the Capital Region Development Authority; the Materials Innovation and Recycling Authority; and the Connecticut Port Authority. Each of these public authorities is authorized to issue bonds in its own name to facilitate its activities and, with the exception of the Connecticut Airport Authority and the Connecticut Port Authority, each has issued bonds secured by a SCRF, or other contractual arrangement, for which the State has limited contingent liability.

Connecticut Airport Authority ("CAA"). CAA has ownership of and responsibility for the management and operations of Bradley International Airport and the State's other general aviation airports. The CAA is authorized to issue revenue bonds, including bonds backed by a SCRF.

Connecticut Green Bank ("Green Bank"). The Green Bank, was designated for the purposes of administering the Clean Energy Fund. The Green Bank is an energy finance authority, designed to leverage public and private funds to drive investment and increase clean energy deployment in Connecticut. The Green Bank is authorized to issue bonds to facilitate its activities, which bonds may be secured by a SCRF.

Connecticut Health and Educational Facilities Authority ("CHEFA"). CHEFA was established to assist in the financing of facilities for educational or health care purposes, including colleges and universities, secondary schools, nursing homes, hospitals, child care facilities, and any other qualified non-profit institutions through the issuance of bonds and other obligations. CHEFA loans the proceeds of its bond issues to client institutions, which make debt service payments on such loans that match CHEFA's payment obligations under its bonds. CHEFA is also authorized to issue tax-exempt and taxable revenue bonds secured by one or more SCRFs solely to finance projects for housing, student centers, food service facilities and other auxiliary service facilities at public institutions of higher learning, including the Connecticut State University System, or for clinical services projects for the University of Connecticut Health Center, and up to $100.0 million to finance equipment acquisitions by hospitals.

CHEFA also is authorized to issue bonds and loan the proceeds to various entities to finance child care facilities. The State Treasurer is committed to pay the debt service on these loans, subject to annual appropriation. See Other Debt Service and Contractual Commitments – CHEFA Child Care Program.

Connecticut Higher Education Supplemental Loan Authority ("CHESLA"). CHESLA, a subsidiary of CHEFA, provides financial assistance in the form of education loans to students in or from the State. CHESLA is also authorized to provide loans to refinance eligible education loans of qualified borrowers. CHESLA is authorized to issue bonds the proceeds of which are used to fund or refinance education loans to applicants meeting certain eligibility requirements. The repayment of such loans is used to make debt service payments on CHESLA bonds. CHESLA bonds are further secured by a SCRF.

Connecticut Housing Finance Authority ("CHFA"). CHFA was established to meet the needs of low and moderate income families and persons for decent housing and to encourage and assist the development and construction of multi-family housing. CHFA is authorized to issue bonds the proceeds of which are used to fund mortgage loans to applicants meeting certain eligibility requirements. CHFA also is authorized to make or purchase construction and permanent mortgage loans that are guaranteed or insured by the United States of America or any agency or instrumentality thereof, by the Federal Home Loan Mortgage Corporation, by a private mortgage insurance company or the State or the Authority itself without limitation as to amount and to make or purchase mortgage loans not so insured or guaranteed in an aggregate amount not to exceed $2.25 billion. In order to finance these activities, CHFA established a Housing Mortgage Finance Program and issued its general obligation bonds under a General Bond Resolution. Bonds issued under CHFA's General Bond Resolution are secured by a SCRF.

CHFA has also established a Special Needs Housing Mortgage Finance Program (formerly known as the Group Home Mortgage Finance Program) and has issued and expects to issue additional State-Supported Special Obligation Bonds which bonds are and will be secured by a SCRF. CHFA also issues bonds for supportive housing and emergency mortgage assistance for which the debt service is paid by the State pursuant to contracts for State assistance. See **State Debt – *Types of Direct General Obligation Debt – Supportive Housing Financing and Emergency Mortgage Assistance Program***.

Connecticut Innovations ("CI"). CI is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 15, 2018, $19.5 million of State bonds have been authorized but remain unissued to fund the Insurance Fund and loans insured by the Insurance Fund totaled $1.32 million.

Under its General Obligation Bond Program, CI may issue bonds secured by a SCRF to finance eligible economic development and information technology projects. As of February 15, 2018, no such bonds are outstanding. Although there remains legislative authority for the issuance of bonds secured by SCRFs under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and CI does not anticipate a resumption of any lending activity under that program.

Capital Region Development Authority ("CRDA"). CRDA was granted authority to issue revenue bonds for a convention center project in the City of Hartford. The bonds are backed by State contractual assistance equal to annual debt service. CRDA retains authority to use SCRFs in connection with additional revenue bonds, but there are currently no plans to do so. The CRDA's charge includes projects to stimulate development and redevelopment in the City of Hartford and the surrounding towns.

Materials Innovation and Recycling Authority ("MIRA"). MIRA is charged with the development and operation of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan. MIRA bonds may be secured by a SCRF.

Connecticut Port Authority ("CPA"). The CPA is charged with marketing and coordinating the development of the State's ports and maritime economy. CPA bonds may be secured by a SCRF.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds that may be secured by a SCRF. The University may also issue special obligation bonds that are not secured by such a SCRF. As of February 15, 2018, the University has outstanding $99.255 million special obligation student fee revenue bonds that are not secured by such a SCRF.

Assistance to Municipalities

The State has undertaken certain limited or contingent liabilities to assist municipalities. The State currently has limited or contingent liabilities outstanding in connection with bonds issued by the Southeastern Connecticut Water Authority. The State previously was obligated to secure certain SCRF-backed bonds issued by the Cities of Bridgeport, Waterbury and West Haven to fund past budget deficits; however no such bonds are currently outstanding. Legislation also authorized distressed municipalities, in certain circumstances and subject to various conditions, to issue deficit funding obligations secured by a SCRF. There are no such obligations currently outstanding.

Southeastern Connecticut Water Authority. The Southeastern Connecticut Water Authority was established for the purpose of developing a reliable water supply for southeastern Connecticut. The Commission is authorized to approve a State guarantee of obligations of the Southeastern Connecticut Water Authority. Amounts borrowed by the Southeastern Connecticut Water Authority are to be repaid by July 1, 2045.

Outstanding Special Capital Reserve Fund Debt

The amount of outstanding debt that is secured by special capital reserve funds as described above is outlined in the following table.

TABLE 16

Special Capital Reserve Fund Debt
As of February 15, 2018
(In Millions)

Indebtedness Secured by SCRF	Authorized Debt	Outstanding Debt	Minimum SCRF Requirement
Capital Region Development Authority	$ (a)	$ 82.7	$ N.A.
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Green Bank	100.0	2.96	0.26
Connecticut Health and Educational Facilities Authority			
Connecticut State University System	(a)	318.7	32.4
Hospital Equipment Program	100.0	0.0	0.0
UCONN Health Center Program	(a)	0.0	0.0
Connecticut Higher Education Supplemental Loan Authority	300.0	152.8	18.5
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program[c]	(a)	4,012.8	255.0
Special Needs Housing Mortgage Finance Program	(a)	64.3	5.0
Connecticut Innovations	450.0	0.0	0.0
Connecticut Port Authority	(a)	0.0	0.0
Materials Innovation and Recycling Authority	725.0	0.0	0.0
Southeastern Connecticut Water Authority[b]	15.0	0.86	N.A.
University of Connecticut[b]	(a)	0.0	N.A.

(a) No statutory limit.
(b) Debt is secured by a non SCRF State guarantee.
(c) Amounts as of February 1, 2018 and do not reflect redemptions since that date.

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. Debt service payments are made by the State Treasurer and the State Office of Early Childhood is obligated to reimburse a portion of the debt service payments from intercepts of revenues from providers. Any obligation by the State Treasurer to pay such debt service is subject to annual appropriation. As of February 15, 2018 CHEFA had approximately $51.14 million in Child Care Facilities Bonds outstanding under this program with annual debt service of approximately $4.84 million, of which the State Office of Early Childhood is committed to reimburse approximately $0.76 million. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**. Two other Child Care Facilities programs also authorize the Commissioner of the State Office of Early Childhood to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the State Office of Early Childhood, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs. The State's obligations in connection with these programs are not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

Capital Region Development Authority. The Commission approved up to $122.5 million of revenue bonds and other borrowings for the Hartford convention center project. The predecessor authority to CRDA issued $110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds, of which $82.7 million was outstanding as of February 15, 2018. The State's obligation under the contract assistance agreement is limited to $9.0 million per year, and the CRDA's debt obligations are structured not to exceed this amount. An additional $12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CRDA is obligated to reimburse the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses of the parking garage and the energy facility. Under the agreement between CRDA and the State, after completion of the convention center project, CRDA is required to maintain pledged revenues equal to 1.2 times debt service, after operating expenses. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

A delay in completion of all elements of the project, along with higher than anticipated startup expenses and operating expenses have resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments. This situation is expected to continue at least until all elements of the project are completed and placed in service. As debt service on CRDA's revenue bonds continues to be paid under the contract assistance agreement, CRDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CRDA.

School Construction Grant Commitments. The State is obligated to various cities, towns and regional school districts under a grant-in-aid public school building program to fund a certain portion of the costs of construction and alteration of school buildings or to support part of the debt service payments on municipal debt issued to fund the State's share of such school building projects. For certain school projects approved by the General Assembly, cities, towns and districts are ranked according to their adjusted equalized net grand list per capita and based on such rankings a percentage is assigned that determines the amount of grant money a town or regional school district is eligible to receive for a project or type of project authorized by the legislature and approved by the Commissioner of Administrative Services.

For school construction projects approved during the 1997 legislative session and thereafter, the State pays the costs of its share of construction projects on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments in varying amounts. The State expects to authorize new school construction grant commitments of approximately $650 million that take effect in Fiscal Year 2018. As of June 30, 2017, the Commissioner estimates that current grant obligations under the program for school construction projects approved during the 1997 legislative session and thereafter are approximately $2,986 million, which includes approximately $11,186 million in grants approved as of such date less payments already made of $8,200 million.

Prior to 1997 the grant program was conducted differently. Under the pre-1997 grant program, school construction project grants are paid to the cities, towns and districts in installments that correspond to the debt service payments due on the bonds or notes issued by the municipality to finance project costs. As of June 30, 2017, under the pre-1997 grant program, the State is obligated to various cities, towns and regional school districts for approximately $45.9 million in aggregate principal installment payments and $3.3 million in aggregate interest subsidies, for a total of $49.2 million.

The legislature has authorized the issuance of State bonds for both grant programs based on the amount of grants that the Commissioner of Administrative Services estimates will be paid during each fiscal year. Since there is generally a lapse of one or more years from the time grant commitments are approved to the time grant payments are required to be made, the amount of unpaid grant commitments will be significantly greater than the amount of bonds authorized to fund the grant commitments.

Connecticut Lottery Corporation. The Connecticut Lottery Corporation (the "Corporation") was created in 1996 as a public instrumentality of the State to operate the State's lottery pursuant to the Connecticut Lottery

Corporation Act (the “CLC Act”). The State and the Corporation purchase annuities under contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2017 the current and long-term liabilities of the Corporation total $223 million.

PENSION AND RETIREMENT SYSTEMS

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

The State sponsors several public employee retirement systems and also provides other post-employment benefits. This section will describe these plans in turn. It should be noted that the characteristics of the pension plan systems, where significant assets are available to meet the State's obligations, are different than the characteristics of the systems providing other post-employment benefits, which have not accumulated significant assets. Both types of plans have unfunded liabilities that represent significant financial obligations of the State, both now and in the future. In round numbers, the unfunded actuarial accrued liability ("UAAL") of the major pension systems aggregate approximately $33.6 billion and the UAAL of the other major post-employment benefits systems aggregate approximately $20.9 billion.

PENSION SYSTEMS -- OVERVIEW

The State sponsors several public employee retirement systems discussed in more detail in this section. The two largest of these are the State Employees' Retirement System ("SERS") and the Teachers' Retirement System ("TRS"). These plans have been in operation for a number of years and have significant assets held for the purposes of the plan. Like other similar plans, each plan began with "pay-as-you-go" funding, where benefits to beneficiaries were paid from the General Fund when due. In 1971 the plans were converted to actuarially funded plans and irrevocable trusts were established to accumulate assets that are invested on a long-term basis to fund future liabilities on an actuarial basis. In an actuarially funded pension plan, plan contributions, plus plan assets and the return on plan assets, are designed to meet the future benefits payments over the life of the plan.

The transition of the plans from a "pay-as-you-go" basis to a fully funded actuarial basis requires setting aside significant assets. As it would be impractical to set aside the accumulated liability in a short period, it was contemplated that the plans would achieve full funding over a period of time. The actuarially determined employer contribution ("ADEC") (formerly referred to as the actuarially recommended contribution or "ARC") is the recommended annual payment by the State to the applicable pension plan in order to achieve full funding of the plan over the applicable period, assuming that the actuarial assumptions are met.

When both of the State's major pension plans were converted to an actuarial funding method, the original time period set to achieve full funding was set at 40 years, a period that was subsequently extended. Under the funding models in effect as of June 30, 2017, the remaining period as of that date to reach full funding would have been approximately 30.0 years for the State Employees' Retirement Fund and approximately 20.0 years for the Teachers' Retirement Fund, as long as the State fully funded the annual funding requirement recommended by the actuary and the actuarial assumptions were realized.

Recently, various State officials had proposed the State begin consideration as to whether the current funding model for pension benefits continues to be appropriate. Concerns had arisen regarding projected increases in State pension contributions under the current funding method that could be required in the latter years of the fixed amortization period in order to achieve 100% funding of the UAAL.

In 2016, the Governor created a task force of the stakeholders in the State's retirement systems, including the State Treasurer, the Comptroller, the State Employee Bargaining Agent Coalition ("SEBAC") and the State employees it represents, and Connecticut teachers, to develop a consensus as to making the State's retirement systems more affordable and more sustainable by avoiding the need to fund higher future State contributions towards the end of the fixed amortization period and to smooth out the future annual cost of funding the State's pensions over time. The Task Force, working with the plan actuaries, met and reviewed several scenarios and strategies for SERS. Based on this, the State, acting through OPM, began discussions with SEBAC, arriving at a memorandum of understanding on December 8, 2016, the effect of which modifies the funding calculation and amortization schedule for SERS. The modifications were incorporated into the actuarial assumptions and methods used in the SERS actuarial valuation as of June 30, 2016, discussed herein.

No specific recommendations with respect to TRS have been made by either the Task Force or OPM at this time. Any different methodology, if adopted, could change the manner in which the State funds the TRS, the time period over which it is funded, and the manner in which the annual funding amount is calculated. To be implemented, any proposal would need to take into account various accounting, actuarial, statutory and contractual factors including adherence to the TRS pension obligation bond covenant described below. No representation is made about the possible results of the consideration of these proposals and the impact they may have on the State's current funding model.

It is important that the funding plan be revisited periodically. Accordingly, by statute, actuarial valuations are performed with respect to the systems every two years. Because these valuations are estimating future resources and future liabilities, it is necessary to make important assumptions in arriving at these future assets and liabilities. Using these assumptions, the actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an UAAL. This UAAL represents the remaining amortization of the original unfunded status, changes in the UAAL arising from actual experience compared to these assumptions (including actual investment performance compared to assumed performance), changes in the actuarial assumptions, and any failure to fully fund actuarially determined employer contributions in prior years. The actuarial valuation then arrives at a recalculated actuarially determined employer contribution for future years, which represents the sum of benefits to be accrued in these years, plus the amortization of the recalculated UAAL over the remaining amortization period.

In addition to these recalculations, the State has taken several additional steps in the last few years to address the funding issues with the plans. In the case of SERS, it has negotiated reduced benefits, as described below, made more conservative assumptions which have had the effect of increasing the UAAL, and eliminated the provisions which permitted the State to not fund its full ADEC payment. In the case of TRS, it has issued pension obligation bonds to augment the funding of the system, which bonds included a covenant requiring the State to fund the ADEC while the bonds (or any refunding of the bonds) are outstanding, subject to certain financial exigencies. These additional steps are described in more detail below for each plan.

While the UAAL for each plan is large and the funded ratio is low, in addition to statutory commitments (which can be, and have been, changed by legislation), and unlike many similar plans, the State now has contractual commitments requiring annual funding of the ADEC. In the case of TRS, the State is required to fund the annual amount as a condition of a bond covenant which runs through the end of the plan's amortization period in 2032. In the case of SERS, the State is required to annually fund the ADEC pursuant to its bargaining agreement with SEBAC.

The 2017 Budget Act for Fiscal Years 2018 and 2019 established a Connecticut Pension Sustainability Commission to study the feasibility of placing State capital assets in a trust and maximizing those assets for the sole benefit of the State pension system. The Commission shall (1) perform a preliminary inventory of State capital assets for the purpose of determining the extent and suitability of those assets for inclusion in such a trust, (2) study the potential impact that the inclusion and maximization of such State capital assets in such a trust may have on the unfunded liability of the State pension system, (3) make recommendations on the appropriateness of placing State assets in a trust and maximizing those assets for the sole benefit of the State pension system, (4) examine the State facility plan prepared , and the inventories of State real property, and (5) if found to be appropriate by the members of the Commission, make recommendations for any legislative or administrative action necessary for establishing a process to (A) create and manage such a trust, and (B) identify specific State capital assets for inclusion in such a trust. Not later than January 1, 2019, the Commission shall submit a report on its findings and recommendations to the Finance, Revenue and Bonding Committee of the General Assembly. The Commission shall terminate on the date that it submits its report or January 1, 2019, whichever is later.

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

The 2017 Budget Act for Fiscal Years 2018 and 2019 also established a Teachers' Retirement System Viability Commission consisting of the members of the Teachers' Retirement Board and a global consulting firm with significant experience and expertise in human resources, talent development and health and retirement benefits and investments. The Commission was charged with developing and implementing a plan to maintain the financial viability of the Teachers' Retirement Fund. Not later than ninety days after the entrance into arrangements with the consulting firm, the Commission was directed to submit the plan, and any proposed legislation necessary to implement the plan, to the Appropriations and Education Committees of the General Assembly. The Commission shall terminate not later than one year after the date it submits such report. In developing the plan, the Commission was directed to give significance to the financial capability of the State, including: (1) The fiscal health of the State, (2) the balance in the Budget Reserve Fund, (3) the short and long-term liabilities of the State, including, but not limited to, the State's ability to meet minimum funding levels required by law, contract or court order, (4) the State's initial budgeted revenue for the State for the previous five fiscal years as compared to the actual revenue received by the State for such fiscal years, (5) State revenue projections for the fiscal years during the period in which the proposed plan is to be in operation, (6) the economic outlook for the State, and (7) the State's access to capital markets. The financial capability of the State was not include the State's ability to raise revenue through new or increased taxes.

On March 19, 2018 the Commission released its report regarding the development and implementation of a plan to maintain the financial viability of the TRF. In the report the Commission, among other matters, analyzed the viability of three alternate models of funding the TRF (the "viability plans"), and compared them to the current funding model. All three of the viability plans extend the amortization of the UAAL and full funding of the TRF beyond the Fiscal Year 2032 end of the plan's current amortization period. In addition, the viability plans use a lowered measure of investment return (a 7.0% median annual return and volatility of 11.0% annual standard deviation of return), resulting in an assumed investment return (also the assumed discount rate) of 6.9% (as compared to the current assumed investment return of 8.0%). As noted elsewhere, a reduced rate of return assumption has the effect, in isolation, of increasing the UAAL and the ADEC.

The three viability plans modeled are:

- a "POB Settlement" plan, under which the current funding policy and assumptions continue until Fiscal Year 2025, when all the TRF Bonds would be retired with the diversion of the State's required ADEC for Fiscal Year 2025. With the end of the TRF Bonds covenant restrictions upon redemption, the discount rate would be decreased to 6.9%, and a 25-year layered amortization methodology implemented for future changes to the UAAL.

- a "Changed Funding Policy" plan, under which the discount rate would decrease to 6.9%, the current UAAL would be re-amortized over 30-years with a 5-year phase-in to a level dollar amortization method, and a 25-year layered amortization methodology implemented for future changes to the UAAL.

- an "Asset Transfer" plan, under which a State asset (such as the State Lottery, State-owned buildings, etc.) generating approximately $350 million in net revenue with an expected rate of increase in revenue of 2.0% per year, and an assumed market value of $5 billion, would be transferred to the TRF in Fiscal Year 2019. Current assumptions and methods would be maintained until the first valuation following the asset transfer. Assuming the asset transfer would improve the funded ratio of TRF to at least 70.0% and would permit a change to the TRF discount rate and funding policy under the emergency clause of the TRF Bonds covenant, the discount rate would be decreased to 6.9%, and a 25-year layered level dollar amortization methodology implemented for future changes to the UAAL. Modeling was also provided with the change in funding methodology eliminated.

The Commission's report also includes open group modeling by the consulting actuary for the TRF of future ADECs through Fiscal Year 2066 for the three viability plans and the current funding model (but using the

6.9% used by the viability plans rather than the 8% currently employed). The application of the discount rate to the current funding model results in significant increases to the annual contribution requirements for various of the out years from those shown in the baseline open group modeling set out in Table 22a.

The Commission found, among other things, that:

- Model outputs consistently indicate a benefit to the TRF at the reduced assumed rate of investment return (discount rate).

- Model outputs heavily depend on the continued dedication of the State to fully fund the future ADECs. If the implementation of a viability plan includes the earlier than scheduled end to the TRF Bonds covenant restrictions, it is important that an equally strong alternative to the covenant be adopted which mandates the State continue the same funding discipline into the future as has been required by the bond covenant.

- The analysis of the viability plans shows the implementation of a level dollar amortization method improves the funding of the TRF.

- Each alternate model demonstrates a potential to improve short and long-term viability of TRF, but may also have other potential considerations not addressed in the Commission's report.

ACTUARIAL VALUATIONS

The actuarial value of the liabilities of the plan are not current liabilities but represent a present value measure of the stream of benefits that the plan is expected to pay over the foreseeable future. These benefits in turn depend on future events, such as the size of the workforce, the rate workers leave the workforce, the rate of retirement, the rate of mortality of retirees, the rate of salary increase and the rate benefits accrued at retirement increase by future cost of living increases, among other factors. The State engages actuaries to assist it in selecting assumptions about these factors, and based on these assumptions, the actuary estimates the current stream of future benefits. In order to come to an estimate of the accrued liabilities of the plan, this stream of estimated future benefits is discounted to a present value based on an assumed discount rate. The State uses a discount rate which is the same as its investment return assumption. The significant assumptions used in making these calculations are described below for each plan.

One measure of the level of plan funding is the "funded ratio", which is calculated by dividing the actuarial value of the assets of the plan by the actuarial accrued liability of the plan. The actuarial valuation will state the funded ratio for each plan, and is shown herein. Also shown is the funded ratio calculated based on the market value of the assets of the plan.

The actuarial valuation also will state an actuarially determined employer contribution, the ADEC, which is the recommended payment of the State to the applicable pension plan. These recommendations are used in the next budget cycle. The actuarially determined employer contribution consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service, and (2) an amortization of a portion of the UAAL. The normal cost is partially funded from active member contributions, if required under the particular plan, with the remainder funded by State contributions. The UAAL amortization component is made over the length of time chosen as the amortization period, and designed to eliminate the UAAL and bring the plan to the state of being fully funded. Following the full amortization of the UAAL, to maintain this full funding only the normal cost amount would need to be contributed, plus any contribution necessary due to the effect of actual experience compared to the actuarial assumptions.

One of the most significant factors in determining the annual UAAL amortization amount, and determining the point in time when the plan should be fully funded, is the remaining period over which the UAAL will be amortized. This period is 20.0 years (as of June 30, 2017) for the Teachers' Retirement Fund, having originally started with an amortization period of 40 years. The State Employees' Retirement Fund now uses a layered amortization method, as described above, with a weighted average amortization period 24.1 years (as of June 30, 2017). A second important factor is determining the amount to be amortized in each year of the remaining amortization period. Prior to entering into the December 8, 2016 memorandum of understanding, both of the State plans used a "level percent of payroll" formula for this purpose, where in each year the same percent of assumed payroll for that year is calculated as the amount to be amortized. This method assumes that the amortization payments increase in future years by the assumed increase in payroll since it calculates amortization payments as a constant percentage of projected payroll over a given number of years. This makes the assumption of the rate at which payroll increases each year an important assumption. TRS continues to use a "level percent of payroll" amortization method. SERS is now phasing in a "level dollar" amortization over a five year period, where the cost is amortized in equal dollar amounts to be paid over the specified number of years. This method generally results in decreasing inflation-adjusted payments over time.

Both SERS and TRS now use an "entry age normal" actuarial cost method to calculate the annual amortization payments needed to amortize the UAAL. The entry age normal method calculates the annual normal cost for a member as a uniform and constant rate of employer contribution which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to contributions of the member to meet the cost of all benefits payable on behalf of the member. The actuaries have indicated that the entry age normal method is the most widely used cost method of large public sector plans and has demonstrated the highest degree of contribution stability to alternative methods. It also is the only method allowed under the new Governmental Accounting Standards Board ("GASB") reporting standards which came into effect for 2014. Prior to the most recent actuarial valuation method, SERS used a "projected unit credit" method. The projected unit credit method calculates the annual normal cost as the present value of the portion of the projected benefit attributable to the year following the actuarial valuation date, generally resulting with respect to an individual member in an increase in the annual normal cost as an employee draws closer to the end of service.

The State began reporting pensions in accordance with GASB 67 and GASB 68 beginning with Fiscal Year 2014, which prescribe certain methods for comparability and other purposes. These methods are not necessarily the same as those used in calculating the actuarially determined employer contribution of the State, which are determined by statute and/or contract.

Set forth below in greater detail is information about the State Employees' Retirement Fund and the Teachers' Retirement Fund, including information about the matters discussed above, how plan benefits are calculated, how plan assets are invested, and the investment experience of these plans. With respect to SERS in particular, the discussion of plan benefits is complicated because the benefits are not uniform but are divided into "tiers," which have significantly decreased benefits for newer State employees.

STATE EMPLOYEES' RETIREMENT FUND

The State Employees' Retirement Fund ("SERF") is one of the systems maintained by the State with approximately (i) 50,019 active members, consisting of 36,320 vested members and 13,699 non-vested members, (ii) 1,412 deferred vested members, and (iii) 48,191 retired members and beneficiaries as of June 30, 2016.

Payments into the fund are made from employee contributions, General and Special Transportation Fund appropriations and grant reimbursements from Federal and other funds. State contributions to the fund are made monthly on the basis of transfers submitted by the Office of the State Comptroller.

Full actuarial valuations are performed as of June 30th of each even-numbered year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the SERF. The actuarial accrued liability is determined using the entry age normal cost method as the portion of the present value of future benefits allocated to years of service prior to the valuation date. The valuation uses an asset valuation method that smoothes the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fifth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial accrued liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the active population count for hazardous and nonhazardous duty members, total payroll growth, age and salary distributions for new entrants, and actual plan experience with respect to terminations, retirement, mortality, and cost of living increases, among other things.

Between full actuarial valuations the State generally receives an interim valuation, in which the actuarial value of assets are "rolled forward" but the actuarial value of liabilities are not recalculated. Where these interim valuations have been performed the new funding ratios that result are set out below.

SEBAC 2017 Agreement

On July 31, 2017, the General Assembly approved an agreement between the State and SEBAC ("SEBAC 2017") which made substantial changes to pension and healthcare benefits for State employees and retirees, including:

- Wage freezes in Fiscal Years 2017, 2018, and 2019, followed by wage increases in Fiscal Years 2020 and 2021
- Revisions to the healthcare plan design and premium cost sharing arrangement for current employees
- Conversion to a Medicare Advantage healthcare plan for all current and future retirees
- Increased employee pension contributions for all existing SERS members
- Revised COLA formula and timing for post June 30, 2022 SERS retirees
- A new hybrid defined benefit / defined contribution retirement tier for all new SERS employees

In addition to the employee concessions noted above, the State agreed to extend the expiration date of the existing agreement with SEBAC regarding pension and healthcare benefits (but not regarding wage or working conditions) from June 30, 2022 to June 30, 2027 and to provide layoff protection through June 30, 2021 for existing employees.

January 2017 Actuarial Valuation and June 2017 Revised Actuarial Valuation and Fiscal Years 2018 and 2019 Employer Contribution Requirements

The SER Commission received on January 19, 2017 from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2016 which was approved by the SER Commission on January 19, 2017. The January 2017 actuarial valuation incorporates a December 8, 2016 memorandum of understanding between the State and SEBAC which was approved by the General Assembly on February 1, 2017. The SER Commission received from Cavanaugh Macdonald Consulting, LLC a revised actuarial valuation as of June 30, 2016, dated June 5, 2017 which was approved by the SER Commission on August 17, 2017. The June 2017 revised actuarial valuation reflects the terms of SEBAC 2017, described above.

The January 2017 actuarial valuation and the June 2017 revised actuarial valuation reported the following results as of June 30, 2016 with respect to the SERF:

	January 2017 Actuarial Valuation	**June 2017 Revised Actuarial Valuation**
Market Value of Assets	$10,636.7 million	$10,636.7 million
Actuarial Value of Assets	$11,923.0 million	$11,923.0 million
Actuarial Accrued Liability	$33,616.7 million	$32,310.3 million
UAAL	$21,693.8 million	$20,387.4 million
Funded Ratio (based on the actuarial value of assets)	35.5%	36.9%
Funded Ratio (based on the market value of assets)	31.6%	32.9%

The January 2017 actuarial valuation was based upon the following assumptions and methodologies, among others:

- 6.90% investment return assumption (including inflation at 2.50%)
- Entry Age Normal actuarial cost method
- Projected salary increases of 3.5% to 19.5% (including inflation at 2.50%)
- Cost-of-living adjustments of 2.25% to 3.25%
- Social security wage base increase of 3.5%
- Payroll growth of 3.5%
- Changes to the demographic assumptions including the rates of withdrawal, disability retirement, service retirement and mortality (including the extension of post-retirement life expectancy by an estimated 1.5 years for males and 2.0 years for females)
- The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets
- The amortization period is a weighted average of the portion of the UAAL as of 1984 (amortized over a period ending in 2032) and the balance of the UAAL (amortized over a closed 30 year period beginning in 2016). Future actuarial gains or losses will be phased in over closed 25 year periods. Weighted average amortization period of UAAL of 25.1 years
- Level dollar amortization method to be phased in over a five year period

The June 2017 revised actuarial valuation was based upon the same assumptions and methodologies as used in the January 2017 actuarial valuation, other than the following:

- For Fiscal Years 2016 through 2018, the projected rate of salary increases was reduced to 0%, and the projected rate of promotion and merit salary increases was reduced by 50% from the prior assumption
- Cost-of-living adjustments ("COLA") of 1.95% for employees retiring on and after July 1, 2022
- The partial COLA available during the COLA moratorium period to take into account a potential environment where CPI is higher will result in the first COLA being 0.15% higher (2.10%)
- An approximately 20% increase in rates of retirement in the year before July 1, 2022 to reflect potential behavior of future eligible members to avoid the July 1, 2022 COLA change and moratorium

The January 2017 actuarial valuation and the June 2017 revised actuarial valuation determined the actuarially determined employer contribution ("ADEC") requirements for Fiscal Years 2018 and 2019, and the annual contribution rates as a percentage of payroll, based on a covered payroll as of June 30, 2016 of $3,720.8 million, as follows:

	January 2017 Actuarial Valuation	June 2017 Revised Actuarial Valuation
ADEC for Fiscal Year 2018	$1,648.4 million	$1,443.1 million
Fiscal Year 2018 ADEC as Percent of Payroll	44.31%	38.8%
ADEC for Fiscal Year 2019	$1,819.9 million	$1,574.5 million
Fiscal Year 2019 ADEC as Percent of Payroll	47.26%	42.3%

The 2017 Budget Act for Fiscal Years 2018 and 2019 contains appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for those years pursuant to the June 2017 revised actuarial valuation.

The June 2017 revised actuarial valuation breaks out the normal cost component and the UAAL amortization component for Fiscal Years 2018 and 2019 as follows:

Annual Employer Contributions for:	**2018**		**2019**	
	Amount (in millions)	Percent of Payroll	Amount (in millions)	Percent of Payroll
Employer Normal Cost	$262.7	7.1%	$245.7	6.6%
Amortization of Net Unfunded Actuarial Accrued liabilities (amortized over 25.1 and 24.1 years, respectively)	$1,180.4	31.7%	$1,328.8	35.7%
Total Employer Contribution Requirement	$1,443.1	38.8%	$1,574.5	42.3%

SOURCE: June 2017 Revised Actuarial Valuation.

November 2017 "Roll Forward" Actuarial Valuation and Fiscal Year 2019 Employer Contribution Requirements

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a "roll forward" actuarial valuation as of June 30, 2017, dated November 10, 2017. This roll forward valuation is an informational update to the actuaries' projected required employer contribution amount, based on the actual experience of the investment return for the June 30, 2017 plan year and roll forward techniques, and offers a best estimate as to what payroll and liabilities were as of June 30, 2017. The actuaries do not recommend that the results of a roll forward valuation be used as the basis for adjusting the scheduled contribution requirements but rather as information as to the expected condition of the Fund as of the end of the interim year. Using the roll forward valuation results, the actuaries determined that the employer contribution requirement for Fiscal Year 2019, based on an Entry Age Normal actuarial cost method and level dollar amortization contribution method to be phased in over a five year period, would be $1,568.9 million, a decrease of $5.6 million from the amount calculated in the June 2017 revised actuarial valuation and used in the 2017 Budget Act for Fiscal Years 2018 and 2019.

Set forth in the following table are State contributions to the SERF, Federal grant programs, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2014 and June 30, 2016 and interim "roll forward" valuations as of June 30, 2013, June 30, 2015 and June 30, 2017. The actuaries do not recommend that the results of a roll forward valuation be used as the basis for adjusting the scheduled contribution requirements but rather as information as to the expected condition of the Fund as of the end of the interim year.

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

TABLE 17
State Employees' Retirement Fund
(In Millions)

	2013	2014	2015	2016	2017
General Fund Contributions	$ 721.5	$ 916.0	$ 970.9	$ 1,096.8	$ 1,124.7
Transportation Fund Contributions	107.9	108.3	130.1	122.1	129.2
Federal and other Reimbursements............	228.8	244.5	270.6	282.8	288.4
Employee Contributions ...	164.0	144.8	187.3	134.9	132.6
Total Contributions	$ 1,222.2	$ 1,413.6	$ 1,558.9	$ 1,636.6	$ 1,674.9
Benefits Paid[a]	$ 1,487.7	$ 1,563.0	$ 1,653.6	$ 1,729.1	$ 1,845.3
Investment Income/Net Gains (Losses)...............	$ 997.6	$ 1,447.1	$ 370.2[b]	$ (0.3)[b]	$ 1,509.7[b]
Actuarially Determined Employer Contribution ..	$ 1,059.7	$ 1,268.9	$ 1,379.2	$ 1,514.5	$ 1,569.1
Percentage of Actuarially Determined Employer Contribution Made	99.9%	100.0%	99.5%	99.2%	98.3%
Actuarial Accrued Liabilities	$23,768.2	$25,505.6	$26,255.5	$32,310.3[c]	$33,077.6
Actuarial Values of Assets........................	$ 9,784.5	$10,584.8	$11,375.8	$11,923.0	$12,593.8
Unfunded Accrued Liabilities	$13,983.7	$14,920.8	$14,879.7	$20,387.4[d]	$20,483.9[d]
Market Value of Assets.....	$ 9,182.4[e]	$10,472.6[f]	$10,668.4[g]	$10,636.7[h]	$11,929.2[i]
Funded Ratio (actuarial value)	41.2%	41.5%	43.3%	36.9%	38.1%
Funded Ratio (market value)................	38.6%	41.1%	40.6%	32.9%	36.1%
Ratio of Actuarial Value of Assets to Market Value of Assets	106.6%	101.1%	106.6%	112.1%	105.6%

(a) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.

(b) Adjusted to comply with GASB 72.

(c) The increase in the Actuarial Accrued Liabilities from June 30, 2015 to June 30, 2016 did not result from changes to SERS retirement benefits, but rather, in substantial part, from changes in the actuarial assumptions and methodologies used for the January 2017 actuarial valuation, as described above, from those used in prior actuarial valuations. Among the more significant assumption and methodology changes were the reduction of the investment return assumption from 8.00% to 6.90%, changes to the demographic assumptions including the extension of post-retirement life expectancy, changes to expected experience and a change of the actuarial cost method from the "projected unit credit" method to the "entry age normal" method.

(d) Does not total due to rounding.

(e) As reported in Roll Forward Actuarial Valuation. This amount includes $5,839,847 of receivables.

(f) As reported in Actuarial Valuation. This amount includes $6,198,255 of receivables.

(g) As reported in Roll Forward Actuarial Valuation. This amount includes $6,158,929 of receivables.

(h) As reported in Actuarial Valuation. This amount includes $15,989,968 of receivables.

(i) As reported in Roll Forward Valuation. This amount includes $14,976,110 of receivables.

The June 2017 revised actuarial valuation updates the break out of the normal cost component and the amortization component associated with the several tiers of employees for Fiscal Year 2016 from the January 2017 actuarial valuation as set forth below:

TABLE 18

Normal Cost by Tier

Group	Number of Active Members[(a)]	Average Age (years)[(a)]	Average Service (years)[(a)]	Normal Cost	Normal Rate (percent of payroll)
Tier I-Hazardous	35	58.7	31.9	$ 675,195	22.52%
Tier I-Plan B	1,428	59.5	34.6	$ 10,388,234	8.36%
Tier I-Plan C	45	61.1	34.4	$ 59,181	1.82%
Tier II-Hazardous	1,512	51.0	22.5	$ 23,602,751	18.48%
Tier II-Others	11,204	54.9	24.9	$ 58,339,773	6.14%
Tier IIA-Hazardous	5,957	44.0	12.5	$ 69,904,811	14.14%
Tier IIA-Others	16,063	48.4	11.3	$ 55,973,359	5.00%
Tier III-Hazardous	2,551	34.4	2.5	$ 15,479,691	9.57%
Tier III Hybrid	2,087	50.4	12.7	$ 9,179,224	4.92%
Tier III-Others	9,137	38.7	2.3	$ 19,130,429	4.04%
Total	50,019	47.3	13.5	$262,732,648	7.28%

(a) As of June 30, 2016.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2047

The consulting actuary for the SERF prepared a baseline open group model of future funded ratios and annual contribution requirements for the SERF through Fiscal Year 2047. The modeling presented in Table 19 is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2017 roll forward actuarial valuation. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the SERF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 19

Modeling Of State Employees' Retirement Fund
Future Funded Ratios and Annual Contribution Requirements
(In Thousands)[a]

The funded ratio and annual contributions for each fiscal year have been modeled based on the assumption of an actuarial valuation prepared as of the June 30 two years prior to the end of such fiscal year.

Fiscal Year Ending June 30	Valuation Date June 30	Funded Ratio as of Valuation Date	Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution	Employee Contribution	Total State and Employee Contribution
2018	2016	36.9%	$262,733	$1,180,377	$1,443,110	$134,246	$1,577,356
2019	2017	37.7	245,705	1,328,832	1,576,040	133,925	1,709,965
2020	2018	38.1	237,511	1,484,392	1,724,715	148,939	1,873,654
2021	2019	38.3	206,356	1,696,942	1,907,587	154,467	2,062,054
2022	2020	39.1	200,526	1,862,243	2,068,570	159,553	2,228,123
2023	2021	40.8	193,862	2,007,274	2,208,581	164,757	2,373,338
2024	2022	42.7	185,336	2,023,795	2,218,249	170,665	2,388,914
2025	2023	45.1	179,657	2,023,719	2,214,273	177,317	2,391,591
2026	2024	47.5	174,869	2,022,027	2,209,635	184,012	2,393,647
2027	2025	49.9	169,935	2,020,266	2,204,912	190,928	2,395,840
2028	2026	52.3	164,353	2,018,483	2,199,630	198,154	2,397,784
2029	2027	54.7	159,312	2,016,422	2,194,714	205,255	2,399,970
2030	2028	57.2	152,812	2,014,421	2,188,495	212,926	2,401,420
2031	2029	59.7	147,574	2,011,785	2,182,940	221,147	2,404,087
2032	2030	62.2	142,632	2,008,793	2,177,373	229,918	2,407,291
2033	2031	64.9	138,457	1,523,947	1,690,746	238,986	1,929,732
2034	2032	67.7	134,390	1,479,172	1,644,362	248,775	1,893,137
2035	2033	69.4	131,494	1,472,506	1,637,252	258,971	1,896,222
2036	2034	71.1	129,214	1,468,670	1,633,616	269,222	1,902,839
2037	2035	72.9	126,630	1,464,768	1,629,689	279,769	1,909,458
2038	2036	74.8	124,113	1,460,346	1,625,354	290,733	1,916,087
2039	2037	76.9	121,918	1,455,337	1,620,797	302,021	1,922,819
2040	2038	79.1	120,140	1,449,761	1,616,107	313,586	1,929,693
2041	2039	81.5	118,659	1,443,581	1,611,133	325,378	1,936,511
2042	2040	84.0	117,301	1,436,913	1,605,837	337,390	1,943,227
2043	2041	86.8	116,176	1,429,688	1,600,232	349,718	1,949,950
2044	2042	89.8	115,336	1,413,810	1,586,271	362,360	1,948,632
2045	2043	93.1	114,711	1,374,788	1,549,401	375,329	1,924,730
2046	2044	96.5	114,200	1,321,776	1,498,669	388,639	1,887,308
2047	2045	100.2	113,776	1,278,024	1,457,310	402,324	1,859,634

(a) In fiscal year ending June 30, 2048 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there no longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the SERF, which requires employee contributions. As of July 1, 2016 approximately 3.0% of the total work force was covered under the Tier I Plan. Other employees generally participate in the Tier II plan, which is non-contributory for certain members and provides somewhat lesser benefits. As of July 1, 2016, approximately 25.4% of the total workforce was covered under the Tier II plan. Employees hired after July 1, 1997 participate in the Tier IIA plan, which requires contributions from its employee members. As of July 1, 2016, approximately 44.0% of the total work force was covered under the Tier IIA Plan. The 2011 agreement between the State and SEBAC ("SEBAC 2011") provides for two new retirement plans for State employees first hired on and after July 1, 2011, Tier III employees and, for unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education only, the Hybrid Plan. As of July 1, 2016, approximately 23.4% of the total work force was covered under the Tier III Plan and approximately 4.2% of the total work force was covered under the Hybrid Plan. SEBAC 2011 also provides a one-time, irrevocable opportunity for current members of the Connecticut Alternate Retirement Program to transfer membership to the new Hybrid Plan and purchase credit for their prior State service in that plan at the full actuarial cost. From time-to-time the State has instituted, and in the future may institute, early retirement incentive plans that may impact retirement plan eligibility and benefits.

The average annual benefit payable to a retired Tier I, Tier II, Tier IIA, or Hybrid Plan member in fiscal year ending June 30, 2016 was approximately $46,522, $29,465, $10,215 and $34,094, respectively. As of June 30, 2016, there were no retired Tier III members. The SERF also provides disability and pre-retirement death benefits.

Member contribution requirements, and the eligibility for and calculation of normal retirement benefits varies by tier and plan, as set forth in the following table:

TABLE 20

State Employees' Retirement System Member Contribution Requirements, Eligibility Requirements and Normal Retirement Benefits

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
Tier I - Hazardous	5.5% of earnings up to the Social Security Taxable Wage Base plus 5% of earnings above that level	20 years of hazardous duty credited service	50% of FAE plus 2% for each year of service in excess of 20 years
Tier I - Plan A or C	6.5% of earnings	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service. At age 70, greater of 2.5% of FAE times years of service (maximum 20 years) or 2.0% of FAE times years of service with a minimum benefit with 25 years of $833.34per month 25 years of service of $833.34 per month
Tier I - Plan B	3.5% of earnings up to Social Security Taxable Wage Base plus 5% of earnings above that level	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service up to Social Security maximum age; for retirements after Social Security maximum age, 1% of FAE up to $4,800, plus 2% of FAE in excess of $4,800 times years of service, with a minimum benefit with 25 years of service of $833.34 per month; for retirements at or after age 70, the greater of 1.25% of FAE up to $4,800 plus 2.5% of FAE in excess of $4,800 times years of service (maximum 20 years) or 1.0% of FAE up to $4,800 plus 2% of FAE in excess of $4,800 times year of service. Minimum benefit with 25 years is $833.34 per month
Tier II – Hazardous	5.5% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier II	1.5% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's Breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier IIA – Hazardous	6.5% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier IIA	3.5% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
Tier III - Hazardous	6.5% of earnings	25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
All Other Tier III	3.5% of earnings	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Hybrid Plan	5% of earnings for members first hired on or after July 1, 2011 5% of earnings for members with original date of hire on or after July 1, 1997 3% of earnings for members with original date of hire prior to July 1, 1997	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service For those members with original date of hire prior, on or after July 1, 1997 but prior to July 1, 2011 eligible for the following: Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month[(b)]
Tier IV-Hazardous	8% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a)	25 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
All other Tier IV	5% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a)	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Hybrid Plan	8% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a)	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month

(a) For all members of all Tiers other than Tier III and Hybrid, "FAE" is defined as the average salary of the three highest paid years of service, provided that, effective January 1, 1986, no one year's earnings can be greater than 130% of the average of the two preceding years for purposes of calculating the FAE. For Tier III and the Hybrid Plan members, FAE is defined as the average salary of the five highest paid years of service, provided that no one year's earnings can be greater than 130% of the average of the preceding two years. Effective July 1, 2014, this limit will be 150% for Tier III and the Hybrid Plan members with mandatory overtime earnings.

