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

$239,465,000
UNIVERSITY OF CONNECTICUT
GENERAL OBLIGATION BONDS
consisting of

$174,785,000 General Obligation Bonds, 2019 Series A **$64,680,000 General Obligation Bonds, 2019 Refunding Series A**

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

The University of Connecticut General Obligation Bonds, 2019 Series A (the "2019 Series A Bonds") and the University of Connecticut General Obligation Bonds, 2019 Refunding Series A (the "2019 Refunding Series A Bonds" and, collectively with the 2019 Series A Bonds, the "2019 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 Twenty-fourth Supplemental Indenture, dated as of May 1, 2019, and the Twenty-fifth Supplemental Indenture, dated as of May 1, 2019 (collectively, the "Indentures"), for the purpose of providing funds for the UConn 2000 Infrastructure Improvement Program. The 2019 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 2019 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 2019 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 2019 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 2019 Bonds. Purchases of the 2019 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 2019 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 2019 Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. Principal of and interest on the 2019 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 2019 Bonds will be payable semiannually on May 1 and November 1 in each year, commencing on November 1, 2019.

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 2019 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 2019 Bonds is excludable from gross income of the owners thereof for federal income tax purposes, and is not treated as a preference item for purposes of calculating the federal alternative minimum tax on individuals or 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 2019 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 2019 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, Hardwick Law Firm, LLC, Hartford, Connecticut and Robinson & Cole LLP, Hartford, Connecticut. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP, Hartford, Connecticut. It is expected that the 2019 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 8, 2019.

PIPER JAFFRAY & CO.

J.P. Morgan **Jefferies** **Siebert Cisneros Shank & Co., L.L.C.**

Academy Securities
Citigroup
Goldman Sachs & Co. LLC
Ramirez & Co., Inc.
Wells Fargo Securities
Baird
Estrada Hinojosa
Loop Capital Markets
Rice Financial Products Company
Stifel
UBS Financial Services Inc.
Barclays
Fidelity Capital Markets
Morgan Stanley
Roosevelt & Cross Incorporated
UMB Bank, N. A.

April 25, 2019

$239,465,000
UNIVERSITY OF CONNECTICUT

$174,785,000 General Obligation Bonds, 2019 Series A

MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Yield	CUSIP**
11/1/2019	$8,740,000	5.000%	1.630%	914233 S77
11/1/2020	$8,740,000	5.000%	1.750%	914233 S85
11/1/2021	$8,740,000	5.000%	1.810%	914233 S93
11/1/2022	$985,000	3.000%	1.890%	914233 W56
11/1/2022	$7,755,000	5.000%	1.890%	914233 T27
11/1/2023	$8,740,000	5.000%	1.990%	914233 T35
11/1/2024	$125,000	3.000%	2.090%	914233 W64
11/1/2024	$8,615,000	5.000%	2.090%	914233 T43
11/1/2025	$8,740,000	5.000%	2.150%	914233 T50
11/1/2026	$8,740,000	5.000%	2.230%	914233 T68
11/1/2027	$8,740,000	5.000%	2.300%	914233 T76
11/1/2028	$8,740,000	5.000%	2.390%	914233 T84
11/1/2029*	$8,740,000	5.000%	2.480%	914233 T92
11/1/2030*	$8,740,000	5.000%	2.560%	914233 U25
11/1/2031*	$8,740,000	5.000%	2.600%	914233 U33
11/1/2032*	$8,740,000	5.000%	2.640%	914233 U41
11/1/2033*	$8,740,000	5.000%	2.670%	914233 U58
11/1/2034*	$8,740,000	5.000%	2.710%	914233 U66
11/1/2035*	$8,740,000	5.000%	2.740%	914233 U74
11/1/2036*	$8,735,000	5.000%	2.790%	914233 U82
11/1/2037*	$8,735,000	4.000%	3.090%	914233 U90
11/1/2038*	$8,735,000	4.000%	3.130%	914233 V24

$64,680,000 General Obligation Bonds, 2019 Refunding Series A

MATURITY SCHEDULE

Maturity	Principal Amount	Interest Rate	Yield	CUSIP**
11/1/2019	$6,415,000	5.000%	1.630%	914233 V32
11/1/2020	$6,355,000	5.000%	1.750%	914233 V40
11/1/2021	$6,585,000	5.000%	1.810%	914233 V57
11/1/2022	$6,375,000	5.000%	1.890%	914233 V65
11/1/2023	$6,615,000	5.000%	1.990%	914233 V73
11/1/2024	$6,390,000	5.000%	2.090%	914233 V81
11/1/2025	$6,625,000	5.000%	2.150%	914233 V99
11/1/2026	$6,385,000	5.000%	2.230%	914233 W23
11/1/2027	$6,360,000	5.000%	2.300%	914233 W31
11/1/2028	$6,575,000	5.000%	2.390%	914233 W49

* Priced to the first optional call date of November 1, 2028 assuming redemption at par, but any such redemption shall be at the option of the University.