(b) The Hybrid Plan provides members with the option to receive at retirement a lump sum payment of their contributions plus a five percent (5%) employer match and four percent (4%) interest in lieu of their receipt of monthly benefit payments.

The SERF provides annual cost-of-living allowance adjustments each July 1 as set forth below:

TABLE 21

State Employees' Retirement Benefit Cost-Of-Living Allowances[(a)]

Retirement Date	Adjustment Based On	Minimum Increase	Maximum Increase	Maximum Increase For Members And Beneficiaries Not Covered By Social Security And Age 62 And Over
Prior to July 1, 1980	Increase in National Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W")	3.0%	5.0%	6.0%
On and after July 1, 1980 but prior to July 1, 1997	N/A	3.0%	3.0%	6.0%
On and after July 1, 1997 but prior to July 1, 1999, an irrevocable choice between one of the two following plans required:	(1) 60% of the increase in "CPI-W" up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
	(2) N/A	3.0%	3.0%	N/A
On or after July 1, 1999, but prior to October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
On or after October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.0%	7.5%	N/A

(a) An employee from Tier IIA must have at least ten \years of actual State service or directly make the transition into retirement in order to be eligible for annual adjustments.

GASB 67 and GASB 68 Disclosure

Governmental Accounting Standards Board Statement No. 67 ("GASB 67") requires a determination of the Total Pension Liability ("TPL") for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability ("NPL") is then set equal to the TPL minus the plan's Fiduciary Net Position ("FNP") which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate ("SEIR"). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR is the single rate of interest that will generate a present value of benefits equal to the sum of (i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation municipal bonds, with an average credit rating of AA/Aa or higher.

Governmental Accounting Standards Board Statement No. 68 ("GASB 68") requires, among other things, that Pension Expense ("PE") be calculated and a proportionate share of NPL and PE be recognized in the employer's financial reporting. PE includes amounts for service cost (the normal cost under the Entry Age Normal actuarial cost method for the year), interest on the TPL, changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the plan membership as of the measurement date, and investment gains/losses are amortized over five years. PE should not be considered a proxy for funding or contribution levels.

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated November 15, 2017 containing information to assist the SER Commission in meeting the requirements of GASB 67. Much of the material provided in the report is based on the data, assumptions and results of the June 2017 revised actuarial valuation as of June 30, 2016. Standard roll-forward techniques were utilized to determine the total pension liability as of the June 30, 2017 measurement date. In addition the reduction in the total pension liability due to SEBAC 2017 has been measured and attributed to benefit changes. This report reported the following results as of June 30, 2017 with respect to the SERF in accordance with GASB 67:

November 2017 GASB 67 Report as of June 30, 2017	
Total Pension Liability	$33,052.7 million
Fiduciary Net Position	11,981.8 million
Net Pension Liability	21,070.9 million
Ratio of Fiduciary Net Position to Total Pension Liability	36.25%

The GASB 67 report used a discount rate of 6.90%, which was the rate used in the June 2017 revised actuarial valuation as of June 30, 2016, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to $16,963.5 million or increase the NPL to $24,368.1 million, respectively.

The SER Commission has received from Cavanaugh Macdonald Consulting, LLC a draft report prepared as of June 30, 2017 and dated January 30, 2018 containing information to assist the SER Commission in meeting the requirements of GASB 68. This draft report indicates a Pension Expense of $1,411.0 million for the fiscal year ending June 30, 2017.

The audited financial statements for Fiscal Year 2017 which are included as Appendix II-C hereto, and in particular note 10 and the Pension Plans Required Supplementary Information of the accompanying Basic Financial Statements, reflect the supplemental information reported in the February 16, 2017 GASB 67 and March 8, 2017 GASB 68 reports. As those reports were prepared as of June 30, 2016 based on data, assumptions and results of the January 2017 actuarial valuation, they do not reflect data, assumptions and results of the June 2017 revised actuarial valuation or November 2017 Roll Forward actuarial valuation.

TEACHERS' RETIREMENT FUND

The Teachers' Retirement Fund ("TRF"), administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2017, there were 100,494 active and former employees and beneficiaries, consisting of (i) 51,684 active members, (ii) 5,904 inactive vested members, (iii) 4,595 inactive non-vested members, (iv) 1,737 annuity reserve members, and (v) 36,274 retired members and beneficiaries, including 300 members on disability allowance.

Contributions to the fund are made by employees and by General Fund appropriations from the State. State contributions to the fund are made quarterly on the basis of certifications submitted by the Teachers' Retirement Board and are funded with annual appropriations from the General Fund. State contributions to the Fund for Fiscal Year 2008 included $2.0 billion of the proceeds of the State's Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series), as discussed under "Pension Obligation Bonds".

Actuarial valuations are performed as of June 30th of each even-numbered year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the TRF. The actuarial accrued liability is determined using the entry age normal cost method as the portion of the present value of future benefits allocated to years of service prior to the valuation date. The valuation uses an asset valuation method of smoothing the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fourth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit, the rates of mortality, the rates of disability, the rates of pay increases and the assumed age or ages at actual retirement.

October 2015 Experience Study, November 2016 Actuarial Valuation and Fiscal Years 2018 and 2019 Employer Contribution Requirements

The TRF received an experience study dated October 29, 2015 prepared by Cavanaugh Macdonald Consulting, LLC, the actuaries for the Teachers' Retirement Fund, for the five-year period ending June 30, 2015, assessing the reasonability of the actuarial assumptions and valuation methods used by the retirement system. As a result of the study, the actuaries recommended that revised assumptions be adopted by the Teachers' Retirement Board for future use, which assumptions the Board adopted at its meeting held November 4, 2015. The revised assumptions were incorporated into the actuarial valuation completed as of June 30, 2016, to be used to calculate the State's employer contribution requirements for the fiscal years ending June 30, 2018 and June 30, 2019. The following changes to the prior assumptions significantly impact the calculation of the UAAL:

- Decrease in the earnings assumption from 8.5% to 8.0%, reducing the discount of TRS' liabilities
- Updating the post-retirement mortality assumption to the Retired Pensioner 2014 (RP 2014) mortality table with the rates projected to year 2020 using projection scale BB, to reflect mortality improvements, extending the anticipated duration of pension payments to TRS members

The TRF received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2016 dated November 2, 2016. The November 2016 actuarial valuation reported the following results as of June 30, 2016 with respect to the TRF:

November 2016 Actuarial Valuation as of June 30, 2016	
Market Value of Assets	$15,584.6 million
Actuarial Value of Assets	$16,712.3 million
Actuarial Accrued Liability	$29,839.9 million
UAAL	$13,127.6 million
Funded Ratio (based on the actuarial value of assets)	56.01%
Funded Ratio (based on the market value of assets)	52.23%

Most notably, the UAAL grew by $2,213 million from the UAAL calculated in the October 2014 actuarial valuation due to changes in assumptions adopted by the board as a result of the 2015 experience study for the five-year period ending June 30, 2015. The November 2016 actuarial valuation was based upon the following assumptions among others:

- 8.0% earnings assumption (including inflation at 2.75%)
- Projected salary increases of 3.25% to 6.5% (including inflation at 2.75%)
- Assumed rates of mortality are updated to most recent trends and project further improvements in mortality rates through 2020
- Cost-of-living adjustments of 3.0% annually for members retired before September 1992, 2.0% for members retired on and after September 1, 1992 and hired prior to July 1, 2007 and 1.75% for members retired on and after September 1, 1992 and hired on or after July 1, 2007
- Payroll Growth Rate of 3.25%
- Net effective amortization period for the computed State contribution amounts for Fiscal Year 2016 is 17.6 years

The November 2016 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions: (i) $1,290.4 million for Fiscal Year 2018; and (ii) $1,332.4 million for Fiscal Year 2019, resulting in an annual employer contribution rate of 30.35% of payroll.

The TRF uses the Entry Age Normal cost method to allocate the plan's actuarial present value of future benefits to various periods based on service. The amortization period begins with 40 years as of July 1, 1991 for the contribution for fiscal year beginning July 1, 1992 and the annual required employer contribution amount is based on a level percentage of payroll payments over such declining period of years. The net effective amortization period for the computed State contribution amounts for Fiscal Year 2017 is approximately 16.6 years. While this method of funding should lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially determined employer contributions and all other actuarial assumptions were met, the UAAL for the TRF is not anticipated to be reduced significantly until the later years of the amortization period. Following full amortization of the UAAL, the actuarially determined employer contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to active members' current year of service.

November 2017 Actuarial Valuation and Fiscal Years 2018 and 2019 Employer Contribution Requirements

The 2017 Budget Act for Fiscal Years 2018 and 2019 increased the member contribution from 6% to 7% of annual salary effective on and after January 1, 2018. The budget act also required the Teachers' Retirement Board, on or before December 1, 2017, to request a revised actuarial valuation for the Fiscal Years 2018 and 2019 based on such change in the mandatory contribution percentage for those fiscal years, and to certify to the General Assembly for those fiscal years the amount necessary, based on such revised actuarial valuation, to maintain the TRF on an actuarial reserve basis.

The TRF received from Cavanaugh Macdonald Consulting, LLC a revised actuarial valuation as of June 30, 2016, dated November 15, 2017, which was approved by the Teachers' Retirement Board on November 15, 2017. The November 2017 actuarial valuation was based upon the same assumptions and methodologies as used in the November 2016 valuation other than the increase, described above, in the member mandatory contribution percentage. The Actuarial Accrued Liability, UAAL and funded ratios have been updated in Table 22 below to reflect the results of the November 2017 valuation.

The November 2017 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions: (i) $1,271.0 million for Fiscal Year 2018; and (ii) $1,292.3 million for Fiscal Year 2019, resulting in an annual employer contribution rate of 29.44% of payroll. The 2017 Budget Act for Fiscal Years 2018 and 2019 contains appropriations sufficient to fully fund the employer contribution requirement for those years pursuant to the November 2017 actuarial valuation.

The 2017 Budget Act for Fiscal Years 2018 and 2019 requires the Teachers' Retirement Board not later than June 30, 2018 to conduct a study of the impact of potential changes in actuarial assumptions used in the valuation of the TRF, including the assumed annual investment rate of return and the period and methodology for amortization of unfunded liabilities, on the annual actuarially determined employer contributions, funded and unfunded liabilities, and funding ratio estimated over a period of not less than 30 years. The Board is required to submit not later than December 1, 2018 a summary of the results of the study and any recommendations for changes to the actuarial assumptions to the Appropriations and Education Committees of the General Assembly.

Set forth in the following table are State contributions to the TRF, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2014 and June 30, 2016.

TABLE 22

Teachers' Retirement Fund[(a)]
(In Millions)

	2013	2014	2015	2016	2017
General Fund Contributions.................	$ 787.5	$ 948.5	$ 984.1	$ 975.5	$ 1,012.2
Employee Contributions[(b)]..............	274.3	275.5	279.0	290.5	297.3
Total Contributions	$ 1,061.9	$ 1,224.0	$ 1,263.1	$ 1,266.0	$ 1,309.5
Benefits Paid[(c)]	$ 1,625.7	$ 1,714.4	$ 1,773.4	$ 1,842.9	$ 1,889.2
Investment Income/Net Gains (Losses)............................	$ 1,584.3	$ 2,250.8	$ 569.1[(d)]	$ (18.8)[(d)]	$2,199.6[(d)]
Actuarially Determined Employer Contribution...	$ 787.5	$ 948.5	$ 984.1	$ 975.5	$ 1,012.2
Percentage of Actuarially Determined Employer Contribution Made	100.0%	100.0%	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	N/A	$26,349.2	N/A	$29,860.3	N/A
Actuarial Values of Assets	N/A	$15,546.5	N/A	$16,712.3	N/A
Unfunded Accrued Liabilities	N/A	$10,802.7	N/A	$13,148.0	N/A
Market Value of Assets.....	$14,480.5	$16,220.9[(e)]	$16,110.4	$15,584.6[(e)]	$17,126.8[(e)]
Funded Ratio (actuarial value).............	N/A	59.0%	N/A	55.97%	N/A
Funded Ratio (market value)	N/A	61.6%	N/A	52.19%	N/A
Ratio of Actuarial Value of Assets to Market Value of Assets	N/A	96.0%	N/A	107.2%	N/A

(a) As actuarial valuations are performed every two years, not all of the data is available for each year.

(b) Includes municipal contributions under early retirement incentive programs ($361,042 during Fiscal Year 2013, $668,924 during Fiscal Year 2014, $668,924 during Fiscal Year 2015, $510,391 during Fiscal Year 2016 and $$495,853 during Fiscal Year 2017). Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

(c) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership ($14,658,485 during Fiscal Year 2013, $18,241,716 during Fiscal Year 2014, $50,328,762 during Fiscal Year 2015, $46,125,368 during Fiscal Year 2016 and $73,284,402 during Fiscal Year 2017).

(d) Adjusted to comply with GASB 72.

(e) Figure derived from actuarial valuation.

Pension Obligation Bonds

Public Act No. 07-186 authorized the issuance of general obligation bonds ("TRF Bonds") of the State in amounts sufficient to fund a $2.0 billion deposit to the TRF plus amounts required for costs of issuance and up to two years of capitalized interest. The Secretary of OPM and the State Treasurer subsequently determined that issuance of such bonds would be in the best interests of the State, and in April 2008 the State issued $2,276.6 million of such bonds.

Section 8 of Public Act No. 07-186 provides that in each fiscal year that any TRF Bonds (or any refunding of TRF Bonds) are outstanding, there shall be deemed appropriated from the General Fund an amount equal to the annual required contribution to the TRF, and such amount shall be deposited in the fund in such fiscal year. The amounts of the annual required contributions for each biennial budget shall be based on the actuarial valuation required to be completed by the December 1 prior to the beginning of the next biennial budget. Under Section 8 the State has pledged to and agreed with the holders of any TRF Bonds that, so long as the actuarial evaluation of the TRF is completed and the certification of the annual contribution amounts is made as required by such Section, no public or special act of the General Assembly shall diminish such required contribution until such bonds, together with interest thereon, are fully met and discharged unless adequate provision is made by law for the protection of the holders of the bonds. Such contributions may be reduced in any biennium, however, if (i) the Governor declares an emergency or the existence of extraordinary circumstances (which may include changes in actuarial methods or accounting standards) in which the provisions of Section 4-85 of the Connecticut General Statutes is invoked, (ii) at least three-fifths of the members of each Chamber of the General Assembly vote to diminish such required contributions during the biennium for which the emergency or extraordinary circumstances are determined, and (iii) the funded ratio of the fund is at least equal to the funded ratio immediately after the sale of the bonds in accordance with the actuarial method used at the time. If such conditions are met, the funding of the annual required actuarial contribution may be diminished, but in no event shall such diminution result in a reduction of the funded ratio of the fund by more than 5% from the funded ratio that would otherwise have resulted had the State funded the full required contribution, or the funded ratio immediately after the sale of the bonds, whichever is greater.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2047

The Office of Policy and Management ("OPM") engaged the consulting actuary for the TRF to prepare a baseline open group model of future funded ratios and annual contribution requirements for the TRF through Fiscal Year 2048. The modeling presented in the table below is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2016 actuarial valuation, including, but not limited to, a 8.00% investment return assumption, an Entry Age Normal actuarial cost method, and a net effective amortization period for the computed State contribution amounts for Fiscal Year 2016 of 17.6 years. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the TRF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 22a

Modeling Of Teachers' Retirement Fund
Future Funded Ratios and Annual Contribution Requirements
(Dollars In Thousands)

The funded ratio and annual contributions for each fiscal year have been modeled based on the assumption of an actuarial valuation prepared as of the June 30 two years prior to the end of such fiscal year.

Fiscal Year Ending June 30	Valuation Date June 30	Unfunded Accrued Liability Beginning of Valuation Year	Funded Ratio = Assets/ Accrued Liability	Employer Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution	Annual Valuation Payroll
2018	2016	$13,127,607	56.0%	$193,879	$1,096,550	$1,290,429	$3,949,926
2019	2017	13,325,644	56.0	195,002	1,137,366	1,332,368	4,037,948
2020	2018	13,836,033	55.5	198,347	1,257,380	1,455,727	4,134,594
2021	2019	14,121,659	55.7	201,970	1,338,310	1,540,280	4,238,379
2022	2020	13,937,152	57.3	205,744	1,381,805	1,587,549	4,346,746
2023	2021	13,653,607	59.1	209,667	1,426,714	1,636,381	4,459,766
2024	2022	13,302,068	61.0	214,205	1,720,784	1,934,989	4,577,034
2025	2023	12,875,708	63.1	218,370	1,776,709	1,995,079	4,698,138
2026	2024	12,109,055	66.0	223,195	1,834,452	2,057,647	4,824,078
2027	2025	11,223,364	69.2	228,141	1,894,072	2,122,213	4,953,812
2028	2026	10,206,687	72.6	233,211	1,955,629	2,188,840	5,087,450
2029	2027	9,046,589	76.2	238,406	2,017,986	2,256,392	5,225,092
2030	2028	7,729,918	80.1	243,666	2,083,571	2,327,237	5,365,437
2031	2029	6,243,425	84.3	249,615	2,151,287	2,400,902	5,509,355
2032	2030	4,570,539	88.7	255,654	2,221,204	2,476,858	5,655,961
2033	2031	2,693,769	93.5	261,772	131,720	393,492	5,805,005
2034	2032	594,691	98.6	268,666	136,001	404,667	5,957,895
2035	2033	501,609	98.8	275,762	140,421	416,183	6,115,244
2036	2034	397,227	99.1	283,086	144,985	428,071	6,277,661
2037	2035	280,919	99.4	290,597	149,697	440,294	6,444,235
2038	2036	151,883	99.7	299,030	154,562	453,592	6,615,603
2039	2037	0	100.0	307,180	0	307,180	6,795,902
2040	2038	0	100.0	316,296	0	316,296	6,981,115
2041	2039	0	100.0	325,745	0	325,745	7,172,780
2042	2040	0	100.0	334,741	0	334,741	7,370,882
2043	2041	0	100.0	344,748	0	344,748	7,573,456
2044	2042	0	100.0	355,111	0	355,111	7,782,878
2045	2043	0	100.0	365,076	0	365,076	8,001,285
2046	2044	0	100.0	376,361	0	376,361	8,229,386
2047	2045	0	100.0	387,272	0	387,272	8,467,968

(a) In fiscal year ending June 30, 2039 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

Each member of the TRF is required to contribute 7% of annual salary for the pension benefit effective on and after January 1, 2018 (an increase of 1% from its prior level). The State's contribution requirement is determined in accordance with Section 10-183z of the Connecticut General Statutes, which requires the retirement system to be funded on an actuarial reserve basis.

Eligibility for normal retirement benefits is available at age 60 for those with 20 years of credited Connecticut service, or 35 years of credited service including at least 25 years of service in Connecticut. The normal retirement benefit is 2% of average annual salary received during three years of highest salary times years of credited service (maximum benefit is 75% of average annual salary received during three years of highest salary), subject to certain maximum dollar limits under the Internal Revenue Code of 1986, as amended. In addition, amounts derived from the accumulation of supplemental account contributions made prior to July 1, 1989 and voluntary contributions by the member are payable. Effective January 1, 1999, there is a minimum monthly retirement benefit of $1,200 to members who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement. The plan also provides reduced early retirement and pro-ratable retirement benefit, disability benefits, return with interest on certain contributions upon termination of employment, and pre-retirement death benefits for spouses and dependent children. The average annual benefit payable to a retired member in fiscal year ending June 30, 2017 was approximately $52,131.

The plan includes cost-of-living allowances as set forth below:

TABLE 23

Teachers' Retirement Benefit Cost-Of-Living Allowances

Retirement Date	Adjustments Consistent With Adjustments To:	Minimum Increase	Maximum Increase	Limitation On Maximum Increase Based On Previous Year's Plan Assets Return
Prior to September 1, 1992	National Consumer Price Index for Urban Wage Earners and Clerical Workers	3.0% per annum	5.0% per annum	N/A
On or after September 1, 1992, and became System member before July 1, 2007	Social Security benefits	0.0% per annum	6.0% per annum	If asset return less than 8.5% per annum, the maximum increase is 1.5%
On or after July 1, 2007, and became System member after July 1, 2007	Social Security benefits	0.0% per annum	5.0% per annum	If asset return less than 11.5% per annum, the maximum increase is 3.0%; if less than 8.5% per annum, maximum increase is 1.0%.

A board of education may offer a retirement incentive plan. Such plan is required to provide for the purchase by the board of education and a member of the system who chooses to participate in the plan of additional credited service from the TRF for such member and for payment by the board of education of not less than 50% of the entire cost of such total cost. Any such plan shall specify a maximum number of years to be purchased, not to exceed five. Members must have attained age 50 and be eligible for retirement with the additional purchased service. The amount of service purchased cannot exceed the lesser of five years or one-fifth of the member's credited service.

GASB 67 and GASB 68 Disclosure

Governmental Accounting Standards Board Statement No. 67 ("GASB 67") requires a determination of the Total Pension Liability ("TPL") for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability ("NPL") is then set equal to the TPL minus the plan's Fiduciary Net Position ("FNP") which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate ("SEIR"). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR is the single rate of interest that will generate a present value of benefits equal to the sum of (i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation municipal bonds, with an average credit rating of AA/Aa or higher.

Governmental Accounting Standards Board Statement No. 68 ("GASB 68") requires, among other things, that Pension Expense ("PE") be calculated and a proportionate share of NPL and PE be recognized in the employer's financial reporting. PE includes amounts for service cost (the normal cost under the Entry Age Normal actuarial cost method for the year), interest on the TPL, changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the plan membership as of the measurement date, and investment gains/losses are amortized over five years. PE should not be considered a proxy for funding or contribution levels.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated October 24, 2017 containing supplemental information to assist the Board in meeting the requirements of GASB 67. Much of the material provided in the report is based on the data, assumptions and results of the November 2016 actuarial valuation as of June 30, 2016. This report reported the following results as of June 30, 2017 with respect to the TRF in accordance with GASB 67:

October 2017 GASB 67 Report as of June 30, 2017	
Total Pension Liability	$30,636.6 million
Fiduciary Net Position	17,134.3 million
Net Pension Liability	13,502.3 million
Ratio of Fiduciary Net Position to Total Pension Liability	55.93 %

The GASB 67 report used a discount rate of 8.00%, which was the rate used in the November 2016 actuarial valuation as of June 30, 2016, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to $10,629.0 million or increase the NPL to $16,900.9 million, respectively.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2016 and dated March 6, 2017 containing supplemental information to assist the Board in meeting the requirements of GASB 68. This supplement reported a collective Pension Expense of $1,533.5 million for the fiscal year ending June 30, 2017. See also Note 10 of **Appendix II-C**.

The audited financial statements for Fiscal Year 2017 which are included as **Appendix II-C** hereto, and in particular note 10 and the Pension Plans Required Supplementary Information of the accompanying Basic Financial Statements, reflect the supplemental information reported in the October 24, 2017 GASB 67 report and March 6, 2017 GASB 68 report.

INVESTMENT OF PENSION FUNDS

Eleven investment funds serve as the investment medium for both the State Employees' Retirement Fund and the Teachers' Retirement Fund, as listed below along with the percentage allocation of holdings for the SERF and the TRF as of June 30, 2017 in each of these funds. See also **FINANCIAL PROCEDURES** herein.

TABLE 24

Pension Fund Investment Allocations
As of June 30, 2017

	State Employees' Retirement Fund	Teachers' Retirement Fund
Mutual Equity Fund	22.2%	22.3%
Developed Markets International Stock Fund	20.4	20.3
Emerging Markets International Stock Fund	9.5	9.7
Real Estate Fund	6.9	7.0
Core Fixed Income Fund	7.4	6.7
Inflation Linked Bond Fund	5.1	3.5
Emerging Markets Debt Fund	4.1	5.4
High Yield Debt Fund	5.4	5.7
Liquidity Investment Fund	3.4	5.2
Private Investment Fund	9.6	8.1
Alternative Investment Fund	6.0	6.1
	100.0%	100.0%

SOURCE: Combined Investment Funds 2017 Comprehensive Annual Financial Report.

Investment Returns

Annualized Net Returns on Investment Assets in
Retirement Funds
Periods Ending June 30, 2017

	5 Year	10 Year	15 Year	20 Year	25 Year
SERF	8.80%	4.87%	6.86%	6.56%	7.78%
TRF	8.80%	4.97%	6.98%	6.66%	7.87%

OTHER RETIREMENT SYSTEMS

The other minor retirement systems funded by the State include the Judges, Family Support Magistrates and Compensation Commissioners Retirement System (the Judicial Retirement System), the General Assembly Pension System, the State Attorneys' Retirement Fund and the Public Defenders' Retirement Fund. As of June 30, 2016, there were approximately 175 active members of these plans and approximately 254 retired members.

Unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education are eligible to participate in the Connecticut Alternate Retirement Program. This program is a defined contribution program, and thus the State has no unfunded liability with respect to the program. All member contributions and State appropriations are held in a separate retirement fund by the third party administrator of the plan, who invests the fund's assets allocable to a member at the direction of such member in the investment funds available under the plan. A member may not withdraw funds from the plan unless such member has reached age 55 and has terminated from service, retired or died, provided that any member with less than five years of participation in the plan who is under the age of 55 and terminates from service may rollover such member's entire account into an eligible retirement plan.

The State is the administrator of the Connecticut Municipal Employees' Retirement System and the Connecticut Probate Judges and Employees' Retirement System. As the administrator of these systems the State owes a fiduciary obligation to these systems; however, the State has no direct financial liability to pay benefits under these systems.

SOCIAL SECURITY AND OTHER POST-EMPLOYMENT BENEFITS ("OPEB")

Social Security

State employees and teachers are treated in various ways for purposes of federal social security. Most state employees are covered under social security, and most teachers are not. As of June 30, 2017, approximately 55,069 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

Category	Covered
Teachers	No
State employees under the State Employees' Retirement Fund	Yes
State employees under other retirement systems hired after 2/21/58	No
State police hired after 2/21/58 and before 5/8/84	No
State police hired after 5/8/84	Yes
Employees under the Connecticut Alternate Retirement Program hired after 7/12/90	Yes
Employees under the Connecticut Alternate Retirement Program hired before 7/12/90	Could elect

The amount expended by the State for Social Security coverage for fiscal year ending June 30, 2017 was $283.2 million. Of this amount, $213.5 million was paid from the General Fund and $15.6 million was paid from the Special Transportation Fund and the balance was recovered from other funds, including federal funds and higher education funds. The State has appropriated $214.5 million for Social Security coverage for fiscal year ending June 30, 2018. Of this amount, $198.8 million has been appropriated from the General Fund and $15.7 million has been appropriated from the Special Transportation Fund.

Other Post-Employment Benefits – State Employees

The State provides post-retirement health care and life insurance benefits to eligible employees who retire from State employment. The State currently finances the cost of such benefits on a pay-as-you-go basis through a transfer of an appropriation from the General Fund to a trust fund (the "OPEB Trust") established for the payment of post-retirement health care and life insurance benefits, and for the accumulation of assets with which to pay post-retirement health care benefits and post-retirement life insurance benefits to future retirees. Beginning on July 1, 2009 new hires were required to contribute 3% of salary for ten years, to be deposited into the trust. Commencing July 1, 2010, employees with less than five years of service were required to contribute 3% of salary until they completed ten years of service, to be deposited into the trust. SEBAC 2011 extended the requirement of trust contributions to all health-care eligible State employees phased in beginning July 1, 2013, as follows: 0.5% of salary for fiscal year ending June 30, 2013, 2.0% of salary for fiscal year ending June 30, 2014, and 3.0% of salary for fiscal ending June 13, 2015 and thereafter, with a period of required contribution of ten years or the beginning of retirement (whichever occurs first). SEBAC 2017 extended the requirement of trust contributions for a period of fifteen (15) years to all State employees hired on or after July 1, 2017. As of June 30, 2017, the fair market value of the net assets within the trust totaled $569.5

million, adjusted to comply with GASB 72, invested in the Combined Investment Funds. See also notes 13 and 14 of **Appendix II-C** hereto and **FINANCIAL PROCEDURES** herein. It is not currently anticipated that the trust will provide any significant contribution to the funding for post-retirement health care and life insurance benefits in the near future. The 2017 Budget Act for Fiscal Years 2018 and 2019 includes for each year, an appropriation of $91.2 million to match State employee contributions to the OPEB Trust. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. Because the plan is being funded on a pay-as-you-go basis, the amounts are much less than the annual required employer contribution payment calculated for the plan, which includes a component to amortize the UAAL.

The State received an analysis from The Segal Company dated May 31, 2017 of the impact on the State's liability for post-retirement health care benefits for eligible persons covered under SERS and other State retirement systems, excluding the TRS, from the implementation of a Medicare Advantage plan for the State's Medicare-eligible retirees, as provided by SEBAC 2017. The 2016 OPEB Report indicated that the State's actuarial accrued liability for OPEB as of June 30, 2015, was $19.1 billion. That liability had been projected to increase to $20.9 billion as of June 30, 2017, based on the 2016 OPEB Report. Implementing Medicare Advantage with Prescription Drug ("MA-PD") plan rates is estimated to decrease the OPEB liability to $15.6 billion, a reduction of $5.3 billion or 25.4%. The analysis was based on the assumptions used for the actuarial valuation and actuarial methods set out in the 2016 OPEB Report, except that the report's calculations incorporated an average premium rate, as proposed by UnitedHealthcare ("UHC") in their final price proposal, effective January 1, 2018, for current retirees of $826 per year for the medical portion of the MA-PD, and $2,747 per year for the prescription portion. Future retirees were valued with the post-2011 plan rates of $713 per year for medical and $2,018 for prescription drug. The calculations account for the rate guarantees proposed by UHC for 2019, and assume costs beyond that point increase with the standard trend assumptions from 2019 OPEB Report.

Implementation of GASB Statement No. 45 regarding accounting and financial reporting for post-employment benefits other than pensions requires the State to obtain an analysis of the unfunded actuarial accrued liability of such post-retirement health care and life insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements commencing with those for fiscal year ending June 30, 2008. The State received an actuarial report dated August 24, 2016 ("2016 OPEB Report") with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS from The Segal Company, which indicated the following as of June 30, 2015:

August 2016 OPEB Report as of June 30, 2015		
Actuarial Accrued Liability	$19,119.6 million	
UAAL	18,889.9 million	
Actuarial Value of Assets	229.6 million	Based on Market Value at June 30, 2015
Funded Ratio	1.20%	
Annual Required Contribution	$1,443.7 million (Fiscal Year 2016) (comprised of normal cost of $364.4 million, amortization of UAAL of $1,036.8 million, and adjustment for timing of $42.5 million)	Based on a projected unit credit actuarial cost method and level percent-of-payroll amortization over 30 years (with 22 years remaining as of June 30, 2015)
Annual OPEB Cost	$1,435.6 million (Fiscal Year 2016)	The annual OPEB cost adjusts the annual required contribution and contribution in relation to the annual required contribution. The annual OPEB cost is the cost of OPEB actually booked as an expense for the fiscal year.

In Fiscal Years 2015 and 2016, the State contributed 36.10% and 42.2% of the ADEC and 35.43% and 42.4% of the Annual OPEB Cost, respectively.

The 2016 OPEB Report included the following assumptions, among others:

- A discount rate of 5.7%
- Payroll growth rate of 3.75%
- Medical cost trend rate of 5.0%
- Drug cost trend rate of 10.0% graded to 5.0% over 5 years
- Dental and Part B trend rates of 5.0%
- Projected salary increases of 3.25% to 20.0%
- Updated medical, prescription drug and dental claim costs for recent experience and adjusting trend rates for medical and prescription drug
- Explicit administrative expense of $250 per participant through June 30, 2018 and increasing at 3% per year thereafter
- Average contribution of $174 was used for plans requiring contributions in the valuation year
- An average contribution of $356 was used in the valuation year for dental benefits. Average premium used to calculate the early retirement premiums was updated to $14,271
- Adjustment of the retiree contribution increase
- Adjustment of the assumption for Medicare Part B
- Includes certain plan changes made pursuant to revised agreements with SEBAC

In June 2015, GASB released new accounting standards for public sector OPEB plans and sponsoring employees, including GASB Statements Nos. 74 (effective for Fiscal Year 2017) and 75 (effective for Fiscal Year 2018). Generally, the changes made by the new GASB statements to OPEB plan reporting substantially parallel the changes made by GASB Statements Nos. 67 and 68 to pension plan reporting. The State is in the process of preparing to implement the new GASB statements, and anticipates timely implementation.

The State received from The Segal Group reports prepared as of June 30, 2017 and dated December 6, 2017 and January 5, 2018 (the "2017 OPEB Reports") containing supplemental information to assist the State in meeting the requirements of GASB 45 and GASB 74 with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS. The January 5, 2018 "roll forward" actuarial valuation report indicated the following as of June 30, 2017:

January 2018 Actuarial Valuation as of June 30, 2017	
Total OPEB Liability	$17,928.0 million
Fiduciary Net Position	$542.3 million
Net OPEB Liability ("NOL")	$17,385.7 million
Ratio of Fiduciary Net Position to Total OPEB Liability	3.03%
Actuarially Determined Employer Contribution (Fiscal Year 2017)	$1,043.1 million
Annual OPEB Cost (Fiscal Year 2017)	$1,034.2 million

In Fiscal Year 2017, the State contributed $667.4 million, 64.0% of the Actuarially Determined Employer Contribution and 0.65% of the Annual OPEB Cost.

The 2017 OPEB Reports were based upon the same assumptions, methodologies and plan provisions as used in the 2016 OPEB Report, other than the following:

- Changes to the discount rate applied to projected benefit payments from 5.70% as of June 30, 2015 to 3.01% as of June 30, 2016 and 3.74% as of June 30, 2017, decreasing the OPEB liability by $5,228.6 million.
- A change in the actuarial cost method from projected unit credit as of June 30, 2015 to Entry Age Normal as of June 30, 2017, decreasing the OPEB liability by $2,164.9 million
- The report reflects the implementation of a Medicare Advantage plan for the State's Medicare-eligible retirees effective January 1, 2018, decreasing the OPEB liability by $5,309.4 million
- The report reflects plan changes made pursuant to revised agreements with SEBAC for post-October 1, 2017 non-Medicare eligible new retirees pertaining to premium shares and health care design changes, decreasing the OPEB liability by $723.6 million

GASB 74 also requires calculations of the sensitivity of the NOL to changes in the health care cost trend rates and the discount rate. The tables below presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund's NOL as of June 30, 3017 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and rate that is 1% lower or higher than the current discount rate:

Net OPEB Liability Changes to Health Care Cost Trend Rates			
Health Care Cost Trend Rates	1% Decrease	Current (Medical: 5.00%; Prescription Drug: 10% graded to 5.0% over 5 years; Dental and Plan B: 5:00%)	1% Increase
Net OPEB Liability (in millions)	$14,936.3	$17,385.7	$20,477.9
Net OPEB Liability Changes to Discount Rates			
Discount Rate	1% Decrease (2.74%)	Current (3.74%)	1% Increase (4.74%)
Net OPEB Liability (in millions)	$20,116.0	$17,385.7	$15,158.8

For Fiscal Years 2013 through 2017, the State paid $587.4 million, $548.7 million, $598.6 million, $646.0 million and $706.5 million, respectively, for retirees' health care costs. While not a part of post-employment costs, for Fiscal Years 2013 through 2017, the State paid $559.8 million, $614.3 million, $635.1 million, $662.9 million and $644.7 million, respectively, for General Fund eligible employees' health care costs. For fiscal years ending June 30, 2018 and June 30, 2019, the projected General Fund expenditures on retirees' health care costs and on General Fund eligible employees' health care costs were $725.9 million and $635.4 million, respectively. For fiscal year ending June 30, 2017, General Fund expenditures on life insurance benefits were $7.7 million, and the projected General Fund expenditures for fiscal year ending June 30, 2018 on life insurance benefits was $7.6 million.

Set forth below for each of the past five fiscal years are the number of employees retired from State employment eligible to receive post-retirement health care and life insurance benefits, the number of retirees, respectively, actually receiving health care benefits and life insurance benefits, and the amount of General Fund appropriations by the State for such coverage.

TABLE 25

State Employee Retirees Health Care and Life Insurance Benefits (In Millions)

	2013	2014	2015	2016	2017
Retirees Eligible to Receive Benefits	47,510	48,844	50,356	51,350	52,916
Retirees Receiving Health Care Benefits	45,092	46,037	47,556	48,089	49,596
Retirees Receiving Life Insurance Benefits	28,204	28,580	29,164	30,064	29,431
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions)	$596.1[(a)]	$557.5[(b)]	$598.6[(c)]	$653.7[(d)]	$649.4[(e)]

(a) The $596.1 million appropriated for Fiscal Year 2013 includes a combined appropriation of $8.7 million for active employees and retiree life insurance benefits. Of the $596.1 million appropriation, $587.4 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(b) The $557.5 million appropriated for Fiscal Year 2014 includes a combined appropriation of $8.8 million for active employees and retiree life insurance benefits. Of the $557.5 million appropriation, $548.7 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(c) The $598.6 million appropriated for Fiscal Year 2015 includes a combined appropriation of $7.6 million for active employees and retiree life insurance benefits. Of the $598.6 million appropriation, $591.1 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(d) The $653.7 million appropriated for Fiscal Year 2016 includes a combined appropriation of $7.8 million for active employees and retiree life insurance benefits. Of the $653.7 million appropriation, $646.0 million was expended on retiree health care benefits and $4.6 million was expended on retiree life insurance benefits.

(e) The $649.4 million appropriated for Fiscal Year 2017 includes a combined appropriation of $7.7 million for active employees and retiree life insurance benefits. Of the $649.4 million appropriation, $644.7 million was expended on retiree health care benefits and $4.7 million was expended on retiree life insurance benefits.

Other Post-Employment Benefits – Teachers

The State is required to (i) make General Fund appropriations to the Teachers' Retirement Board to cover one-third of retiree health insurance costs plus any portion of the balance of such costs that is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund; (ii) subsidize the health insurance costs of retired teachers who are not members of the Teachers' Retirement Board's health benefit plan; and (iii) provide an additional health insurance subsidy of at least $110 per month on behalf of retired teachers who are ineligible to participate in Medicare Part A "premium free" and who pay at least $220 per month to participate in the local board of education retiree health benefit plans. The State made General Fund appropriations of $34.4 million, $22.4 million, $20.2 million, $19.9 million and $19.2 million for Fiscal Years 2014, 2015, 2016, 2017 and 2018 respectively, to subsidize the Teachers' Retirement Health Insurance Fund. The 2017 Budget Act for Fiscal Years 2018 and 2019 includes $19.2 million for each of Fiscal Years 2018 and 2019, to subsidize the Fund. The Governor's midterm budget adjustments for Fiscal Year 2013, reduced the State's appropriation from 33% to 25% of the Medicare supplemental health insurance program cost, and utilized retiree drug subsidies which would have otherwise already been available to the Teachers' Retirement Health Insurance Fund, to offset, in part, the State's share of retiree health costs. As of Fiscal Year 2015 the retiree drug subsidies have expired. For Fiscal Year 2016, the State contribution was further reduced to 15% of the Medicare supplemental health insurance program cost. The 2017 Budget Act for Fiscal Years 2018 and 2019 includes funding of $14.6 million each year for the Medicare supplemental health insurance program cost.

The Teachers' Retirement Board anticipates that balances in the Teachers' Retirement Health Insurance Fund will be reduced in upcoming years due to a combination of healthcare cost increases, the State's flat funding of its contributions to the Fund, the relatively static number of active Connecticut teachers contributing to the Fund, and the increasing number of retirees participating in the Board's health benefit plan. In order to address this concern in part, the Board has implemented an Anthem Blue Cross Medicare Advantage PPO plan, effective July 1, 2018. The Anthem plan will replace the existing Stirling Benefits Regular Medicare/ supplemental benefits plan as the base benefit program, with the Stirling Benefits plan continuing as an optional benefit plan. Members opting to remain in the Stirling Benefits plan will be required to pay the full excess cost of the plan. In addition the Teachers' Retirement Board has made changes to its prescription drug plan, including modifications to compound drug rules, increases in deductible amounts, increases in the coinsurance rate for generic drugs, and increases in the maximum coinsurance amount.

The Teachers' Retirement Health Insurance Fund is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. Fund assets do not constitute plan assets for purposes of GASB Statements Nos. 43 and 45, and for actuarial valuation purposes fund assets are not treated as valuation assets available to offset the accrued liability of the plan. Since July 1, 1994, retiree health benefits sponsored through the Teachers' Retirement Board have been self-insured.

Implementation of GASB Statement No. 45 requires the State to obtain an analysis of the unfunded actuarial accrued liability of such retiree health insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements. The Teachers' Retirement Board received an actuarial valuation as of June 30, 2016 dated November 1, 2016 from Cavanaugh Macdonald Consulting, LLC of the State's liability with respect to post-retirement health care benefits for members of the Teachers' Retirement Fund and for retired teachers who are not members of the Teachers' Retirement Board's health benefit plan. The report indicates an actuarial accrued liability as of June 30, 2016 of $2,997.5 million on an unfunded basis, based upon certain stated assumptions including a 4.25% earnings assumption and a 30 year amortization period and no valuation assets available to offset the liabilities of the plan. Against these liabilities, as of June 30, 2016 the plan had no present assets for valuation purposes. The actuarial valuation determined a $166.8 million employer contribution requirement for Fiscal Year 2017 based on an individual entry-age actuarial cost method and level percent-of-payroll contributions and applying a 4.25% discount rate resulting in an annual employer contribution of 4.09% of payroll.

In June 2015, GASB released new accounting standards for public sector OPEB plans and sponsoring employees, including GASB Statements Nos. 74 (effective for Fiscal Year 2017) and 75 (effective for Fiscal Year 2018). Generally, the changes made by the new GASB statements to OPEB plan reporting substantially parallel the changes made by GASB Statements Nos. 67 and 68 to pension plan reporting. The State is in the process of preparing to implement the new GASB statements, and anticipates timely implementation. It is anticipated that the discount rate determined in accordance with the new GASB statements used in calculating the actuarial accrued liability of the plan will decrease from the discount rate currently used. All other factors unchanged, a decrease in the discount rate would result in an increase in the actuarial accrued liability of the plan.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated November 1, 2017 containing supplemental information to assist the Board in meeting the requirements of GASB 74 with respect to the Teachers' Retirement Health Insurance Fund. Much of the material provided in the report is based on the data, assumptions and results of the November 2016 actuarial valuation as of June 30, 2016. This report reported the following results as of June 30, 2017 with respect to the TRF in accordance with GASB 74:

November 2017 GASB 74 Report as of June 30, 2017	
Total OPEB Liability	$3,538.8 million
Fiduciary Net Position	63.4 million
Net OPEB Liability ("NOL")	3,475.3 million
Ratio of Fiduciary Net Position to Total OPEB Liability	1.79 %

The GASB 74 report used a discount rate of 3.56%, the Municipal Bond Index Rate as of June 30, 2016, since the results currently indicate that the Fiduciary Net Position will be depleted in the future. The report used an initial health care cost trend rate of 7.75%, and an ultimate initial health care cost trend rate of 5.00%, with 2022 as the year of ultimate trend rate.

GASB 74 also requires calculations of the sensitivity of the NOL to changes in the health care cost trend rates and the discount rate. The tables below present the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund's NOL as of June 30, 2017 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and a SEIR that is 1% lower or higher than the current SEIR:

Net OPEB Liability Changes to Health Care Cost Trend Rates			
Health Care Cost Trend Rates	1% Decrease (6.25% Initial; 4.00% Ultimate)	Current (7.25% Initial; 5.00% Ultimate)	1% Increase (8.25% Initial; 6.00% Ultimate)
Net OPEB Liability (in millions)	$2,861.5	$3,475.3	$4,301.9
Net OPEB Liability Changes to Discount Rates			
Discount Rate	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
Net OPEB Liability (in millions)	$4,188.3	$3,475.3	$2,914.7

Set forth below for each of the past five fiscal years are State contributions to the Teachers' Retirement Health Insurance Fund to cover retiree health insurance costs and the portions of such contribution attributable to post-retirement Medicare supplement health insurance and to the health insurance cost subsidy for retired teachers who are not members of the Board's health benefit plan, active and retired teachers' contributions, investment income, Federal drug subsidy receipts, the expenditures from the Fund, and the reported fund balance of the Fund as of June 30.