** 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 2019 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 2019 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2019 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 2019 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 2019 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 2019 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 2019 Bonds, the Indentures and such resolutions. This Official Statement is submitted only in connection with the sale of the 2019 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 2019 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 2019 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 $239,465,000 aggregate principal amount of its 2019 Bonds.

Part I of this Official Statement, including the cover and inside cover page and the Appendices thereto, contains information relating to the 2019 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 Part II, and the Appendices and Schedules thereto should be read collectively and in their entirety.

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INFORMATION CONCERNING THE BONDS AND THE UNIVERSITY OF CONNECTICUT

TABLE OF CONTENTS TO PART II

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OFFICIAL STATEMENT
relating to

$239,465,000
UNIVERSITY OF CONNECTICUT

$174,785,000 General Obligation Bonds, 2019 Series A
$64,680,000 General Obligation Bonds, 2019 Refunding 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 $174,785,000 General Obligation Bonds, 2019 Series A (the "2019 Series A Bonds") and $64,680,000 General Obligation Bonds, 2019 Refunding Series A (the "2019 Refunding Series A Bonds" and, collectively with the 2019 Series A Bonds, the "2019 Bonds") of the University of Connecticut (the "University"). The 2019 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 Twenty-fourth Supplemental Indenture dated as of May 1, 2019 (the "Twenty-fourth Supplemental Indenture") and the Twenty-fifth Supplemental Indenture dated as of May 1, 2019 (the "Twenty-fifth Supplemental Indenture"). The Master Indenture and supplements thereto, including the Twenty-fourth Supplemental Indenture and the Twenty-fifth 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 was 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 2019 Bonds, the University will have outstanding $1,700,180,000 of its General Obligation Bonds (including the 2019 Bonds) secured by the State Debt Service Commitment, $233,445,000 of its Special Obligation Bonds and $34,261,270 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 2019 Series A Bonds represent the thirty-second 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 Twenty-fifth Supplemental Indenture. On June 27, 2018, the University's Board of Trustees and on July 2, 2018, the Governor approved the Twenty-fifth 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) $3,346,400,000 of General Obligation Bonds have been authorized to be issued for UConn 2000 projects pursuant to the Indentures; (ii) $3,344,000,000, 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 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 2019 Series A Bonds. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM."

The 2019 Refunding Series A Bonds represent the thirty-third series of General Obligation Bonds being issued pursuant to the Act, the Master Indenture (and the tenth series of refunding bonds) and the first series of bonds issued pursuant to the Twenty-fourth Supplemental Indenture. See "PLAN OF REFINANCING" herein.

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 2019 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 2019 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 2019 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 2019 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 2019 Bonds and, accordingly, is not planning to budget any of the other Assured Revenues for the payment of the Bonds, including the 2019 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 (30) 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 (30) days, the resolution is deemed approved. The resolution approving the issuance of general obligation bonds and the Twenty-fifth Supplemental Indenture was submitted to the Governor on June 28, 2018 and was approved by the Governor on July 2, 2018. The resolution approving the issuance of refunding bonds and the Twenty-fourth Supplemental Indenture was submitted to the Governor on August 3, 2017 and approved by the Governor on August 25, 2017. The Twenty-fifth Supplemental Indenture authorized the issuance of general obligation bonds in an amount not to exceed $200,000,000 for Fiscal Year 2018-2019 and carried forward $2,400,000 of bond authorization from the Twenty-third Supplemental Indenture which remained unissued, thus increasing the amount of general obligation bonds authorized by the Twenty-fifth Supplemental Indenture to $202,400,000 of which $2,400,000 will be authorized and unissued following the issuance of the 2019 Series A Bonds.