TABLE 26

Teachers' Retirement Health Insurance Fund
(In Thousands)

	Fiscal Year				
	2013	2014	2015	2016	2017
General Fund Contribution Attributable To Post Retirement Medicare Supplement Health Insurance	$ 21,816.2[c]	$ 20,793.6[d]	$ 19,698.1[a]	$ 14,566.8	$ 14,566.8
General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy	5,223.9	5,198.9	5,447.3	5,392.8	5,355.1
Total General Fund Contributions	$ 27,040.1	$ 25,992.5	$ 25,145.4	$ 19,959.6	$ 19,922.0
Teacher Contributions (Active and Retired)	85,483.6	86,225.0	85,566.4	92,135.4	95,690.6
Investment Income	124.5	12,753.0	109.1	220.1	369.0
Federal Drug Subsidy	0 [a]	0 [b]	0	0	0
Total Receipts	$112,648.2	$ 124,970.5	$ 85,675.5	$ 92,355.5	$ 96,059.6
Fund Expenditures	($101,450.5)	($105,325.5)	($124,992.1)[d]	$(129,654.3)	$(133,159.6)
Fund Balance as of June 30	$102,974.3	$ 109,532.4[c]	$ 95,361.2	$ 78,022.0	$ 60,844.4

(a) Retiree Federal Drug Subsidy amount of $10,203,832 included in General Fund Contribution Attributable to Post-Retirement Medicare Supplement Health Insurance and not shown in Federal Drug Subsidy receipts below.

(b) Retiree Federal Drug Subsidy amount of $9,362,367 included in General Fund Contribution Attributable to Post-Retirement Medicare Supplement Health Insurance and not shown in Federal Drug Subsidy receipts below.

(c) A fifteen year audit of the fund has determined the reported fund balance of June 30, 2014 was overstated by $13.0 million. A correcting adjustment was made as of June 30, 2015.

(d) Correcting adjustment as to prior fund expenditures; does not reflect actual activity.

Additional Information

The audited financial statements for Fiscal Year 2017 which are included as **Appendix II-C** hereto, and in particular notes 10 through 14 and note 16 and the Pension Plans and Other Postemployment Benefit Plans Required Supplementary Information of the accompanying Basic Financial Statements, provide additional information about the foregoing retirement systems and their funding.

The cumulative value of the annual differences between the State's contribution to a public employee pension or OPEB plan and the actuarially determined employer contribution to the plan for that fiscal year constitutes the "net pension obligation" or "net OPEB obligation" of the State with respect to such plan, and is reported as a liability in the State's financial statements. The net pension obligation or net OPEB obligation of the State with respect to a plan is not the equivalent of the State's actuarial accrued liability with respect to such plan.

LITIGATION

The State and its officers and employees are parties to numerous legal proceedings, many of which normally occur in government operations. The final outcomes of most of these legal proceedings are not, in the opinion of the Attorney General, either individually or in the aggregate likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, either individually or in the aggregate may require the State to make material future expenditures or may impair revenue sources. It is not possible to determine the impact that the outcomes of these proceedings, either individually or in the aggregate, could have on the State's financial position. Among these proceedings, an adverse judgment in the matters described below, in the opinion of the Attorney General, individually could have a fiscal impact on the State of $50 million or more.

Sheff v. O'Neill is a Superior Court action originally brought in 1989, on behalf of school children in the Hartford school district. In 1996, the State Supreme Court reversed a judgment the Superior Court had entered for the State. The Court directed the legislature to develop appropriate measures to remedy the racial and ethnic segregation in the Hartford public schools. The Supreme Court also directed the Superior Court to retain jurisdiction of this matter. The 1997 General Assembly enacted Public Act No. 97-290, An Act Enhancing Educational Choices and Opportunities, in response to the Supreme Court decision.

The parties reached a settlement agreement which was deemed approved by the General Assembly and approved by the Superior Court on March 12, 2003. That agreement obliged the State over a four year period to institute a number of measures and programs designed to advance integration for Hartford Students. That agreement expired in June, 2007, but the State and the plaintiffs have subsequently negotiated a number of follow on agreements obligating the State to programming and other efforts designed to promote achievement of specified integration goals. The parties negotiated a stipulation that governs the parties' obligations through June of 2016 which received legislative approval pursuant to the provisions of Connecticut General Statutes Section 3-125a. The parties entered into a stipulation extending current efforts through June 30, 2017 and which included a commitment to mediation. The parties' efforts to continue mediation efforts were unsuccessful. Plaintiffs were granted an injunction that maintained the requirements of the stipulated judgment, pending a full hearing on the State's compliance with the Supreme Court decision. The parties continue to discuss a resolution of the case.

State Employees Bargaining Agent Coalition ("SEBAC") v. Rowland is a Federal District Court case in which a purported class of laid off State employees sued the Governor and the Secretary of the Office of Policy and Management alleging that they were laid off in violation of their constitutional rights. The parties have reached a settlement which provides for cash payments estimated at approximately $44 million payable over the next three fiscal years, and additional vacation and personal time accruals. The overall value of the settlement is estimated at $100 million to $125 million. The parties are in the process of calculating economic damages for each class member who sustained damages as a result of the layoffs. The settlement also resolved two related cases that were brought in the Connecticut Superior Court: Conboy v. State of Connecticut and Parzio v. State of Connecticut.

American Indian Tribes. It is possible that land claims could be brought by American Indian groups who have petitioned the Federal Government for federal recognition. In any of the land claims matters, irrespective of whether federal recognition is granted, denied or upheld, a particular tribe could institute or renew land claims against the State or others, or press the claims it has already asserted. The federal Bureau of Indian Affairs ("BIA") has adopted new regulations for the federal recognition of tribes under relaxed standards, but those regulations do not presently allow for previously denied petitioners, such as the Schaghticoke Tribal Nation, Golden Hill Paugussett Tribe and the Eastern Pequot Tribal Nation, to seek recognition under new regulations. The Historical Eastern Pequot Tribe ("HEP") has filed a petition with the BIA seeking to be acknowledged as a federal American Indian Tribe. The BIA declined to accept the petition on the grounds that the HEP were previously denied acknowledgment. The HEP has appealed to the U.S. Department of Interior's Office of Hearings and Appeals.

In October, 2016, the Schaghticoke Tribal Nation initiated a lawsuit against the State and the Commissioner of Energy and Environmental Protection seeking approximately $610.5 million for the alleged unconstitutional taking of reservation lands in the nineteenth and early twentieth centuries. The suit alleges that from 1801 to 1918, state-appointed overseers sold portions of the Schaghticoke Tribal Nation reservation and used the proceeds of those sales to lend monies to State residents in the form of mortgages and loans and not for the benefit of the Schaghticoke Tribal Nation. It alleges that these actions were in violation of the federal and state constitutional prohibitions against taking property without just compensation and in breach of the State's fiduciary duties. It seeks money damages and declaratory and injunctive relief to account for the funds allegedly due and to make the Schaghticoke whole. In ruling on part of the defendants' motion to dismiss on December 27, 2017, the trial court dismissed the plaintiff's takings claim as to reservation lands because the plaintiff lacked a property interest in those lands. The plaintiff's other claims remain pending in state superior court.

Bouchard v. State Employees Retirement Commission is a state court proceeding representing an administrative appeal from a denial by the State Employees Retirement Commission ("SERC") of a request to recalculate the pensions of three retirees, based on the 2007 case of ***Longley v. State Employees Retirement Commission*** and its progeny. In ***Longley*** the State Supreme Court held that SERC was required to include a retiree's final prorated longevity payment in their final year salary, for the purpose of calculating retirement benefits. SERC initially interpreted ***Longley***, with the exception of the ***Longley*** plaintiffs, as prospective in application. In April 2009, SERC adopted a resolution to extend ***Longley*** retroactively to October 2, 2001. The plaintiffs in ***Bouchard et al.***, comprise State employees who retired prior to October 2, 2001, who have appealed the denial and seek a recalculation of current pension benefits, an award of past underpayment of benefits and attorney's fees. This case had been certified as a class but the trial court denied plaintiffs' request for a mandatory class action. The approximate size of the class would be 18,000 retirees. On June 18, 2015, the trial court ordered SERC to apply *Longley* to the three named plaintiffs' retirement income calculation from the time of retirement. The court also ordered postjudgment interest of 5% per annum from the date of final judgment until the date the judgment is fully paid. The trial court also ruled that the plaintiff's request for mandatory class action relief for those similarly situated is barred by the three year statute of limitations under Connecticut General Statutes Section 52-577. The plaintiff appealed to the Appellate Court on September 30, 2015. SERC cross-appealed to preserve its position that no liability exists. On September 2, 2016, the Connecticut Supreme Court transferred this matter to itself pursuant to Connecticut Practice Book Section 65-1. On February 2, 2018, the court ruled in favor of the SERC by denying both the individual relief sought by the plaintiffs and the class certification.

Martinez v. Malloy is a federal district court suit brought in August of 2016 in which several students, and their parents or legal guardians, from the Hartford and Bridgeport school districts brought suit asserting federal constitutional claims. They allege that they are not receiving a minimally adequate education in the traditional public schools that they attend, in violation of the Due Process Clause and the Equal Protection Clause of the U.S. Constitution. In particular, they allege that the State's failure to provide a minimally adequate education is the result of various statutes ("the Alternative Choice Statutes") and educational policies that limit the number of students who may attend charter and magnet schools or who may participate in the Open Choice program, which permits certain urban students to attend school in nearby suburban towns. By way of relief, plaintiffs ask the Court to declare the Alternative Choice Statutes unconstitutional and to enjoin their enforcement. The State has filed a motion to dismiss the action, which is pending.

D.J. v. Conn. State Board of Ed is a federal court case brought by a special education student and a purported class of similarly situated special education students. Plaintiffs allege that state law violates the Individuals with Disabilities in Education Act ("IDEA") by terminating the obligation of local school districts to provide special education at the end of the school year in which a special education student turns 21. Plaintiffs' allegations are premised on the fact that Connecticut provides education services to non-special education students beyond the age of 21 and that such a distinction is not permitted under the IDEA. Plaintiffs seek a declaration that Connecticut violates the IDEA by limiting public schools' obligation to provide education services to all special education students before the end of the school year of their 22nd birthday. The plaintiffs further seek compensatory education for the class which is made up of all special education students deprived of special education services after reaching the of age 21 for the two years before the action was filed and during the pendency of the case. If plaintiffs are successful, the State could be ordered to ensure the provision of a one year extension of current duration of services for all special education students. The State has filed a motion for summary judgment and an objection to certification of the class, both of which are pending.

Juan F. v. Malloy. Since 1991, the State Department of Children and Families ("DCF") has been operating under the provisions of a federal consent decree in the Juan F. v. Malloy case, which relates to the child welfare system. The State has entered into several agreements over time resulting in outcome measurer intended to lead to the end of judicial oversight of the agency. The State has continued to work with the plaintiffs and the Court Monitor to meet the requirements of the Exit Plan and has continued to achieve outcome measures. Reflecting this progress, the latest agreement reduces and revises the number of outcome measures necessary to end judicial oversight.

OTHER MATTERS

In Fiscal Year 2012, the State began levying a tax on the net patient revenue of each hospital in the State. A petition for a declaratory ruling was received by the Department of Social Services ("DSS") and the Department of Revenue Services ("DRS") claiming that this tax is invalid as implemented under various constitutional and administrative theories. The determination of DSS and DRS with respect to the petition could affect the collection of the tax going forward, provide the basis for potential refund claims, or result in litigation. On September 22, 2016, DSS and DRS rejected the assertions of the petitioning hospitals. The petitioning hospitals subsequently appealed the Departments' ruling to the Superior Court. That appeal is pending. No representation is made concerning the possible resolution or financial impact of this matter, or what actions the State might implement in response to any adverse rulings.

INDEX TO APPENDICES TO INFORMATION STATEMENT

APPENDIX II-A

GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

The components and structure of State governmental organization are laid out in the State's Constitution and the General Statutes of Connecticut. A number of State-wide and regional authorities and similar bodies are also created or provided for in the General Statutes or by Special Act of the General Assembly. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within the cities and towns. A number of regional bodies exist to perform governmental functions that would otherwise be performed at the local level. Most of the State's 169 cities and towns were established or incorporated during the 18th and 19th centuries, and many are still governed under charters enacted by the General Assembly by Special Act. The State's Constitution grants home rule powers to cities and towns, within certain limitations. A large number of smaller municipalities lack charters, and the components and structure of these municipalities are determined directly by the General Statutes. The General Statutes also contain a variety of provisions pertaining to the organization and operation of all units of local government, including both those with charters and those without. In addition to the 169 cities and towns that are the basic units of local government in Connecticut, the General Statutes provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. These include, among others, local housing authorities, regional school districts, and a variety of special tax and service districts.

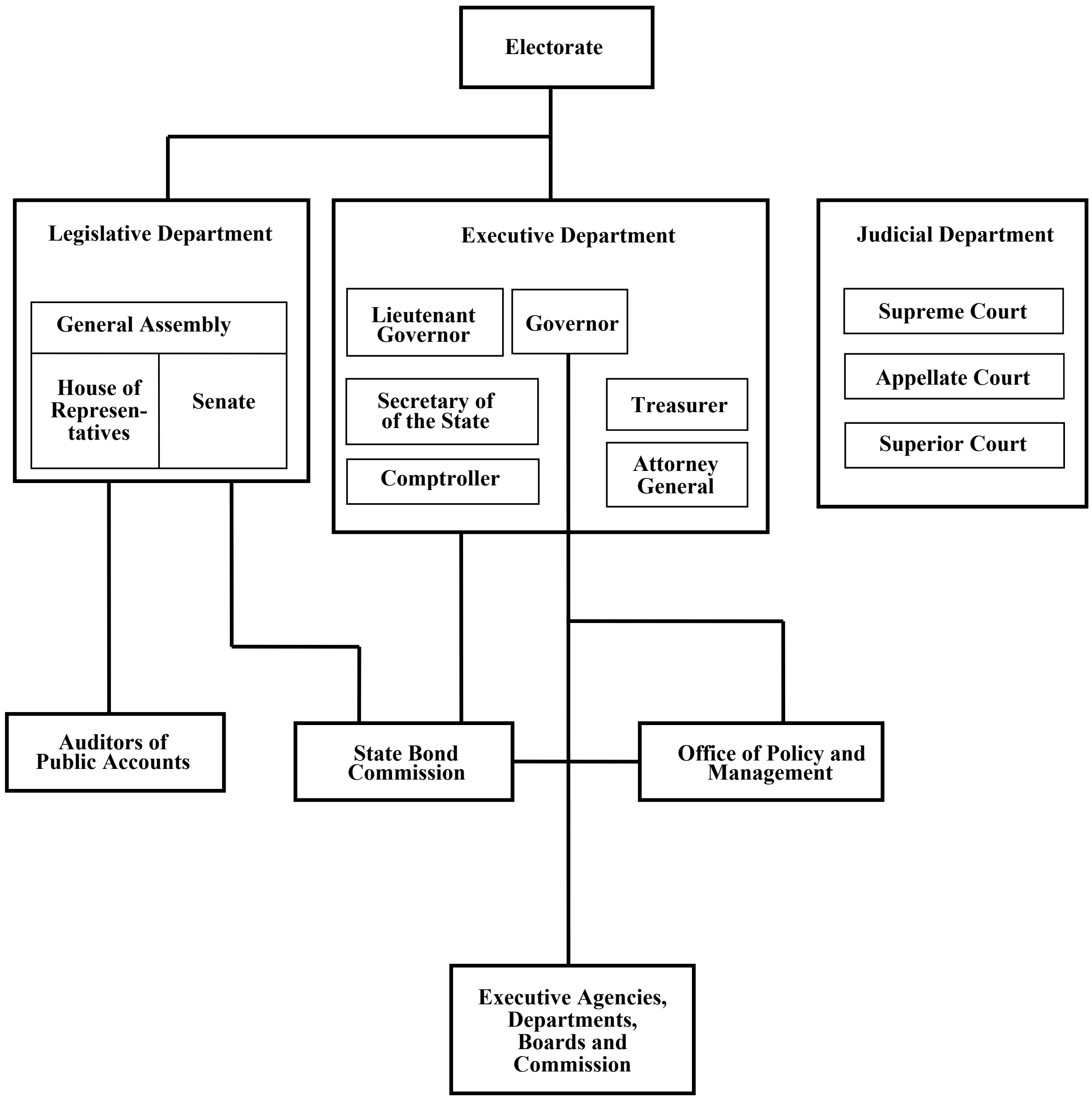
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute to file petitions to become debtors under Chapter Nine of Title 11 of the Federal Bankruptcy Code without the prior written consent of the Governor.

State Government Organization

Under the State Constitution, the legislative, executive and judicial functions and powers of State government are divided among three distinct branches referred to in the Constitution as "departments": the legislative department, the executive department and the judicial department. The following table shows the structure of the three departments.

TABLE A-1

Structure of State Government



Legislative Department. Legislative power is vested in the General Assembly, composed of the Senate and House of Representatives. Currently the Senate consists of 36 members, each representing a single senatorial district, and the House of Representatives consists of 151 members, each representing a single assembly district. Both the number of members and the boundaries of the legislative districts may vary in accordance with the requirements of the State's Constitution. The General Assembly is assisted by a full-time staff. General Assembly employees are included under the legislative function in **Tables A-2** and **A-3** below.

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2016, and the new members took office in January 2017.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or any actual or contemplated breakdown in the safeguarding of any resources of the State promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables A-2** and **A-3** below.

Executive Department. The Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 2014 for terms beginning in January 2015. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and, on request, rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables A-2** and **A-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table A-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. By statute, there are 201 authorized Superior Court judges, with approximately 145 sitting judges as of January 1, 2018, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are nine Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the Supreme Court unless specifically provided by statute. The Supreme Court consists of seven Justices (one Chief Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 54 probate districts situated throughout the State.

Employees of the judicial department are shown in **Tables A-2** and **A-3** under the judicial function heading.

Quasi-Public Agencies. In addition to the budgeted components of State government provided for in the State's Constitution and the General Statutes, important State-wide governmental functions are performed by quasi-public agencies, authorities and similar bodies created under the General Statutes. A number of these entities receive significant funding from the State, although they are not budgeted agencies of the State. Each of these entities is governed by a board of directors chosen in accordance with its respective enabling statute. These boards generally include legislative appointees, gubernatorial appointees and ex-officio directors holding certain executive branch offices.

State Employees

Employment Statistics. Statistics regarding approximate filled permanent full-time positions within budgeted components of State government are shown on the following two tables.

TABLE A-2

State Employees[(a)]
By Function of Government

Function Headings[(b)]	2013	2014	2015	2016	2017
Legislative	660	706	721	693	557
General Government	3,064	3,072	3,092	2,995	2,849
Regulation and Protection	4,188	4,349	4,345	4,201	4,075
Conservation and Development	1,367	1,381	1,397	1,365	1,491
Health and Hospitals	7,082	6,979	6,977	6,807	5,906
Transportation	3,759	3,885	4,008	4,258	4,638
Human Services	1,817	1,824	1,915	1,834	1,677
Education	16,129	16,689	17,272	17,311	17,232
Corrections	8,446	8,813	8,826	8,695	8,248
Judicial	4,479	4,555	4,543	4,490	4,068
Total	50,991	52,253	53,096	52,649	50,741

(a) Table shows count of employees by fund category and function of government paid in April of each year. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) A breakdown of the budgeted agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table A-5**.

SOURCE: Office of Policy and Management

TABLE A-3

State Employees as of April 2017[a)(b)]
By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	TOTALS
Legislative	557					557
General Government	2,601		20	98	130	2,849
Regulation and Protection	2,122	677	408	610	258	4,075
Conservation and Development	779	31	125	61	495	1,491
Health and Hospitals	5,541		6		359	5,906
Transportation		3,043		637	958	4,638
Human Services	1,622				55	1,677
Education	5,523		6	11,226	477	17,232
Corrections	8,151			79	18	8,248
Judicial	4,008		21		39	4,068
Total	30,904	3,751	586	12,711	2,789	50,741

(a) Table shows a count of employees by fund categories. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) Reflects funding source based on Core-CT chart of accounts coding.

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guarantee State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 42 such bargaining units representing State employees.

The General Statutes establish the general parameters of the collective bargaining process with respect to bargaining units representing State employees. At any given point in time, there are generally a number of collective bargaining units with agreements under negotiation. All collective bargaining agreements require approval of the General Assembly. The General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject any such agreement as a whole by a majority vote of either house. An arbitration award may be rejected in whole by a two-thirds vote of either house of the General Assembly upon a determination that there are insufficient funds for full implementation of the award.

If an agreement is rejected, the matter shall be returned to the parties who shall initiate arbitration. The parties may submit any award issued pursuant to such arbitration to the General Assembly in the same manner as the rejected agreement. If the arbitration award is rejected by the General Assembly, the matter shall be returned again to the parties for further arbitration. Any award issued pursuant to such further arbitration shall be deemed approved the General Assembly.

The General Statutes deny State employees the right to strike. Questions concerning employment or bargaining practices prohibited by the sections of the General Statutes governing collective bargaining with regard to State employees may generally be brought before the State Board of Labor Relations.

Information regarding employees participating in collective bargaining units and employees not covered by collective bargaining is shown in the following table:

TABLE A-4

Full-Time Work Force
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

Bargaining Unit/Status Group	Percentage of State Employees Represented[a]	Contract Status, if any[b]
Covered by Collective Bargaining		
Administrative and Residual (P-5)	5.52%	Contract in place through 6/30/2021
Administrative Clerical (NP-3)	6.03	Contract in place through 6/30/2021
American Federation of School Administrators	0.10	Contract in place through 6/30/2021
Assistant Attorneys General	0.36	Contract in negotiation
Board for State Academic Awards	0.13	Contract in place through 6/30/2021
Community College Administration - AFSCME	0.17	Contract in place through 6/30/2021
Community College Administration – CCCC	1.44	Contract in place through 6/30/2021
Community College AFT – Counselors/Librarians	0.03	Contract in place through 6/30/2021
Community College Faculty – AFT	0.35	Contract in place through 6/30/2021
Community College Faculty – CCCC	1.30	Contract in place through 6/30/2021
Connecticut Association of Prosecutors	0.47	Contract in place through 6/30/2021
Correctional Officers (NP-4)	8.78	Contract in place through 6/30/2021
Correctional Supervisor (NP-8)	0.97	Contract in place through 6/30/2021
Criminal Justice Inspectors	0.12	Contract in place through 6/30/2021
Criminal Justice Residual	0.23	Contract in place through 6/30/2021
DPDS Public Defenders	0.31	Contract in place through 6/30/2021
DPDS Supervising Attorney - AFSCME	0.05	Contract in place through 6/30/2021
Education Administrative (P-3A)	0.43	Contract in place through 6/30/2021
Education Technical (P-3B)	0.99	Contract in place through 6/30/2021
Engineering, Scientific and Technical (P-4)	4.86	Contract in place through 6/30/2021
Health Care Unit-Non-Professional (NP-6)	5.34	Contract in place through 6/30/2021
Health Care Unit-Professional (P-1)	5.83	Contract in place through 6/30/2021
Higher Education – Professional Employees	0.05	Contract in place through 6/30/2021
Judicial - Judicial Marshals	1.12	Contract in place through 6/30/2021
Judicial – Law Clerks	0.11	Contract in place through 6/30/2021
Judicial – Non-Professional	2.31	Contract in place through 6/30/2021
Judicial – Professional	2.34	Contract in place through 6/30/2021
Judicial - Supervising Judicial Marshals	0.11	Contract in place through 6/30/2021
Protective Services (NP-5)	1.60	Contract in place through 6/30/2021
Service/Maintenance (NP-2)	7.36	Contract in place through 6/30/2021
Social and Human Services (P-2)	7.90	Contract in place through 6/30/2021
State Vocational Federation of Teachers	2.33	Contract in place through 6/30/2021
State Police (NP-1)	2.00	Contract in place through 6/30/2018
State Police Lieutenants and Captains (NP-9)	0.07	Contract in place through 6/30/2021
State University-Faculty	2.95	Contract in place through 6/30/2021
State University- Non-Faculty Professional	1.58	Contract in place through 6/30/2021
UCHC – Faculty	0.74	Contract in place through 6/30/2021
UCHC University Health Professionals	3.68	Contract in place through 6/30/2021
UConn – Faculty	3.55	Contract in place through 6/30/2021
UConn – Graduate Employees	2.90	Contract in place through 6/30/2021
UConn – Law School Faculty	0.09	Contract in place through 6/30/2021
UConn - Non-Faculty	3.68	Contract in place through 6/30/2021
Total Covered by Collective Bargaining	90.27%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.22%	Not Applicable
Other Employees	9.51%	Not Applicable
Total Not Covered by Collective Bargaining[c]	9.73%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 48,245 filled full-time positions as of February 5, 2018.

(b) With the exception of the State Police bargaining unit which expires June 30, 2018, and the newly-formed Assistant Attorneys General bargaining unit, all collective bargaining contracts expire on June 30, 2021.

(c) Additional bargaining units have been certified and are in negotiations and other bargaining units have made applications for certification.

SOURCE: Office of Policy and Management

Governmental Services

Services provided by the State or financed by State appropriations are classified under one of ten major government function headings or are classified as "non-functional". These function headings are used for the State's General Fund and for other funds of the State used to account for appropriated moneys. State agencies, boards, commissions and other bodies are each assigned to one of the function headings for budgeting purposes. The following table shows a breakdown of the government function headings according to the major agencies, boards, commissions and other bodies assigned to them.

TABLE A-5

Function of Government Headings [(a)(b)]

Legislative
Legislative Management
Auditors of Public Accounts
Commission on Women, Children and Seniors
Commission on Equity and Opportunity

General Government
Governor's Office
Lieutenant Governor's Office
Secretary of the State
Office of Governmental Accountability
State Treasurer
State Comptroller
Department of Revenue Services
Office of Policy and Management
Department of Veterans Affairs
Department of Administrative Services
Attorney General
Division of Criminal Justice

Regulation and Protection
Department of Emergency Services and Public Protection
Department of Motor Vehicles
Military Department
Department of Banking
Insurance Department
Office of Consumer Counsel
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Commission on Human Rights and Opportunities
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Energy and Environmental Protection
Council on Environmental Quality
Department of Economic and Community Development
Department of Housing
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of Health Strategy
Office of the Chief Medical Examiner
Department of Developmental Services
Department of Mental Health and Addiction Services
Psychiatric Security Review Board

Transportation
Department of Transportation

Human Services
Department of Social Services
Department of Rehabilitation Services

Education, Libraries and Museums
Department of Education
State Library
Office of Early Childhood
University of Connecticut
University of Connecticut Health Center
Connecticut State Colleges and Universities
Office of Higher Education
Teachers' Retirement Board

Corrections
Department of Corrections
Department of Children and Families

Judicial
Judicial Department
Public Defender Services Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.

(b) Listing of agencies, boards, commissions and similar bodies is as of July 1, 2017.

SOURCE: Office of Policy and Management

In addition to services provided directly by the State, various State-wide and regional quasi-public agencies, authorities and similar bodies also provide services. Such entities principally assist in the financing of various types of facilities and projects. In addition to their own budgetary resources and the proceeds of their borrowings, a number of such entities have received substantial funding from the State, which the entities generally use to provide financial assistance to the general public and the private and nonprofit sectors.

Because Connecticut does not have an intermediate county level of government between State and local government, local entities provide all governmental services not provided by the State and quasi-public agencies. Such services are financed principally from property tax revenues, State funding of various types and federal funding.

Department of Emergency Services and Public Protection. The Department of Emergency Services and Public Protection (DESPP) is responsible for providing a coordinated, integrated program for the protection of life and property and for state-wide emergency management and homeland security. Through the Division of Emergency Management and Homeland Security (DEMHS), the Department is responsible for the preparation of a comprehensive civil preparedness plan and program, including integration and coordination with planning and activities of the federal government, other states, and towns, cities and tribal nations within the State. The State's plans include the State Response Framework and the State Recovery Framework. For planning purposes, DEMHS has given priority for preparedness to the following potential scenarios: (i) a severe weather event in or affecting Connecticut; (ii) a terrorist attack in or affecting Connecticut (cyber and/or physical), and (iii) a release of contamination from the Millstone Power Plant. Current planning activities at the State level include multiple cyber security initiatives. DESPP also operates the State fusion center – the Connecticut Intelligence Center, a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other related groups. DEMHS includes a Radiological Emergency Preparedness Unit, which, among other things, conducts regular exercises evaluated by the Federal Emergency Management Agency (FEMA). Pursuant to the Connecticut General Statutes, the Commissioner of the Department is required to file an annual report each January to the joint standing committee of the General Assembly having cognizance of matters relating to public safety, which report specifies and evaluates statewide emergency management and homeland security activities during the preceding calendar year. In April 2015, the State received accreditation for its emergency management and homeland security activities from the nationally recognized Emergency Management Accreditation Program.

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The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by the Long Island Sound, New York, Massachusetts and Rhode Island. Over one quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of the State.

Economic Resources

Population Characteristics. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past four decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 1.42% from 2008 to 2017 versus 3.3% in New England and 7.1% for the nation. The mid-2017 population in Connecticut was estimated at 3,588,184, a 0.0% change from a year ago, compared to increases of 0.4% and 0.7% for New England and the United States, respectively. From 2008 to 2017, within New England, Massachusetts (6.0%) and New Hampshire (2.0%) experienced growth higher than Connecticut (1.42%); while Rhode Island (0.4%), Maine (0.4%), and Vermont (-0.1%) all experienced lower or falling growth.

TABLE B-1

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	**Total**	**% Change**	**Total**	**% Change**	**Total**	**% Change**
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
2010 Census	3,574	4.9	14,445	3.7	308,746	9.7
2008….	3,546	0.5	14,340	0.4	304,094	1.0
2009….	3,562	0.5	14,404	0.4	306,772	0.9
2010….	3,574	0.3	14,445	0.3	308,746	0.6
2011….	3,592	0.5	14,529	0.6	311,644	0.9
2012….	3,598	0.2	14,585	0.4	313,993	0.8
2013….	3,602	0.1	14,643	0.4	316,235	0.7
2014….	3,600	(0.1)	14,696	0.4	318,623	0.8
2015….	3,594	(0.2)	14,726	0.2	321,040	0.8
2016….	3,588	(0.2)	14,758	0.2	323,406	0.7
2017….	3,588	0.0	14,810	0.4	325,719	0.7

Note: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2008-2017 Mid-year estimates. Estimates for New England include the sum of six states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

SOURCE: United States Census Bureau

The State is highly urbanized with a 2017 population density of 741 persons per square mile, as compared with 92 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2010 Census count, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

SUPPLEMENTARY INFORMATION AS OF APRIL 19, 2018

Education. In 2016 Connecticut ranked 4th in the nation with 38% of the State population over the age of 25 holding a bachelor's degree or higher.

Connecticut is home to over 45 colleges and universities, including among others: Yale University, Wesleyan University, Trinity College, Connecticut College, University of Connecticut, Southern Connecticut State University, Central Connecticut State University, Eastern Connecticut State University, Western Connecticut State University, Fairfield University, Quinnipiac University, Hartford Seminary, Coast Guard Academy, University of New Haven, University of Hartford, and Sacred Heart University.

Industry Landscape. Connecticut is home to some of the country's leading companies, including the following members of the 2017 Fortune 500: United Technologies, Aetna, Cigna, Hartford Financial Services, Praxair, Stanley Black & Decker, Terex, Emcor Group, and Priceline.com. The historical presence of the insurance industry in the State, and especially in its capital city of Hartford, has caused it to be referred to as the "insurance capital of the world".

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Bradley International Airport, in Windsor Locks, currently offers approximately 100 weekday departures to 34 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. It is accessible from all areas of the State and western Massachusetts.

The Connecticut Department of Transportation funds and oversees the operation of rail, bus, paratransit and ferry services throughout the State. The New Haven Line (including the Waterbury, Danbury and New Canaan branch lines) and Shore Line East provide service to communities between New London and New York City and intermediate points, serving approximately 43 million passengers per year. New state-funded, CT*rail* high-speed rail service will begin on the Hartford Line in 2018, serving communities between New Haven, CT and Springfield, MA. State-funded, contracted public bus and paratransit transportation programs provide over 43 million passenger trips a year on urban transit, commuter express bus, rural transit, and Americans with Disabilities Act paratransit services. The overall program includes State-funded CT*transit* bus services in 8 urbanized areas and CT*fastrak* bus rapid transit services provided in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 13 independent transit districts. The State also operates two historic passenger and vehicular ferries, linking communities on the Connecticut River.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads, as well as direct access to Canadian markets. Positioned between the ports of New York and Boston, with access to European and South American markets, the State's deep draft harbors at Bridgeport, New Haven, and New London offer similar direct access to international markets and U.S. ports.

Utility Services. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, Massachusetts and Rhode Island. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system, the Regional Transmission Organization for New England. An independent system operator, ISO New England, Inc., operates this regional system.

Most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. Consumers that do not choose an independent electric supplier will automatically be placed on Connecticut's standard service. The electricity is delivered to the consumer over the wires of the regulated distribution companies (Eversource Energy and The United Illuminating Company). Electric suppliers are not subject to rate regulation by the State Public Utilities Regulatory Authority (PURA), formerly known as the Department of Public Utility Control (DPUC), but must receive a license issued by the PURA before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory can continue to purchase and receive their electrical needs from the municipal electric company.

Legislation enacted in 2011 merged PURA under a new Department of Energy and Environmental Protection (DEEP) structure, where it continues its mandates related to rates, reliability and safety, but now must also be guided in accordance with the goals of DEEP as outlined in its Integrated Resource Plan and Comprehensive Energy Strategy. These include a focus on clean energy, creating jobs and building a state energy economy. The legislation declares DEEP as a successor to the PURA, and divides DEEP into three bureaus, Energy, Environmental Protection and PURA. This legislation also established the position of a procurement manager which now resides within PURA.

The procurement manager is responsible for developing a plan for the procurement of electric generation services and related wholesale electricity market products that will enable each electric distribution company to manage a portfolio of contracts to reduce the average cost of "standard service" while maintaining "standard service" cost volatility within reasonable levels.

Lastly, the legislation created a quasi-public authority, the Connecticut Green Bank to administer the Clean Energy Fund which is funded by a charge on consumer's electric bills. Pursuant to legislation, Green Bank's scope was expanded to include more types of projects the fund can support with respect to the financing of clean energy sources and energy efficiency.

Natural gas is delivered to Connecticut through pipelines that traverse the State. Natural gas pipeline supplies are generally shipped to Connecticut from Canada and the Gulf of Mexico area. Connecticut also receives natural gas through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by tanker ships. Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Eversource Energy, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, UIL Holdings Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. UIL Holdings Corp., the parent company of The United Illuminating Company, is a New Haven, Connecticut-based utility holding company.

Since 1996 the PURA has allowed some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also open to competition. Local exchange telephone service is provided in the State by local exchange carriers (LECs) and competitive local exchange carriers (CLECs). Two LECs currently offer local telephone services in Connecticut. They are Frontier Corporation and Verizon New York, Inc. Connecticut also has 116 CLECs certified to provide local exchange services including Comcast Phone of Connecticut, Inc., Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can affect Connecticut's local oil markets.

Although Connecticut is heavily dependent upon petroleum, the State is ranked one of the most efficient states for energy consumption. According to the most recent available data from the Energy Information Administration, an independent agency within the U.S. Department of Energy that collects and analyzes energy data, Connecticut consumed 3.3 thousand British Thermal Units (BTU) per 2009 chained dollar of Gross State Product in 2015, the latest available data, ranking it the 2nd most efficient state among the 50 states and 44.1% less than the national average of 5.9 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 210 million BTU of energy per person in 2015, ranking it 46th among the 50 states and 30.7% less than the national average of 303 million BTU.

Energy prices in Connecticut were up compared to 2016, and remain elevated relative to the nation. Nationally, home heating oil, gasoline and natural gas prices have begun to rise after hitting a 10 year low in 2016, signaling a market correction may be occurring after dramatic declines in prices starting in 2014. For the past decade the United States has experienced a significant rise in oil production, due in large part to technological innovations in the area of shale oil fracking. To maintain market share oil exporters increased production, even as prices declined, as many of their economies rely heavily on such energy resources. All of this, in combination with a reduction in demand in Europe and weak economic growth in China and emerging markets, have led to a historic oversupply in the oil market which drove prices down.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. In calendar year 2016, per capita personal income in Connecticut equaled $69,085, the highest of any state in the nation. This high level of personal income is not concentrated in a single county, but is widely distributed throughout the State. County-level data from the United States Department of Commerce, Bureau of Economic Analysis for calendar year 2015 indicates that if they were states, five of the State's eight counties would each rank within the top ten of all states in the nation for state per capita personal income. The following table shows total and per capita personal income for Connecticut residents during the period from 2007 to 2016 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-2

Connecticut Personal Income by Place of Residence

Calendar Year	Connecticut Total (Millions of Dollars)	Connecticut Per Capita (Dollars)	Connecticut Per Capita as Percent of New England	Connecticut Per Capita as Percent of United States
2007	$204,296	$57,872	117.7%	145.8%
2008	217,102	61,199	119.4	149.3
2009	215,234	60,393	119.6	153.6
2010	222,405	62,109	119.3	154.4
2011	229,212	63,807	118.1	150.4
2012	233,711	64,951	116.6	146.9
2013	230,615	64,029	115.4	144.2
2014	239,070	66,424	115.7	143.1
2015	244,941	68,170	113.6	140.9
2016	247,887	69,085	112.9	140.4

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the annual growth rate of personal income, on a current and constant dollar basis, of Connecticut, New England and the United States.

TABLE B-3

Annual Growth Rates in Personal Income By Place of Residence

Calendar Year	Conn. (Current)	New England (Current)	U.S. (Current)	Conn. (Constant)	New England (Constant)	U.S. (Constant)
2007	7.2%	5.2%	5.3%	4.6%	2.7%	2.7%
2008	6.3	4.7	4.2	3.2	1.7	1.1
2009	(0.9)	(1.0)	(3.3)	(0.5)	(0.6)	(3.2)
2010	3.3	3.5	3.2	2.4	2.1	1.5
2011	3.1	4.3	6.2	1.0	2.0	3.7
2012	2.0	3.5	5.0	(0.2)	1.9	3.0
2013	(1.3)	(0.0)	1.1	(2.0)	(1.2)	(0.2)
2014	3.7	3.8	5.3	2.0	2.2	3.7
2015	2.5	4.8	5.0	2.0	4.4	4.6
2016	1.2	2.2	2.4	0.0	1.0	1.2

Note — Real dollars are adjusted for inflation using the national personal consumption expenditures price index and regional price parities.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the sources of personal income by place of residence for Connecticut and the United States in 2016.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2016
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$112,481	45.4%	$ 7,277,400	45.7%
Property Income (Div., Rents & Int.)	53,958	21.8	3,085,100	19.4
Wages in Manufacturing	13,906	5.6	807,800	5.1
Transfer Payments less Social Insurance Paid	14,080	5.7	1,523,100	9.6
Other Labor Income	28,162	11.4	1,893,400	11.9
Proprietor's Income	25,299	10.2	1,341,900	8.4
Personal Income — Total	$247,887	100.0%	$15,928,700	100.0%

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State's and the region's economic vitality are evidenced in the rate of growth of their respective Gross State Products. The State's Gross State Product is the current market value of all final goods and services produced by labor and property located within the State.

In 2016, the State produced $259.9 billion worth of goods and services and $227.6 billion worth of goods and services in 2009 chained dollars.

The following table shows the Gross State Product in current dollars for Connecticut, New England, and the United States.

TABLE B-5

Gross State Product
(In Millions)

	Connecticut		New England(a)		United States(b)	
Calendar Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
2007	236,640	6.9%	799,219	4.8%	14,477,636	4.5%
2008	238,211	0.7	807,857	1.1	14,718,588	1.7
2009	233,562	(2.0)	805,107	(0.3)	14,418,740	(2.0)
2010	234,528	0.4	828,780	2.9	14,964,383	3.8
2011	234,233	(0.1)	845,612	2.0	15,517,934	3.7
2012	239,462	2.2	872,280	3.2	16,155,255	4.1
2013	240,976	0.6	885,847	1.6	16,691,517	3.3
2014	244,628	1.5	913,977	3.2	17,427,609	4.4
2015	255,517	4.5	963,385	5.4	18,120,714	4.0
2016	259,919	1.7	990,817	2.8	18,624,475	2.8

(a) Sum of the New England States' Gross State Products.

(b) Denotes the Gross Domestic Product, which is the total market value of all final goods and services produced in the U.S.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 2009 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2009 Chained Dollars*)

	Connecticut		New England		United States	
Calendar Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
2007	247,248	4.2%	830,459	2.1%	14,873,734	1.8%
2008	243,856	(1.4)	825,187	(0.6)	14,830,359	(0.3)
2009	233,562	(4.2)	805,106	(2.4)	14,418,739	(2.8)
2010	232,357	(0.5)	821,438	2.0	14,783,809	2.5
2011	228,454	(1.7)	826,442	0.6	15,020,565	1.6
2012	228,212	(0.1)	834,016	0.9	15,354,627	2.2
2013	224,931	(1.4)	830,130	(0.5)	15,612,175	1.7
2014	223,311	(0.7)	838,425	1.0	16,013,283	2.6
2015	227,503	1.9	861,775	2.8	16,471,516	2.9
2016	227,592	0.0	870,654	1.0	16,716,164	1.5

* 2009 chained dollar series are calculated as the product of the chain-type quantity index and the 2009 current-dollar value of the corresponding series, divided by 100. Figures for the United States represent Gross Domestic Product.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's economy. The table shows that in 2016 Connecticut's production was concentrated in four areas: finance, insurance and real estate (FIRE), services, manufacturing and government. Production in these four industries accounted for 76.3% of total production in Connecticut compared to 78.6% in 2009 and 72.0% for the nation in 2016. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

The output contribution of manufacturing, however, has been declining over time as the contributions of services has been increasing. The share of production from the manufacturing sector decreased from 11.9% in 2009 to 10.9% in 2016 caused by increased competition with foreign countries and other states. The broadly defined services in the private sector, which excludes industries in agriculture and construction, wholesale and retail trades, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have decreased to 59.9% of the total GSP in 2016 from 60.7% in 2009. The broadly defined services in the private sector increased by 9.8% from 2009 to 2016 compared to 13.9% for the public sector during the comparable period. A stable service sector may help smooth the business cycle, reducing the span and depth of recessions and prolonging the length of expansions. Normally, activities in service sectors relative to manufacturing are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and somewhat less vulnerable to foreign competition. Therefore, this shift to the service sectors may serve to smooth output fluctuations.

TABLE B-7

Gross State Product by Industry in Connecticut (In Millions)

Calendar Year	2009	2010	2011	2012	2013	2014	2015	2016
Sector								
Manufacturing	$ 27,688	$ 28,080	$ 26,734	$ 27,636	$ 28,635	$ 27,618	$ 28,740	$ 28,273
Construction[(a)]	7,380	6,816	6,787	7,172	7,221	7,517	8,211	8,644
Agriculture[(b)]	295	320	306	316	362	279	281	274
Utilities[(c)]	7,887	7,892	8,040	7,964	8,278	8,675	8,927	8,533
Wholesale Trade	13,032	13,831	14,149	15,168	15,523	16,012	16,768	16,842
Retail Trade	11,498	11,617	12,046	12,782	12,922	13,315	13,920	14,269
Information	9,907	9,779	9,594	9,788	11,298	11,208	12,734	13,126
Finance[(d)]	74,106	72,976	71,426	69,981	66,718	66,812	69,345	71,540
Services[(e)]	57,780	58,785	60,353	63,824	64,626	67,062	69,357	71,092
Government	23,990	24,435	24,799	24,834	25,393	26,132	27,236	27,327
Total GSP	$233,562	$234,528	$234,234	$239,463	$240,976	$244,627	$255,518	$259,918

Note—Columns may not add due to rounding.

(a) Includes mining.

(b) Includes forestry and fisheries.

(c) Includes transportation, communications, electric, gas, and sanitary services.

(d) Includes finance, insurance and real estate.

(e) Covers a variety of activities, including professional, business, education, health care and personal services.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Employment

Non-agricultural employment includes all persons employed except federal military personnel, the self-employed, proprietors, unpaid workers, and farm and household domestic workers. The following table compares non-agricultural establishment employment for Connecticut, New England, and the United States between 2007 and 2016. Connecticut's nonagricultural employment reached a high in March 2009 of 1,713,300 persons employed, but began declining with the onset of the recession falling to 1,594,200 jobs by February 2010, and has since risen to 1,685,200 by December 2017.