Pursuant to the Act, the Bonds, including the 2019 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 2019 Bonds. The issuance of the 2019 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 2019 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 2019 SERIES A BONDS

In General

The 2019 Series A 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 2019 Series A Bonds

The 2019 Series A 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 2019 Series A Bonds will be paid semiannually on May 1 and November 1 in each year, commencing on November 1, 2019. 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 Bond is registered as of the close of business on the fifteenth day of April and October in each year, or the preceding business day if such fifteenth day is not a business day.

Principal of and interest on the 2019 Series A 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 2019 Series A Bonds maturing on or after November 1, 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 November 1, 2028, in whole or in part on any 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.

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 2019 Series A Bonds, all notices of redemption will be sent only to DTC.

DESCRIPTION OF THE 2019 REFUNDING SERIES A BONDS

In General

The 2019 Refunding Series A 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 2019 Refunding Series A Bonds

The 2019 Refunding Series A 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 2019 Refunding Series A Bonds will be paid semiannually on

May 1 and November 1 in each year, commencing on November 1, 2019. 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 Bond is registered as of the close of business on the fifteenth day of April and October in each year, or the preceding business day if such fifteenth day is not a business day.

The 2019 Refunding Series A Bonds are not subject to optional redemption.

Principal of and interest on the 2019 Refunding Series A Bonds will be paid directly to 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."

PLAN OF REFUNDING

The 2019 Refunding Series A Bonds are being issued to currently refund all or a portion of selected maturities of the University of Connecticut General Obligation Bonds, 2009 Series A (the "Refunded Bonds"). The University and the Treasurer reserve the right to refund all, a portion or none of the Refunded Bonds. The refunding of the Refunded Bonds is contingent upon delivery of the 2019 Refunding Series A Bonds.

Refunded Bonds

Bond	Maturity Date	Principal Amount	Coupon	Call Date	Call Price
2009 Series A	2/15/2020	$3,925,000	4.000%	5/8/2019	100%
2009 Series A	2/15/2020	$3,190,000	5.000%	5/8/2019	100%
2009 Series A	2/15/2021	$2,975,000	4.000%	5/8/2019	100%
2009 Series A	2/15/2021	$4,140,000	5.000%	5/8/2019	100%
2009 Series A	2/15/2022	$7,350,000	4.000%	5/8/2019	100%
2009 Series A	2/15/2023	$3,445,000	4.125%	5/8/2019	100%
2009 Series A	2/15/2023	$3,665,000	5.000%	5/8/2019	100%
2009 Series A	2/15/2024	$7,350,000	4.250%	5/8/2019	100%
2009 Series A	2/15/2025	$5,205,000	4.375%	5/8/2019	100%
2009 Series A	2/15/2025	$1,905,000	5.000%	5/8/2019	100%
2009 Series A	2/15/2026	$7,345,000	4.500%	5/8/2019	100%
2009 Series A	2/15/2027	$3,485,000	4.625%	5/8/2019	100%
2009 Series A	2/15/2027	$3,625,000	5.000%	5/8/2019	100%
2009 Series A	2/15/2028	$2,715,000	4.700%	5/8/2019	100%
2009 Series A	2/15/2028	$4,395,000	5.000%	5/8/2019	100%
2009 Series A	2/15/2029	$7,345,000	4.750%	5/8/2019	100%
Total Refunded Bonds		$72,060,000			

Upon delivery of the 2019 Refunding Series A Bonds, a portion of the proceeds will be deposited in the Redemption Fund pursuant to the Indenture and will be transferred to the Paying Agent for the Refunded Bonds to pay the principal of and accrued interest on the Refunded Bonds.

SOURCES AND USES OF PROCEEDS OF THE 2019 BONDS

The University expects to apply the proceeds from the sale of the 2019 Bonds as follows:

Sources

Par Amount of the 2019 Series A Bonds	$174,785,000.00
Par Amount of the 2019 Refunding Series A Bonds	64,680,000.00
Net Original Issuance Premium of the 2019 Series A Bonds	26,356,776.65
Net Original Issuance Premium of the 2019 Refunding Series A Bonds	8,496,052.25
Total Sources	$274,317,828.90

Uses

Construction Account	$200,000,000.00
Deposit to Redemption Fund	72,813,086.38
Costs of Issuance Account for 2019 Series A Bonds	333,283.75
Costs of Issuance Account for 2019 Refunding Series A Bonds	120,070.15
Underwriters' Discount for 2019 Series A Bonds	808,492.90
Underwriters' Discount for 2019 Refunding Series A Bonds	242,895.72
Total Uses	$274,317,828.90

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 Accounts 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. Amounts deposited to the Redemption Fund shall be used to refund the Refunded Bonds.