TABLE B-8

Non-agricultural Employment[a][b]
(In Thousands)

Calendar Year	Connecticut Employment	Connecticut Percent Growth	New England Employment	New England Percent Growth	United States Employment	United States Percent Growth
2007	1,698.5	1.0%	7,070.0	0.9%	137,997.2	1.1%
2008	1,699.1	0.0	7,071.4	0.0	137,240.3	(0.5)
2009	1,626.3	(4.3)	6,817.1	(3.6)	131,300.2	(4.3)
2010	1,607.9	(1.1)	6,802.7	(0.2)	130,353.3	(0.7)
2011	1,624.3	1.0	6,866.6	0.9	131,941.0	1.2
2012	1,637.7	0.8	6,950.7	1.2	134,170.7	1.7
2013	1,650.0	0.8	7,035.4	1.2	136,379.4	1.6
2014	1,661.2	0.7	7,133.4	1.4	138,937.3	1.9
2015	1,674.1	0.8	7,239.1	1.5	141,813.1	2.1
2016	1,679.5	0.3	7,331.5	1.3	144,305.5	1.8

(a) Non-agricultural employment excludes agricultural workers, proprietors, self-employed individuals, domestic workers, family workers and members of the armed forces.
(b) In March 2009, the Connecticut Department of Labor revised and updated employment statistics back to 2004.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Composition of Employment. The following table shows the distribution of non-agricultural employment in Connecticut and the United States in 2016. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE B-9

Connecticut Non-agricultural Employment, Calendar Year 2016
(In Thousands)

	Connecticut Total	Connecticut Percent	United States Total	United States Percent
Services[a]	766.2	45.6%	64,047.5	44.4%
Trade[b]	298.5	17.8	27,236.3	18.9
Manufacturing	156.3	9.3	12,348.3	8.6
Government	236.5	14.1	22,228.1	15.4
Finance[c]	130.0	7.7	8,284.8	5.7
Information[d]	32.3	1.9	2,772.3	1.9
Construction[e]	59.6	3.6	7,388.3	5.1
Total[f]	1,679.5	100.0%	144,305.5	100.0%

(a) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(b) Includes wholesale and retail trade, transportation, and utilities.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical data adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Recent trends in the State's non-agricultural employment are reflected in the following table. Throughout the last five decades, while manufacturing employment in Connecticut has been steadily declining, employment in the services industries has surged. In calendar year 2016, approximately 90.7% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE B-10

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Calendar Year	Manufacturing	Trade[(a)]	Services[(b)]	Government	Finance[(c)]	Information[(d)]	Construction[(e)]	Total Non-agricultural Employment[(f)]
2007	187.8	308.0	698.6	251.7	144.6	38.4	69.4	1,698.5
2008	184.4	305.7	706.8	254.8	143.4	37.8	66.1	1,699.1
2009	168.4	289.0	691.2	250.6	137.6	34.3	55.2	1,626.3
2010	162.8	285.9	695.3	246.4	135.2	31.7	50.6	1,607.9
2011	163.4	288.9	711.0	242.8	135.0	31.3	52.0	1,624.3
2012	161.8	291.2	727.2	241.0	133.1	31.3	52.0	1,637.7
2013	160.2	293.8	738.9	240.5	130.6	32.0	54.0	1,650.0
2014	157.2	295.7	751.4	240.1	128.8	32.1	56.0	1,661.2
2015	156.9	297.1	760.0	239.1	130.1	32.5	58.4	1,674.1
2016	156.3	298.5	766.2	236.5	130.0	32.3	59.6	1,679.5

(a) Includes wholesale and retail trade, transportation, and utilities.
(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut Labor Department

Manufacturing

The manufacturing industry, despite its continuing downward employment trend over the past five decades, has traditionally served as an economic base industry and has been of prime economic importance to Connecticut. Based on the level of personal income derived from this sector, Connecticut ranked 21st in the nation for its dependency on manufacturing wages in calendar year 2016. The following table provides a ten-year historical picture of manufacturing employment in Connecticut, the New England region and the United States. This downward movement in manufacturing employment levels is also reflected in the New England region and the nation. The transformation in the State's manufacturing base confirms that the State's employment share in the manufacturing sector is converging to the national average. In calendar year 2016 approximately 9.3% of the State's workforce, versus 8.6% for the nation, was employed in the manufacturing sector.

TABLE B-11

Manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
2007	187.8	(1.6)%	705.9	(1.6)%	13,877.8	(2.0)%
2008	184.4	(1.8)	687.8	(2.6)	13,403.4	(3.4)
2009	168.4	(8.7)	620.0	(9.9)	11,847.8	(11.6)
2010	162.8	(3.3)	602.5	(2.8)	11,528.7	(2.7)
2011	163.4	0.3	603.5	0.2	11,727.1	1.7
2012	161.8	(0.9)	601.3	(0.4)	11,927.0	1.7
2013	160.2	(1.0)	598.2	(0.5)	12,019.5	0.8
2014	157.2	(1.8)	595.1	(0.5)	12,185.1	1.4
2015	156.9	(0.2)	595.9	0.1	12,335.3	1.2
2016	156.3	(0.4)	591.1	(0.8)	12,348.3	0.1

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut State Labor Department

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, machinery, and computer and electronics for the total number employed in 2016.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[(a)]	Total Manufacturing Employment [(b)]
2007	43.6	33.4	14.1	18.2	78.6	187.8
2008	44.3	33.1	14.2	17.7	75.1	184.4
2009	43.1	29.4	13.4	16.0	66.5	168.4
2010	42.2	28.1	13.3	15.0	64.2	162.8
2011	42.2	28.6	13.4	14.8	64.4	163.4
2012	42.0	29.2	13.0	14.5	63.0	161.8
2013	41.4	30.0	12.8	14.1	61.9	160.2
2014	40.1	29.7	12.6	14.0	60.8	157.2
2015	40.7	29.2	12.3	14.1	60.6	156.9
2016	41.8	29.3	11.6	13.6	60.1	156.3

(a) Includes other industries such as wood products, furniture, glass/stone, primary metals, and instruments in the durable sector, as well as all industries such as chemicals, paper, and plastics in the nondurable sector.

(b) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

During the past ten years, Connecticut's manufacturing employment was at its highest in 2007 at 187,800 workers. Since that year, employment in manufacturing continued on a downward trend. A number of factors, such as heightened foreign competition, outsourcing to offshore locations, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut continued to decline to a recent low of 156,300 in 2016. The total number of manufacturing jobs dropped 31,500, or 16.8%, from its decade high in 2007.

Exports. In Connecticut, the export sector of manufacturing is an important component of the overall economy. According to figures published by the United States Census Bureau Foreign Trade Division, compiled by the World Institute for Strategic Economic Research, exports of manufacturing products registered at $14.4 billion in 2016, accounting for 5.5% of Gross State Product. From 2012 to 2016, the State's export of goods fell at a compound annual rate of 2.4% versus 2.1% growth for the Gross State Product. The following table shows the growth in exports of manufacturing products.

TABLE B-13

Exports Originating in Connecticut
(In Millions)

			Calendar Year			Percent of 2016	Compound Annual Growth Rate
	2012	**2013**	**2014**	**2015**	**2016**	**Total**	**2012-2016**
A. Manufacturing Products							
Transportation Equipment	$ 7,158.2	$ 8,004.8	$ 7,318.6	$ 7,012.6	$ 6,217.3	43.2%	(3.5)%
Computer & Electronics	1,365.9	1,237.0	1,270.6	1,191.0	1,109.0	7.7	(5.1)
Machinery, Except Electronics	1,761.2	1,758.8	2,072.8	1,666.6	1,770.4	12.3	0.1
Fabricated Metal Production	690.4	720.2	733.6	706.7	789.0	5.5	3.4
Chemicals	1,026.2	992.6	971.0	1,039.5	864.7	6.0	(4.2)
Misc. Manufacturing	273.1	307.8	330.7	326.2	327.3	2.3	4.6
Electrical Equipment	873.3	900.1	1,002.9	1,032.9	958.7	6.7	2.4
Plastics & Rubber	267.6	239.8	233.5	230.3	224.9	1.6	(4.3)
Paper	146.3	141.1	142.7	131.2	137.0	1.0	(1.6)
Primary Metal Mfg.	704.3	648.2	637.8	675.6	505.1	3.5	(8.0)
Others	1,604.6	1,476.3	1,248.6	1,229.7	1,490.8	10.4	(1.8)
Total	$ 15,871.1	$ 16,426.7	$ 15,962.8	$ 15,242.4	$ 14,394.2	100.0%	(2.4)%
% Growth	(2.2)%	3.5%	(2.8)%	(4.5)%	(5.6)%		
B. Gross State Product[(a)]	$239,461.8	$240,975.5	$244,627.8	$255,517.0	$259,918.5		2.1%
Mfg Exports as a % of GSP	6.6%	6.8%	6.5%	6.0%	5.5%		

(a) In millions.

SOURCE: United States Census Bureau Foreign Trade Division
World Institute for Strategic Economic Research

Defense Industry. One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one quarter of the State's manufacturing employees are employed in defense related business. Nonetheless, this sector's significance in the State's economy has declined considerably since the early 1980s. Connecticut had witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State; however, these amounts have been climbing most years since federal Fiscal Year 2002. In federal Fiscal Year 2016 Connecticut received $14.1 billion of prime contract awards. These total awards accounted for 5.1% of national total awards and ranked 4th in total defense dollars awarded and first in per capita dollars awarded among the 50 states. In federal Fiscal Year 2016, Connecticut had $3,952 in per capita defense awards, compared to the national average of $863. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut-based firms were 5.0% of Gross State Product in Fiscal Year 2016.

Connecticut is a leading producer of aircraft engines and parts, submarines, and helicopters. The largest employers in these industries are United Technologies Corporation, including its Pratt and Whitney Aircraft Division with headquarters in East Hartford, Lockheed Martin with its Sikorsky Division in Stratford, and General Dynamics Corporation's Electric Boat Division in Groton.

The following table provides a historical perspective of defense contract awards for the past ten fiscal years. Defense contracts are awarded in their entirety and multi-year awards are credited in the year they are awarded, thus giving rise to some of the fluctuation.

TABLE B-14

Defense Contract Awards

Federal Fiscal Year	Connecticut Total Contract Award (Thousands)	Connecticut Rank Among States Total Awards	Percent Change from Prior Year	
			Connecticut	U.S.
2007	$ 8,616,669	12th	12.4%	14.0%
2008	12,225,659	9th	41.9	18.8
2009	11,851,941	9th	(3.1)	(6.7)
2010	11,238,751	8th	(5.2)	(2.4)
2011	12,491,324	7th	11.1	2.0
2012	12,750,298	7th	2.1	(3.1)
2013	10,032,845	8th	(21.3)	(15.8)
2014	13,207,927	4th	31.6	(3.0)
2015	12,146,972	5th	(8.0)	(2.8)
2016	14,139,317	4th	16.4	10.1

SOURCE: United States Department of Defense

Non-manufacturing. The non-manufacturing sector is comprised of industries that primarily provide services. Services differ significantly from manufactured goods in that the output is generally intangible, it is produced and consumed concurrently, and it cannot be inventoried. Consumer demand for services is not as postponable as the purchase of goods, making the flow of demand for services more stable. An economy will therefore generally become more stable as it becomes more service oriented. Over the past several decades the non-manufacturing sector of the State's economy has risen in economic importance, from just over 50% of total State employment in 1950 to approximately 90.7% by 2016. This trend has diluted the State's dependence on manufacturing. From 2007 to 2016, Connecticut had a loss of 19,000 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 12,400, while manufacturing jobs declined by 31,500.

The table below provides a ten year profile of non-manufacturing employment in Connecticut, New England and the United States.

TABLE B-15

Non-manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
2007	1,510.7	1.4%	6,364.2	1.2%	124,119.3	1.5%
2008	1,514.7	0.3	6,383.5	0.3	123,836.8	(0.2)
2009	1,457.9	(3.7)	6,197.1	(2.9)	119,452.3	(3.5)
2010	1,445.1	(0.9)	6,200.2	0.1	118,824.6	(0.5)
2011	1,461.0	1.1	6,263.2	1.0	120,213.9	1.2
2012	1,475.9	1.0	6,349.3	1.4	122,243.7	1.7
2013	1,489.9	0.9	6,437.2	1.4	124,359.9	1.7
2014	1,504.0	0.9	6,538.3	1.6	126,752.2	1.9
2015	1,517.2	0.9	6,643.2	1.6	129,477.8	2.2
2016	1,523.1	0.4	6,740.4	1.5	131,957.3	1.9

SOURCE: United States Department of Labor, Bureau of Labor Statistics
Connecticut State Labor Department

Services, retail and wholesale trade, state and local government, as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 92.8% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2007, 2014, 2015 and 2016 is shown in the table below. Total non-manufacturing employment has been broken down by industry. Percent changes over the year and over the decade are also provided. Between 2007 and 2016, employment in the service industry expanded by 67,600 workers driving an increase of 12,400 non-manufacturing jobs, amid a time when all other non-manufacturing jobs registered a decrease in jobs.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry
(In Thousands)

Industry	Calendar Year 2007	Calendar Year 2014	Calendar Year 2015	Calendar Year 2016	Percent Change 2014-16	Percent Change 2007-16
Construction[a]	69.4	56.0	58.4	59.6	2.1%	(14.0)%
Information	38.4	32.1	32.5	32.3	(0.4)	(15.9)
Trade[b]	308.0	295.7	297.1	298.5	0.5	(3.1)
Finance, Insurance & Real Estate	144.6	128.8	130.1	130.0	(0.1)	(10.1)
Services[c]	698.6	751.4	760.0	766.2	0.8	9.7
Federal Government	19.6	17.4	17.7	17.9	0.8	(8.9)
State and Local Government	232.1	222.7	221.3	218.6	(1.2)	(5.8)
Total Non-manufacturing Employment[d]	1,510.7	1,504.0	1,517.2	1,523.1	0.4%	0.8%

(a) Includes natural resources and mining.

(b) Includes wholesale & retail trade, transportation, and utilities.

(c) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(d) Totals may not agree with detail due to rounding and seasonal statistical data adjustments.

SOURCE: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for over two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured by Gross State Product. During the last decade, variations in retail trade closely matched variations in Gross State Product growth, making retail trade an important barometer of economic health.

The following table shows the major group in each North American Industry Classification System (NAICS) code as well as the State's retail trade history for the past five fiscal years. Connecticut retail trade in Fiscal Year 2017 totaled $56,030.3 billion, an increase of 1.2% from Fiscal Year 2016. Sales in the durable goods category, which were severely impacted during the recession, registered three consecutive yearly declines before beginning to recover in Fiscal Year 2011 and accelerating further through Fiscal Year 2017. Durable goods are mostly big ticket items such as appliances, furnishings, and automobiles.

TABLE B-17

Retail Trade In Connecticut[(a)]
(In Millions)

NAICS		Fiscal Year 2013	Percent of Fiscal Year 2013 Total	Fiscal Year 2014	Percent of Fiscal Year 2014 Total	Fiscal Year 2015	Percent of Fiscal Year 2015 Total	Fiscal Year 2016	Percent of Fiscal Year 2016 Total	Fiscal Year 2017	Percent of Fiscal Year 2017 Total	Compound Annual Growth Rate 2013-2017
441	Motor Vehicle and Parts Dealers	$ 8,392.7	16.1%	$9,098.9	17.0%	$ 9,585.4	17.6%	$ 9,898.6	17.9%	$10,072.3	18.0%	4.7%
442	Furniture and Home Furnishings Stores	1,665.0	3.2	1,706.5	3.2	1,768.2	3.2	1,897.6	3.4	2,009.3	3.6	4.8
443	Electronics and Appliance Stores	1,619.7	3.1	1,641.0	3.1	1,653.1	3.0	1,643.8	3.0	1,656.5	3.0	0.6
444	Building Material and Garden Supply Stores	2,585.0	5.0	2,715.1	5.1	2,836.0	5.2	3,034.6	5.5	3,020.9	5.4	4.0
445	Food and Beverage Stores[(b)]	11,101.7	21.3	11,183.5	20.9	10,742.8	19.7	10,964.2	19.8	11,045.6	19.7	(0.1)
446	Health and Personal Care Stores	4,413.1	8.5	4,714.6	8.8	4,847.5	8.9	5,074.7	9.2	5,274.6	9.4	4.6
447	Gasoline Stations	3,789.5	7.3	3,774.4	7.0	3,329.8	6.1	3,196.1	5.8	3,297.8	5.9	(3.4)
448	Clothing and Clothing Accessories Stores	2,920.4	5.6	2,945.6	5.5	2,992.7	5.5	3,083.1	5.6	3,035.6	5.4	1.0
451	Sporting Goods, Hobby, Book and Music Stores	1,070.9	2.1	1,055.0	2.0	1,054.6	1.9	1,084.9	2.0	1,125.1	2.0	1.2
452	General Merchandise Stores	5,439.3	10.5	5,380.8	10.0	5,508.7	10.1	5,503.2	9.9	5,419.0	9.7	(0.1)
453	Miscellaneous Store Retailers	5,163.2	9.9	5,052.6	9.4	5,739.5	10.5	5,773.9	10.4	5,978.1	10.7	3.7
454	Nonstore Retailers	3,858.6	7.4	4,332.5	8.1	4,496.1	8.2	4,204.1	7.6	4,095.5	7.3	1.5
	Total[(a)]	$52,019.2	100.0%	$53,600.6	100.0%	$54,554.4	100.0%	$55,358.8	100.0%	$56,030.3	100.0%	1.9%
Durables (NAICS 441, 442, 443, 444)		$14,262.0	27.4%	$15,162.0	28.3%	$15,843.0	29.0%	$16,475.0	29.8%	$16,759.0	29.9%	4.1%
Non Durables (all other NAICS)		$37,757.0	72.6%	$38,439.0	71.7%	$38,712.0	71.0%	$38,884.0	70.2%	$39,271.0	70.1%	1.0%

(a) Totals may not agree with detail due to rounding.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

After enjoying an extraordinary boom during the late 1990s, Connecticut, as well as the rest of the Northeast and the Nation, experienced an economic slowdown during the recession of the early 2000s. The unemployment rate in the State reached a low of 2.4% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to 5.4% in 2003, Connecticut's unemployment rate declined to 4.3% by 2006, but climbed during the most recent recession to 9.1% in 2010. Connecticut's average unemployment rate fell to 4.8% in 2017 (average of the first six months) compared to the New England average of 3.9% and the national average of 4.5% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2008 through 2017.

TABLE B-18

Unemployment Rate

Calendar Year	Unemployment Rate: Connecticut	New England	United States
2008	5.7%	5.6%	5.8%
2009	8.1	8.2	9.3
2010	9.1	8.3	9.6
2011	8.8	7.7	8.9
2012	8.3	7.2	8.1
2013	7.7	6.8	7.4
2014	6.6	5.8	6.2
2015	5.6	4.8	5.3
2016	5.0	4.0	4.9
2017(a)	4.8	3.9	4.5

(a) Reflects average for the first six months.

(b) On a preliminary basis, Connecticut's unemployment rate was estimated at 4.6% for December 2017 compared to the national average of 4.1%. No assurances can be provided that such rates will not change.

SOURCE: Connecticut State Labor Department
Federal Reserve Bank of Boston
United States Department of Labor, Bureau of Labor Statistics

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APPENDIX II-C

KEVIN LEMBO
STATE COMPTROLLER

MARTHA CARLSON
DEPUTY COMPTROLLER

STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
55 Elm Street
Hartford, CT 06106

December 29, 2017

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Treasurer Nappier:

I have reviewed the accompanying general purpose financial statements of the State of Connecticut for the Fiscal Year ended June 30, 2017. The statements and the subsequent Independent Auditors' Report are incorporated within the Comprehensive Annual Report of the State of Connecticut, which is prepared by my office using the guidance of generally accepted accounting principles.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
JOHN C. GERAGOSIAN 210 CAPITOL AVENUE ROBERT J. KANE
HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
Members of the General Assembly

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

<u>Government-wide Financial Statements</u>
- the financial statements of the Special Transportation Fund account within the Transportation Fund and the Transportation Special Tax Obligations account within the Debt Service Fund, which in the aggregate, represent 2 percent of the assets, 2 percent of the net position and 8 percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, Connecticut Community Colleges, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 56 percent of the assets, 48 percent of the net position and 34 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units.

<u>Fund Financial Statements</u>
- the financial statements of the Special Transportation Fund account, which represents 97 percent of the assets and 97 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, the Connecticut Community Colleges, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 56 percent of the assets, 48 percent of the net position and 34 percent of the revenues of the Enterprise Funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In addition, the financial statements of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Connecticut Airport Authority, Capital Region Development Authority, Connecticut Lottery Corporation, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Health Insurance Exchange, Connecticut Housing Finance Authority, Connecticut Innovations Incorporated and the Connecticut Green Bank were audited by other auditors in accordance with standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The audits of the financial statements of the Bradley International Airport Parking Facility, Connecticut State University System, Connecticut Community Colleges, and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based upon 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, for the State of Connecticut, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 23 and 25, the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures.* This statement requires the disclosure of tax abatements resulting from agreements that are entered into by the state and agreements that are entered into by other governments that reduce the state's tax revenues. Our opinions are 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 management's discussion and analysis, budgetary comparison schedules, pension plan schedules and information, and the other post-employment benefits schedules, as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the course of 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 and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2017, State of Connecticut Comprehensive Annual Financial Report* and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

John C. Geragosian	Robert J. Kane
State Auditor	State Auditor

December 29, 2017
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following is a discussion and analysis of the State's financial performance and condition providing an overview of the State's activities for the fiscal year ended June 30, 2017. The information provided here should be read in conjunction with the letter of transmittal in the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide Financial Statements
The State's total net position (deficit) increased $802 million (or 2.1 percent) as a result of this year's operations. Net position (deficit) of governmental activities increased by $1.2 billion (or 2.8 percent) and net position of business-type activities increased by $440 million (or 7.0 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative $45.4 billion and $6.7 billion, respectively.

Component units reported net position of $2.4 billion, an increase of $46.2 million or 2.0 percent from the previous year. The majority of the net position is attributable to the Connecticut Housing Finance Authority, a major component unit.

Fund Financial Statements
The governmental funds reported combined ending fund balance of $2.9 billion, an increase of $1.0 billion in comparison with the prior year. Of this total fund balance, $195.6 million represents nonspendable fund balance, $3.2 billion represents restricted fund balance, $303.5 million represents committed fund balance, and $6.5 million represents assigned fund balance. A negative $829.7 million unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund, decreased by $177.7 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Account (Rainy Day Fund) ended the fiscal year with a balance of $212.9 million.

Tax revenues in the governmental funds decreased $85.4 million or .05 percent. General fund tax revenues decreased $135.4 million or .09 percent.

The Enterprise funds reported net position of $6.7 billion at year-end, an increase of $440.1 million during the year, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt
Total long-term debt was $74.5 billion for governmental activities at year-end, of which $25.5 billion was bonded debt.

Total long-term debt was $2.1 billion for business-type activities at year-end, of which $1.6 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements. The State's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information to provide additional support to the basic financial statements.

Government-wide Financial Statements – Reporting the State as a Whole
The Statement of Net Position and the Statement of Activities beginning on page II-C-25 together comprise the government-wide financial statements. These financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business. All revenues and expenses are recognized regardless of when cash is received or spent, and all assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level. The government-wide statements report the State's net position and changes in net position. Over time, increases and decreases in net position measure whether the

State's overall financial condition is getting better or worse. Non-financial factors such as the State's economic outlook, changes in its demographics, and the condition of capital assets and infrastructure should also be considered when evaluating the State's overall condition.

The statement of net position presents information on all of the State's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between all reported as net position. Net position is displayed in three components – net investment in capital assets; restricted; and unrestricted.

The statement of activities presents information showing how the State's net position changed during fiscal year 2017. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and Statement of Activities report three separate activities. These activities are described as follows:

- **Governmental Activities** – The State's basic services fall under this activity including legislative, general government, regulation and protection, conservation and development, health and hospital, transportation, human services, education, corrections, and judicial. Taxes and intergovernmental revenues are major funding sources for these programs.

- **Business-type Activities** – The State operates certain activities much like private-sector companies by charging fees to cover all or most of the costs of providing goods and services. The major business-type activities of the State include the University of Connecticut and Health Center, Board of Regents (Connecticut State Universities & Community Colleges), Employment Security Fund, and Clean Water Fund.

- **Discretely Presented Component Units** – A number of entities are legally separate from the State, yet the State remains financially accountable for them. The major component units of the State are Connecticut Housing Finance Authority, Connecticut Lottery Corporation, and Connecticut Airport Authority.

Fund Financial Statements – Report the State's Most Significant Funds
The fund financial statements beginning on page II-C-29 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds –** Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State reports five individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Debt Service Fund, Transportation Fund, Restricted Grants and Accounts Fund, and Grants and Loan Programs Fund, all of which are considered major funds.

- **Proprietary Funds** – Proprietary funds include enterprise funds and internal service funds and account for activities that operate more like private-sector businesses and use the full accrual basis of accounting. Enterprise funds charge fees for services provided to outside customers. Enterprise funds are reported as business-type activities on the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

  The State reports four individual proprietary funds. Information is presented separately in the proprietary fund statements for the University of Connecticut and Health Center, Board of Regents (Connecticut State Universities & Connecticut Community Colleges), Employment Security, and Clean Water all of which are considered major funds. Data from the other enterprise funds is combined into a single, aggregated presentation.

- **Fiduciary Funds –** Fiduciary funds account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

- **Component Units –** The government-wide financial statements report information for all component units into a single, aggregated presentation. Information is provided separately in the component unit fund statements for the Connecticut Housing Finance Authority, Connecticut Lottery, and Connecticut Airport Authority. Data from the other component units is combined into a single, aggregated presentation.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages II-C-31 and II-C-33 which reconcile and explain the differences between the amounts reported for governmental activities on the government-wide statements (full accrual basis of accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual basis of accounting, short-term focus). The following are some of the major differences between the two statements.

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is expenditures on the governmental fund statements.

- Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.

- Net Pension Liability and Net OPEB Obligation are included on the government-wide statements, but are not reported on the governmental fund statements.

- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements, but are deferred inflows of resource on the governmental fund statements.

Notes to the Financial Statements
The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information (RSI)
Following the basic financial statements are budgetary comparison schedules for major funds with legally adopted budgets. In addition, within the RSI there is a reconciliation schedule for Budgetary vs. GAAP basis of accounting. The RSI also includes information regarding the State's funding progress and employer contributions for pension and other postemployment benefits, and change in employers' net pension liability.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position
The combined net position deficit of the State increased $802 million or 2.1 percent. In comparison, last year the combined net position deficit increased $2.5 billion or 7.0 percent. The net position deficit of the State's governmental activities increased $1.2 billion (2.8 percent) to $45.4 billion during the current fiscal year.

State Of Connecticut's Net Position (Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and Other Assets	$ 4,074	$ 4,674	$ 2,477	$ 4,166	$ 6,551	$ 8,840
Capital Assets	16,653	13,706	6,888	4,539	23,541	18,245
Total Assets	20,727	18,380	9,365	8,705	30,092	27,085
Deferred Outflows of Resources	11,183	2,656	14	12	11,197	2,668
LIABILITIES						
Current Liabilities	4,716	4,501	691	715	5,407	5,216
Long-term Liabilities	72,236	60,580	1,976	1,714	74,212	62,294
Total Liabilities	76,952	65,081	2,667	2,429	79,619	67,510
Deferred Inflows of Resources	328	83	3	19	331	102
NET POSITION						
Net Investment in Capital Assets	4,568	4,531	4,126	3,794	8,694	8,325
Restricted	2,888	1,977	1,018	1,090	3,906	3,067
Unrestricted	(52,826)	(50,636)	1,565	1,385	(51,261)	(49,251)
Total Net Position (Deficit)	$ (45,370)	$ (44,128)	$ 6,709	$ 6,269	$ (38,661)	$ (37,859)

Total invested in capital assets net of related debt was $4.6 billion (buildings, roads, bridges, etc.) and $2.9 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $52.8 billion for governmental activities. This deficit is the result of having long-term obligations that are greater than currently available resources. The State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds outstanding of $18.4 billion to finance various municipal grant programs (e.g., school construction) and $2.2 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of $49.0 billion, which are partially funded or not funded by the State (e.g., net pension liability and OPEB obligations and compensated absences).

Net position of the State's business-type activities increased $440.0 million (7.0 percent) to $6.7 billion during the current fiscal year. Of this amount, $4.1 billion invested in capital assets and $1.0 billion was restricted for specific purposes, resulting in unrestricted net positions of $1.6 billion. These resources are not available to make up for the net position deficit of the State's governmental activities. The State can only use these net positions to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center and others).

Changes in net position for the years ended June 30, 2017 and 2016 were as follows:

State of Connecticut's Changes in Net Position
(Expressed in Millions)

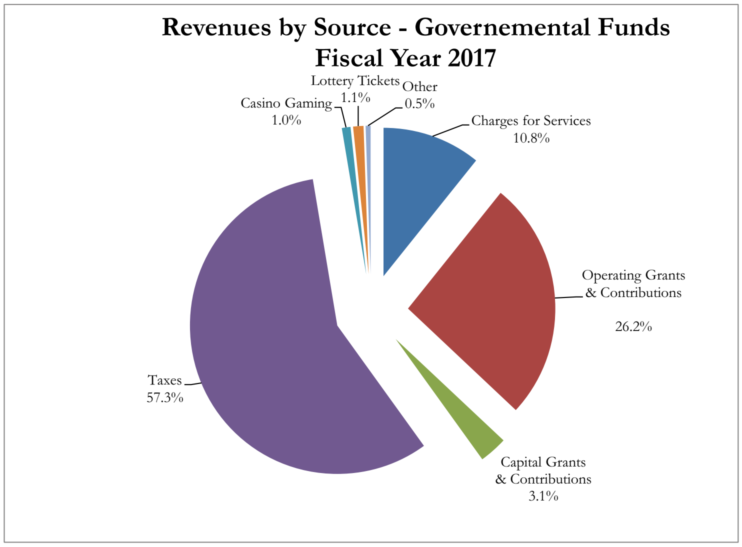
	Governmental Activities		Business-Type Activities		Total		% change
	2017	2016	2017	2016	2017	2016	17-16
REVENUES							
Program Revenues							
Charges for Services	$ 3,038	$ 1,998	$ 2,887	$ 2,820	$ 5,925	$ 4,818	23.0%
Operating Grants and Contributions	7,368	7,179	367	594	7,735	7,773	-0.5%
Capital Grants and Contributions	863	779	1	6	864	785	10.1%
General Revenues							
Taxes	16,141	16,204	-	-	16,141	16,204	-0.4%
Casino Gaming Payments	270	266	-	-	270	266	1.5%
Lottery Tickets	326	335	-	-	326	335	-2.7%
Other	153	207	16	13	169	220	-23.2%
Total Revenues	28,159	26,968	3,271	3,433	31,430	30,401	3.4%
EXPENSES							
Legislative	129	140	-	-	129	140	-7.9%
General Government	2,281	2,545	-	-	2,281	2,545	-10.4%
Regulation and Protection	977	968	-	-	977	968	0.9%
Conservation and Development	1,221	1,104	-	-	1,221	1,104	10.6%
Health and Hospital	2,714	2,772	-	-	2,714	2,772	-2.1%
Transportation	1,594	2,238	-	-	1,594	2,238	-28.8%
Human Services	9,470	9,116	-	-	9,470	9,116	3.9%
Education, Libraries, and Museums	5,185	5,315	-	-	5,185	5,315	-2.4%
Corrections	2,211	2,308	-	-	2,211	2,308	-4.2%
Judicial	1,074	1,135	-	-	1,074	1,135	-5.4%
Interest and Fiscal Charges	878	829	-	-	878	829	5.9%
University of Connecticut & Health Center	-	-	2,310	2,255	2,310	2,255	2.4%
Board of Regents	-	-	1,360	1,363	1,360	1,363	-0.2%
Employment Security	-	-	726	686	726	686	5.8%
Clean Water	-	-	36	38	36	38	-5.3%
Other	-	-	66	67	66	67	-1.5%
Total Expenses	27,734	28,470	4,498	4,409	32,232	32,879	-2.0%
Excess (Deficiency) Before Transfers	425	(1,502)	(1,227)	(976)	(802)	(2,478)	
Transfers	(1,667)	(1,746)	1,667	1,746	-	-	
Increase (Decrease) in Net Position	(1,242)	(3,248)	440	770	(802)	(2,478)	
Net Position (Deficit) - Beginning	(44,128)	(40,880)	6,269	5,499	(37,859)	(35,381)	
Net Position (Deficit) - Ending	(45,370)	(44,128)	6,709	6,269	(38,661)	(37,859)	2.1%

Changes in Net Position

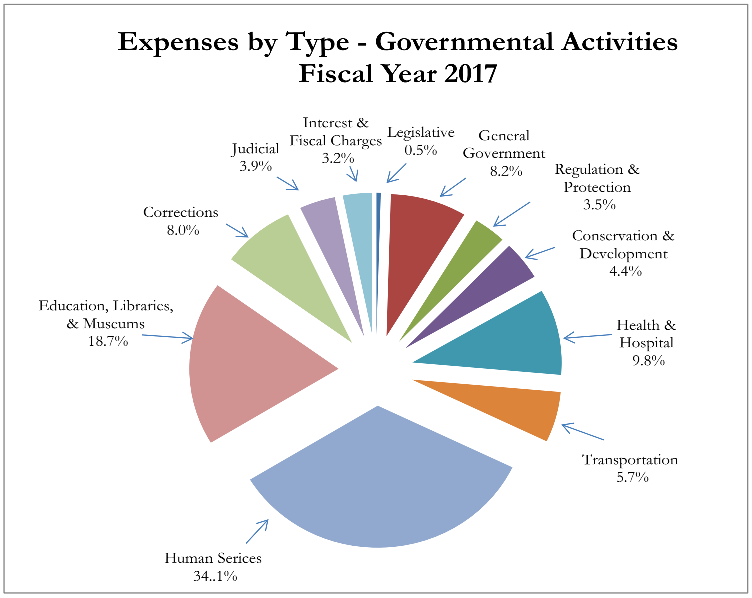
This year the State's governmental activities received 57.3 percent of its revenue from taxes and 29.3 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 60.1 percent and grants and contributions were 29.5 percent of total revenues. Charges for services such as licenses, permits and fees, rents and fines, and other miscellaneous collections comprised 10.8 percent of total revenue in fiscal year 2017, compared to 7.4 percent in fiscal year 2016.

Governmental Activities

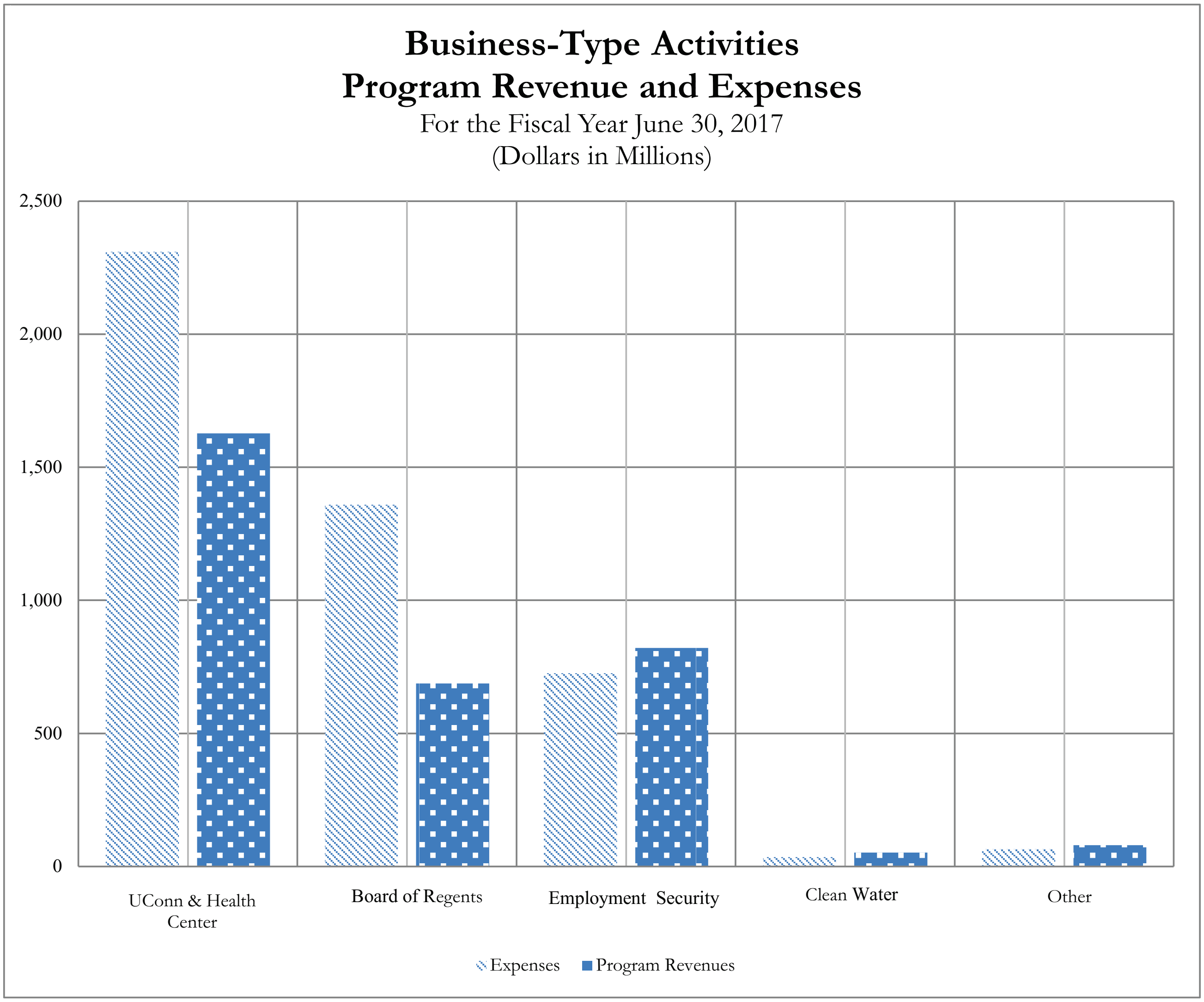
The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.2 billion, or 4.4 percent. This increase is primarily due to an increase of $1.0 billion from charges for services.



The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by $736 million, or 2.6 percent. The decrease is mainly attributable to decreased spending in general government.



Business-Type Activities
Net position of business-type activities increased by $440 million during the fiscal year. The following chart highlights the changes in net position for the major enterprise funds.



During the year, total revenues of business-type activities decreased 4.7 percent to $3.3 billion, while total expenses increased 2.0 percent to $4.5 billion. In comparison, last year total revenues increased 3.0 percent, while total expenses increased 1.3 percent. The increase in total expenses of $89 million was due mainly to an increase in University of Connecticut and Health Center expenses of $55 million or 2.4 percent. Although, total expenses exceeded total revenues by $1.2 billion, this deficiency was reduced by transfers of $1,667 million, resulting in an increase in net position of $440 million.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

As of the end of the fiscal year, the State's governmental funds had fund balances of $2.9 billion, an increase of $1.0 billion over the prior year ending fund balances. Of the total governmental fund balances, $3.2 billion represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $195.6 million represents fund balance that is non-spendable; $310.0 million represents fund balance that is committed or assigned for specific purposes. A negative $829.7 million unassigned fund balance offsets these amounts.

General Fund
The General Fund is the chief operating fund of the State. At the end of the fiscal year, the General Fund had a fund balance deficit of $494.4 million, a decrease of $119.8 million in comparison with the prior year. Of this total fund balance, $326.7 million represents non-spendable fund balance or committed for specific purposes, leaving a deficit of $821.1 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Nonspendable fund balance increased by $1.1 million or 2.0 percent.
- Committed fund balance decreased by $59.0 million or 17.8 percent. There also was a statutory transfer from the Budget Reserve Fund (Rainy Day Fund) for $22.7 million, after the transfer the fund ended the year with a balance of $212.9 million.
- Unassigned fund balance deficit decreased by $177.7 million.

At the end of fiscal year 2017, General Fund revenues were 1.6 percent, or $287.1 million, higher than fiscal year 2016 revenues. This change in revenue results from increases of $456.7 million primarily attributable to federal grants ($134.9 million), casino gaming payments ($4.0 million), fines, forfeits, and rents ($174.0 million), and other revenue ($143.8 million). These increases were offset by decreases of $169.6 million primarily attributable to taxes ($135.4 million), licenses, permits and fees ($20.6 million), and other revenue ($13.6 million).

At the end of fiscal year 2017, General Fund expenditures were 1.8 percent, or $306.1 million, lower than fiscal year 2016. This was primarily attributable to a decrease in health & hospitals of $532.5 million. Net other financing sources and uses increased by $48.1 million.

Debt Service Fund
At the end of fiscal year 2017, the Debt Service Fund had a fund balance of $827.1 million, all of which was restricted, an increase of $88.9 million in comparison with the prior year.

Transportation Fund
The State's Transportation Fund had a fund balance of $182.1 million at the end of fiscal 2017. Of this amount, $26.9 million was in nonspendable form and $155.2 million was restricted or committed for specific purposes. Fund balance decreased by $29.7 million during the current fiscal year.

At the end of fiscal year 2017, Transportation Fund revenues increased by $42.9 million, or 3.1 percent, and expenditures decreased by $24.3 million, or 2.6 percent. The increased revenue is primarily due to an increase in licenses, permits, and fees.

Restricted Grants and Accounts Fund
At the end of fiscal year 2017, the Restricted Grants and Accounts Fund had a fund balance of $428.1 million, all of which was restricted for specific purposes, an increase of $230.2 million in comparison with the prior year.

Total revenues were 12.7 percent, or $855.2 million, higher than in fiscal year 2016. Overall, total expenditures were 10.1 percent, or $685.2 million, higher than fiscal year 2016.

Grant and Loan Programs
As of June 30, 2017, the Grant and Loan Programs Fund had a fund balance of $843.3 million, all of which was restricted for specific purposes, an increase of $153.8 million in comparison with the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Proprietary funds report activities of the State that are similar to for-profit business. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds is provided in that section.

FINANCIAL ANALYSIS OF THE STATE'S FIDUCIARY FUNDS

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, an Investment Trust fund, and a Private-Purpose Trust fund. The net positions of the State's Fiduciary funds totaled $34.2 billion, an increase of $3.3 billion when compared to the prior year ending net position.

Budget Highlights-General Fund

The State budget is formulated during odd-numbered years; the General Assembly generates a two-year (biennial) budget. The process begins with the Executive Branch, when the governor asks the commissioner of each state agency to prepare draft budgets for the following biennium. Over several months the governor's budget office, the Office of Policy and Management (OPM), compiles this information, makes changes as it sees fit, and then works to match the agencies' spending projections with revenue estimates for the same period.

The result referred to as the 'governor's budget,' is delivered to the General Assembly in a formal address by the governor in early February. The annual budget address often includes policy, initiatives, spending proposals, and vehicles through which additional revenue may be generated. In the address, the governor identifies his priorities for the biennium.

Thereafter, the legislature goes through a similar process to determine spending priorities and corresponding revenue requirements. Later in the session, the Appropriations and Finance Committees approve a budget, which is often different from the governor's. Negotiations with the governor's office reconcile the two versions and determine the final budget language and the state's fiscal path for the following two years. Lastly, the budget must be voted on and passed by both the House and Senate and signed into law by the governor.

The General Fund ended Fiscal Year 2017 with a deficit of $22,696,231. A transfer from the Budget Reserve Fund eliminated the shortfall. The Transportation Fund had an operating deficit of $45,225,502, which left a positive fund balance of $97,615,054 at the close of Fiscal Year 2017.

After the transfer to the General Fund, the Budget Reserve Fund has a balance of $212,886,689. The reserves at the beginning of Fiscal Year 2017 were $235,582,920.

In evaluating the Fiscal Year 2017 General Fund deficit, some context may be instructive. The revised budget for FY 2017 included appropriation levels that were $847.2 million lower than the original budget plan for FY 2017, as adopted in Public Act 15-244. The net reductions in the revised budget for FY 2017 were largely driven by underperforming revenue collections as reflected in the April 30, 2016 consensus revenue forecast, the last of FY 2016.

The revised budget for FY 2017 had a negative growth rate of -0.32 percent, comparing the revised appropriations for FY 2017 to actual FY 2016 expenditures. In the end, General Fund FY 2017 expenditures of $17,763,039,724 came in $100.9 million below the revised budget plan.

Overall, General Fund expenditures that are classified as fixed costs continued to grow in FY 2017. Fixed costs, as defined by Connecticut General Statutes (CGS) section 2-36(b), include categories such as entitlements, debt service, pension payments and retirement health insurance costs.

Debt service costs, including UCONN 2000 debt, grew by $103.6 million in FY 2017 compared with the prior year, an increase of 5.7 percent. Retirement health costs rose by $60.5 million in FY 2017, representing growth of 9.4 percent. Pension contributions, including the State Employee Retirement and Teachers' Retirement Systems, increased by $64.5 million or 3.1 percent. Medicaid expenditures, the largest line item in the General Fund, grew by only $16 million in FY 2017, less than one percent over FY 2016.

Despite rising fixed costs, year-over-year expenditures declined in FY 2017 by $158.2 million compared with FY 2016 actuals, a decline of nearly one percent. This was accomplished by more stringent cost controls applied to other types of General Fund spending. Personal services expenditures, the primary appropriation for General Fund employee salaries, decreased by $155.3 million in FY 2017, a reduction of 6.8 percent. Position reductions in the General Fund also translated into $32.9 million in lower costs for active employee health insurance and Social Security taxes. Other expenses, which state agencies use for a wide variety of non-salary items, decreased by $52.4 million, a decline of 10.4 percent. Another notable reduction included General Fund block grants for higher education units, which fell by $67.5 million or 9.5 percent.

Disappointing revenue performance led to deficit mitigation efforts in the fourth quarter of FY 2017, including allotment reductions and revenue transfers contained in Public Act 17-51. In particular, April tax collections were significantly lower than expected. For the year, Personal Income Tax receipts, the largest single General Fund revenue source, came in $530.3 million below FY 2017 budget targets and $193 million below FY 2016 final results. A closer look at the components of the income tax revealed that there was modest growth of 1.3 percent in the withholding portion of receipts compared with the prior year totals. However, despite a rising stock market, the estimated and final payments portion of the income tax came in well below projected levels. Collections for these more volatile components, which are related to capital gains and bonus payments, dropped by 7.8 percent compared with FY 2016. One possible explanation for this trend is that wealthy state residents may be holding off selling assets in anticipation of tax reductions at the Federal level. In addition, investors are relying more heavily on tax efficient vehicles such as Exchange Traded Fund (ETFs), which are designed to minimize taxes on capital gains.

Sales and Use Tax receipts, the second largest General Fund tax category, ended the year $136.5 million below the budget plan. On a positive note, the Corporations Tax offset some of these revenue shortfalls by coming in $193.8 million above target in FY 2017. The Inheritance and Estate Tax also over-performed budget projections by $44.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled $19.8 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was $1.6 billion.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and land of $339.9 million and depreciation expense of $717.9 million.

The following table is a two-year comparison of the investment in capital assets presented for both governmental and business-type activities:

State of Connecticut's Capital Assets
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	$ 1,788	$ 1,747	$ 69	$ 68	$ 1,857	1,815
Buildings	2,836	2,605	3,385	3,253	6,221	5,858
Improvements Other Than Buildings	127	141	197	184	324	325
Equipment	49	-	344	348	393	348
Infrastructure	5,096	4,613	-	-	5,096	4,613
Construction in Progress	4,988	4,545	877	686	5,865	5,231
Total	$ 14,884	$ 13,651	$ 4,872	$ 4,539	$ 19,756	$ 18,190

Additional information on the State's capital assets can be found in Note 9 of this report.

Long-Term Debt - Bonded Debt
At the end of the current fiscal year, the State had total debt outstanding of $27.1 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two-year comparison of bonded debt presented for both governmental and business-type activities:

State of Connecticut's Bonded Debt (in millions)
General Obligation and Revenue Bonds

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	$ 18,399	$ 17,395	$ -	$ -	$ 18,399	$ 17,395
Transportation Related bonds	5,042	4,520	-	-	5,042	4,520
Revenue Bonds	-	-	1,443	1,271	1,443	1,271
Long-Term Notes	177	353	-	-	177	353
Premiums and Deferred Amounts	1,887	1,672	175	12	2,062	1,684
Total	$ 25,505	$ 23,940	$ 1,618	$ 1,283	$ 27,123	$ 25,223

The State's total bonded debt increased by $1.9 billion (7.5 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $1.0 billion.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain pprovisions of the General Statutes shall be excluded from the calculation. As of July 2017, the State had a debt incurring margin of $3.6 billion.

Other Long-Term Debt
State of Connecticut Other Long - Term Debt (in Millions)

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2017	2016	2017	216	2017	2016
Net Pension Liability	$ 37,192	$ 27,449	$ -	$ -	$ 37,192	$ 27,449
Net OPEB Obligation	10,450	9,928	-	-	10,450	9,928
Compensated Absences	513	511	193	190	706	701
Workers Compensation	718	684	-	-	718	684
Other	120	147	327	349	447	496
Total	$ 48,993	$ 38,719	$ 520	$ 539	$ 49,513	$ 39,258

The State's other long-term obligations increased by $10.3 billion (26.1 percent) during the fiscal year. This increase was due mainly to an increase in the net pension liability (Governmental activities) of $9.7 billion or 35.5 percent. Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

According to state Department of Labor (DOL) statistics, Connecticut gained 12,200 nonfarm seasonally-adjusted payroll jobs over the course of FY 2017 and had a total of 1,692,800 employed residents as of June 2017. As the fiscal year closed, unemployment stood at 5.0 percent, down one-tenth of a percent from the beginning of the fiscal year. Connecticut had recovered 82.3 percent (98,000 jobs) of the 119,100 seasonally adjusted jobs lost in the Great Recession (March 2008 to February 2010) by the end of the fiscal year.

After mixed results in calendar 2016, the housing market in Connecticut improved during the first six months of 2017. According to Berkshire Hathaway Home Services, sales and prices were up for both single family homes and condominiums in the first quarter of 2017 compared with the same period in 2016. In the second quarter of 2017, Connecticut experienced a 5.7 percent increase in sales volume year-over-year and 9.1 percent decrease in days on the market. Compared with the same period in the prior year, the median price for single family homes increased 3.1 percent and condominiums increased 3.0 percent.

During FY 2017, Connecticut's economy experienced lower levels of growth compared with past recoveries. After advancing at a 2 percent rate in the fourth quarter of 2016, Connecticut's GDP growth slowed to 0.6 percent in the first quarter of 2017, which ranked 37th among all states. Personal income was expanding in Connecticut at an annual rate of just one percent during Fiscal Year 2017. Personal income growth in the second quarter of 2017 was 0.8 percent, which ranked 22nd among U.S. states.

Despite the deep recession of 2008 and the slow pace of recovery, Connecticut continues to be a wealthy state. The Bureau of Economic Analysis reports that in 2016, Connecticut had a per capita personal income (PCPI) of $69,311. This PCPI ranked 1st in the United States and was 141 percent of the national average of $49,246. The 2016 PCPI reflected an increase of 1.4 percent from 2015. The 2015-2016 national change was 1.6 percent. In 2006, the PCPI of Connecticut was $54,191 and ranked 1st in the United States. The 2006-2016 compound annual growth rate of PCPI was 2.5 percent. The compound annual growth rate for the nation was 2.6 percent.

Over the past several decades, the national economy has seen increasing wage disparity between skilled and unskilled workers. Accordingly, Connecticut's high income is partially explained by the educational achievement of its citizens. Almost 22 percent of the state's adult population has a bachelor's degree and nearly 17 percent possess a graduate degree or higher according to the U.S. Census Bureau. This puts Connecticut's national ranking at 8th and 4th respectively in the educational attainment of its adult population.

The state continues to be a leader in technology and innovation within its industries. On a per capita basis, Connecticut ranked 6th among states in research and development spending. The state ranked 8th nationally in patents granted per population. The state's principal industries today produce jet engines and parts, submarines, electronics and electrical machinery, computer equipment, and helicopters, as well as cutting-edge pharmaceuticals (Connecticut ranks 4th in the nation in bioscience patents per capita). Much of Connecticut's manufacturing is for the military.

As in many other states, Connecticut's traditional core sectors are being reshaped by national trends and global competition. Manufacturing's contribution to the state economy as measured by GDP has been cut in half over recent decades. At the end of 1990, total manufacturing payroll employment in the state posted over 290,000 jobs; at the end of 2016, that job total was just over 156,000.

Finance, insurance and real estate (FIRE) is an important industry grouping that in 2016 contributed the highest dollar amount to the state's Real Gross Domestic Product at over one quarter of the total. However, the financial crisis that caused the 2008 recession significantly reduced employment in this sector. Jobs in the financial sector remain approximately 13,000 below the 2008 pre-recession peak. These are some of the highest paying jobs within the state. Over the past ten years in Connecticut, the strongest job gains have been in industries with below average wages. The largest gains have been posted in educational services, health care and social assistance, and accommodation and food services, but wages in these sectors are about 20 percent below the statewide average.

Looking forward Connecticut has numerous competitive advantages and challenges in shaping its economy. As discussed in the introductory section above, Connecticut has been steadily regaining jobs that were lost to the 2008 recession. There are also indications of pay gains in many sectors. The state's labor force has the 5th highest productivity rate in the country, which should help sustain higher wages into the future. Connecticut can boast of a high quality of life in attracting and retaining businesses. Connecticut has a ranking of 5th among all states in quality of life measures with the 2nd highest median family income, the 3rd highest overall health of residents, and the 7th lowest rate of property crime.

Connecticut surely has challenges ahead in stabilizing its state budget, improving its transportation system and revitalizing its urban centers to accommodate growing preferences for urban living. Our state is well positioned to create a strong economy moving into the future. The state ranked 8th nationally in its readiness for the "New Economy", which measures knowledge jobs, globalization, the digital economy, and innovation capacity among other factors. The stability of future state budgets is dependent on this economic growth. Job growth, wage growth and capital gains have been dependable indicators of state revenue growth and the resulting budget balance.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3352.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION

June 30, 2017
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 1,470,178	$ 846,008	$ 2,316,186	$ 296,688
Deposits with U.S. Treasury	-	482,330	482,330	-
Investments	116,653	77,040	193,693	449,856
Receivables, (Net of Allowances)	2,679,234	646,613	3,325,847	110,001
Due from Primary Government	-	-	-	6,520
Inventories	44,378	12,572	56,950	5,937
Restricted Assets	-	142,418	142,418	1,019,300
Internal Balances	(245,277)	245,277	-	-
Other Current Assets	8,276	25,001	33,277	21,648
Total Current Assets	4,073,442	2,477,259	6,550,701	1,909,950
Noncurrent Assets:				
Cash and Cash Equivalents	-	528,321	528,321	-
Due From Component Units	37,910	-	37,910	-
Investments	-	58,372	58,372	208,037
Receivables, (Net of Allowances)	903,227	999,220	1,902,447	437,300
Restricted Assets	827,125	425,743	1,252,868	4,738,258
Capital Assets, (Net of Accumulated Depreciation)	14,884,431	4,872,356	19,756,787	771,013
Other Noncurrent Assets	83	3,684	3,767	63,507
Total Noncurrent Assets	16,652,776	6,887,696	23,540,472	6,218,115
Total Assets	$ 20,726,218	$ 9,364,955	$ 30,091,173	$ 8,128,065
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 826	$ -	$ 826	$ 44,569
Unamortized Losses on Bond Refundings	79,122	13,819	92,941	79,527
Related to Pensions	11,103,357	-	11,103,357	84,957
Other Deferred Outflows	-	396	396	55
Total Deferred Outflows of Resources	$ 11,183,305	$ 14,215	$ 11,197,520	$ 209,108
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 966,482	$ 392,433	$ 1,358,915	$ 108,118
Due to Component Units	6,520	-	6,520	-
Due to Primary Government	-	-	-	37,910
Due to Other Governments	359,059	770	359,829	-
Current Portion of Long-Term Obligations	2,262,093	162,939	2,425,032	193,464
Amount Held for Institutions	-	-	-	216,998
Unearned Revenue	22,312	41,270	63,582	-
Medicaid Liability	632,473	-	632,473	-
Liability for Escheated Property	387,182	-	387,182	-
Other Current Liabilities	80,079	93,580	173,659	62,253
Total Current Liabilities	4,716,200	690,992	5,407,192	618,743
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	72,235,501	1,975,649	74,211,150	5,289,968
Total Noncurrent Liabilities	72,235,501	1,975,649	74,211,150	5,289,968
Total Liabilities	$ 76,951,701	$ 2,666,641	$ 79,618,342	$ 5,908,711
Deferred Inflows of Resources				
Related to Pensions	$ 327,673	$ -	$ 327,673	$ 27,766
Other Deferred Inflows	-	3,338	3,338	2,000
Total Deferred Inflows of Resources	$ 327,673	$ 3,338	$ 331,011	$ 29,766
Net Position				
Net Investment in Capital Assets	$ 4,568,371	$ 4,126,277	$ 8,694,648	$ 458,330
Restricted For:				
Transportation	83,834	-	83,834	-
Debt Service	754,529	4,508	759,037	7,664
Federal Grants and Other Accounts	421,152	-	421,152	-
Capital Projects	504,776	126,207	630,983	114,613
Grant and Loan Programs	849,411	-	849,411	-
Clean Water and Drinking Water Projects	-	729,809	729,809	-
Bond Indenture Requirements	-	-	-	865,197
Loans	-	2,565	2,565	-
Permanent Investments or Endowments:				
Expendable	-	-	-	99,232
Nonexpendable	112,934	14,970	127,904	436,911
Other Purposes	161,273	139,870	301,143	108,481
Unrestricted (Deficit)	(52,826,131)	1,564,985	(51,261,146)	308,268
Total Net Position (Deficit)	$ (45,369,851)	$ 6,709,191	$ (38,660,660)	$ 2,398,696

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees, Fines , and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	$ 128,659	$ 4,144	$ 23	$ -
General Government	2,281,216	975,905	67,300	-
Regulation and Protection	976,521	860,719	164,789	-
Conservation and Development	1,220,870	79,620	136,339	-
Health and Hospitals	2,713,513	618,482	192,261	-
Transportation	1,593,860	90,663	-	863,002
Human Services	9,470,826	220,670	6,031,992	-
Education, Libraries, and Museums	5,185,450	43,041	620,684	-
Corrections	2,211,201	11,118	137,914	-
Judicial	1,073,970	133,588	16,580	-
Interest and Fiscal Charges	877,822	-	-	-
Total Governmental Activities	27,733,908	3,037,950	7,367,882	863,002
Business-Type Activities:				
University of Connecticut & Health Center	2,310,348	1,355,686	267,290	1,388
Board of Regents	1,360,029	628,345	58,038	-
Employment Security	725,609	799,630	21,424	-
Clean Water	36,234	35,800	8,921	-
Other	66,328	67,202	11,614	-
Total Business-Type Activities	4,498,548	2,886,663	367,287	1,388
Total Primary Government	$ 32,232,456	$ 5,924,613	$ 7,735,169	$ 864,390
Component Units				
Connecticut Housing Finance Authority (12/31/16)	$ 204,781	$ 169,992	$ -	$ -
Connecticut Lottery Corporation	1,221,620	1,216,393	-	-
Connecticut Airport Authority	82,733	99,187	-	7,930
Other Component Units	292,357	277,390	45	2,339
Total Component Units	$ 1,801,491	$ 1,762,962	$ 45	$ 10,269

General Revenues:
- Taxes:
  - Personal Income
  - Corporate Income
  - Sales and Use
  - Other
- Restricted for Transportation Purposes:
  - Motor Fuel
  - Other
- Casino Gaming Payments
- Tobacco Settlement
- Lottery Tickets
- Unrestricted Investment Earnings

Transfers-Internal Activities

Total General Revenues, Contributions, and Transfers

Change in Net Position

Net Position (Deficit)- Beginning (as restated)

Net Position (Deficit)- Ending

The accompanying Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government Governmental Activities	Primary Government Business-Type Activities	Primary Government Total	Component Units
$ (124,492)	$ -	$ (124,492)	$ -
(1,238,011)	-	(1,238,011)	-
48,987	-	48,987	-
(1,004,911)	-	(1,004,911)	-
(1,902,770)	-	(1,902,770)	-
(640,195)	-	(640,195)	-
(3,218,164)	-	(3,218,164)	-
(4,521,725)	-	(4,521,725)	-
(2,062,169)	-	(2,062,169)	-
(923,802)	-	(923,802)	-
(877,822)	-	(877,822)	-
(16,465,074)	-	(16,465,074)	-
-	(685,984)	(685,984)	-
-	(673,646)	(673,646)	-
-	95,445	95,445	-
-	8,487	8,487	-
-	12,488	12,488	-
-	(1,243,210)	(1,243,210)	-
(16,465,074)	(1,243,210)	(17,708,284)	-
-	-	-	(34,789)
-	-	-	(5,227)
-	-	-	24,384
-	-	-	(12,583)
-	-	-	(28,215)
8,065,612	-	8,065,612	-
828,100	-	828,100	-
4,226,788	-	4,226,788	-
2,022,836	-	2,022,836	-
907,641	-	907,641	-
90,199	-	90,199	-
269,906	-	269,906	-
123,360	-	123,360	-
326,415	-	326,415	-
29,061	16,357	45,418	74,472
(1,666,956)	1,666,956	-	-
15,222,962	1,683,313	16,906,275	74,472
(1,242,112)	440,103	(802,009)	46,257
(44,127,739)	6,269,088	(37,858,651)	2,352,439
$ (45,369,851)	$ 6,709,191	$ (38,660,660)	$ 2,398,696

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FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 39,579	$ 439,477	$ 292,646	$ 686,428	$ 1,458,130
Investments	-	-	-	-	-	116,653	116,653
Securities Lending Collateral	-	-	-	-	-	8,094	8,094
Receivables:							
Taxes, Net of Allowances	1,380,503	-	139,358	-	-	-	1,519,861
Accounts, Net of Allowances	423,986	-	19,530	138,160	6,531	74,305	662,512
Loans, Net of Allowances	3,419	-	-	46,686	557,203	295,919	903,227
From Other Governments	21,853	-	-	464,033	-	8,822	494,708
Interest	-	1,419	236	-	-	-	1,655
Other	-	-	-	-	-	13	13
Due from Other Funds	43,672	-	1,419	270	5	279,441	324,807
Due from Component Units	36,918	-	-	992	-	-	37,910
Inventories	13,255	-	26,906	-	-	-	40,161
Restricted Assets	-	827,125	-	-	-	-	827,125
Total Assets	$ 1,923,606	$ 828,544	$ 227,028	$ 1,089,618	$ 856,385	$ 1,469,675	$ 6,394,856
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 350,217	$ -	$ 31,042	$ 236,945	$ 6,650	$ 95,425	$ 720,279
Due to Other Funds	356,302	1,419	-	3,360	31	204,905	566,017
Due to Component Units	-	-	-	6,520	-	-	6,520
Due to Other Governments	357,717	-	-	1,342	-	-	359,059
Unearned Revenue	10,263	-	-	-	-	12,049	22,312
Medicaid Liability	256,355	-	-	376,118	-	-	632,473
Liability For Escheated Property	387,182	-	-	-	-	-	387,182
Securities Lending Obligation	-	-	-	-	-	8,094	8,094
Other Liabilities	50,302	-	-	21,683	-	-	71,985
Total Liabilities	1,768,338	1,419	31,042	645,968	6,681	320,473	2,773,921
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	649,686	-	13,835	15,586	6,449	71,982	757,538
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	53,592	-	26,906	-	-	-	80,498
Permanent Fund Principal	-	-	-	-	-	115,072	115,072
Restricted For:							
Debt Service	-	827,125	-	-	-	-	827,125
Transportation Programs	-	-	124,856	-	-	-	124,856
Federal Grant and State Programs	-	-	-	428,064	-	-	428,064
Grants and Loans	-	-	-	-	841,956	-	841,956
Other	-	-	-	-	-	965,495	965,495
Committed For:							
Continuing Appropriations	60,237	-	30,389	-	-	-	90,626
Budget Reserve Fund	212,887	-	-	-	-	-	212,887
Assigned To:							
Grants and Loans	-	-	-	-	1,299	-	1,299
Other	-	-	-	-	-	5,207	5,207
Unassigned	(821,134)	-	-	-	-	(8,554)	(829,688)
Total Fund Balances	(494,418)	827,125	182,151	428,064	843,255	1,077,220	2,863,397
Total Liabilities, Deferred Inflows, and Fund Balances	$ 1,923,606	$ 828,544	$ 227,028	$ 1,089,618	$ 856,385	$ 1,469,675	$ 6,394,856

The accompanying Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2017

(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 2,863,397
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see Note 9). These consist of:		
Cost of capital assets (excluding internal service funds)	29,942,437	
Less: Accumulated depreciation (excluding internal service funds)	(15,106,922)	
Net capital assets		14,835,515
Some assets such as receivables, are not available soon enough to pay for current period's expenditures and thus, are offset by unavailable revenue in the governmental funds.		757,538
Deferred losses on refundings are reported in the Statement of Net Position (to be amortized as interest expense) but are not reported in the funds.		79,122
Deferred outflows for pensions are reported in the Statement of Net Position but are not reported in the funds (see Note 10).		11,103,357
Long-term debt instruments such as bonds and notes payable, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 16). Also, unamortized debt premiums and interest payable are reported in the Statement of Net Position but are not reported in the funds. These balances consist of:		
General obligation bonds payable	(18,398,554)	
Transportation bonds payable	(5,041,840)	
Notes payable	(177,120)	
Unamortized premiums	(1,887,084)	
Accrued interest payable	(239,917)	
Net long-term debt		(25,744,515)
Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 16).		
Net pension liability	(37,192,071)	
Net OPEB obligation	(10,450,182)	
Obligations for worker's compensation	(718,016)	
Capital leases payable	(30,900)	
Compensated absences (excluding internal service funds)	(511,386)	
Claims and judgments payable	(51,163)	
Landfill postclosure care	(36,297)	
Total other liabilities		(48,990,015)
Deferred inflows for pensions are reported in the Statement of Net Position but are not reported in the funds (see Note 11).		
Pension related		(327,673)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		53,423
Total Net Position - Governmental Activities		$ (45,369,851)

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 15,081,933	$ -	$ 997,102	$ 2	$ -	$ -	$ 16,079,037
Licenses, Permits, and Fees	272,860	-	331,109	5,239	-	88,002	697,210
Tobacco Settlement	-	-	-	-	-	123,360	123,360
Federal Grants and Aid	1,992,063	-	12,168	6,158,944	-	67,709	8,230,884
State Grants and Aid	-	-	-	-	-	-	-
Lottery Tickets	326,415	-	-	-	-	-	326,415
Charges for Services	39,146	-	64,403	-	-	1,071	104,620
Fines, Forfeits, and Rents	188,171	-	19,777	-	-	1,000	208,948
Casino Gaming Payments	269,906	-	-	-	-	-	269,906
Investment Earnings	2,332	5,670	3,001	1,406	6,523	10,129	29,061
Interest on Loans	-	-	-	-	-	26	26
Miscellaneous	328,989	34	9,214	1,445,304	25,114	148,234	1,956,889
Total Revenues	18,501,815	5,704	1,436,774	7,610,895	31,637	439,531	28,026,356
Expenditures							
Current:							
Legislative	114,809	-	-	3,512	-	24	118,345
General Government	1,047,920	-	4,583	243,776	541,834	274,813	2,112,926
Regulation and Protection	441,687	-	108,074	162,863	13,919	173,966	900,509
Conservation and Development	245,635	-	4,548	370,448	346,383	162,843	1,129,857
Health and Hospitals	1,696,573	-	-	797,531	79,303	44,712	2,618,119
Transportation	-	-	800,933	746,400	26,441	-	1,573,774
Human Services	4,402,146	-	2,371	4,371,066	2,747	3,552	8,781,882
Education, Libraries, and Museums	4,194,885	-	-	581,632	22,757	2,856	4,802,130
Corrections	2,018,674	-	-	22,497	1,550	2,103	2,044,824
Judicial	918,746	-	-	24,356	-	49,331	992,433
Capital Projects	-	-	-	-	-	998,917	998,917
Debt Service:							
Principal Retirement	1,466,316	270,550	530	-	-	-	1,737,396
Interest and Fiscal Charges	590,212	232,842	627	175,560	3,167	7,377	1,009,785
Total Expenditures	17,137,603	503,392	921,666	7,499,641	1,038,101	1,720,494	28,820,897
Excess (Deficiency) of Revenues Over Expenditures	1,364,212	(497,688)	515,108	111,254	(1,006,464)	(1,280,963)	(794,541)
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	1,159,573	1,951,627	3,111,200
Premiums on Bonds Issued	-	60,565	-	-	95,248	271,511	427,324
Transfers In	393,645	592,966	6,430	177,420	-	259,864	1,430,325
Transfers Out	(1,640,595)	(7,294)	(548,532)	(58,494)	(94,549)	(745,567)	(3,095,031)
Refunding Bonds Issued	-	761,545	-	-	-	-	761,545
Payment to Refunded Bond Escrow Agent	(499)	(821,209)	-	-	-	-	(821,708)
Capital Lease Obligations	4,174	-	-	-	-	-	4,174
Total Other Financing Sources (Uses)	(1,243,275)	586,573	(542,102)	118,926	1,160,272	1,737,435	1,817,829
Net Change in Fund Balances	120,937	88,885	(26,994)	230,180	153,808	456,472	1,023,288
Fund Balances (Deficit) - Beginning	(614,189)	738,240	211,890	197,884	689,447	620,748	1,844,020
Change in Reserve for Inventories	(1,166)	-	(2,745)	-	-	-	(3,911)
Fund Balances (Deficit) - Ending	$ (494,418)	$ 827,125	$ 182,151	$ 428,064	$ 843,255	$ 1,077,220	$ 2,863,397

The accompanying Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 1,023,288
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-term debt proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts consist of		
Debt issued or incurred:		
Bonds issued	(3,111,200)	
Refunding bonds issued	(761,545)	
Premium on bonds issued	(427,324)	
Principal repayment:		
Principal Retirement	1,736,668	
Payments to refunded bond escrow agent	821,708	
Capital lease payments	5,788	
Net debt adjustments		(1,735,905)
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Activities		(4,346)
Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts and other reductions were as follows:		
Capital outlays (including construction-in-progress)	1,930,500	
Depreciation expense (excluding internal service funds)	(709,388)	
Retirements	(36,131)	
Net capital outlay adjustments		1,184,981
Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which purchases exceeded consumption of inventories.		(3,911)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not recognized in the funds. In the current period, the net adjustments consist of:		
Increase in accrued interest	(33,374)	
Increase in interest accreted on capital appreciation debt	(17,945)	
Amortization of bond premium	195,037	
Amortization of loss on debt refundings	(17,676)	
Increase in Net OPEB obligation	(522,231)	
Increase in compensated absences	(1,528)	
Increase in workers compensation	(33,615)	
Decrease in claims and judgments	11,686	
Decrease in landfill postclosure cost	13,136	
Increase in pension liability	(9,732,099)	
Increase in deferred outflows related to pensions	8,219,049	
Increase in employer contributions subsequent to the NPL measurement date	81,476	
Net expense accruals		(1,838,084)
Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		132,396
Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenues (expenses) of internal service funds are included with governmental activities in the Statement of Activities.		(531)
Change in net position - governmental activities		$ (1,242,112)

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
Assets							
Current Assets:							
Cash and Cash Equivalents	$ 472,988	$ 317,861	$ 2,200	$ 4,651	$ 48,308	$ 846,008	$ 12,048
Deposits with U.S. Treasury	-	-	482,330	-	-	482,330	-
Investments	660	76,380	-	-	-	77,040	-
Receivables:							
Accounts, Net of Allowances	143,250	35,836	187,659	-	7,971	374,716	106
Loans, Net of Allowances	2,293	3,627	-	232,648	18,346	256,914	-
Interest	-	-	-	6,372	251	6,623	-
From Other Governments	-	2,654	5,103	-	603	8,360	-
Due from Other Funds	126,793	143,069	856	-	-	270,718	4,980
Inventories	12,572	-	-	-	-	12,572	4,217
Restricted Assets	142,418	-	-	-	-	142,418	-
Other Current Assets	16,718	8,258	-	-	25	25,001	182
Total Current Assets	917,692	587,685	678,148	243,671	75,504	2,502,700	21,533
Noncurrent Assets:							
Cash and Cash Equivalents	-	141,185	-	300,752	86,384	528,321	-
Investments	15,045	34,456	-	8,871	-	58,372	-
Receivables:							
Loans, Net of Allowances	10,591	8,112	-	850,707	129,810	999,220	-
Restricted Assets	1,199	-	-	329,691	94,853	425,743	-
Capital Assets, Net of Accumulated Depreciation	2,934,513	1,913,030	-	-	24,813	4,872,356	48,916
Other Noncurrent Assets	2,981	414	-	-	289	3,684	83
Total Noncurrent Assets	2,964,329	2,097,197	-	1,490,021	336,149	6,887,696	48,999
Total Assets	$ 3,882,021	$ 2,684,882	$ 678,148	$ 1,733,692	$ 411,653	$ 9,390,396	$ 70,532
Deferred Outflows of Resources							
Unamortized Losses on Bond Refundings	$ 4,431	$ -	$ -	$ 9,186	$ 202	$ 13,819	$ -
Other Deferred Outflows	-	396	-	-	-	396	-
Total Deferred Outflows of Resources	$ 4,431	$ 396	$ -	$ 9,186	$ 202	$ 14,215	$ -
Liabilities							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	$ 250,411	$ 117,588	$ 2,432	$ 10,478	$ 11,524	$ 392,433	$ 2,023
Due to Other Funds	20,904	4,098	439	-	-	25,441	12,931
Due to Other Governments	-	-	770	-	-	770	-
Current Portion of Long-Term Obligations	70,684	28,259	-	53,891	10,105	162,939	89
Unearned Revenue	-	41,270	-	-	-	41,270	-
Other Current Liabilities	85,417	8,163	-	-	-	93,580	-
Total Current Liabilities	427,416	199,378	3,641	64,369	21,629	716,433	15,043
Noncurrent Liabilities:							
Noncurrent Portion of Long-Term Obligations	428,201	442,197	-	920,450	184,801	1,975,649	2,066
Total Noncurrent Liabilities	428,201	442,197	-	920,450	184,801	1,975,649	2,066
Total Liabilities	$ 855,617	$ 641,575	$ 3,641	$ 984,819	$ 206,430	$ 2,692,082	$ 17,109
Deferred Inflows of Resources							
Other Deferred Inflows	$ 3,338	$ -	$ -	$ -	$ -	$ 3,338	$ -
Total Deferred Inflows of Resources	$ 3,338	$ -	$ -	$ -	$ -	$ 3,338	$ -
Net Position (Deficit)							
Net Investment in Capital Assets	$ 2,380,794	$ 1,748,685	$ -	$ -	$ (3,202)	$ 4,126,277	$ 48,998
Restricted For:							
Debt Service	-	-	-	-	4,508	4,508	-
Clean and Drinking Water Projects	-	-	-	577,031	152,778	729,809	-
Capital Projects	126,207	-	-	-	-	126,207	-
Nonexpendable Purposes	14,483	487	-	-	-	14,970	-
Loans	2,565	-	-	-	-	2,565	-
Other Purposes	34,119	105,751	-	-	-	139,870	-
Unrestricted (Deficit)	469,329	188,780	674,507	181,028	51,341	1,564,985	4,425
Total Net Position	$ 3,027,497	$ 2,043,703	$ 674,507	$ 758,059	$ 205,425	$ 6,709,191	$ 53,423

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
Operating Revenues							
Charges for Sales and Services (Net of allowances & discounts $231,420)	$ 1,158,573	$ 483,777	$ -	$ -	$ 27,211	$ 1,669,561	$ 53,578
Assessments	-	-	784,745	-	36,299	821,044	-
Federal Grants, Contracts, and Other Aid	184,334	22,560	7,539	-	-	214,433	-
State Grants, Contracts, and Other Aid	25,942	26,211	13,885	-	-	66,038	-
Private Gifts and Grants	57,014	9,267	-	-	-	66,281	-
Interest on Loans	-	-	-	23,361	2,944	26,305	-
Other	103,033	27,143	14,885	-	748	145,809	109
Total Operating Revenues	1,528,896	568,958	821,054	23,361	67,202	3,009,471	53,687
Operating Expenses							
Salaries, Wages, and Administrative	2,086,905	1,222,393	-	579	19,666	3,329,543	34,056
Unemployment Compensation	-	-	725,609	-	-	725,609	-
Claims Paid	-	-	-	-	26,216	26,216	-
Depreciation and Amortization	156,853	95,409	-	-	1,127	253,389	17,890
Other	56,376	31,048	-	-	1,744	89,168	-
Total Operating Expenses	2,300,134	1,348,850	725,609	579	48,753	4,423,925	51,946
Operating Income (Loss)	(771,238)	(779,892)	95,445	22,782	18,449	(1,414,454)	1,741
Nonoperating Revenue (Expenses)							
Interest and Investment Income	3,100	3,852	-	8,097	1,308	16,357	440
Interest and Fiscal Charges	(10,214)	(11,179)	-	(35,655)	(5,870)	(62,918)	-
Other - Net	94,080	117,425	-	12,439	(11,705)	212,239	(462)
Total Nonoperating Revenues (Expenses)	86,966	110,098	-	(15,119)	(16,267)	165,678	(22)
Income (Loss) Before Capital Contributions, Grants, and Transfers	(684,272)	(669,794)	95,445	7,663	2,182	(1,248,776)	1,719
Capital Contributions	1,388	-	-	-	-	1,388	-
Federal Capitalization Grants	-	-	-	8,921	11,614	20,535	-
Transfers In	1,002,324	674,660	-	674	-	1,677,658	-
Transfers Out	-	-	(10,176)	-	(526)	(10,702)	(2,250)
Change in Net Position	319,440	4,866	85,269	17,258	13,270	440,103	(531)
Total Net Position (Deficit) - Beginning	2,708,057	2,038,837	589,238	740,801	192,155	6,269,088	53,954
Total Net Position (Deficit) - Ending	$ 3,027,497	$ 2,043,703	$ 674,507	$ 758,059	$ 205,425	$ 6,709,191	$ 53,423

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other	Totals	Internal Service Funds
Cash Flows from Operating Activities							
Receipts from Customers	$ 1,167,664	$ 473,693	$ 796,894	$102,726	$76,068	$ 2,617,045	$ 53,931
Payments to Suppliers	(644,599)	(279,864)	-	-	(7,933)	(932,396)	(30,241)
Payments to Employees	(1,450,375)	(911,507)	-	(532)	(12,806)	(2,375,220)	(10,573)
Other Receipts (Payments)	392,898	45,340	(787,855)	(115,470)	(52,643)	(517,730)	138
Net Cash Provided by (Used in) Operating Activities	(534,412)	(672,338)	9,039	(13,276)	2,686	(1,208,301)	13,255
Cash Flows from Noncapital Financing Activities							
Proceeds from Sale of Bonds	27,479	-	-	363,345	49,503	440,327	-
Retirement of Bonds and Annuities Payable	-	-	-	(61,232)	(9,233)	(70,465)	-
Interest on Bonds and Annuities Payable	-	-	-	(32,628)	(6,121)	(38,749)	-
Transfers In	511,205	574,562	-	674	-	1,086,441	-
Transfers Out	-	-	(10,176)	-	(526)	(10,702)	(2,250)
Other Receipts (Payments)	28,227	127,359	(9,122)	(123,126)	(3,401)	19,937	(462)
Net Cash Flows from Noncapital Financing Activities	566,911	701,921	(19,298)	147,033	30,222	1,426,789	(2,712)
Cash Flows from Capital and Related Financing Activities							
Additions to Property, Plant, and Equipment	(455,704)	(68,154)	-	-	-	(523,858)	(11,437)
Proceeds from Capital Debt	322,521	82,293	-	-	-	404,814	-
Principal Paid on Capital Debt	(90,618)	(7,493)	-	-	-	(98,111)	-
Interest Paid on Capital Debt	(50,552)	(13,467)	-	-	-	(64,019)	-
Transfer In	225,603	148,618	-	-	-	374,221	-
Federal Grant	-	-	-	8,921	(93)	8,828	-
Other Receipts (Payments)	54,191	(104,458)	-	-	11,000	(39,267)	-
Net Cash Flows from Capital and Related Financing Activities	5,441	37,339	-	8,921	10,907	62,608	(11,437)
Cash Flows from Investing Activities							
Proceeds from Sales and Maturities of Investments	-	78,300	-	-	-	78,300	-
Purchase of Investment Securities	(1,171)	(124,355)	-	-	-	(125,526)	-
Interest on Investments	2,559	3,581	8,432	8,484	1,315	24,371	440
(Increase) Decrease in Restricted Assets	-	-	-	(130,586)	-	(130,586)	-
Other Receipts (Payments)	-	-	-	(22,557)	(44,399)	(66,956)	-
Net Cash Flows from Investing Activities	1,388	(42,474)	8,432	(144,659)	(43,084)	(220,397)	440
Net Increase (Decrease) in Cash and Cash Equivalents	39,328	24,448	(1,827)	(1,981)	731	60,699	(454)
Cash and Cash Equivalents - Beginning of Year	577,277	434,598	4,027	6,632	47,577	1,070,111	12,502
Cash and Cash Equivalents - End of Year	$ 616,605	$ 459,046	$ 2,200	$ 4,651	$48,308	$ 1,130,810	$ 12,048
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities							
Operating Income (Loss)	$ (771,238)	$(779,892)	$ 95,445	$ 22,782	$18,449	$(1,414,454)	$ 1,741
Adjustments not Affecting Cash:							
Depreciation and Amortization	208,786	94,688	-	-	1,127	304,601	17,890
Other	124,703	(7,290)	-	-	-	117,413	-
Change in Assets and Liabilities:							
(Increase) Decrease in Receivables, Net	(331)	664	(91,610)	(36,058)	(243)	(127,578)	153
(Increase) Decrease in Due from Other Funds	-	571	3,590	-	-	4,161	200
(Increase) Decrease in Inventories and Other Assets	(1,989)	(1,019)	-	-	(16,040)	(19,048)	29
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(94,343)	19,940	1,756	-	(607)	(73,254)	(6,758)
Increase (Decrease) in Due to Other Funds	-	-	(142)	-	-	(142)	-
Total Adjustments	236,826	107,554	(86,406)	(36,058)	(15,763)	206,153	11,514
Net Cash Provided by (Used In) Operating Activities	$ (534,412)	$(672,338)	$ 9,039	$ (13,276)	$ 2,686	$(1,208,301)	$ 13,255

	University of Connecticut & Health Center	Board of Regents
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and Cash Equivalents - Current	$ 472,988	$ 317,861
Cash and Cash Equivalents - Noncurrent	-	141,185
Cash and Cash Equivalents - Restricted	143,617	-
	$ 616,605	$ 459,046
Noncash Investing, Capital, and Financing Activities:		
Proceeds from refunding bonds	$ 36,960	$ -
Amortization of Premiums, Discounts, and net loss on debt refunding's	13,018	-
Mortgage Proceeds held by Trustee in construction escrow	2,315	-
Accruals of expenses related to construction in progress	164	5,253
Equipment acquired by capital lease	2,492	955
	$ 54,949	$ 6,208

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2017

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Agency Funds	Total
Assets					
Current:					
Cash and Cash Equivalents	$ 85,835	$ -	$ -	$ 198,844	$ 284,679
Receivables:					
Accounts, Net of Allowances	49,150	-	-	10,388	59,538
From Other Governments	580	-	-	-	580
From Other Funds	2,004	-	-	4,149	6,153
Interest	3,017	949	-	69	4,035
Investments (See Note 3)	32,432,137	1,382,076	-	-	33,814,213
Securities Lending Collateral	2,012,619	-	-	-	2,012,619
Other Assets	-	65	1,829	331,635	333,529
Noncurrent:					
Due From Employers	273,875	-	-	-	273,875
Total Assets	$ 34,859,217	$ 1,383,090	$ 1,829	$ 545,085	36,789,221
Liabilities					
Accounts Payable and Accrued Liabilities	$ 49,243	$ 980	$ -	$ 56,589	106,812
Securities Lending Obligation	2,012,619	-	-	-	2,012,619
Due to Other Funds	1,890	-	-	379	2,269
Funds Held for Others	-	-	-	488,117	488,117
Total Liabilities	$ 2,063,752	$ 980	$ -	$ 545,085	$ 2,609,817
Net Position					
Restricted for:					
Pension Benefits	$ 32,157,234	$ -	$ -		$ 32,157,234
Other Postemployment Benefits	638,230	-	-		638,230
Pool Participants	-	1,382,110	-		1,382,110
Individuals, Organizations, and Other Governments	-	-	1,829		1,829
Total Net Position	$ 32,795,464	$ 1,382,110	$ 1,829		$ 34,179,403

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Total
Additions				
Contributions:				
Plan Members	$ 674,496	$ -	$ -	$ 674,496
State	3,260,947	-	-	3,260,947
Municipalities	70,452	-	-	70,452
Total Contributions	4,005,895	-	-	4,005,895
Investment Income	4,182,031	154,758	-	4,336,789
Less: Investment Expense	(95,067)	(7,015)	-	(102,082)
Net Investment Income	4,086,964	147,743	-	4,234,707
Escheat Securities Received	-	-	31,141	31,141
Pool's Share Transactions	-	4,636	-	4,636
Other	3,716	-	-	3,716
Total Additions	8,096,575	152,379	31,141	8,280,095
Deductions				
Administrative Expense	6,358	-	-	6,358
Benefit Payments and Refunds	4,775,482	-	-	4,775,482
Escheat Securities Returned or Sold	-	-	28,946	28,946
Distributions to Pool Participants	-	147,743	-	147,743
Other	597	-	4,132	4,729
Total Deductions	4,782,437	147,743	33,078	4,963,258
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	3,314,138	-	-	3,314,138
Individuals, Organizations, and Other Governments	-	4,636	(1,937)	2,699
Net Position - Beginning	29,481,326	1,377,474	3,766	30,862,566
Net Position - Ending	$ 32,795,464	$ 1,382,110	$ 1,829	$ 34,179,403

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2017
(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-16)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	$ -	$ 19,245	$ 95,829	$ 181,614	$ 296,688
Investments	-	5,651	-	444,205	449,856
Receivables:					
Accounts, Net of Allowances	-	27,354	7,654	41,023	76,031
Loans, Net of Allowances	-	-	-	25,891	25,891
Other	-	1,458	-	1,203	2,661
Due From Other Governments	-	-	5,418	-	5,418
Due From Primary Government	-	-	6,417	103	6,520
Restricted Assets	717,075	-	3,215	299,010	1,019,300
Inventories	-	-	-	5,937	5,937
Other Current Assets	-	4,646	-	17,002	21,648
Total Current Assets	717,075	58,354	118,533	1,015,988	1,909,950
Noncurrent Assets:					
Investments	-	119,050	-	88,987	208,037
Accounts, Net of Allowances	-	-	-	34,335	34,335
Loans, Net of Allowances	-	-	-	402,965	402,965
Restricted Assets	4,525,032	-	121,164	92,062	4,738,258
Capital Assets, Net of Accumulated Depreciation	3,567	865	318,957	447,624	771,013
Other Noncurrent Assets	-	6,680	-	56,827	63,507
Total Noncurrent Assets	4,528,599	126,595	440,121	1,122,800	6,218,115
Total Assets	$ 5,245,674	$ 184,949	$ 558,654	$ 2,138,788	$ 8,128,065
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 28,305	$ -	$ 16,264	$ -	$ 44,569
Unamortized Losses on Bond Refundings	77,774	-	1,753	-	79,527
Related to Pensions	25,240	17,674	22,777	19,266	84,957
Other	-	-	-	55	55
Total Deferred Outflows of Resources	$ 131,319	$ 17,674	$ 40,794	$ 19,321	$ 209,108
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	$ 23,252	$ 9,400	$ 16,587	$ 58,879	$ 108,118
Current Portion of Long-Term Obligations	162,942	6,384	6,960	17,178	193,464
Due To Primary Government	-	-	992	36,918	37,910
Amount Held for Institutions	-	-	-	216,998	216,998
Other Liabilities	-	32,171	6,306	23,776	62,253
Total Current Liabilities	186,194	47,955	30,845	353,749	618,743
Noncurrent Liabilities:					
Pension Liability	69,628	55,669	74,542	53,625	253,464
Noncurrent Portion of Long-Term Obligations	4,241,675	119,515	125,595	549,719	5,036,504
Total Noncurrent Liabilities	4,311,303	175,184	200,137	603,344	5,289,968
Total Liabilities	$ 4,497,497	$ 223,139	$ 230,982	$ 957,093	$ 5,908,711
Other Deferred Inflows					
Related to Pensions	$ 12,834	$ 3,991	$ 4,266	$ 6,675	$ 27,766
Other Deferred Inflows	-	-	-	2,000	2,000
Total Deferred Inflows of Resources	$ 12,834	$ 3,991	$ 4,266	$ 8,675	$ 29,766
Net Position					
Net Investment in Capital Assets	$ 3,567	$ 865	$ 200,260	$ 253,638	$ 458,330
Restricted:					
Debt Service	-	-	7,664	-	7,664
Bond Indentures	863,095	-	2,102	-	865,197
Expendable Endowments	-	-	-	99,232	99,232
Nonexpendable Endowments	-	-	-	436,911	436,911
Capital Projects	-	-	114,613	-	114,613
Other Purposes	-	-	-	108,481	108,481
Unrestricted (Deficit)	-	(25,372)	39,561	294,079	308,268
Total Net Position	$ 866,662	$ (24,507)	$ 364,200	$ 1,192,341	$ 2,398,696

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
COMPONENT UNITS

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/16)	$ 204,781	$ 169,992	$ -	$ -
Connecticut Lottery Corporation	1,221,620	1,216,393	-	-
Connecticut Airport Authority	82,733	99,187	-	7,930
Other Component Units	292,357	277,390	45	2,339
Total Component Units	$ 1,801,491	$ 1,762,962	$ 45	$ 10,269

General Revenues:
Investment Income
Total General Revenues
Change in Net Position
Net Position - Beginning (as restated)
Net Position - Ending

The accompanying Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Connecticut Housing Finance Authority (12-31-16)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
$ (34,789)	$ -	$ -	$ -	$ (34,789)
-	(5,227)	-	-	(5,227)
-	-	24,384	-	24,384
-	-	-	(12,583)	(12,583)
(34,789)	(5,227)	24,384	(12,583)	(28,215)
12,397	6,366	624	55,085	74,472
12,397	6,366	624	55,085	74,472
(22,392)	1,139	25,008	42,502	46,257
889,054	(25,646)	339,192	1,149,839	2,352,439
$ 866,662	$ (24,507)	$ 364,200	$ 1,192,341	$ 2,398,696

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INDEX

Note 1
Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit), and the Board of Regents. Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

Component units are reported in separate columns and rows in the government-wide financial statements (discrete presentation) to emphasize that they are legally separate from the primary government. Financial statements for the major component units are included in the accompanying financial statements after the fund financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

The following organizations (Connecticut Housing Finance Authority, Materials, Innovation, and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Student Loan Foundation, and Capital Region Development Authority) are reported as component units because the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's bonded debt that is secured by a special capital reserve fund, or other contractual agreement.

The State appoints a voting majority of the organization's governing board and has the ability to access the resources for the following organizations (Connecticut Innovations, Incorporated and Connecticut Green Bank) therefore, these organizations are reported as component units.

The Connecticut Lottery Corporation is reported as a component unit because the State appoints a voting majority of the corporation's governing board and receives a significant amount of revenues from the operations of the lottery.

The Connecticut Airport Authority is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the authority from the State's reporting entity.

The State's major and nonmajor component units are:

Connecticut Housing Finance Authority (CHFA)
CHFA was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2016.

Connecticut Airport Authority (CAA)
The Connecticut Airport Authority was established in July 2011 to develop, improve and operate Bradley International Airport and the state's five general aviation airports (Danielson, Groton-New London, Hartford-Brainard, Waterbury-Oxford, and Windham airports).

Materials, Innovation, and Recycling Authority (MIRA)
MIRA is responsible for the planning, design, construction, financing, management, ownership, operations and maintenance of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)
CHESLA was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its bond funds. Effective fiscal year 2013, CHESLA was statutorily consolidated into CHEFA, making CHESLA a subsidiary of CHEFA.

Connecticut Health and Educational Facilities Authority (CHEFA)
CHEFA was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Student Loan Foundation (CSLF)
CSLF was established as a Connecticut State chartered nonprofit corporation established pursuant to State of Connecticut Statute Chapter 187a for the purpose of improving educational opportunity. CSLF is empowered to achieve this by originating and acquiring student loans and providing appropriate service incident to the administration of programs, which are established to improve educational opportunities. CSLF no longer originates or acquires student loans.

In July 2014, CSLF was statutorily consolidated with CHEFA as a subsidiary and became a quasi-public agency of the State of Connecticut.

Capital Region Development Authority (CRDA)
CRDA was established July 1, 2012 to market the major sports, convention, and exhibition venues in the region. CRDA became the successor to the Capital City Economic Development Authority, which was established in 1998.

Connecticut Innovations, Incorporated (CI)
CI was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Connecticut Green Bank (CGB)
CGB was established on July 1, 2011 through Public Act 11-80 as a quasi-public agency that supersedes Connecticut Clean Energy Fund. CGB uses public and private funds to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean energy and the deployment of clean energy sources within the state.

Connecticut Lottery Corporation (CLC)
The corporation was created in 1996 for the purpose of generating revenues for the State through the operation of a lottery.

In addition, the State also includes the following non-governmental nonprofit corporation as a component unit.

University of Connecticut Foundation, Incorporated
The Foundation was created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund. The Foundation is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the Foundation from the Sate's reporting entity.

c. Government-wide and Fund Financial Statements

Government-wide Financial Statements
The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the reporting entity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds issued to buy, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the purchase, construction, or improvement of those assets or related debt should be included in this component of net position.

2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

3. Unrestricted – This component of net position is the remaining balance of net position, after the determination of the other two components of net position.

When both restricted and unrestricted resources are available for use, the State generally uses restricted resources first, then unrestricted resources as needed. There may be occasions when restricted funds may only be spent in proportion to unrestricted funds spent.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Fund Financial Statements
The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

In the governmental fund financial statements, fund balance (difference between assets and liabilities) is classified as nonspendable, restricted, and unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints on the resources are externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints by formal action of the Legislature, such as appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific uses, but is neither restricted nor committed.

The State reports the following major governmental funds:

General Fund - This is the State's primary operating fund. It is used to account for all financial resources which are not required to be accounted in other funds and which are spent for those services normally provided by the State (e.g., health, social assistance, education, etc.).

Debt Service - This fund is used to account for the resources that are restricted for payment of principal and interest on special tax obligation bonds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenues that are restricted for the payment of budgeted appropriations of the Transportation and Motor Vehicles Departments.

Restricted Grants and Accounts - This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

Grant and Loan Programs – This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

The State reports the following major enterprise funds:

University of Connecticut & Health Center - This fund is used to account for the operations of the University of Connecticut, a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

Board of Regents - This fund is used to account for the operations of the State University System & the State Community Colleges which consists of four universities: Central, Eastern, Southern, and Western and twelve regional community colleges.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state their financial operations are reported in the state's financial statements using the fund structure prescribed by GASB.

Employment Security - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water - This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment facilities.

In addition, the State reports the following fund types:

Internal Service Funds - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

Pension Trust Funds - These funds account for resources held in the custody of the state for the members and beneficiaries of the State's pension plans. These plans are discussed more fully in Notes 10, 11, and 12.

Other Post-Employment Benefit (OPEB) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the state's other post-employment benefit plans which are described in notes 13 and 14.

Investment Trust Fund - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

Private-Purpose Trust Fund - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

Agency Funds - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers taxes and other revenues to be available if the revenues are collected within 60 days after year-end. Exceptions to this policy are federal grant revenues, which are considered to be available if collection is expected within 12 months after year-end, and licenses and fees which are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

e. Assets and Liabilities

Cash and Cash Equivalents (see Note 3)
In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents consist of investments in the Short-Term Investment Fund which are reported at the fund's share price.

In the Statement of Cash Flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

Investments (see Note 3)
Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using a comparison of other State bonds.
- The fair value of securities not publicly traded held by the Connecticut Innovations, Incorporated, a Component Unit. The fair value of these investments is determined by an independent valuation committee of the Corporation, after giving consideration to pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer's securities, sales growth, progress toward business goals, and other operating data.

The State invests in derivatives. These investments are held by the Combined Investment Funds and are reported at fair value in each fund's statement of net position.

Inventories
Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance designation (nonexpendable) to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation
Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Improvements Other than Buildings	10-20 years
Machinery and Equipment	5-30 years
Infrastructure	20-28 years

Securities Lending Transactions (see Note 3)
Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

Escheat Property

Escheat property is private property that has reverted to the State because it has been abandoned or has not been claimed by the rightful owners for a period of time. State law requires that all escheat property receipts be recorded as revenue in the General fund. Escheat revenue is reduced and a fund liability is reported to the extent that it is probable that escheat property will be refunded to claimants in the future. This liability is estimated based on the State's historical relationship between escheat property receipts and amounts paid as refunds, taking into account current conditions and trends.

Deferred Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position on the government-wide and fund financial statements in a separate section, after total assets.

Unearned Revenues

In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as an expense in the year they are incurred. Other significant long-term obligations include the net pension liability, OPEB obligation, compensated absences, workers' compensation claims, and federal loans. In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds

Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the government-wide statement of net position at its net or accreted value rather than at face value.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

f. Derivative Instruments

The State's derivative instruments consist of interest rate swap agreements, all of which have been determined by the State to be effective cash flow hedges. Accumulated decreases in the fair value of some of the swaps are reported as deferred outflows of resources in the Statement of Net Position. These agreements are discussed in more detail in Note No. 18.

g. Deferred Inflows of Resources

Deferred inflows of resources are defined as the acquisition of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position and Balance Sheet in a separate section, after total liabilities.

h. Interfund Activities

In the fund financial statements, interfund activities are reported as follows:

Interfund receivables/payables - The current portion of interfund loans outstanding at the end of the fiscal year is reported as due from/to other funds; the noncurrent portion as advances to/from other funds. All other outstanding balances between funds are reported as due from/to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund services provided and used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. In the statement of activities, transactions between the primary government and its discretely presented component units are reported as revenues and expenses, unless they represent repayments of loans or similar activities.

Interfund transfers - Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not reported in the financial statements.

i. Endowments

The University of Connecticut and Health Center designate the University of Connecticut Foundation (a Component Unit of the State) as the manager of the University's and Health Center's endowment funds. The Foundation makes spending distributions to the University and Health Center for each participating endowment. The allocation is spent by the University and Health Center in accordance with the respective purposes of the endowments, the policies and procedures of the University, Health Center, and State statutes, and in accordance with the Foundation's endowment spending policy.

Additional information regarding endowments is presented in the UConn Foundation financial report.

j. Supplemental Nutrition Assistance Program (SNAP)

Nutrition assistance distributed to recipients during the year is recognized as an expenditure and a revenue in the governmental fund financial statements.

k. External Investment Pool

Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 3). Pool income is determined based on distributions made to the pool's participants.

l. Upcoming Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017. The State is currently evaluating the impact this standard will have on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement is effective for fiscal years beginning after June 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance concerning the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for fiscal years beginning after December 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The purpose of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB

Statements. This Statement is effective for fiscal years beginning after June 15, 2017. The State is currently evaluating the impact this standard will have on its financial statements.

m. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2
Nonmajor Fund Deficits

The following funds have deficit fund/net position balances at June 30, 2017, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects		
Transportation	$	718
Enterprise		
Bradley Parking Garage	$	18,906

The Transportation deficit will be eliminated in the future by the sale of bonds. Bonds have not been issued in this fund since fiscal year 2008.

The Bradley parking garage is designed to generate cash flows from operations that, after operating and maintenance expenses are sufficient to service debt and make State and developer payments as well as to provide a return to the State of minimum guarantee payments, both of which are reflected as expenses in the accompanying statement of operations and accumulated deficit.

Note 3
Cash Deposits and Investments

According to GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", the State is required to make certain disclosures about deposit and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed in this note:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment in a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the State's deposits may not be recovered.

Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government
The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund and twelve Combined Investment Funds.

Short-Term Investment Fund (STIF)
STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, and asset-backed securities. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net position.

For financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State's financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

For disclosure purposes, certificates of deposit held by STIF are reported in this note as bank deposits, not as investments.
As of June 30, 2017, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Investment Maturities (in years) Less Than 1
Federal Agency Securities	$ 1,358,486	$ 1,358,486
Bank Commercial Paper	1,813,698	1,813,698
Government Money Market Funds	90,211	90,211
Repurchase Agreements	700,000	700,000
Total Investments	$ 3,962,395	$ 3,962,395

Interest Rate Risk

The STIF's policy for managing interest rate risk is to limit investment to a very short weighted average maturity, not to exceed 90 days, and to comply with Standard and Poor's requirement that the weighted average maturity not to exceed 60 days. As of June 30, 2017, the weighted average maturity of the STIF was 35 days. Additionally, STIF is allowed by policy to invest in floating-rate securities. However, investment in these securities having maturities greater than two years is limited to no more than 30 percent of the overall portfolio. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2017, the amount of STIF's investments in variable-rate securities was $1,026 million.

Credit Risk

The STIF's policy for managing credit risk is to purchase short-term, high-quality fixed income securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations.

As of June 30, 2017, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

		Quality Ratings		
Investment Type	Amortized Cost	AAAm	AA+/A-1+	A/A-1
Federal Agency Securities	$ 1,358,486	$ -	$ 1,358,486	$ -
Corporate & Bank Commercial Paper	1,813,698	-	1,813,698	-
Government Money Market Funds	90,211	90,211	-	-
Repurchase Agreements	700,000	-	450,000	250,000
Total Investments	$ 3,962,395	$ 90,211	$ 3,622,184	$ 250,000

Concentration of Credit Risk

STIF reduces its exposure to this risk by insuring that at least 75 percent of fund assets will be invested in securities rated "A-1+" or equivalent. In addition exposure to any single non-governmental issuer will not exceed 5 percent (at the time a security is purchased), exposure to any single money market mutual fund (rated AAAm) will not exceed 5 percent of fund assets and exposure to money market mutual funds in total will not exceed 10 percent. As of June 30, 2017, STIF's investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Amortized Cost
Federal Home Loan Bank	$ 598,333
Federal Farm Credit Bank	$ 519,248
U.S. Bank	$ 250,000
Commercial Paper & Corporate Securities	$ 1,563,698
Merrill Lynch	$ 250,000
RBC Capital Markets	$ 450,000

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):
The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least "A-1" by Standard and Poor's and "F-1" by Fitch and whose long-term debt is rated at least "A-" and its issuer rating is at least "C", or backed by a letter of credit issued by a Federal Home Loan bank. As of June 30, 2017, $2,506,783 of the bank balance of STIF's deposits of $2,507,533 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$	2,034,558
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		472,225
Total	$	2,506,783

Combined Investment Funds (CIFS)
The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. CIFS' investments are reported at fair value in each fund's statement of net position.

For financial reporting purposes, the CIFS are considered to be external investment pools and are not reported in the accompanying financial statements. Instead, investments in the CIFS by participant funds are reported as equity in the CIFS in the government-wide and fund financial statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Fiduciary Funds
Equity in the CIFS	$ 115,073	$ 660	$ 32,432,138
Other Investments	1,580	33,659	1,382,076
Total Investments-Current	$ 116,653	$ 34,319	$ 33,814,214

The CIFS measures and records its investments using fair value measurement guidelines. Fair value is 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. The guidelines recognize a three tired fair value hierarchy, as follows: Level 1: Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and, Level 3: Unobservable inputs.

As of June 30, 2017, the CIFS had the following investments (amounts in thousands):

	Fair Value Measurements			
Investments by Fair Value Level	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash Equivalents	$ 283,294	$ 652	$ 282,642	$ -
Asset Backed Securities	254,923	-	254,923	-
Government Securities	3,701,714	1,256,715	2,444,999	-
Government Agency Securities	716,185	-	716,185	-
Mortgage Backed Securities	280,579	-	280,579	-
Corporate Debt	4,037,233	-	3,939,688	97,545
Convertible Securities	51,662	-	51,662	-
Common Stock	15,327,224	15,327,224	-	-
Preferred Stock	77,158	59,691	17,467	-
Real Estate Investment Trust	319,239	273,996	45,243	-
Business Development Corporation	57,625	57,625	-	-
Mutual Fund	228,915	228,915	-	-
Limited Partnerships	522	522	-	-
Total	$ 25,336,273	$ 17,205,340	$ 8,033,388	$ 97,545

Investments Measured at the Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Limited Liability Corporation	1,157	$ -	Illiquid	N/A
Limited Partnerships	7,230,945	1,868,390	Illiquid	N/A
Total	7,232,102	$ 1,868,390		
Total Investments in Securities at Fair Value	$ 32,568,375			

Interest Rate Risk

CIFS' investment managers are given full discretion to manage their portion of CIFS' assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Barclays Aggregate-an intermediate duration index.

Following is a schedule which provides information about the interest rate risks associated with the CIF investments. The investments include short-term cash equivalents including certificate of deposits and collateral, long-term investments and restricted assets by maturity in years. (amounts in thousands):

Combined Investment Funds					
		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 283,294	$ 283,294	$ -	$ -	$ -
Asset Backed Securities	254,923	3,421	104,431	104,468	42,603
Government Securities	3,701,714	226,328	1,522,902	856,579	1,095,905
Government Agency Securities	716,185	95,298	53,914	21,968	545,005
Mortgage Backed Securities	280,579	-	63,068	20,777	196,734
Corporate Debt	4,037,233	1,360,182	1,448,361	916,314	312,376
Convertible Debt	51,662	1,157	9,879	12,517	28,109
	$ 9,325,590	$ 1,969,680	$ 3,202,555	$ 1,932,623	$ 2,220,732

Credit Risk

The CIFS minimizes exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2017, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds								
	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt
Aaa	$ 2,614,409	$ -	$ 191,963	$ 1,565,409	$ 597,362	$ 180,885	$ 78,790	$ -
Aa	612,132	25,000	799	396,492	-	1,623	188,218	-
A	886,351	30,000	90	474,681	-	8,021	373,559	-
Baa	820,964	-	-	454,273	-	69	366,622	-
Ba	742,742	-	-	249,074	-	-	476,819	16,849
B	967,040	-	-	150,063	-	81	812,423	4,473
Caa	439,933	-	-	94,671	-	-	345,005	257
Ca	9,343	-	-	-	-	-	9,343	-
C	5,017	-	-	-	-	-	5,017	-
Prime 1	748,364	10,000	7,876	-	-	-	730,488	-
Prime 2	24,270	-	-	-	-	-	24,270	-
Prime 3	1,803	-	-	-	-	-	1,803	-
Government fixed not rated	130,876	-	-	12,053	118,823	-	-	-
Non Government fixed not rated	304,998	-	-	304,998	-	-	-	-
Not Rated	1,017,348	218,293	54,195	-	-	89,901	624,875	30,084
	$ 9,325,590	$ 283,293	$ 254,923	$ 3,701,714	$ 716,185	$ 280,580	$ 4,037,232	$ 51,663

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50 percent for the developed market portion of the International Stock Fund (a Combined Investment Fund). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed to invest in non-U.S. denominated securities, managers are required to limit that investment to a portion of their respective portfolios. As of June 30, 2017, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds											
				Fixed Income Securities				Equities			
Foreign Currency	Total	Cash	Cash Equivalent Collateral	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred Stock	Real Estate Investment Trust Fund
Argentine Peso	$ 25,554	$ 737	$ -	$ 23,355	$ 1,462	$ -	$ -	$ -	$ -	$ -
Australian Dollar	438,685	499	-	97,525	7,887	-	-	308,418	-	24,356
Brazilian Real	258,328	814	-	107,364	-	(10)	-	143,790	6,370	-
Canadian Dollar	120,512	1,498	-	21,063	-	(46)	-	97,935	-	62
Chilean Peso	18,436	-	-	414	-	-	-	18,022	-	-
Colombian Peso	59,622	1,267	-	58,175	-	-	-	180	-	-
Czech Koruna	18,091	(1)	-	12,539	-	-	-	5,553	-	-
Danish Krone	117,934	120	-	1,281	-	-	-	116,533	-	-
Egyptian Pound	7,447	1,569	-	-	3,724	-	-	2,154	-	-
Euro Currency	2,352,031	4,208	-	246,732	6,902	(26)	-	2,066,018	17,324	10,873
Ghanaian Cedi	2,697	-	-	-	2,697	-	-	-	-	-
Hong Kong Dollar	715,346	1,500	-	-	-	-	-	706,796	-	7,050
Hungarian Forint	73,331	812	-	29,993	-	-	-	42,526	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	4,810	-	-	301	4,509	-	-	-	-	-
Indonesian Rupiah	155,858	613	-	54,874	38,907	-	-	61,464	-	-
Israeli Shekel	36,424	236	-	-	-	-	-	36,188	-	-
Japanese Yen	1,408,203	5,918	-	35,455	-	212	-	1,359,217	-	7,401
Georgian Lari	2,128	-	-	-	2,128	-	-	-	-	-
Malaysian Ringgit	93,381	1,551	-	77,031	-	-	-	14,799	-	-
Mexican Peso	233,226	301	-	185,997	3,631	253	-	43,044	-	-
New Zealand Dollar	143,220	877	-	127,518	-	-	-	14,825	-	-
Nigerian Naira	205	66	-	-	-	-	-	139	-	-
Norwegian Krone	58,529	460	-	6,414	-	-	-	51,655	-	-
Peruvian Nouveau Sol	26,246	-	-	26,246	-	-	-	-	-	-
Philippine Peso	46,125	6	-	1,945	-	-	-	44,174	-	-
Polish Zloty	145,366	67	-	100,204	-	-	-	45,095	-	-
Pound Sterling	1,233,150	2,467	6	240,599	7,083	(61)	3,216	967,734	-	12,106
Romanian Leu	9,502	264	-	9,238	-	-	-	-	-	-
Russian Ruble	57,047	1,331	-	55,591	-	-	-	125	-	-
Singapore Dollar	118,119	454	-	22,029	-	-	-	92,054	-	3,582
South African Rand	193,636	408	-	92,470	-	-	-	100,659	-	99
South Korean Won	453,526	173	-	-	-	-	-	425,915	27,438	-
Sri Lanka Rupee	6,677	-	-	-	6,646	-	-	31	-	-
Swedish Krona	190,501	(44)	-	4,384	-	-	-	186,161	-	-
Swiss Franc	501,035	434	-	-	-	-	-	500,601	-	-
Thailand Baht	147,824	94	-	26,369	-	-	-	121,266	-	95
Turkish Lira	170,169	248	-	57,057	4,031	-	-	108,758	-	75
Uruguayan Peso	3,981	-	-	3,981	-	-	-	-	-	-
	$ 9,646,904	$ 28,949	$ 6	$ 1,726,144	$ 89,607	$ 322	$ 3,216	$ 7,681,829	$ 51,132	$ 65,699

Derivatives

As of June 30, 2017, the CIFS held the following derivative investments (amounts in thousands):

	2017 Fair Value	2016 Fair Value
Adjustable Rate Securities	$ 652,183	$ 581,229
Asset Backed Securities	255,114	153,799
Mortgage Backed Securities	215,946	303,820
Collateralized Mortgage Obligations	64,633	98,208
TBA's	118,185	41,236
Interest Only	470	423
Options	775	1,281
Total	$ 1,307,306	$ 1,179,996

The Inflation Linked Bond Fund held futures with a negative notional cost of ($198,263 thousand) Also, the Core Fixed Income held futures with a negative notional cost of ($13,944 thousand). The High Yield Debt Fund held futures with a negative notional cost of ($16,140 thousand), the Developed Market International Stock held futures with a notional cost of ($132,461 thousand).

The CIFS invest in derivative investments for trading purposes and to enhance investment returns. The credit exposure resulting from these investments is limited to their fair value at year end.

The CIFS also invest in foreign currency contracts. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIFS' investments against currency fluctuations. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms. As of June 30, 2017, the fair value of contracts to buy and contracts to sell was $7.8 billion and $7.8 billion, respectively.

Custodial Credit Risk-Bank Deposits

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Liquidity Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2017, the CIFS had deposits with a bank balance of $89.1 million which was uninsured and uncollateralized.

Complete financial information about the STIF and the CIFS can be obtained from financial statements issued by the Office of the State Treasurer.

Other Investments

The University of Connecticut measures and records its investments using fair value measurement guidelines. These guidelines have a three tired fair value hierarchy, as follows: Level 1; Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and, Level 3: Unobservable inputs. As of June 30, 2017, UConn had the following recurring fair value measurements. (amounts in thousands):

Fair Value Measurements				
Investments by Fair Value Level	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash Equivalents	$ 426	$ 426	$ -	$ -
Fixed Income Securities	1,771	1,771	-	-
Equity Securities	10,324	9,571	753	-
Partnerships	-	-	-	-
Total	$ 12,521	$ 11,768	$ 753	$ -
Investments Measured at the Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Private Capital Partnerships	$ 1,422	$ 476	N/A	N/A
Private Real Estate Partnerships	137	39	N/A	N/A
Natural Resource Partnerships	630	86	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	855	-	N/A	N/A
Other	232	-	N/A	N/A
Total	3,277	$ 601		
Total Investments in Securities at Fair Value	$ 15,798			

As of June 30, 2017, the State had other investments and maturities as follows (amounts in thousands):

Other Investments				
		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1-5	6-10
State Bonds	$ 14,338	$ 290	$ 12,808	$ 1,240
U.S. Government and Agency Securities	242,495	97,991	5,364	139,140
Guaranteed Investment Contracts	112,388	9,964	34,809	67,615
Money Market Funds	28,898	28,898	-	-
Total Debt Investments	398,119	$ 137,143	$ 52,981	$ 207,995
Endowment Pool	14,484			
Corporate Stock	1,082			
Other Investments	232			
Total Investments	$ 413,917			

Credit Risk

As of June 30, 2017, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments					
	Fair	Quality Ratings			
Investment Type	Value	AA	A	BBB	Unrated
State Bonds	$ 14,338	$ 12,758	$ 1,580	$ -	$ -
U.S. Government and Agency Securities	146,224	146,224	-	-	-
Guaranteed Investment Contracts	112,388	14,565	64,488	14,128	19,207
Money Market Funds	28,898	-	-	-	28,898
Total	$ 301,848	$ 173,547	$ 66,068	$ 14,128	$ 48,105

Connecticut State Universities reported $96 million as U.S. Government Securities, these securities have no credit risk therefore, these securities are not included in the above table.

Custodial Credit Risk-Bank Deposits (amounts in thousands):

The State maintains its deposits at qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from its other assets, eligible collateral in an amount equal to 10 percent, 25 percent, 100 percent, or 120 percent of its public deposits. The collateral is held in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. As of June 30, 2017, $169,535 of the bank balance of the Primary Government of $173,349 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 89,379
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	80,156
Total	$ 169,535

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-16 and 6-30-17, respectively (amounts in thousands):

Major Component Units					
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	$ 626	$ -	$ -	$ 626	$ -
GNMA & FNMA Program Assets	1,268,049	-	-	724	1,267,325
Mortgage Backed Securities	654	-	-	93	561
Money Market	9,825	9,825	-	-	-
Municipal Bonds	53,426	286	1,329	1,748	50,063
STIF	492,323	492,323	-	-	-
Structured Securities	276	-	-	-	276
U.S. Government Agency Securities	870	-	-	-	870
Total Debt Investments	1,826,049	$ 502,434	$ 1,329	$ 3,191	$ 1,319,095
Annuity Contracts	124,701				
Total Investments	$ 1,950,750				

The CHFA and the CLC own 93.6 percent and 6.4 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

Interest Rate Risk
CHFA
Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

Credit Risk
CHFA
The Authority's investments are limited by State statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the state's STIF, and other obligations which are legal investments for savings banks in the state. The Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

CHFA's investments were rated as of 12-31-16 as follows (amounts in thousands):

Component Units					
	Fair		Quality Ratings		
Investment Type	**Value**	**AAA**	**CCC**	**D**	**Unrated**
Collateralized Mortgage Obligations	$ 626	$ -	$ 626	$ -	$ -
Municipal Bonds	53,426	-	-	-	53,426
Money Market	9,825	-	-	-	9,825
STIF	492,323	492,323	-	-	-
Structured Securities	276	-	-	276	-
Total	$ 556,476	$ 492,323	$ 626	$ 276	$ 63,251

Concentration of Credit Risk
CHFA
The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2016, the Authority had no investments in any one issuer that represents 5 percent or more of total investments, other than investments guaranteed by the U.S. Government (GNMA and FNMA Program Assets), and investments in the State's STIF.

Security Lending Transactions
Certain of the Combined Investment Funds are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The funds' Agent is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

During the year, the Agent lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The Agent did not have the ability to pledge or sell collateral securities received absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the market value of the domestic loaned securities or 105 percent of the market value of foreign loaned securities.

According to the Agreement, the Agent has an obligation to indemnify the funds in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures during the fiscal year that resulted in a declaration or notice of default of the borrower. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit risk exposure to borrowers because the fair value of the collateral held and the fair value of securities on loan were $2,020.8 million and $1,973.3 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed 60 days. At year end, the average duration of the collateral investments was 8.86 days and an average weighted maturity of 53.79 days.

Note 4
Receivables-Current

As of June 30, 2017, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,734,808	$ -	$ -
Accounts	1,340,664	480,114	82,676
Loans-Current Portion	-	256,914	25,891
Other Governments	497,534	8,360	5,418
Interest	1,655	4,601	550
Other (1)	392	2,022	2,111
Total Receivables	3,575,053	752,011	116,646
Allowance for Uncollectibles	(895,819)	(105,398)	(6,645)
Receivables, Net	$ 2,679,234	$ 646,613	$ 110,001

(1) Includes a reconciling amount of $379 thousand from fund financial statements to government-wide financial statements.

Note 5
Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2017 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 677,132	$ -	$ 677,132
Income Taxes	600,968	-	600,968
Corporations	5,265	-	5,265
Gasoline and Special Fuel	-	139,489	139,489
Various Other	311,954	-	311,954
Total Taxes Receivable	1,595,319	139,489	1,734,808
Allowance for Uncollectibles	(214,816)	(131)	(214,947)
Taxes Receivable, Net	$ 1,380,503	$ 139,358	$ 1,519,861

Note 6
Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2017, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 34,335
Loans	914,683	999,489	412,625
Total Receivables	914,683	999,489	446,960
Allowance for Uncollectibles	(11,456)	(269)	(9,660)
Receivables, Net	$ 903,227	$ 999,220	$ 437,300

The Grants and Loans fund (governmental activities) makes loans through the Department of Economic and Community Development to provide financial support to businesses, municipalities, nonprofits, economic develop agencies and other partners for a wide range of activities that create and retain jobs; strengthen the competitiveness of the workforce; promote tourism, the arts and historic preservation; and help investigate and redevelop brownfields. The department's investments are helping build stronger neighborhoods and communities and improving the quality of life for state residents. These loans are payable over a ten year period with rates ranging from 2 percent to 4 percent.

Clean Water fund (business-type activities) loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20 year period at an annual interest rate of 2 percent and are secured by the full faith and credit or revenue pledges of the municipalities, or both. At year end, the noncurrent portion of loans receivable was $850.7 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.2 percent. At year end, the noncurrent portion of loans receivable was $100.0 million.

Note 7
Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2017, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
Governmental Activities:					
Debt Service	$ 827,125	$ -	$ -	$ -	$ 827,125
Total-Governmental Activities	$ 827,125	$ -	$ -	$ -	$ 827,125
Business-Type Activities:					
UConn/Health Center	$ 143,617	$ -	$ -	$ -	$ 143,617
Clean Water	201,807	127,884	-	-	329,691
Other Proprietary	86,019	8,834	-	-	94,853
Total-Business-Type Activities	$ 431,443	$ 136,718	$ -	$ -	$ 568,161
Component Units:					
CHFA	$ 503,002	$ 1,323,615	$ 3,288,519	$ 126,971	$ 5,242,107
CAA	121,188	-	-	3,191	124,379
Other Component Units	371,032	-	-	20,040	391,072
Total-Component Units	$ 995,222	$ 1,323,615	$ 3,288,519	$ 150,202	$ 5,757,558

Note 8
Current Liabilities

Accounts Payable and Accrued Liabilities

As of June 30, 2017, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

	Vendors	Salaries and Benefits	Interest	Other	Total Payables & Accrued Liabilities
Governmental Activities:					
General	$ 133,407	$ 216,810	$ -	$ -	$ 350,217
Transportation	17,639	13,403	-	-	31,042
Restricted Accounts	224,965	11,981	-	-	236,946
Grants and Loans	4,349	113	-	2,188	6,650
Other Governmental	87,555	7,870	-	-	95,425
Internal Service	914	1,109	-	-	2,023
Reconciling amount from fund financial statements to government-wide financial statements	-	-	239,917	4,263	244,180
Total-Governmental Activities	$ 468,829	$ 251,286	$ 239,917	$ 6,451	$ 966,483
Business-Type Activities:					
UConn/Health Center	$ 129,752	$ 84,112	$ -	$ 36,547	$ 250,411
Board of Regents	22,912	85,504	2,397	6,776	117,589
Other Proprietary	9,712	-	12,778	1,943	24,433
Total-Business-Type Activities	$ 162,376	$ 169,616	$ 15,175	$ 45,266	$ 392,433
Component Units:					
CHFA	$ -	$ -	$ 15,200	$ 8,052	$ 23,252
Connecticut Lottery Corporation	7,942	-	1,458	-	9,400
Connecticut Airport Authority	3,850	4,972	1,122	6,643	16,587
Other Component Units	1,902	-	994	55,983	58,879
Total-Component Units	$ 13,694	$ 4,972	$ 18,774	$ 70,678	$ 108,118

Note 9
Capital Assets

Capital asset activity for the year was as follows (amounts in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated:				
Land	$ 1,747,636	$ 76,887	$ 36,131	$ 1,788,392
Construction in Progress	4,544,315	1,732,295	1,288,170	4,988,440
Total Capital Assets not being Depreciated	6,291,951	1,809,182	1,324,301	6,776,832
Capital Assets being Depreciated:				
Buildings	4,321,300	346,617	47,494	4,620,423
Improvements Other than Buildings	466,705	9,237	3,293	472,649
Equipment	2,618,191	131,146	127,480	2,621,857
Infrastructure	14,673,328	924,600	-	15,597,928
Total Other Capital Assets at Historical Cost	22,079,524	1,411,600	178,267	23,312,857
Less: Accumulated Depreciation For:				
Buildings	1,716,901	115,417	47,494	1,784,824
Improvements Other than Buildings	325,349	23,502	3,293	345,558
Equipment	2,563,352	137,063	127,480	2,572,935
Infrastructure	10,059,972	441,969	-	10,501,941
Total Accumulated Depreciation	14,665,574	717,951	178,267	15,205,258
Other Capital Assets, Net	7,413,950	693,649	-	8,107,599
Governmental Activities, Capital Assets, Net	$ 13,705,901	$ 2,502,831	$ 1,324,301	$ 14,884,431

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 4,897
General Government	21,838
Regulation and Protection	23,426
Conservation and Development	10,722
Health and Hospitals	9,698
Transportation	563,233
Human Services	986
Education, Libraries and Museums	30,220
Corrections	27,661
Judicial	16,707
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	8,563
Total Depreciation Expense	$ 717,951

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 68,631	$ -	$ 6	$ 68,625
Construction in Progress	686,070	254,863	63,589	877,344
Total Capital Assets not being Depreciated	754,701	254,863	63,595	945,969
Capital Assets being Depreciated:				
Buildings	5,311,471	297,545	12,705	5,596,311
Improvements Other Than Buildings	403,251	27,378	-	430,629
Equipment	1,042,391	75,327	60,330	1,057,388
Total Other Capital Assets at Historical Cost	6,757,113	400,250	73,035	7,084,328
Less: Accumulated Depreciation For:				
Buildings	2,059,224	163,359	11,437	2,211,146
Improvements Other Than Buildings	218,957	14,607	-	233,564
Equipment	694,936	75,332	57,037	713,231
Total Accumulated Depreciation	2,973,117	253,298	68,474	3,157,941
Other Capital Assets, Net	3,783,996	146,952	4,561	3,926,387
Business-Type Activities, Capital Assets, Net	$ 4,538,697	$ 401,815	$ 68,156	$ 4,872,356

Component Units

Capital assets of the component units consisted of the following as of June 30, 2017 (amounts in thousands):

Land	$ 59,475
Buildings	700,310
Improvements other than Buildings	323,185
Machinery and Equipment	582,155
Construction in Progress	17,969
Total Capital Assets	1,683,094
Accumulated Depreciation	912,081
Capital Assets, Net	$ 771,013

Note 10
State Retirement Systems

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS)-consisting of Tier I (contributory), Tier II (noncontributory) Tier IIA (contributory) and Tier III (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS). The three plans in this note do not issue separate financial statements, nor are they reported as a part of other entities. Beginning in fiscal year 2018, all new hires to SERS will be in a new Tier IV Hybrid Plan structure. The financial statements and other required information are presented in Note 12 and in the Required Supplementary Information (RSI) section of the CAFR.

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees' Retirement Commission administers SERS and JRS. The sixteen members are: the State Treasurer or a designee who serves as a non-voting ex-officio member, six trustees representing employees are appointed by the bargaining agents in accordance with the provisions of applicable collective bargaining agreements, one "neutral" Chairman, two actuarial trustees and six management trustees appointed by the Governor. The Teachers' Retirement Board administers TRS. The fourteen members of the Teachers' Retirement Board include: the State Treasurer, the Secretary of the Office of Policy and Management, the Commissioner of Education or their designees, who serve as ex-officio voting members. Six members who are elected by teacher membership and five public members appointed by the Governor.

Special Funding Situation

The employer contributions for the Teachers' Retirement System (TRS) are funded by the State on behalf of the participating municipal employers. Therefore, these employers are considered to be in a special funding situation and the State is treated as a non-employer contributing entity as defined by GASB 68. As a result, the State reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses. Additionally, the autonomous Component Units that benefit from the services provided by employees of the State are considered, as defined by GASB 68 as non-employer contributing entities. As such they report a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of being statutorily required to contribute to SERS.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/2016	TRS 6/30/2016	JRS 6/30/2016
Inactive Members or their Beneficiaries receiving benefits	48,191	36,065	250
Inactive Members Entitled to but not yet Receiving Benefits	1,412	2,085	3
Active Members	50,019	50,877	204

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living allowances, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

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 percent and 4 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute 4 percent of their annual salary; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 2 percent and 5 percent of their annual salary, respectively. Individuals hired on or after July 1, 2011 otherwise eligible for the Alternative Retirement Plan (ARP) are eligible to become members of the Hybrid Plan in addition to their other existing choices. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3 percent higher than the contribution required from the applicable Tier II/IIA/III plan. Employees in the new Tier IV Hybrid Plan will be required to contribute 3 percent more than Tier II employees into the defined benefit plan. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Teachers' Retirement System

Plan Description

TRS is a cost-sharing multiple-employer defined-benefit pension plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. Administrative costs of the plan are funded by the State.

Judicial Retirement System

Plan Description

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

b. Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2016.

	SERS		TRB		JRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	25.0%	5.8%	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	20.0%	6.6%	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%	9.0%	8.3%	9.0%	8.3%
Real Estate	7.0%	5.1%	5.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	10.0%	7.6%	11.0%	7.6%
Alternative Investment	8.0%	4.1%	8.0%	4.1%	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%	13.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	2.0%	3.9%	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%	4.0%	3.7%	4.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	6.0%	1.0%	5.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%	4.0%	0.4%

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.

Rate of Return: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 14.3 percent, 14.4 percent, and 13.0 percent for SERS, TRS, and JRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability as of the measurement June 30, 2016 were as follows (amounts in millions):

	SERS	TRS	JRS
Total Pension Liability	$ 33,617	$ 29,840	$ 434
Fiduciary Net Position	10,654	15,595	190
Net Pension Liability	$ 22,963	$ 14,245	$ 244
Ratio of Fiduciary Net Position to Total Pension Liability	31.69%	52.26%	43.76%

Deferred Retirement Option Program (DROP)

Section 10-183v of the General Statute authorizes that a TRS member teacher receiving retirement benefits from the system may be reemployed for up to one full school year by a local board of education, the State Board of Education or by a constituent unit of the state system of higher education in a position (1) designated by the Commissioner of Education as a subject shortage area, or (2) at a school located in a school district identified as a priority school district. Such reemployment may be extended for an additional school year, by written request for approval to the Teachers' Retirement Board.

As of June 30, 2017 the balance held for the DROP was not available from the Teachers' Retirement Board.

Discount Rate

The discount rate used to measure the total pension liability was 6.9, 8.0, and 6.9 percent for SERS, TRS, and JRS respectively. The projection of cash flows used to determine the SERS, TRS, and JRS discount rate assumed employee contributions will be made at the current contribution rate and that contributions from the State will be made at actuarially determined rates in future years. Based on those assumptions, SERS, TRS, and JRS pension plans' 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 the net pension liability to changes in the discount rate

The following presents the net pension liability of the State, calculated using the discount rates of 6.9, 8.0 and 6.9 percent for SERS, TRS, and JRS, as well as what the State's net pension liabilities 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 (amounts in millions):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
SERS Net Pension Liability	$ 27,250	$ 22,963	$ 19,395
TRS Net Pension Liability	$ 17,574	$ 14,245	$ 11,431
JRS Net Pension Liability	$ 290	$ 244	$ 204

c. GASB Statement 68 Employer Reporting

Employer Contributions

The following table presents the primary government's and component units' contributions recognized by the pension plans at the measurement date June 30, 2016 (amounts in thousands):

	SERS	TRS	JRS	Total
Primary Government	$ 1,484,817	$ 975,578	$ 18,259	$ 2,478,654
Component Units	16,988	-	-	16,988
Total Employer Contributions	$ 1,501,805	$ 975,578	$ 18,259	$ 2,495,642

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

As of the reporting date June 30, 2017, the primary government and component units reported net pension liabilities for the following plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Proportionate Share of the Net Pension Liability		
State Employees' Retirement System	$ 22,703,172	$ 259,752
Net Pension Liability		
Teachers' Retirement System	14,245,051	-
Judicial Retirement System	243,845	-
Total Net Pension Liability	$ 37,192,068	$ 259,752

The primary government's and component units' proportions of the collective net pension liability for the State Employees' Retirement System as of the measurement date June 30, 2016 as follows (amounts in thousands):

	Primary Government	Component Units
State Employees' Retirement System		
Proportion-June 30, 2016	98.87%	1.13%

For the reporting year ended June 30, 2017, the primary government and component units' recognized pension expense for the following pension plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Pension Expense		
State Employees' Retirement System	$ 2,467,116	$ 24,002
Teachers' Retirement System	1,553,474	-
Judicial Retirement System	34,629	-
	$ 4,055,219	$ 24,002

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
State Employees' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 711,943	$ -	$ 8,146	$ -
Difference Between Expected and Actual Experience	630,684	-	7,216	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	-	7,994	27,815
Change in Assumptions	4,047,825	-	46,312	-
Employer Contributions Subsequent to Measurement Date	1,525,310	-	16,988	-
Total	$ 6,915,762	$ -	$ 86,656	$ 27,815
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 1,206,422	$ -		
Difference Between Expected and Actual Experience	-	320,621		
Change in Assumptions	1,888,199	-		
Employer Contributions Subsequent to Measurement Date	1,012,162	-		
Total	$ 4,106,783	$ 320,621		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 13,075	$ -		
Difference Between Expected and Actual Experience	-	7,052		
Change in Assumptions	48,573	-		
Employer Contributions Subsequent to Measurement Date	19,164	-		
Total	$ 80,812	$ 7,052		

The amount reported as deferred outflows of resources related to pensions resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability reported in the following fiscal year. The amount reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

State Employees' Retirement System

Year Ending June 30	Primary Government	Component Units
2017	$ 1,127,260	$ 8,673
2018	1,127,258	8,673
2019	1,268,627	10,290
2020	1,161,976	9,052
2021	725,151	5,166
	$ 5,410,272	$ 41,854

Teachers' Retirement System

Year Ending June 30	Primary Government
2017	$ 509,415
2018	509,417
2019	723,584
2020	543,234
2021-2022	488,350
	$ 2,774,000

Judges' Retirement System

Year Ending June 30	Primary Government
2017	$ 16,495
2018	16,493
2019	18,462
2020	3,146
2021	-
	$ 54,596

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/2016	6/30/2016	6/30/2016
Inflation	2.50%	2.75%	2.50%
Salary Increases	3.5%-19.5%	3.25%-6.50%	4.50%
Investment Rate of Return	6.90%	8.0%	6.90%

The actuarial assumptions used in the June 30, 2016 SERS and JRS reported mortality rates based on the RP-2014 Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females for periods after service retirement and dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for periods after disability.

The actuarial assumptions used in the June 30, 2016 TRS actuarial report were based on RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

Changes in Net Pension Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2016 (amounts in thousands):

Total Pension Liability	**SERS**	**TRS**	**JRS**
Service Cost	$ 322,114	$ 419,616	$ 8,508
Interest	2,105,947	2,228,958	28,251
Benefit Changes	-	-	-
Difference between expected and actual experience	772,762	(375,805)	(9,380)
Changes of assumptions	4,959,705	2,213,190	64,604
Benefit payments	(1,729,181)	(1,738,131)	(22,994)
Refunds of Contributions	(7,098)	-	-
Net change in total pension liability	6,424,249	2,747,828	68,989
Total pension liability - beginning (a)	27,192,467	27,092,095	364,614
Total pension liability - ending (c)	**$ 33,616,716**	**$ 29,839,923**	**$ 433,603**
Plan fiduciary net position			
Contributions - employer	$ 1,501,805	$ 975,578	$ 18,259
Contributions - member	135,029	293,493	1,831
Net investment income	(100)	(18,473)	1,440
Benefit payments	(1,729,181)	(1,738,131)	(22,994)
Other	77,859	(37,648)	1,680
Net change in plan fiduciary net position	(14,588)	(525,181)	216
Plan net position - beginning (b)	10,668,380	16,120,053	189,542
Plan net position - ending (d)	**$ 10,653,792**	**$ 15,594,872**	**$ 189,758**
Net pension liability - beginning (a)-(b)	**$ 16,524,087**	**$ 10,972,042**	**$ 175,072**
Net pension liability - ending (c)-(d)	**$ 22,962,924**	**$ 14,245,051**	**$ 243,845**

d. Defined Contribution Plan

The State also sponsors the Connecticut Alternate Retirement Program (CARP), a defined contribution plan. CARP is administered by the State Comptroller's Retirement Office under the direction of the Connecticut State Employees' Retirement Division. Plan provisions, including contribution requirements of plan members and the State, are described in Section 5-156 of the General Statutes.

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed $36.5 million and $56.2 million, respectively.

Note 11

Other Retirement Systems Administered by the State of Connecticut

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (MERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for MERS and CPJERS are presented in Note No. 12.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	MERS 6/30/2016	CPJERS 12/31/2015
Retirees and beneficiaries receiving benefits	7,102	336
Terminated plan members entitled to but not receiving benefits	1,335	149
Active plan members	9,373	371
Total	17,810	856
Number of participating employers	191	1

Connecticut Municipal Employees' Retirement System

Plan Description

MERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Pension plan assets are pooled and the plan assets can be used to pay the pensions of the retirees of any participating employer. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

Plan members are required to contribute 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

b. Investment Policy

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

	MERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	16.0%	5.8%
Developed Non-U.S. Equities	14.0%	6.6%
Emerging Markets (Non-U.S.)	7.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	10.0%	7.6%
Alternative Investment	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%
High Yield Bonds	14.0%	3.9%
Emerging Market Bond	8.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%
Cash	3.0%	0.4%

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.

c. GASB Statement 68 Employer Reporting

Net Pension Liability of Participating Employers

The components of the net pension liability for MERS at June 30, 2016 were as follows (amounts in millions):

		MERS
Employers' Total Pension Liability	$	2,840
Fiduciary Net Position		2,507
Employers' Net Pension Liability	$	333
Ratio of Fiduciary Net Position to Total Pension Liability		88.29%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent for MERS. 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 employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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. The long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of MERS, calculated using the discount rate of 8 percent 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 (amounts in millions):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
Net Pension Liability	$ 681	$ 333	$ 40

Deferred outflows and deferred inflows of resources

The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows (amounts in thousands):

	Deferred Outflows of Resources
Municipal Employees Retirement System	
Difference Between Expected and Actual Experience	$ 40,035
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	157,150
	$ 197,185

Amounts recognized in subsequent fiscal years:

Year Ending June 30		MERS
2017	$	44,762
2018		44,762
2019		66,197
2020		41,464

The above amounts do not include the deferred outflows/inflows of resources for employer contributions made subsequent to the measurement date. These amounts should be calculated and recorded by each participating employer.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2016 is as follows (amounts in thousands):

Service Cost	$	67,126
Interest on the total pension liability		206,064
Expensed portion of current-period difference between expected and actual experience in the total pension liability		10,292
Member Contributions		(24,019)
Projected earnings on plan investments		(179,274)
Expensed portion of current period differences between projected and actual earnings on plan investments		32,305
Other		(6,063)
Recognition of beginning deferred outflows of resources as pension expense		2,165
Collective Pension Expense	$	108,596

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement date:

Inflation	3.25%
Salary increase	4.25-11.0%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

d. Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is an agent multi-employer defined benefit pension plan that covers judges and employees of probate courts. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual court so that each court's share of the pooled assets is legally available to pay the benefits of only its employees. The plan is administered by the State Employee's Retirement Commission.

Funding

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Pension Liability

Information concerning the CPJERS total pension liability and significant assumptions used to measure the plans total pension liability, such as inflation, salary changes, discount rates and mortality are available by contacting the State Comptroller's Retirement Division.

Note 12
Pension Trust Funds Financial Statements

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds. As of June 30, 2017 the Fiduciary Fund financial statements were as follows (amounts in thousands):

Statement of Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	$ 10,434	$ 5,631	$ 59	$ 2,637	$ 17	$ 352	$ 19,130
Receivables:							
Accounts, Net of Allowances	14,976	10,965	32	15,809	4	-	41,786
From Other Governments	-	580	-	-	-	-	580
From Other Funds	119	6	-	19	-	1	145
Interest	892	1,964	12	141	6	-	3,015
Investments	11,955,375	17,126,802	210,022	2,441,303	95,048	1,798	31,830,348
Securities Lending Collateral	741,682	1,024,750	15,844	184,213	7,508	154	1,974,151
Noncurrent:							
Due From Employers	-	-	-	273,875	-	-	273,875
Total Assets	$ 12,723,478	$ 18,170,698	$ 225,969	$ 2,917,997	$ 102,583	$ 2,305	$ 34,143,030
Liabilities							
Accounts Payable and Accrued Liabilities	$ 19	$ 9,732	$ -	$ -	$ 4	$ -	$ 9,755
Securities Lending Obligation	741,682	1,024,750	15,844	184,213	7,508	154	1,974,151
Due to Other Funds	-	1,890	-	-	-	-	1,890
Total Liabilities	$ 741,701	$ 1,036,372	$ 15,844	$ 184,213	$ 7,512	$ 154	$ 1,985,796
Net Position							
Held in Trust For Employee Pension Benefits	$ 11,981,777	$ 17,134,326	$ 210,125	$ 2,733,784	$ 95,071	$ 2,151	$ 32,157,234
Total Net Assets	$ 11,981,777	$ 17,134,326	$ 210,125	$ 2,733,784	$ 95,071	$ 2,151	$ 32,157,234

Statement of Changes in Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 132,557	$ 288,251	$ 1,689	$ 27,377	$ 254	$ 44	$ 450,172
State	1,542,298	1,012,162	19,164	-	-	-	2,573,624
Municipalities	-	-	-	69,807	-	-	69,807
Total Contributions	1,674,855	1,300,413	20,853	97,184	254	44	3,093,603
Investment Income	1,544,980	2,251,063	25,021	290,445	11,541	232	4,123,282
Less: Investment Expenses	(35,118)	(51,168)	(569)	(6,618)	(262)	(5)	(93,740)
Net Investment Income	1,509,862	2,199,895	24,452	283,827	11,279	227	4,029,542
Other	-	1,679	-	524	1,469	2	3,674
Total Additions	3,184,717	3,501,987	45,305	381,535	13,002	273	7,126,819
Deductions							
Administrative Expense	674	-	-	-	-	-	674
Benefit Payments and Refunds	1,855,687	1,962,533	24,899	155,407	5,180	-	4,003,706
Other	371	-	39	-	-	-	410
Total Deductions	1,856,732	1,962,533	24,938	155,407	5,180	-	4,004,790
Changes in Net Assets	1,327,985	1,539,454	20,367	226,128	7,822	273	3,122,029
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year (as restated)	10,653,792	15,594,872	189,758	2,507,656	87,249	1,878	29,035,205
End of Year	$ 11,981,777	$ 17,134,326	$ 210,125	$ 2,733,784	$ 95,071	$ 2,151	$ 32,157,234

Note 13
Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). This year the State adapted the Governmental Accounting Standards Board Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.*

The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions. The Teachers' Retirement Board administers the Retired Teachers' Healthcare Plan. None of these plans issue stand alone statements, however, financial statements for these plans are presented in Note No. 14.

a. Plan Descriptions and Funding Policy
Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SEOPEBP 6/30/2017	RTHP 6/30/2016
Inactive Members or their Beneficiaries receiving benefits	70,776	40,160
Inactive Members Entitled to but not yet Receiving Benefits	484	2,085
Active Members	53,101	50,877

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

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

Retired Teacher Healthcare Plan
Plan Description
RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183t of the General Statutes.

Funding Policy
The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

b. Investments
The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable

level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2017.

	SEOPEBP		RTHP	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Expected 10 year Geometric Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	0.00%	4.39%
Small/Mid U.S. Equities	0.0%	0.0%	0.00%	4.74%
Non U.S. Equities - Developed	18.0%	6.6%	0.00%	4.86%
Non U.S. - Emerging Markets	9.0%	8.3%	0.00%	6.19%
Real Estate	7.0%	5.1%	0.00%	4.11%
Hedge Funds	0.0%	0.0%	0.00%	3.18%
Commodities	0.0%	0.0%	0.00%	1.78%
Infrastructure	0.0%	0.0%	0.00%	4.34%
Private Equity	11.0%	7.6%	0.00%	6.91%
Alternative Investment	8.0%	4.1%	0.00%	0.00%
Fixed Income (Core)	8.0%	1.3%	0.00%	1.22%
Long Duration Bonds	0.0%	0.0%	0.00%	1.62%
High Yield Bonds	5.0%	3.9%	0.00%	3.66%
Non U.S. Debt - Developed	0.0%	0.0%	0.00%	0.26%
Non U.S. Debt - Emerging	4.0%	3.7%	0.00%	3.53%
TIPS (Inflation Protected)	0.0%	0.0%	0.00%	0.63%
Inflation Linked Bonds	5.0%	1.0%	0.00%	0.00%
U. S. Treasuries (Cash Equivalents)	4.0%	0.4%	100.00%	-0.02%

The long-term expected rate of return on RTHP OPEB plan assets was determined by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The assumption is not expected to change absent a significant change in asset allocation, a change in inflation assumption, or a fundamental change in the market that alters expected returns in future years.

c. GASB 74 Requirements

Net OPEB Liability

The components of the net OPEB liability as of June 30, 2017, the measurement date, were as follows (amounts in thousands):

	SEOPEBP	RTHP
Total OPEB Liability	$ 17,928,030	$ 3,538,772
Fiduciary Net Position	542,342	63,428
Net OPEB Liability	$ 17,385,688	$ 3,475,344
Ratio of Fiduciary Net Position to Total OPEB Liability	3.03%	1.79%

Actuarial Assumptions

The total OPEB liability was determined by actuarial valuations as of June 30, 2017 and June 30, 2016 respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

	SEOPEBP 6/30/17	RTHP 6/30/16
Inflation	3.25%	2.75%
Salary increase	3.75%	3.25%-6.5%
Investment rate of return	6.90%	4.25%, net of pension plan investment expense including price inflation
Healthcare cost trend rates	10% for drug cost graded to 5% over 5 years, other cost 5%	7.75% decreasing to 5% by year 2022

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

Mortality rates for the State Teachers Retirement System were based on RPH-2014 White Collar Morality Table with employee and annuitant rates blended from ages 50 to 80 projected to year 2020 under Scale BB and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. Disabled participants mortality rates were based on the RPH-2014 Disabled Retiree Mortality Table projected to 2017 using BB improvement scale.

Discount Rate

The discount rate used to measure the total OPEB liability for SEOPEBP and RTHP respectively, was 3.74 and 3.56 percent. The projection of cash flows used to determine the discount was performed in accordance with GASB 74.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the State, as well as what the State's net OPEB 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 discount rate (amounts in thousands):

	1% Decrease in Discount Rate 2.74%	SEOPEBP Current Discount Rate 3.74%	1% Increase in Discount Rate 4.74%
SEOPEBP Net OPEB Liability	$ 20,115,969	$ 17,385,688	$ 15,158,837
	1% Decrease in Discount Rate 2.56%	**RTHP Current Discount Rate 3.56%**	**1% Increase in Discount Rate 4.56%**
RTHP Net OPEB Liability	$ 4,188,346	$ 3,475,344	$ 2,914,719

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

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

	SEOPEBP 1% Decrease	SEOPEBP Current	SEOPEBP 1% Increase
SEOPEBP Net OPEB Liability	$ 14,936,332	$ 17,385,688	$ 20,477,885
	RTHP 1% Decrease	**RTHP Current**	**RTHP 1% Increase**
RTHP Net OPEB Liability	$ 2,861,462	$ 3,475,344	$ 4,301,861

Changes in Net OPEB Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2017 (amounts in thousands):

Total OPEB Liability	**SEOPEBP**	**RTHP**
Service Cost	$ 1,081,923	$ 148,220
Interest	849,907	111,129
Benefit Changes	(8,853,455)	-
Difference between expected and actual experience	(97,527)	-
Changes of assumptions	(1,936,042)	(370,549)
Benefit payments	(639,467)	(84,071)
Net change in total OPEB liability	(9,594,661)	(195,271)
Total OPEB liability - beginning	27,522,691	3,734,043
Total OPEB liability - ending (a)	**$ 17,928,030**	**$ 3,538,772**
Plan fiduciary net position		
Contributions - employer	$ 667,401	$ 19,922
Contributions - member	120,783	50,436
Net investment income	53,194	369
Benefit payments	(639,467)	(84,071)
Administrative expense	-	(150)
Other	(187)	42
Net change in plan fiduciary net position	201,724	(13,452)
Plan fiduciary net position - beginning	340,618	76,880
Plan fiduciary net position - ending (b)	**$ 542,342**	**$ 63,428**
Net OPEB liability - ending (a)-(b)	**$ 17,385,688**	**$ 3,475,344**

The benefit changes is a result of the implementation of the Medicare Advantage plan for the State's Medicare-eligible retirees effective after January 1, 2018, as well as proposed changes in the SEBAC agreement for non-Medicare retirees. These changes pertaining to premium shares and health care design changes, affect new retirees after October 2, 2017.

Annual OPEB Cost and Net OPEB Obligation Required by GASB 45

The State's annual OPEB cost and the net OPEB obligation for each plan for the current fiscal year were as follows (amounts in thousands):

	SEOPEBP	RTHP
Annual Required Contribution	$ 1,043,143	$ 166,802
Interest on Net OPEB Obligation	503,257	49,450
Adjustment to Annual Required Contribution	(512,216)	(40,881)
Annual OPEB Cost	1,034,184	175,371
Contributions Made	667,401	19,922
Increase in net OPEB Obligation	366,783	155,449
Net OPEB Obligation - Beginning of Year	8,829,062	1,098,891
Net OPEB Obligation - End of Year	$ 9,195,845	$ 1,254,340

In addition, other related information for each plan for the past three fiscal years was as follows (amounts in thousands):

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP				
	2017	$ 1,034,184	64.5%	$ 9,195,845
	2016	$ 1,435,596	42.4%	$ 8,829,062
	2015	$ 1,541,667	35.4%	$ 8,002,059
RTHP				
	2017	$ 175,371	11.4%	$ 1,254,340
	2016	$ 137,983	14.5%	$ 1,098,891
	2015	$ 118,175	21.3%	$ 980,868

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2017 and 2016, respectively, date of the latest actuarial valuations (amounts in million):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SEOPEBP	$ 229.6	$ 19,119.6	$ 18,890.0	1.2%	$ 3,895.1	485.0%
RTHP	$ -	$ 2,997.5	$ 2,997.5	0.0%	$ 3,949.9	75.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding in progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

d. Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 14.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of June 30, 2016 there were 8 municipalities participating in the plan with a total membership of 634 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 14
OPEB Trust Funds Financial Statements

The financial statements of the OPEB trust funds are prepared using the accrual basis of accounting. Plan member and municipality contributions are recognized in the period in which they are due. State contributions are recognized in the period they are appropriated. Benefits are recognized when due and payable in accordance with the terms of each plan. Investment income and related investment expense of the Combined Investment Funds are allocated ratably to the PFSBF trust fund based on the fund's equity in the Combined Investment Funds.

Statement of Fiduciary Net Position (000's)

	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefits	Total
Assets				
Cash and Cash Equivalents	$ 5,706	$ 60,890	$ 109	$ 66,705
Receivables:				
Accounts, Net of Allowances	-	7,364	-	7,364
From Other Funds	(38)	1,897	-	1,859
Interest	-	-	2	2
Investments	569,440	-	32,349	601,789
Securities Lending Collateral	36,224	-	2,244	38,468
Total Assets	$ 611,332	$ 70,151	$ 34,704	$ 716,187
Liabilities				
Accounts Payable and Accrued Liabilities	$ 32,766	$ 6,722	$ -	$ 39,488
Securities Lending Obligation	36,224	-	2,244	38,468
Due To Other Funds	-	-	-	-
Total Liabilities	$ 68,990	$ 6,722	$ 2,244	$ 77,956
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	$ 542,342	$ 63,428	$ 32,460	$ 638,230
Total Net Assets	$ 542,342	$ 63,428	$ 32,460	$ 638,230

Statement of Changes in Fiduciary Net Position (000's)

	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 120,783	$ 102,986	$ 555	$ 224,324
State	667,401	19,922	-	687,323
Municipalities	-	-	645	645
Total Contributions	788,184	122,908	1,200	912,292
Investment Income	54,431	369	3,949	58,749
Less: Investment Expenses	(1,237)	-	(90)	(1,327)
Net Investment Income	53,194	369	3,859	57,422
Other	-	42	-	42
Total Additions	841,378	123,319	5,059	969,756
Deductions				
Administrative Expense	-	5,684	-	5,684
Benefit Payments and Refunds	639,467	131,087	1,222	771,776
Other	187	-	-	187
Total Deductions	639,654	136,771	1,222	777,647
Changes in Net Assets	201,724	(13,452)	3,837	192,109
Net Position Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year (as restated)	340,618	76,880	28,623	446,121
End of Year	$ 542,342	$ 63,428	$ 32,460	$ 638,230

Note 15
Capital and Operating Leases

State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

2018	$	36,922
2019		36,017
2020		36,366
2021		23,194
2022		23,277
Thereafter		82,967
Total	$	238,743

Contingent revenues for the year ended June 30, 2017, were $628 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2017, were as follows (amounts in thousands):

	Noncancelable Operating Leases		Capital Leases	
2018	$	25,402	$	7,815
2019		31,800		7,352
2020		19,206		6,377
2021		13,570		2,471
2022		19,658		2,159
2023-2027		7,775		6,283
2028-2032		-		4,870
Total minimum lease payments	$	117,411		37,327
Less: Amount representing interest costs				6,427
Present value of minimum lease payments			$	30,900

Minimum capital lease payments were discounted using interest rates changing from 3.66 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2017, were $25.4 million.

Note 16
Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2017, (amounts in thousands):

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Bonds:					
General Obligation	$ 17,394,622	$ 3,004,480	$ 2,000,548	$ 18,398,554	$ 1,403,467
Transportation	4,519,690	868,265	346,115	5,041,840	301,345
	21,914,312	3,872,745	2,346,663	23,440,394	1,704,812
Plus (Less) Premiums	1,672,204	427,323	212,443	1,887,084	190,620
Total Bonds	23,586,516	4,300,068	2,559,106	25,327,478	1,895,432
Long-Term Notes	352,585	-	175,465	177,120	177,120
Other L/T Liabilities: [1]					
Net Pension Liability (Note 10)	27,459,972	15,039,145	5,307,046	37,192,071	-
Net OPEB Obligation	9,927,951	1,209,554	687,323	10,450,182	-
Compensated Absences	511,391	40,373	38,928	512,836	40,370
Workers' Compensation	684,401	133,780	100,165	718,016	103,265
Capital Leases	32,342	4,346	5,788	30,900	6,911
Claims and Judgments	62,849	12,200	23,886	51,163	37,778
Landfill Post Closure Care	49,433	-	13,136	36,297	1,217
Liability on Interest Rate Swaps	1,857	-	1,031	826	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	38,730,901	16,439,398	6,177,303	48,992,996	189,541
Governmental Activities Long-Term Liabilities	$ 62,670,002	$ 20,739,466	$ 8,911,874	$ 74,497,594	$ 2,262,093

[1] **In prior years, the General and Transportation funds have been used to liquidate other liabilities.**

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Revenue Bonds	$ 1,246,682	$ 428,687	$ 232,564	$ 1,442,805	$ 90,176
Plus/(Less) Premiums and Discounts	102,044	77,015	3,442	175,617	2,159
Total Revenue Bonds	1,348,726	505,702	236,006	1,618,422	92,335
Compensated Absences	192,180	37,237	36,670	192,747	53,480
Other	339,188	2,785	14,554	327,419	17,124
Total Other Liabilities	531,368	40,022	51,224	520,166	70,604
Business-Type Long-Term Liabilities	$ 1,880,094	$ 545,724	$ 287,230	$ 2,138,588	$ 162,939

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $37.8 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique and could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort. In addition, there are other polluted sites in the state that require remedial action by the State that will result in additional cleanup costs. The State did not recognize a liability for these costs at year end because it could not be reasonably estimated.

As of June 30, 2017, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt		Balance June 30, 2017		Amounts due within year
Bonds Payable	$	4,712,686	$	140,268
Escrow Deposits		182,370		43,612
Annuities Payable		125,434		6,384
Rate Swap Liability		144,257		-
Net Pension Liability		253,464		-
Other		65,221		3,200
Total	$	5,483,432	$	193,464

Not all component units report net pension liabilities; therefore the net pension liability in the notes is $6,287 higher than in the financial statements.

Landfill Closure and Postclosure Care

Public Act 13-247 and section 99 of Public Act 13-184 required the Materials Innovation and Recycling Authority to transfer all legally required reserves and obligations resulting from the closure of the authority's landfills located in Hartford, Ellington, Waterbury, Wallingford and Shelton to the State Department of Energy and Environmental Protection (DEEP). During the year ended June 30, 2014, the legal transfer of $35.8 million in post closure care obligations and the concurrent transfer of $31.0 million of Authority reserve funds to the State resulting from the closure of landfills was addressed by a memorandum of understanding ("MOU") between the Authority and DEEP.

By the end of the year ended June 30, 2015, all work associated with the closure of the five landfills was completed. Going forward DEEP is required to reimburse the authority for all postclosure care obligations as the five landfills are now certified as closed. All landfill expense reimbursements paid by DEEP totaled $1,216,746 in FY2017.

GASB Statement No.18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost* applies to closure and postclosure care costs that are paid near or after the date a landfill stops accepting waste. The State recognizes landfill expenditures and related General Fund liabilities using the modified accrual basis of accounting. DEEP estimates the State's landfill liability for closure and postclosure costs based on landfill capacity. Increases or decreases in such estimates are reported as additions or reductions in this line item of the State's long-term liabilities. The liability for these estimated costs is reduced when the costs are actually paid. Actual costs may be higher than estimated due to inflation or changes in permitted capacity, technology or regulation. As of June 30, 2013, all five of the landfills had no capacity available since 100 percent of their capacity had been used.

Note 17
Long-Term Notes and Bonded Debt

a. Economic Recovery Notes

In December 2009, Public Act 09-2 authorized the issuance $915.8 million of General Obligation Economic Recovery Notes which were used to fund a major portion of the State's General Fund deficit at that time. In October 2013, a portion of these notes were refunded when the State issued $314.3 million of General Obligation Refunding Notes which were issued in four series as variable-rate remarketed obligations (VRO) that ultimately mature on January 1, 2018. Any series of these notes may be converted by the State at any time from the VRO rate, which is determined by the remarketing agent on a daily basis, to another interest rate mode – such as an adjusted SIFMA rate mode.

If the State decides to convert the interest rate mode, each holder is required to tender their notes for conversion while the State has agreed to make available supplementary information describing the notes following the conversion. If any tendered VRO's of a series are not successfully remarketed they may continue to be owned by their respective holders until the VRO Special Mandatory Redemption Date. That series of notes in that case would bear interest at a higher stepped-up rate. The liquidity available to purchase tendered notes is only provided by remarketing resources and the State's general fund. In the opinion of management, the higher cost precludes the likelihood of conversion by the State. The original VRO interest rate modes remain in effect at the end of the fiscal year.

Total Economic Recovery and VRO Notes outstanding at June 30, 2017 were $177.1 million. The notes mature on various dates through 2018 and bear interest rates from 3.0 to 3.15 percent. Future amounts needed to pay principal and interest on these notes outstanding at June 30, 2017 were as follows (amounts in thousands):

Year Ending June 30,		Principal		Interest		Total
2018	$	177,120	$	3,958	$	181,078
Total	$	177,120	$	3,958	$	181,078

b. Primary Government – Governmental Activities

General Obligation Bonds

General Obligation bonds are those bonds that are paid out of the revenues of the General Fund and that are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued at June 30, 2017, were as follows (amounts in thousands):

Purpose of Bonds	Final Final Dates	Original Original Rates	Outstanding	Authorized But Unissued
Capital Improvements	2017-2037	2.00-5.75%	$ 4,087,112	$ 662,842
School Construction	2017-2037	1.70-5.750%	4,614,441	-
Municipal & Other Grants & Loans	2017-2036	1.00-5.632%	2,480,886	943,787
Housing Assistance	2017-2035	1.00-5.460%	427,847	195,951
Elimination of Water Pollution	2017-2035	2.00-5.09%	313,434	34
General Obligation Refunding	2017-2038	2.00-5.25%	3,582,785	-
GAAP Conversion	2017-2027	1.00-5.00%	494,535	-
Pension Obligation	2017-2032	4.75-6.27%	2,217,392	-
Miscellaneous	2017-2034	3.50-5.100%	50,360	31,751
			18,268,792	$ 1,834,365
Accretion-Various Capital Appreciation Bonds			129,762	
		Total	$ 18,398,554	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 1,403,467	$ 819,965	$ 2,223,432
2019	1,351,591	763,531	2,115,122
2020	1,295,076	708,077	2,003,153
2021	1,273,786	652,455	1,926,241
2022	1,238,814	646,937	1,885,751
2023-2027	5,704,348	2,420,148	8,124,496
2028-2032	4,562,095	943,211	5,505,306
2033-2037	1,437,505	131,618	1,569,123
2038-2042	2,110	85	2,195
Total	$ 18,268,792	$ 7,086,027	$ 25,354,819

Transportation Related Bonds

Transportation Related bonds include special tax obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the Debt Service Fund for retirement of principal and interest.

Transportation Related bonds outstanding and bonds authorized but unissued at June 30, 2017, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2018-2037	2.00-5.740%	$ 5,041,840	$ 2,911,718
			5,041,840	$ 2,911,718
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 5,041,840	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 301,345	$ 241,891	$ 543,236
2019	295,190	228,146	523,336
2020	293,820	214,067	507,887
2021	308,960	199,907	508,867
2022	289,370	185,150	474,520
2023-2027	1,471,955	706,435	2,178,390
2028-2032	1,356,525	337,082	1,693,607
2033-2037	724,675	66,324	790,999
	$ 5,041,840	$ 2,179,002	$ 7,220,842

c. Primary Government – Business–Type Activities

Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the Enterprise funds and Component Units.

Enterprise funds' revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
UConn	2017-2030	1.5-5.5%	$ 105,955
Board of Regents	2017-2036	2.0-6.0%	338,745
Clean Water	2017-2035	2.0-5.0%	852,147
Drinking Water	2017-2035	2.0-5.0.%	117,943
Bradley Parking Garage	2017-2024	6.5-6.6%	28,015
Total Revenue Bonds			1,442,805
Plus/(Less) premiums and discounts:			
UConn			17,854
Board of Regents			17,963
Clean Water			122,194
Other			17,606
Revenue Bonds, net			$ 1,618,422

The University of Connecticut has issued student fee revenue bonds to finance the costs of buildings, improvements and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport. As of June 30, 2017, $28.0 million of these bonds are outstanding.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 90,176	$ 63,977	$ 154,153
2019	89,635	61,875	151,510
2020	96,340	57,777	154,117
2021	85,160	53,301	138,461
2022	99,635	49,328	148,963
2023-2027	410,895	184,645	595,540
2028-2032	369,094	88,863	457,957
2033-2037	201,870	22,025	223,895
Total	$ 1,442,805	$ 581,791	$ 2,024,596

d. Component Units

Component Units' revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2017-2055	0.0-6.625%	$ 4,069,091
CT Student Loan Foundation	2034-2046	0.264-2.639%	232,050
CT Higher Education Supplemental Loan Authority	2018-2036	.40-5.25%	157,465
CT Airport Authority	2018-2032	%/1 mth libor	116,290
CT Regional Development Authority	2017-2034	1.00-7.00%	82,685
UConn Foundation	2017-2029	1.90-5.00%	19,955
CT Green Bank	2017-2036	4.19%	2,958
CT Innovations Inc.	2017-2020	2.37-5.25%	1,735
Total Revenue Bonds			4,682,229
Plus/(Less) premiums and discounts:			
CHFA			28,459
CSLF			(542)
CHESLA			3,237
UConn Foundation			(393)
CRDA			(304)
Revenue Bonds, net			$ 4,712,686

Revenue bonds issued by the Component Units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Following the merger of the operations of the Connecticut Development Authority, Connecticut Innovations, Incorporated (CII) assumed responsibility for the former authority's Special Obligation Industrial revenue bonds. The bonds were issued to finance such projects as the acquisition of land, the construction of buildings, the purchase and installation of machinery, equipment, and pollution control facilities. These activities are financed under its Self-Sustaining Bond Program which is described in the no-commitment debt section of this note. In addition, CII has $1.7 million in General Obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72; a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2016, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $3,693.8 million, $56.6 million, and $347.2 million respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's General fund, and (3) all monies and securities of the Authority's General and Capital Reserve funds. The resolution and indenture Capital Reserve funds are required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in any succeeding calendar year on all outstanding bonds. The required reserves are $284.8 million per the resolution and $4.6 million per the indenture at 12/31/16. As of

December 31, 2016, the Authority has entered into interest rate swap agreements for $841.2 million of its outstanding variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Materials, Innovation, and Recycling Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's Revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Capital Reserves

Each Authority has established Special Capital Reserve funds that secure all the outstanding bonds of the Authority at year-end. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so.

The Capital Region Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered into a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed $9.0 million in any calendar year. The bonds are secured by energy fees from the central utility plant and by parking fees subject to the Travelers Indemnity Company parking agreement.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 140,265	$ 144,655	$ 284,920
2019	153,461	138,797	292,258
2020	164,848	134,967	299,815
2021	172,319	129,672	301,991
2022	196,430	124,674	321,104
2023-2027	902,197	533,335	1,435,532
2028-2032	964,820	375,720	1,340,540
2033-2037	809,506	231,890	1,041,396
2038-2042	594,134	124,201	718,335
2043-2047	497,420	96,897	594,317
2048-2052	60,775	11,983	72,758
2053-2057	26,054	6,161	32,215
	$ 4,682,229	$ 2,052,952	$ 6,735,181

No-commitment debt

Under the Self-Sustaining Bond program, acquired from its combination with the Connecticut Development Authority, Connecticut Innovations, Inc., issues revenue bonds to finance such projects as described previously in the Component Unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2017 were $370.6 million.

The Connecticut Health and Educational Facilities Authority has issued Special Obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total Special Obligation bonds outstanding at June 30, 2017, were $8,219.0 million, of which $338.7 million was secured by Special Capital Reserve funds.

The Materials, Innovation, and Recycling Authority has served as a conduit issuer for debt to fund the construction of waste processing facilities by independent contractor-operators. The outstanding debt is secured by loan agreements, between the authority and independent contractor-operators, which have been assigned to the trustee for the debt, and through additional corporate guarantee agreements between the trustee and third party guarantors. The payment of the debt is not guaranteed by the Authority or the State.

Thus the assets and liabilities related to the debt are not included in the Authority's financial statements. The amount of the debt outstanding at June 30, 2017 is zero.

e. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of $626.7 million at an average coupon interest rate of 4.73 percent to advance refund $668.5 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 4.86 percent. Although the advance refunding resulted in a $397 thousand accounting loss, the State in effect reduced its aggregate fund level debt service payments by $62.5 million over the next 8 years. The present value of these savings represents an economic gain (difference between the present values of the debt service payments of the old and the new bonds) of $55.7 million.

The proceeds of the refunding bonds were used to purchase U.S. Government securities which were deposited into irrevocable trust accounts with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

Additional defeasance occurred during the fiscal year when the State issued General Obligation SIFMA index demand bonds totaling $134.9 million at an average coupon variable interest rate of 1.574 percent. The resulting cash flow savings on the variable interest rate SIFAMA index refunding bonds was $696.7 thousand.

In prior years, the State placed the proceeds of refunding bonds in irrevocable trust accounts to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2017, the outstanding balance of bonds defeased in prior years was approximately $631.4 million.

Note 18
Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit (credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges: Pay-fixed interest rate swap	Deferred outflow of Resources	$ 1,031	Deferred outflow of Resources	$ (826)	$ 20,000

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' governmental activities hedging derivative instruments outstanding at June 30, 2017, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amounts (000's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	$ 20,000	4/27/2005	6/1/2020	Pay 5.2% receive CPI plus 1.79%	Aa3/A
	Total Notional Amount	$ 20,000				

The fair values of interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

Credit Risk

As of June 30, 2017, the State had no credit risk exposure on any of the swaps because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

Basis Risk

The State's variable-rate bond interest payments are based on the CPI floating rate. As of June 30, 2015 the State receives variable-rate payments from the counterparty based on the same CPI floating rate.

Termination Risk

The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 2005 swap agreements, the State has up to 270 days to fund any required termination payment.

Rollover Risk

Because all of the swap agreements terminate when the associated debt is fully paid, the State is only exposed to rollover risk if an early termination occurs. Upon an early termination, the State will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Hedging Derivative Instrument Payments and Hedged Debt

As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2017, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows
(amounts in thousands):

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending June 30,	Principal	Interest	SWAP, Net	Total
2018	$ -	$ 650	$ 390	$ 1,040
2019	-	651	389	1,040
2020	20,000	652	388	21,040
	$ 20,000	$ 1,953	$ 1,167	$ 23,120

Note 19
Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

	Risk Financed by	
Risk of Loss	Purchase of Commercial Insurance	Self-Insurance
Liability (Torts):		
-General (State buildings, parks, or grounds)		X
-Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions:		
-Professional liability	X	
-Medical malpractice (John Dempsey Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per Statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut and Health Center fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net position (government-wide and proprietary fund statements) when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General Fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the claims liabilities during the last two fiscal years were as follows (amounts in thousands):

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-15	$ 651,184	$ 26,750
Incurred claims	136,682	9,210
Paid claims	(103,465)	(4,368)
Balance 6-30-16	684,401	31,592
Incurred claims	133,780	-
Paid claims	(100,165)	(6,735)
Balance 6-30-17	$ 718,016	$ 24,857

Note 20
Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2017, were as follows (amounts in thousands):

	Balance due to fund(s)											
	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	Board of Regents	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)												
General	$ -	$ -	$ 270	$ 5	$ 262,222	$ 45,101	$ 38,605	$ 856	$ 4,980	$ 4,263	$ -	$ 356,302
Debt Service	-	1,419	-	-	-	-	-	-	-	-	-	1,419
Restricted Grants & Accounts	3,360	-	-	-	-	-	-	-	-	-	6,520	9,880
Grant & Loan Programs	31	-	-	-	-	-	-	-	-	-	-	31
Other Governmental	2,348	-	-	-	16,401	81,692	104,464	-	-	-	-	204,905
UConn	20,904	-	-	-	-	-	-	-	-	-	-	20,904
Board of Regents	4,098	-	-	-	-	-	-	-	-	-	-	4,098
Employment Security	-	-	-	-	439	-	-	-	-	-	-	439
Internal Services	12,931	-	-	-	-	-	-	-	-	-	-	12,931
Fiduciary	-	-	-	-	379	-	-	-	-	1,890	-	2,269
Component Units	36,918	-	992	-	-	-	-	-	-	-	-	37,910
Total	$ 80,590	$ 1,419	$ 1,262	$ 5	$ 279,441	$ 126,793	$ 143,069	$ 856	$ 4,980	$ 6,153	$ 6,520	$ 651,088

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

Note 21
Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2017, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)								
	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	Board of Regents	Clean Water & Drinking Water	Total
Amount transferred from fund(s)									
General	$ -	$ -	$ -	$ -	$ 89,108	$ 991,429	$ 560,058	$ -	$ 1,640,595
Debt Service	-	-	-	-	7,294	-	-	-	7,294
Transportation	-	548,532	-	-	-	-	-	-	548,532
Restricted Grants & Accounts	1,051	-	-	-	57,443	-	-	-	58,494
Grants & Loan Programs	-	-	-	-	94,549	-	-	-	94,549
Other Governmental	390,344	44,434	6,430	177,420	768	10,895	114,602	674	745,567
Internal Service	2,250	-	-	-	-	-	-	-	2,250
Employment Security	-	-	-	-	10,176	-	-	-	10,176
Clean Water & Drinking Water	-	-	-	-	526	-	-	-	526
Total	$ 393,645	$ 592,966	$ 6,430	$ 177,420	$ 259,864	$ 1,002,324	$ 674,660	$ 674	$ 3,107,983

Transfers were made to (1) move revenues from the fund that budget or statute requires to collect them to the fund that budget or statute requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

Note 22
Fund Balance Classifications and Restricted Net Position

Fund Balance – Restricted and Assigned

As of June 30, 2017 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 506,738	$ -
Environmental Programs	24,751	-
Housing Programs	320,192	-
Employment Security Administration	13,509	-
Banking	2,496	-
Other	97,809	5,207
Total	$ 965,495	$ 5,207

Restricted Net Position

As of June 30, 2017, the government-wide statement of net position reported $3,906 million of restricted net position, of which $114.8 million was restricted by enabling legislation.

Note 23

Tax Abatements

For financial purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens.

Film, Television, and Digital Media Tax Program

This program assists film, television and digital media companies with direct financial assistance programs. Including but not limited to loans, grants, and job expansion tax credits structured to incentivize relocation to Connecticut and the growth and development of current Connecticut-based companies.

Beginning after January 1, 2010, (a) an eligible production company that incurs production expenses of not less than $100 thousand, but not more than $500 thousand, will be eligible for a credit against the tax imposed equal to ten percent of such production expenses, (b) a production company incurring expenses of more than $500 thousand, but not more than $1 million, will be eligible for a credit against the tax imposed equal to fifteen percent of production expenses, and (c) a production company incurring expenses of more than $1 million will be eligible for a credit against the tax imposed (chapter 207, section 12-217jj) equal to thirty percent of production expenses.

No eligible company incurring an amount of production expenses that qualifies for a tax credit shall be eligible unless on or after January 1, 2010, the company conducts (1) not less than fifty percent of principal filming days within the state, or (2) expends not less than fifty percent of postproduction costs within the state, or (3) expends not less than $1 million of postproduction costs within the state.

An eligible production company shall apply to the Department of Economic and Community Development (DECD) for a tax credit voucher on an annual basis, but not later than ninety days after the first production expenses are incurred in the production of a qualified production, and will provide with the application information that DECD may require to determine if the company is eligible to claim a credit.

Urban and Industrial Sites Reinvestment Tax Program

This tax program is designed to encourage development and redevelopment activities in eligible communities and to encourage private investment in contaminated properties.

In accordance with Chapter 578 section 32-9t of the General Statutes taxpayers who make investments in eligible urban reinvestment projects or eligible industrial site investment projects may be allowed a tax credit against the tax imposed under chapter 207 and 212a or section 38a-743 in the General Statutes, an amount equal to the following percentage of approved investments made by or on behalf of a taxpayer with respect to the following income years of the taxpayer: (a) the income year in which the investment in the project was made and the next two succeeding income years, zero percent; (b) in the third full income year succeeding the year in which the investment was made and the three succeeding years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the eligible project was made and the next two succeeding year, twenty percent. The sum of all tax credits shall not exceed $100 million to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner at DECD. The sum of all tax credits under the provisions of this section should not exceed $950 million.

Tax credits allowed may be claimed by a taxpayer who has made an investment (1) directly only if the investment has a total asset value, either alone or combined with other investors in an eligible project, of not less than $5 million or, in the case of an investment in an eligible project for the preservation of a historic facility and redevelopment of the facility for combined uses which includes at least four housing units, the total asset value should not be less than $2 million; (2) an investment managed through a fund manager only if such fund: (a) has a total asset value of not less than $60 million for the income year for which the initial credit is taken; and (b) has not less than three investors who are not related persons with respect to each other or to any person in which any investment is made other than through the fund a the date the investment is made; or (3) through a community development entity or a contractually bound community development entity. A tax credit made through a fund, should only be available for investments in funds that are not open to additional investments beyond the amount set forth at the formation of the fund.

Insurance Reinvestment Fund Program

The purpose of the Insurance Reinvestment Fund Program is to capitalize on the base of local insurance expertise and help people laid off after the massive restructuring of the insurance industry. The program was also intended to encourage small insurance startups and specialty insurance businesses in Connecticut companies engaged in the insurance business or providing services to insurance companies.

In accordance with Chapter 698 section 38a-88 a tax credit is allowed against the tax imposed under chapter 207, 208, or 229 or section 38a-343 an amount equal to the following percentage of the moneys of the taxpayer invested through a fund manager in an insurance business with respect to the following income years of the taxpayer: (a) in the initial income year in which the investment in the insurance business was made and two succeeding income years, zero percent; (b) with respect to the third full income year in which the investment in the insurance business was made and the next three succeeding income years, ten percent: (c) in the seventh full income year succeeding the year in which the investment in the insurance business was made and the next two succeeding income years, twenty percent. The sum of all tax credits shall not exceed $15 million with respect to investment made by a fund or funds in any single insurance business, and with respect to all investments made by a fund shall not exceed the total amount originally invested in the fund. A fund manager may apply to the Commissioner of DECD for a credit that is greater than the limitations established by law.

The tax credit allowed may be claimed by a taxpayer who has invested in an insurance business through a fund (a) which has total assets of not less than $30 million for the income year for which the initial credit is taken; (b) has not less than three investors who are not related persons with respect to each other or to any insurance business in which any investment is made other than through the fund at the date the investment is made; and (c) which invests only in insurance businesses that are not related persons to each other.

The credit allowed may only be claimed with respect to an insurance business which (a) occupies the new facility for which an eligibility certificate has been issued by the Commissioner of DECD, or the certificate has been issued as its home office, and (b) employs not less than twenty-five percent of its total work force in new jobs.

The maximum allowed credit shall be $350 million in total and $40 million per year.

Enterprise Zone Property Tax Reimbursement Program

The enterprise zone program offers various tax incentives and other benefits to businesses that start up or improve real property in areas designated as enterprise zones. This designation is one of several geographic designations the state uses to target economic development assistance (e.g., distressed municipalities).

In 1981, Connecticut became the first state to establish an enterprise zone program when the legislature authorized the DECD commissioner to designate six zones based on statutory criteria (PA 81-445). Over the past several decades, the legislature has made many changes to the program, including expanding the number of zones, changing the eligibility criteria for zone designation, and adding to the types of businesses eligible for benefits under the program.

In most instances, the legislature authorized the DECD commissioner to approve a specified number of zones according to broad eligibility criteria. For example, the initial two designation rounds authorized a total of 10 zones—four in municipalities with a population of 80,000 or more and six in municipalities with a population of fewer than 80,000. The proposed zones also had to meet specific poverty criteria (e.g., 25 percent of the proposed zone's population had to be below the federal poverty level or unemployed).

However, the legislature has shifted from this practice, authorizing additional zones based on narrower designation criteria. For example, in 1993 it authorized two additional enterprise zones in municipalities with a population of 80,000 or less that are affected by plant or military base closings (PA 93-331). In 2014, it required the commissioner to approve two additional zones based on population criteria tailored for two specific towns (Thomaston and Wallingford) (PA 14-217). It has also authorized the DECD commissioner to designate zones, under narrow criteria, in addition to those authorized in statute.

There are eighteen enterprise zones currently designated, and one (Wallingford) which has been authorized by the legislature but not yet designated by DECD. The designated enterprise zones are in the following towns: Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Thomaston, Waterbury, and Windham.

The zones' benefits are generally available to businesses that start up in the zone or that improve property or relocate there. The benefits include: (1) a five-year, state-reimbursed, 80 percent property tax exemption for improving or acquiring manufacturing facilities (see below) and acquiring machinery and equipment. The state generally reimburses the municipality for half the forgone property tax revenue (CGS 12-81 (59); (2) a 10-year, 25 percent corporate business tax credit attributed to facility improvements. The credit increases to 50 percent for certain businesses that meet resident employment criteria (CGS 12-217e); (3) a seven-year property tax exemption (100 percent in first two years, 50 percent in third, and a decrease to 10 percent in each of the remaining four years), with no state reimbursement, for commercial and residential real property improvements that do not qualify for the 5-year, 80 percent exemption (other than improvements to manufacturing facilities, as defined below) (CGS 32-71); (4) a 10-year corporate business tax credit (100 percent for first three years, 50 percent for next seven years) for starting a new business in an enterprise zone (business must employ a certain number of residents to qualify) (CGS 12-217v).

Many enterprise zone benefits are available only to manufacturing facilities, but the statutory definition of this term includes certain facilities used for non-manufacturing purposes (CGS 32-9p(d)). For the purpose of the enterprise zone program, manufacturing facilities refers to any plant, building, or other real property improvement that is located in an enterprise zone and used as follows: (1) for manufacturing, processing, or assembling raw materials, parts, or manufactured products; (2) for manufacturing-related research and development; (3) for servicing industrial machinery and equipment; (4) by a business that the commissioner determines (a) will materially contribute to the economy, or (b) is part of a group of industries linked by customer, supplier, or other relationships (CGS 32-222); or (5) by a business engaged in any of a number of specified industries, including fishing, hunting, and trapping; other types of manufacturing ; transportation and warehousing; certain financial and insurance services; certain educational services; child day care services; computer hardware, software, or networking; and telecommunications or communications.

The law designates municipalities that contain enterprise zones as "targeted investment communities" (TICs), and businesses located in these municipalities, but outside the enterprise zone, are eligible for certain benefits, including: (1) a five-year, state-reimbursed property tax exemption for improving manufacturing facilities. The exemption varies depending on the value of improvements, up to a maximum of 80 percent for improvements valued over $90 million (CGS 12-81(60); (2) a 10-year corporate business tax credit attributed to improving manufacturing facilities in TICs. The credit varies from 15 percent to 50 percent depending on the number of new employees (CGS 12-217e).

Information relevant to the disclosure of these programs is as follows:

Tax Abatement Program	Amount of Taxes Abated
The Film, Television, and Digital Media Tax Program	
Corporate Income Tax (as of 6/30/2016)	$92,926,361
The Urban and Industrial Sites Reinvestment Tax Program	
Corporate Income Tax (as of 6/30/16)	41,000,000
The Insurance Reinvestment Fund Program	
Corporate Income Tax (as of 12/31/2016)	20,000,000
Enterprise Zone Property Tax Reimbursement Program	
Property Tax (6/30/2015)	4,884,678

Note 24
Related Organizations

The Community Economic Development Fund and Connecticut Health Insurance Exchange are legally separate organizations that are related to the State because the State appoints a voting majority of the organizations governing board. However, the State's accountability for these organizations does not extend beyond making the appointments.

Note 25
New Accounting Pronouncements

In 2017, The State implemented the following statements issued by the Governmental Accounting Standards Board ("GASB").

Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (Statement No. 74) - GASB Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefit (OPEB) plans other than pension plans. It also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements.

Tax Abatement Disclosures (Statement No. 77) - This Statement establishes financial reporting standards for tax abatement agreements entered into by the State. The disclosures required by this Statement include tax abatements resulting from (a) agreements that are entered into by the State and (b) agreements that are entered into by other governments that reduce the State's tax revenues. The adoption of this Statement had no significant impact on the State's financial statements.

Certain External Investment Pools and Pool Participants (Statement No. 79) – This Statement establishes accounting and financial reporting criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. While certain provisions of Statement No. 79 were effective for fiscal year 2016 reporting, its provisions related to portfolio quality, custodial credit risk, and shadow pricing are effective for fiscal year 2017 reporting.

Note 26
Commitments and Contingencies

a. Commitments

Primary Government
Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2017, the Departments of Transportation and Construction Services had contractual commitments of approximately $3,151 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $3,032 million.

Clean and drinking water loan programs $387 million.
Various programs and services $5,425 million.

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units
As of December 31, 2016, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $137.1 million.

b. Contingent Liabilities

The State entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

As of June 30, 2016, the State reported an escheat liability of $387.2 million in the General fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of $411.7 million in the future.

Grant amounts received or receivable by the State from federal agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal government cannot be determined at this time, although the State expects such amounts, if any, to be immaterial.

c. Litigation

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures nor revenue sources of the State.

d. Lease/Lease Back Transaction

On September 30, 2003 the State executed a U.S. Lease-to-Service Contract of Rolling Stock Agreement (Agreement) whereby the state entered into a head lease of certain rolling stock consisting of rail coaches and locomotives to statutory trusts established for the benefit of three equity investors. Simultaneously, the State executed sublease agreements to lease back the rolling stock in order to allow the State to have continued use of the property. The terms of the head leases are for periods ranging from 40 years to 67 years, expiring through March 2071, while the subleases have terms ranging from 18 years to 28 years, expiring through January 2032. At the end of the respective sublease terms, the State will have the option to purchase the statutory trusts' interest in the rolling stock for an aggregate fixed price.

Proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earning thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. Although it is remote that the State will be required to make any additional payments under the sublease, the State is and shall remain liable for all of its obligations under the subleases. As of June 30, 2017 there were no longer any outstanding balances or commitments under the Agreements or subleases.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Note 27
Subsequent Events

In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in the footnotes. The effect of this evaluation led the State to report the following events which took place after the State's fiscal year end date through to the date these financial statements were issued. The subsequent information regarding the Connecticut Housing Finance Authority are events which took place after their fiscal year end of December 31, 2016.

In December 2017, the State issued $450.0 million of Taxable General Obligation bonds. The taxable 2017 Series-A bonds mature in 2028 and bear coupon interest rates ranging from 2.30 to 3.75 percent. The bonds will fund economic development, housing projects, higher education technology, Town Road Aid, grants-in-aid to towns, grants to hospitals, Jackson Labs, the Small Business Express program, the Manufacturing Innovation Fund, and the BioScience Innovation Fund.

In December 2017, the State issued $400.0 million of nontaxable General Obligation Bond Anticipation Notes. The nontaxable 2017 Series-A Notes having a coupon interest rate of 5.0 percent, are expected to be converted to long-term bonds in September 2018. The notes will fund a variety of projects including grants-in-aid to towns and school districts, fire training schools, housing projects, higher education, libraries, environmental and brownfield remediation, Clean Water Fund grants, technology upgrades, and demolition, construction and renovation at state-owned facilities.

In December 2017, the Connecticut Higher Education Supplemental Loan Authority issued $11.3 million of revenue bonds. The Series C bonds mature in 2034 and bear interest rates ranging from 3.5 to 5.0 percent. The proceeds will support the authority's loan program-Special Capital Reserve fund.

On January 5, 2017, the Connecticut Housing Finance authority (CHFA) issued $37.4 million of Special Needs Housing Program bonds. On February 6, 2017 $29.9 million of these proceeds were used to refund a portion of the authority's outstanding bonds and $9.9 million was used to finance 19 group homes for individuals with special needs.

On March 2, 2017 the Connecticut Housing Finance authority (CHFA) issued $266 million of Housing Mortgage Finance Program bonds, $141 million of the proceeds were used to refund a portion of the authority's outstanding bonds. The remaining $125 million was used for single family loans and mortgage backed security purchases. On the same date, to secure the liquidity and potential remarketing of the 2017 Sub-series A-3 variable rate bonds with a principal balance of $38 million, CHFA entered into Stand-By Bond Purchase with Landesbank Hessen-Thuringen and a Remarketing Agreement with Merrill Lynch. In addition a new swap agreement effective March 2, 2017 was established with the Royal Bank of Canada. More information concerning these transactions can be obtained from separately issued financial statements published by CHFA having a fiscal year end of December 31, 2016.

CHFA issued Housing Mortgage Finance Program bonds on April 18, 2017 for $125 million 2017 Series B, on May 11, 2017 for $175 million 2107 Series C, on August 9, 2017 for $175 million 2017 Series D, on October 25, 2017 for $49.9 million 2017 Series E, on November 14, 2017 for $229.2 million S229.2 million 2017 Series F. The proceeds from these bonds were used for the single family and multifamily programs and to refund prior bonds. On August 1, 2017, CHFA entered into a new Stand-By Bond Purchase Agreement with TD Bank, N.A. and Remarketing Agreement with TD Securities LLC to secure the liquidity and remarketing needs of 2017D-3 variable rate bond in the principal amount of $50 million issued under the General Resolution. On November 14, 2017, CHFA entered into a new Stand-By-Purchase Agreement with Barclays Bank PLC and Remarketing Agreement with Barclays Capital Inc. to secure the liquidity and remarketing needs of 2017F-3 variable rate bond in the principal amount of $44.8 million issued under the General Resolution.

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGET

Required supplementary information for budget provides information on budget versus actual revenues, expenditures and changes in fund balance and related note disclosure for statutory reporting.

The following schedules are included in the Required Supplementary Information for Budget:

- Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual (Budgetary Basis—Non-GAAP):
  - General Fund and Transportation Fund

- Notes to Required Supplementary Information: Statutory Reporting

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
GENERAL AND TRANSPORTATION FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 15,519,900	$ 15,052,900	$ 15,055,526	$ 2,626
Casino Gaming Payments	267,000	269,900	269,906	6
Licenses, Permits, and Fees	269,200	275,200	275,386	186
Other	393,400	526,900	523,304	(3,596)
Federal Grants	1,257,600	1,325,200	1,325,237	37
Refunds of Payments	(66,100)	(44,200)	(44,199)	1
Operating Transfers In	464,000	447,000	447,015	15
Operating Transfers Out	(58,100)	(58,100)	(58,100)	-
Transfer to/from the Resources of the General Fund	(160,200)	(76,700)	(91,107)	(14,407)
Total Revenues	17,886,700	17,718,100	17,702,968	(15,132)
Expenditures				
Budgeted:				
Legislative	80,274	80,296	66,545	13,751
General Government	602,960	603,158	584,707	18,451
Regulation and Protection	290,735	299,862	274,414	25,448
Conservation and Development	193,090	193,090	181,061	12,029
Health and Hospitals	1,217,226	1,224,852	1,189,787	35,065
Transportation	-	-	-	-
Human Services	3,743,458	3,743,458	3,624,957	118,501
Education, Libraries, and Museums	5,081,647	5,089,114	5,003,922	85,192
Corrections	1,417,988	1,417,988	1,397,113	20,875
Judicial	597,599	597,896	552,370	45,526
Non Functional	4,949,936	4,950,250	4,888,164	62,086
Total Expenditures	18,174,913	18,199,964	17,763,040	436,924
Appropriations Lapsed	190,829	420,061	-	(420,061)
Excess (Deficiency) of Revenues Over Expenditures	(97,384)	(61,803)	(60,072)	1,731
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	96,559	96,559	96,559	-
Appropriations Continued to Fiscal Year 2018	-	-	(60,237)	(60,237)
Miscellaneous Adjustments	410	1,054	1,054	-
Total Other Financing Sources (Uses)	96,969	97,613	37,376	(60,237)
Net Change in Fund Balance	$ (415)	$ 35,810	(22,696)	$ (58,506)
Budgetary Fund Balances - July 1			46,458	
Changes in Reserves			134,094	
Budgetary Fund Balances - June 30			$ 157,856	

The information about budgetary reporting is an integral part of this schedule.

Transportation Fund

Budget			Variance with Final Budget positive
Original	**Final**	**Actual**	**(negative)**
$ 1,050,800	$ 994,900	$ 996,904	$ 2,004
-	-	-	-
403,300	386,300	386,939	639
8,500	8,100	8,995	895
12,100	12,100	12,168	68
(3,800)	(4,100)	(4,103)	(3)
-	-	-	-
(6,500)	(6,500)	(6,500)	-
-	-	-	-
1,464,400	1,390,800	1,394,403	3,603
-	-	-	-
8,961	8,961	6,221	2,740
77,442	77,442	63,812	13,630
2,799	2,799	2,663	136
-	-	-	-
618,385	618,385	604,733	13,652
2,371	2,371	2,371	-
-	-	-	-
-	-	-	-
-	-	-	-
788,060	788,060	752,050	36,010
1,498,018	1,498,018	1,431,850	66,168
15,300	44,701	-	(44,701)
	-		
(18,318)	(62,517)	(37,447)	25,070
22,610	22,610	22,610	-
-	-	(30,389)	(30,389)
-	-	-	-
22,610	22,610	(7,779)	(30,389)
$ 4,292	$ (39,907)	(45,226)	$ (5,319)
		165,451	
		7,779	
		$ 128,004	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

STATUTORY REPORTING

A. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund, and the Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carryforwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carryforward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "statutory" basis of accounting that utilizes the accounting standards that were applied in the budget act and related legislation. Commencing in Fiscal Year 2014, appropriations were made to legislatively budgeted funds to account for expense accruals. The actual expense accruals were posted using the same methodology described above for the governmental fund financial statements. Revenues were recognized when received except in the General Fund and Transportation Fund. In those two funds certain taxes and Indian gaming payments are recognized within a statutory accrual period as approved by the State Comptroller. The state's three major tax categories (the personal income tax, the sales and use tax, and the corporation tax), among other taxes, are subject to statutory accrual. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for the General and Transportation funds. During the 2017 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

B. Reconciliation of Budget/GAAP Reporting Differences

The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) – General Fund and Transportation Fund*, presents comparisons of the legally adopted budget (which is more fully described in section A, above) with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between statutory financial data and GAAP financial data.

- Revenues are recorded when received in cash except for certain year-end accruals statutory basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

- Certain expenditures are not subject to accrual for budgeting purposes and are recorded when paid in cash (statutory basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).

- For statutory reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as committed fund balance.

The following table presents a reconciliation of differences between the statutory change in fund balance and the GAAP change in fund balance at June 30, 2017. Amounts are expressed in thousands.

	General Fund	Transportation Fund
Net change in fund balances (statutory basis)	$ (22,696)	$ (45,226)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	137,398	6,467
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	19,779	1,100
Salaries and Fringe Benefits Payable	22,778	1,621
Increase (Decrease) in Continuing Appropriations	(36,322)	7,779
Fund Reclassification-Bus Operations	-	1,265
Net change in fund balances (GAAP basis)	$ 120,937	$ (26,994)

C. Budget Reserve Fund ("Rainy Day Fund")

In accordance with Section 4-30a of the Connecticut State Statutes, the State maintains a Budget Reserve ("Rainy Day") Fund. Per section 4-30a after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus, and after any required transfers have been made, the surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Moneys shall be expended only when in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary.

Historically, resources from the Rainy Day Fund have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted. During fiscal year 2018 a withdrawal of $22.7 million will be made to cover the budgetary shortfall in fiscal year 2017.

After the transfer is made to cover the shortfall in fiscal year 2017 the Budget Reserve Fund will have a balance of $212.9 million. Effective February 28, 2003, the amount on deposit cannot exceed 10 percent of the net General Fund appropriations for the current fiscal year.

Changes to the Budget Reserve Fund in PA 15-244

PA 15-244, the fiscal year 2016 and fiscal year 2017 budget bill, establishes, beginning in fiscal year 2021, requires revenue collected from the estimated and final payments portion of the personal income tax and the corporation business tax must be in excess of a calculated threshold to be deposited into the Budget Reserve Fund at the close of each fiscal year. The act allows for the threshold to be adjusted for changes in tax policy that impact the corporation business tax or the personal income tax.

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REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS

Required supplementary information for pension plans provides information on the sources of changes in net pension liabilities, information about the components of net pension liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Pension Plans includes the following schedules:

Schedule of Changes in the Net Pension Liability and Plan Net Position
Schedule of Employer Contributions
Schedule of Investment Returns

REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION

Last Three Fiscal Years*

(Expressed in Thousands)

SERS	2016	2015	2014
Total Pension Liability			
Service Cost	$ 322,114	$ 310,472	$ 287,473
Interest	2,105,947	2,052,651	1,998,736
Difference between expected and actual experience	772,762	-	-
Changes of assumptions	4,959,705	-	-
Benefit payments	(1,729,181)	(1,650,465)	(1,563,029)
Refunds of contributions	(7,098)	(7,124)	(3,935)
Net change in total pension liability	6,424,249	705,534	719,245
Total pension liability - beginning	27,192,467	26,486,933	25,767,688
Total pension liability - ending (a)	**$ 33,616,716**	**$ 27,192,467**	**$ 26,486,933**
Plan net position			
Contributions - employer	$ 1,501,805	$ 1,371,651	$ 1,268,890
Contributions - member	135,029	187,339	144,807
Net investment income	(100)	294,412	1,443,391
Benefit payments	(1,729,181)	(1,650,465)	(1,563,029)
Administrative expense	(651)	-	-
Refunds of contributions	(7,098)	(7,124)	(3,935)
Other	85,608	-	-
Net change in plan net position	(14,588)	195,813	1,290,124
Plan net position - beginning	10,668,380	10,472,567	9,182,443
Plan net position - ending (b)	**$ 10,653,792**	**$ 10,668,380**	**$ 10,472,567**
Ratio of plan net position to total pension liability	31.69%	39.23%	39.54%
Net pension liability - ending (a) -(b)	**$ 22,962,924**	**$ 16,524,087**	**$ 16,014,366**
Covered-employee payroll	$ 3,720,751	$ 3,618,361	$ 3,487,577
Net pension liability as a percentage of covered-employee payroll	617.16%	456.67%	459.18%

TRS	2016	2015	2014
Total Pension Liability			
Service Cost	$ 419,616	$ 404,449	$ 347,198
Interest	2,228,958	2,162,174	2,090,483
Difference between expected and actual experience	(375,805)	-	-
Changes of assumptions	2,213,190	-	-
Benefit payments	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	(50,329)	-
Net change in total pension liability	2,747,828	742,886	700,537
Total pension liability - beginning	27,092,095	26,349,209	25,648,672
Total pension liability - ending (a)	**$ 29,839,923**	**$ 27,092,095**	**$ 26,349,209**
Plan net position			
Contributions - employer	$ 975,578	$ 984,110	$ 948,540
Contributions - member	293,493	228,100	261,213
Net investment income	(18,473)	452,942	2,277,550
Benefit payments	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	(50,329)	-
Other Changes	(37,648)	57,749	(5,307)
Net change in plan net position	(525,181)	(100,836)	1,744,852
Plan net position - beginning	16,120,053	16,220,889	14,462,903
Plan net position - ending (b)	**$ 15,594,872**	**$ 16,120,053**	**$ 16,207,755**
Ratio of plan net position to total pension liability	52.26%	59.50%	61.51%
Net pension liability - ending (a) -(b)	**$ 14,245,051**	**$ 10,972,042**	**$ 10,141,454**
Covered-employee payroll	$ 4,125,066	$ 4,078,367	$ 3,831,624
Net pension liability as a percentage of covered-employee payroll	345.33%	269.03%	264.68%

REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION

Last Three Fiscal Years*

(Expressed in Thousands)

JRS	2016	2015	2014
Total Pension Liability			
Service Cost	$ 8,508	$ 8,142	$ 7,539
Interest	28,251	27,240	26,301
Difference between expected and actual experience	(9,380)	-	-
Changes of assumptions	64,604	-	-
Benefit payments	(22,994)	(22,541)	(21,668)
Net change in total pension liability	68,989	12,841	12,172
Total pension liability - beginning	364,614	351,773	339,601
Total pension liability - ending (a)	**$ 433,603**	**$ 364,614**	**$ 351,773**
Plan net position			
Contributions - employer	$ 18,259	$ 17,731	$ 16,298
Contributions - member	1,831	1,791	1,641
Net investment income	1,440	4,781	23,156
Benefit payments	(22,994)	(22,541)	(21,668)
Other	1,680	-	-
Net change in plan net position	216	1,762	19,427
Plan net position - beginning	189,542	187,780	168,353
Plan net position - ending (b)	**$ 189,758**	**$ 189,542**	**$ 187,780**
Ratio of plan net position to total pension liability	43.76%	51.98%	53.38%
Net pension liability - ending (a) -(b)	**$ 243,845**	**$ 175,072**	**$ 163,993**
Covered-employee payroll	$ 34,897	$ 34,972	$ 33,386
Net pension liability as a percentage of covered-employee payroll	698.76%	500.61%	491.20%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is complied, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

(Expressed in Thousands)

SERS	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contribution	$ 1,514,467	$ 1,379,189	$ 1,268,935	$ 1,059,652
Actual employer contributions	1,501,805	1,371,651	1,268,890	1,058,113
Annual contributions deficiency excess	$ 12,662	$ 7,538	$ 45	$ 1,539
Covered Payroll	$ 3,720,751	$ 3,618,361	$ 3,355,077	$ 3,304,538
Actual contributions as a percentage of covered-employee payroll	40.36%	37.91%	37.82%	32.02%
TRS				
Actuarially determined employer contribution	$ 975,578	$ 984,110	$ 948,540	$ 787,536
Actual employer contributions	975,578	984,110	948,540	787,536
Annual contributions deficiency excess	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,125,066	$ 4,078,367	$ 3,930,957	$ 4,101,750
Actual contributions as a percentage of covered-employee payroll	23.65%	24.13%	24.13%	19.20%
JRS				
Actuarially determined employer contribution	$ 18,259	$ 17,731	$ 16,298	$ 16,006
Actual employer contributions	18,259	17,731	16,298	16,006
Annual contributions deficiency excess	$ -	$ -	$ -	$ -
Covered Payroll	$ 34,897	$ 34,972	$ 33,386	$ 31,748
Actual contributions as a percentage of covered-employee payroll	52.32%	50.70%	48.82%	50.42%

Valuation Date:
Actuarially determined contribution amounts are calculated as of June 30, 2016.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	SERS 25.1 years TRS 20.4 years JRS 15 years
Asset Valuation Method	SERS & JRS 5 year smoothed actuarial value TRS 4 year smoothed market value
Investment Rate of Return	SERS & JRS 6.90% TRS 8%
Salary Increases	3.22%-19.5%
Cost-of-Living Adjustments	1.75%-4.75%
Inflation	2.5%-2.75%
Social Security Wage Base	SERS 3.5%

2012	2011	2010	2009	2008	2007
$ 926,372	$ 944,077	$ 897,428	$ 753,698	$ 716,944	$ 663,926
926,343	825,801	720,527	699,770	711,555	663,931
$ 29	$ 118,276	$ 176,901	$ 53,928	$ 5,389	$ (5)
$ 3,209,782	$ 3,308,498	$ 2,920,661	$ 3,497,400	$ 3,497,400	$ 3,310,400
28.86%	24.96%	24.67%	20.01%	20.35%	20.06%
$ 757,246	$ 581,593	$ 559,224	$ 539,303	$ 518,560	$ 412,099
757,246	581,593	559,224	539,303	518,560	412,099
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,943,990	$ 3,823,754	$ 3,676,686	$ 3,529,470	$ 3,393,717	$ 3,296,792
19.20%	15.21%	15.21%	15.28%	15.28%	12.50%
$ 15,095	$ 16,208	$ 15,399	$ 14,172	$ 13,434	$ 12,375
15,095	-	-	14,173	13,434	12,375
$ -	$ 16,208	$ 15,399	$ (1)	$ -	$ -
$ 30,308	$ 33,102	$ 31,602	$ 34,000	$ 33,982	$ 33,757
49.81%	0.00%	0.00%	41.69%	39.53%	36.66%

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS

Last Four Fiscal Years*

Annual money-weighted rates of return net of investment expense	2017	2016	2015	2014
State Employees' Retirement Fund	14.32%	0.23%	2.83%	15.62%
Teachers' Retirement Fund	14.37%	0.17%	2.82%	15.67%
State Judges' Retirement Fund	13.04%	1.11%	2.57%	13.66%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS

Required supplementary information for other postemployment benefits provides information on funding progress and employer contributions.

The following schedules are included in the Required Supplementary Information for Other Postemployment Benefits:

- Schedule of Changes in Net OPEB Liability and Plan Net Position
- Schedule of Employer Contributions
- Schedule of Fund Progress
- Schedule of Investment Returns

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REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND PLAN NET POSITION

Last Fiscal Year

(Expressed in Thousands)

SEOPEBP

Total OPEB Liability		2017
Service Cost	$	1,081,923
Interest		849,907
Difference between expected and actual experience		(97,527)
Changes of assumptions		(1,936,042)
Change in benefit terms		(8,853,455)
Benefit payments		(639,467)
Net change in total OPEB liability		(9,594,661)
Total OPEB liability - beginning		27,522,691
Total OPEB liability - ending (a)	**$**	**17,928,030**
Plan fiduciary net position		
Contributions - employer	$	667,401
Contributions - member		120,783
Net investment income		53,194
Benefit payments		(639,467)
Other		(187)
Net change in plan fiduciary net position		201,724
Plan fiduciary net position - beginning		340,618
Plan fiduciary net position - ending (b)	**$**	**542,342**
Plan fiduciary net position as a percentage of the total OPEB liability		3.03%
Net OPEB liability - ending (a) -(b)	**$**	**17,385,688**
Covered-employee payroll	$	3,895,078
Net OPEB liability as a percentage of covered-employee payroll		446.35%

RTHP

Total OPEB Liability		2017
Service Cost	$	148,220
Interest		111,129
Benefit Changes		-
Difference between expected and actual experience		-
Changes of assumptions		(370,549)
Benefit payments		(84,071)
Net change in total OPEB liability		(195,271)
Total OPEB liability - beginning		3,734,043
Total OPEB liability - ending (a)	**$**	**3,538,772**
Plan fiduciary net position		
Contributions - employer	$	19,922
Contributions - member		50,436
Net investment income		369
Benefit payments		(84,071)
Administrative expense		(150)
Other		42
Net change in plan fiduciary net position		(13,452)
Plan fiduciary net position - beginning		76,880
Plan fiduciary net position - ending (b)	**$**	**63,428**
Plan fiduciary net position as a percentage of the total OPEB liability		1.79%
Net OPEB liability - ending (a) -(b)	**$**	**3,475,344**
Covered-employee payroll	$	4,279,755
Net OPEB liability as a percentage of covered-employee payroll		81.20%

State of Connecticut

REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND PLAN NET POSITION

Last Fiscal Year

(Expressed in Thousands)

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Seven and Ten Fiscal Years

(Expressed in Thousands)

SEOPEBP	**2017**	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contribution	$ 1,043,143	$ 1,443,716	$ 1,513,336	$ 1,525,371	$ 1,271,279
Actual employer contributions	667,401	608,593	546,284	514,696	542,615
Annual contributions deficiency excess	$ 375,742	$ 835,123	$ 967,052	$ 1,010,675	$ 728,664
Covered Payroll	$ 3,895,078	$ 3,895,100	$ 3,539,800	$ 3,539,728	$ 3,539,728
Actual contributions as a percentage of covered-employee payroll	17.13%	15.62%	15.43%	14.54%	15.33%

RTHP					
Actuarially determined employer contribution	$ 166,802	$ 130,331	$ 125,620	$ 187,227	$ 180,460
Actual employer contributions	19,922	19,960	25,145	25,955	27,040
Annual contributions deficiency excess	$ 146,880	$ 110,371	$ 100,475	$ 161,272	$ 153,420
Covered Payroll	$ 4,279,755	$ 3,949,900	$ 3,831,600	$ 3,831,600	$ 3,652,500
Actual contributions as a percentage of covered-employee payroll	0.47%	0.51%	0.66%	0.68%	0.74%

* June 30, 2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

Valuation Date:
Actuarially determined contribution amounts are calculated as of June 30, 2017 and June 30, 2016 for SEOPEBP and RTHP respectively.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	SEOPEBP- Projected Unit Credit RTHP-Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	SEOPEBP- 22 years RTHP-30 years
Asset Valuation Method	Market Value
Investment Rate of Return	SEOPEBP-5.7% RTHP-4.25%
Salary Increases	SEOPEBP-3.75% RTHP-3.25%-6.5%
Inflation	RTHP-2.75%
Claims Trend Assumption	5.00-10.00%

2012	2011	2010*	2009*	2008*
$ 1,354,738	$ 1,276,099	N/A	N/A	N/A
541,262	544,767	N/A	N/A	N/A
$ 813,476	$ 731,332	N/A	N/A	N/A
$ 3,902,248	$ 3,902,248	N/A	N/A	N/A
13.87%	13.96%	N/A	N/A	N/A

$ 184,145	$ 177,063	$ 121,333	$ 116,667	$ 116,123
49,486	5,312	12,108	22,433	20,770
$ 134,659	$ 171,751	$ 109,225	$ 94,234	$ 95,353
$ 3,652,500	$ 3,646,000	$ 3,646,000	$ 3,399,300	$ 3,399,300
1.35%	0.15%	0.33%	0.66%	0.61%

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUND PROGRESS

Last Ten Fiscal Years and Last Eight Fiscal Years

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
RTHP						
6/30/2017 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2016	$-	$2,997.5	$2,997.5	0.0%	$3,949.9	75.9%
6/30/2015 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2014	$-	$2,433.0	$2,433.0	0.0%	$3,831.6	63.5%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$-	$3,048.3	$3,048.3	0.0%	$3,652.5	83.5%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$-	$2,997.8	$2,997.8	0.0%	$3,646.0	82.2%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2008	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%
SEOPEBP						
6/30/2017	$229.6	$19,119.6	$18,889.9	1.2%	$3,895.1	485.0%
6/30/2016 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2015	$229.6	$19,119.6	$18,889.9	1.2%	$3,895.1	485.0%
6/30/2014 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2013	$143.8	$19,676.3	$19,532.5	0.7%	$3,539.7	551.8%
6/30/2012 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2011	$49.6	$17,954.3	$17,904.7	0.3%	$3,902.2	458.8%

*No actuarial valuation was performed.

June 30,2011 was the first year an actuarial valuation for State Employees OPEB Plan was performed.

REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS

Last Four Fiscal Years*

Annual money-weighted rates of return net of investment expense	**2017**	**2016**	**2015**	**2014**
OPEB Fund	11.83%	2.44%	3.44%	11.80%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.

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APPENDIX II-D

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KEVIN LEMBO
STATE COMPTROLLER

MARTHA CARLSON
DEPUTY COMPTROLLER

STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
55 Elm Street
Hartford, CT 06106

November 24, 2017

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Ms. Nappier:

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2013-2017. This review also covered the accompanying statements of unappropriated surplus, revenues and expenditures for the years ended on those dates. The statements are based on the annual report of the Office of the State Comptroller, which is prepared in compliance with Section 3-115 of the General Statutes, as well as reports of the Auditors of Public Accounts with respect to the balance sheets and related statements for the fiscal years ending June 30, 2013-2017.

The statements have been prepared on a statutory basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied in accordance with the governing statutory requirements for all periods shown. In Fiscal Year 2017, statutory provisions provided appropriations of projected expenditure accrual within the budgeted funds.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT
CERTIFICATE OF AUDIT

Report on the Financial Statements

We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2013, 2014, 2015, 2016 and 2017 and the related statements of revenues, expenditures, and changes in unappropriated surplus for the years ended on those dates as shown in Appendices II-D-4, II-D-5, II-D-6 and II-D-7.

Managements Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note (a) to Appendix II-D-4, the State of Connecticut prepared its financial statements for the fiscal year ended June 30, 2013 on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note (a) to Appendix II-D-4, the State of Connecticut prepared its financial statements for the fiscal year ended June 30, 2014, 2015, 2016 and 2017, using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The financial statements referred to above present only the General Fund and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2013, 2014, 2015, 2016 and 2017, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the State of Connecticut, as of June 30, 2013, 2014, 2015, 2016 and 2017.

Opinion on Modified Cash basis of Accounting
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the General Fund of the State of Connecticut as of June 30, 2013, and the results of its operations – modified cash basis for the year then ended, in conformity with the basis of accounting described in Note (a) to Appendix II-D-4.

Opinion on Statutory Basis of Accounting
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – statutory basis of the General Fund of the State of Connecticut as of June 30, 2014, 2015, 2016 and 2017, and the results of its operations – statutory basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix II-D-4.

John C. Geragosian
Auditor of Public Accounts

Robert J. Kane
Auditor of Public Accounts

November 24, 2017
State Capitol
Hartford, Connecticut

GENERAL FUND[a]

Balance Sheet
As of June 30
(In Thousands)

	2013	2014	2015	2016	2017
Assets					
Cash and Short-Term Investments	$ --	$ --	$ --	$ --	$ --
Accrued Taxes Receivable	1,412,940	1,389,703	1,371,458	1,348,096	1,307,027
Accrued Accounts Receivable	24,116	108,907	21,852	20,348	22,269
Loans Receivable	3,419	3,419	3,419	3,419	3,419
Total Assets	$ 1,440,475	$ 1,502,029	$ 1,396,729	$ 1,371,863	$ 1,332,715
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 925,552	$ 550,180	$ 797,930	$ 765,570	$ 544,287
Accounts Payable Nonfunctional Change to Accruals	--	(16,152)	561,217	558,835	627,905
Due to Other Funds	263	367	336	999	2,667
Total Liabilities	$ 925,815	$ 534,395	$ 1,359,483	$1,325,404	$ 1,174,859
Reserves					
Petty Cash Funds	$ 804	$ 815	$ 810	$ 798	$ 795
Statutory Surplus Reserves	398,035	248,480	(31,947)	(54,316)	93,405
Reserve for GAAP Conversion Bonds	--	598,500	--	--	--
Reserve for Future Fiscal Years	--	30,500	--	--	--
Appropriations Continued to Following Year	112,402	85,920	64,964	96,559	60,237
Reserve for Receivables	3,419	3,419	3,419	3,418	3,419
Total Reserves	$ 514,660	$ 967,634	$ 37,246	$ 46,459	$ 157,856
Unappropriated Surplus (Deficit)	$ 0	$ 0	$ 0	$ 0	$ 0
Total Liabilities, Reserves and Surplus	$ 1,440,475	$ 1,502,029	$ 1,396,729	$1,371,863	$ 1,332,715

(a) For Fiscal Year 2013, the State of Connecticut's policy, which was formulated in accordance with State fiscal statutes, is to prepare the accompanying financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Connecticut. The modified cash basis of accounting, as used by the State, records expenditures when they are paid and recognizes revenues when received, except for the accrual at June 30 of State collections in July and August of certain taxes levied, Indian gaming payments, and the accounting for restricted grants on an earned basis. Certain accrual dates for various revenues have been extended and may not reflect the same accrual date through the years reflected herein. For Fiscal Years 2014-2017, the financial statements are prepared on a statutory basis using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	2013	2014	2015	2016	2017
Unappropriated Surplus (Deficit), July 1	$ -0-	$ -0-	$ -0-	$ -0-	-0-
Total Revenues (per Appendix II-D-6)	19,405,031	17,608,056	17,282,038	17,780,822	17,702,968
Total Expenditures (per Appendix II-D-7)	19,025,667[(a)]	16,980,044[(b)]	17,419,689[(c)(d)]	17,921,258	17,763,040
Operating Balance	379,364	628,012	(137,651)	(140,436)	(60,072)
Reserved for Prior Year Appropriations Less Appropriations Carried Forward	18,671	26,482	20,956	-0-	-0-
Transferred (Out) or Reserved for:					
Budget Reserve Fund	(177,235)	(248,480)	-0-	-0-	-0-
Reserve for Debt Retirement/Avoidance or Reserve for Future Fiscal Year	(220,800)	(599,000)[(d)]	-0-	-0-	-0-
Other Adjustments	-0-	2,186	3,527	(29,983)	37,376
Reserved from Prior Year	-0-	190,800	-0-	-0-	-0-
Subtotal	$ -0-	$ -0-	$ (113,168)	$ (170,419)	$ (22,696)
Transferred from Budget Reserve Fund	--	--	113,168	170,419	22,696
Unappropriated Surplus (Deficit), June 30	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

(a) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $18.671 million.

(b) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $26.482 million.

(c) In Fiscal Year 2014 this amount includes GAAP Conversion Bonds totaling $598.5 million.

(d) Total Expenditures include prior year appropriations less appropriations carried forward to the next year in the amount of $20.956 million.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2013	2014	2015	2016	2017
Taxes:					
Personal Income	$ 8,719,245	$ 8,718,659	$ 9,151,037	$ 9,181,649	$ 8,988,667
Sales and Use	3,896,998	4,100,564	4,205,051	4,181,852	4,192,203
Corporations	742,515	782,239	814,805	880,449	1,037,565
Insurance Companies	260,858	240,666	220,629	238,843	222,804
Inheritance and Estate	439,519	168,075	176,750	221,821	218,660
Alcoholic Beverages	60,406	60,644	61,651	63,113	63,155
Cigarettes	399,822	376,835	358,703	373,518	381,455
Admissions, Dues, Cabaret	36,544	39,935	38,436	39,331	39,509
Oil Companies	175,526	35,580	0	170	0
Electric Generation	66,824	15,315	7	0	0
Public Service Corporations	266,647	293,303	276,833	289,894	271,504
Real Estate Conveyance	113,830	180,511	185,955	196,498	209,982
Miscellaneous	523,028	498,260	474,009	718,850	699,331
Refunds of Taxes	(1,144,993)	(1,182,397)	(1,163,639)	(1,223,198)	(1,263,824)
R&D Credit Exchange	(4,086)	(5,055)	(7,878)	(7,623)	(5,485)
Other Revenue:					
Licenses, Permits, Fees	262,068	314,721	257,444	296,502	275,386
Sales of Commodities and Services	36,298	40,523	35,813	43,454	39,143
Transfer – Special Revenue	315,452	323,219	323,315	339,961	328,716
Investment Income	(792)	(335)	943	909	2,371
Transfers — To Other Funds[a]	(61,800)	(61,800)	(61,780)	(61,688)	(58,100)
Fines, Escheats and Rents	144,141	130,875	168,679	141,741	151,402
Miscellaneous	163,818	206,782	185,014	179,820	330,388
Refunds of Payments	(74,016)	(66,625)	(64,281)	(60,336)	(44,199)
Federal Grants	3,733,910	1,243,861	1,241,243	1,301,532	1,325,237
Indian Gaming Payments	296,396	279,873	267,986	265,906	269,906
Statutory Transfer to Resources of the General Fund	(66,228)	0	0	0	0
Statutory Transfers From Other Funds	103,100	873,828	135,313	177,854	27,192
Total Revenues[b]	$ 19,405,031	$ 17,608,056[c]	$ 17,282,038	$ 17,780,822	$ 17,702,968

(a) Transfer to Pequot/Mohegan Fund.

(b) See Operating Balance on Appendix II-D-5 for surplus or deficit for each fiscal year.

(c) Fiscal Year 2014 revenues include $598.5 million in GAAP Conversion Bonds as a Transfer from Other Funds. Federal Grants reflect the transfer of the federal portion of Medicaid from the General Fund to the Restricted Grants Fund.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2013	2014	2015	2016	2017
Legislative	$ 66,533	$ 70,813	$ 73,563	$ 74,089	$ 66,545
General Government					
Executive	10,211	12,223	12,701	12,731	11,964
Financial Administration	506,598	513,051	563,830	530,539	492,358
Legal	76,558	80,402	84,469	83,765	80,385
Total General Government	593,367	605,676	661,000	627,035	584,707
Regulation and Protection of Persons and Property					
Public Safety	175,772	191,075	193,996	191,125	181,452
Regulative	86,015	86,798	93,256	97,429	92,962
Total Regulation and Protection	261,787	277,873	287,252	288,554	274,414
Conservation and Development					
Agriculture	11,250	12,024	12,723	12,306	11,372
Environment	66,457	71,365	71,018	67,900	60,836
Historical Sites, Commerce and Industry	55,376	137,532	122,070	114,672	108,853
Total Conservation and Development	133,083	220,921	205,811	194,878	181,060
Health and Hospitals					
Public Health	98,999	114,086	83,853	69,875	63,572
Developmental Services	1,005,732	1,054,597	1,097,586	1,059,216	522,175
Mental Health	697,220	658,625	603,897	636,852	604,040
Total Health and Hospitals	1,801,951	1,827,308	1,785,336	1,765,943	1,189,787[b]
Human Services	5,931,567	3,215,827	3,095,928	3,102,021	3,624,957[b]
Education, Libraries and Museums					
Department of Education	2,880,342	3,039,608	3,277,044	3,331,589	3,247,743
University of Connecticut	195,847	329,889	354,433	383,538	349,506
Higher Education and the Arts	158,271	43,580	46,103	47,113	39,080
Libraries	12,294	12,419	12,205	11,519	8,797
Teachers Retirement	805,193	966,983	1,004,973	997,604	1,034,143
Community—Technical Colleges	141,288	151,973	177,968	164,626	159,786
State University	135,659	151,193	152,665	186,039	164,867
Total Education, Libraries and Museums	4,328,894	4,695,645	5,025,391	5,122,028	5,003,922
Corrections	1,408,761	1,454,442	1,476,753	1,463,065	1,397,113
Judicial	534,512	569,056	593,314	597,584	552,369
Non-Functional					
Debt Service	1,799,937	1,646,149	1,691,526	1,967,729	2,058,197
Miscellaneous	2,165,275	2,396,332	2,523,815	2,718,331	2,829,967
Total Non-Functional	3,965,212	4,042,481	4,215,341	4,686,060	4,888,164
Totals	19,025,667	16,980,042	17,419,689	17,921,257	17,763,040
Total Expenditures[a]	$19,025,667	$16,980,042	$17,419,689	$17,921,257	$17,763,040

(a) See Operating Balance on **Appendix II-D-5** for surplus or deficit for each fiscal year.

(b) The Community Residential Services program, which expended $522.4 million in Fiscal Year 2017, was transferred from the Health and Hospital function to Human Services in Fiscal Year 2017.

Note: Totals may not add due to rounding.

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GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2017
ADOPTED BUDGET AND ESTIMATED FINANCIAL RESULTS FOR FISCAL YEAR 2018
ADOPTED BUDGET FOR FISCAL YEAR 2019
(In Millions)

	Revised Adopted Budget Fiscal Year 2017[f]	Financial Results Fiscal Year 2017[g]	Adopted Budget Fiscal Year 2018[h]	Estimated Budget Fiscal Year 2018[i]	Adopted Budget Fiscal Year 2019[h]
Revenues					
Taxes					
Personal Income Tax	$ 9,519.0	$ 8,988.7	$ 9,182.5	$ 9,768.1	$ 9,312.2
Sales & Use	4,328.7	4,192.2	4,220.5	4,150.9	4,288.1
Corporation	839.3	1,037.6	933.3	933.3	988.7
Public Service	283.9	271.5	284.9	266.9	263.7
Inheritance & Estate	174.6	218.7	180.1	230.1	170.5
Insurance Companies	245.4	222.8	230.6	230.6	234.2
Cigarettes	371.1	381.5	394.2	394.2	391.3
Real Estate Conveyance	201.8	210.0	215.6	203.1	222.3
Oil Companies[a]	--	--	--	--	--
Alcoholic Beverages	62.2	63.2	62.6	62.6	63.0
Admissions and Dues	39.0	39.5	41.5	40.6	41.8
Health Provider Tax	683.4	677.8	1,045.0	1,047.8	1,044.1
Miscellaneous	20.1	21.5	27.7	27.7	33.0
Total Taxes	$16,768.5	$16,324.8	$16,818.5	$17,355.9	$17,052.9
Less Refunds of Taxes	(1,106.5)	(1,158.2)	(1,146.8)	(1,091.5)	(1,201.0)
Less Earned Income Tax	(133.6)	(105.6)	(115.0)	(115.0)	(120.6)
Less R&D Credit Exchange	(8.5)	(5.5)	(7.3)	(6.7)	(7.6)
Net Taxes	$15,519.9	$15,055.5	$15,549.4	$16,142.7	$15,723.7
Other Revenues					
Transfers- Special Revenues	$ 355.5	$ 328.7	$ 339.3	339.3	$ 346.4
Indian Gaming Payments	267.0	269.9	267.3	272.3	199.0
Licenses, Permits, Fees	269.2	275.4	309.6	308.3	343.7
Sales of Commodities & Services	42.6	39.1	43.8	37.8	44.9
Rents, Fines & Escheats	128.0	151.4	143.0	157.1	143.7
Investment Income	3.8	2.4	5.9	8.0	7.0
Miscellaneous	219.0	330.4	207.4	193.3	189.1
Less Refunds of Payments	(66.1)	(44.2)	(62.5)	(57.5)	(63.9)
Total Other Revenue	$ 1,219.0	$ 1,353.1	$ 1,253.8	$ 1,258.6	$ 1,209.9
Other Sources					
Federal Grants	$ 1,257.6	$ 1,325.2	$ 1,732.9	$ 1,567.8	$ 1,764.0
Transfers from Tobacco Settlement Funds	108.5	118.3	109.7	109.7	110.2
Transfers to/from Other Funds[a]	(218.3)	(149.2)	77.9	65.7	82.6
Transfers to BRF – Volatility Adjustment[b]	--	--	--	(664.9)	--
Total Other Sources	$ 1,147.8	$ 1,294.3	$ 1,920.5	$ 1,078.3	$ 1,956.8
Total Budgeted Revenue[c]	$17,886.7	$17,703.0	$18,723.7	$18,479.6	$18,890.4

Appropriations/ Expenditures	Revised Adopted Budget Fiscal Year 2017[f]	Financial Results Fiscal Year 2017[g]	Adopted Budget Fiscal Year 2018[h]	Estimated Budget Fiscal Year 2018[i]	Adopted Budget Fiscal Year 2019[h]
Legislative	$ 74.1	$ 66.4	$ 70.1	65.2	$ 70.5
General Government	602.2	582.2	687.2	659.0	657.9
Regulation & Protection	278.8	274.7	278.0	268.9	284.9
Conservation & Development	194.8	181.1	189.9	185.1	176.9
Health & Hospitals	1,217.0	1,189.8	1,196.8	1,161.8	1,209.6
Human Services	3,708.8	3,596.4	4,408.1	4,320.1	4,354.6
Education, Libraries & Museums	5,067.8	4,990.1	5,185.4	5,061.5	5,275.0
Corrections	1,417.9	1,397.4	1,386.1	1,380.5	1,367.0
Judicial	593.9	552.4	561.5	536.2	571.4
Non- Functional					
Debt Service	2,063.1[e]	2,058.2[e]	2,311.1[e]	2,311.1	2,213.6
Miscellaneous	2,857.4	2,838.0	3,298.7	2,748.5	3,704.0
Subtotal	$ 18,075.8	$ 17,726.7	$ 19,572.9	$18,697.8	$19,885.4
Other Reductions and Lapses	(189.3)	--	(898.9)	--	(1,094.7)
Net Appropriations/ Expenditures	$ 17,886.4	$ 17,726.7	$18,673.9	$18,697.8	$18,790.6
Surplus (or Deficit) from Operations	0.2	(23.8)	49.8	(218.2)	99.8
Miscellaneous Adjustments	--	1.1	--	(22.0)	--
Balance[d]	$ 0.2	$ (22.7)	$ 49.8	$ (240.2)	$ 99.8

NOTE: Columns may not add due to rounding.

(a) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amount for Fiscal Year 2016 includes a transfer of $61.8 million to the Mashantucket Pequot Fund for grants to towns. In Fiscal Year 2017 this amount was reduced to $58.1 million.

(b) Per Section 704 of Public Act No. 17-2 June Special Session requires that any amount in Estimates and Finals revenue above $3,150.0 million shall be transferred to the Budget Reserve Fund.

(c) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received.

(d) Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus shall be transferred by the State Treasurer to the Budget Reserve Fund.

(e) Sections 90 and 91 of Public Act No. 13-184 extend the maturity of the 2009 Economic Recovery Notes from Fiscal Year 2016 to Fiscal Year 2018.

(f) Per Public Act No. 15-244, as amended by various implementer legislation and as amended by Public Act No. 15-05 of the June Special Session, Public Act No. 16-2 of the May Special Session and Public Act No. 16-3 of the May Special Session.

(g) Per the Comptroller's audited financial results dated October 31, 2017 for Fiscal Year 2017 and adjusted by the Office of Policy and Management to exclude expenditures or appropriations carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year.

(h) Per Public Act No. 17-2 of the June Special Session as amended by Public Act No. 17-4 of the June Special Session and Public Act No. 17-1 of the January 2018 Special Session.

(i) Estimates reflect the January 20, 2018 Office of Policy and Management's letter to the State Comptroller as of the period ending December 31, 2017.

NOTE: The information in **Appendix II-E** of this **Information Statement** contains projections and no assurances can be given that subsequent projections or adjustments will not result in changes in the items of revenue and expenditure and in the final result of the operations of the General Fund. Changes may also occur as the result of legislative action adjusting the budget or taking other actions which impact revenues or expenditures.

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