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 2019 Bonds, payment of interest and other payments on the 2019 Bonds to DTC Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the 2019 Bonds, confirmation and transfer of beneficial ownership interests in the 2019 Bonds and other bond-related transactions by and between DTC (as hereinafter defined), the DTC Participants and Beneficial Owners of the 2019 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 2019 Bonds. The 2019 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 2019 Series A Bond certificate and one 2019 Refunding

Series A Bond certificate will be issued for each maturity of the 2019 Series A Bonds and the 2019 Refunding Series A Bonds, respectively, 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 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2019 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 2019 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 2019 Bonds, except in the event that use of the book-entry system for a series of the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 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 2019 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 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 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 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Bonds, such as redemptions, defaults and proposed amendments to bond documents. For example, Beneficial Owners of 2019 Bonds may wish to ascertain that the nominee holding the 2019 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 2019 Series A Bonds within a maturity of the 2019 Series A 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 2019 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 2019 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 2019 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 payment 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 2019 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, 2019 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, 2019 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 and its Participants are 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 2019 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2019 Bonds, giving any notice permitted or required to be given to registered owners under the Indentures, registering the transfer of the 2019 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 2019 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 2019 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 2019 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 2019 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2019 Bonds (other than under the captions "Tax Matters" and "Continuing Disclosure Undertaking" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2019 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 none of the University, the State nor the Trustee take any 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 2019 Bonds.

Principal and Interest Payments. Principal of the 2019 Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2019 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 2019 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 2019 Bonds, and, upon presentation of 2019 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 2019 Bonds. Any 2019 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 2019 Bond for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any 2019 Bond shall be surrendered for transfer, the University shall execute and the Trustee shall authenticate and deliver a new 2019 Bond and maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any 2019 Bond during the period fifteen (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 was 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, $3,344,000,000, 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 2019 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 2019 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 in an aggregate par amount of $4,533,323,860 of which $1,967,886,270 is currently outstanding including the 2019 Bonds. For details of outstanding UConn 2000 debt see Appendix I-A, “UNIVERSITY FINANCES – University Indebtedness.”

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UCONN 2000 DEBT OBLIGATIONS

A. UConn 2000 General Obligation Bonds – Issued Amounts

	Issue Date	Original 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
2019 Series A Bonds	5/8/2019	174,785,000	26,356,777	200,000,000
Total[2]		**$3,124,237,147**	**$244,336,992**	**$3,344,000,000**

	Issue Date	Original 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
2019 Series A Refunding Bonds	5/8/2019	64,680,000	8,496,052	72,813,086
Total[2]		**$749,870,000**	**$86,611,346**	**$836,595,711**

B. UConn 2000 Special Obligation Bonds – Issued Amounts

	Issue Date	Original 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	Original 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	Original 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	Original Par Amount	Project Costs
Amended and Restated Promissory Note	7/1/2015	$5,376,713	$5,376,713
Total[3]		**$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 Redemption Fund; total deposits to the Trustee to be held in an 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."

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 2019 Bonds, or in any way contesting or affecting the validity of the 2019 Bonds or any proceedings of the University taken with respect to the issuance or sale thereof, the application of the proceeds of the 2019 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 2019 Bonds or the existence or powers of the University.

The University is defending various legal matters in state and federal courts. The University's General Counsel and the Office of the Attorney General are of the opinion that 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 2019 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 2019 Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2019 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 2019 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 2019 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, 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 2019 Bonds are also 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 2019 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 2019 Bonds substantially in the forms set forth in Appendix I-D-1 and Appendix I-D-2 hereto. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Hardwick Law Firm, LLC and Robinson & Cole LLP, Hartford, Connecticut ("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 2019 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 on individuals and 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 2019 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 2019 Bonds from gross income under the Code.

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 2019 Bonds in order that interest on the 2019 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 2019 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 2019 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 2019 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 2019 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 2019 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a 2019 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 2019 Bonds.

Prospective owners of the 2019 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 2019 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 2019 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 Premium

Certain of the 2019 Bonds may be offered at prices in excess of their stated principal amounts ("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 2019 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 2019 Bonds is includable in gross income for purposes of the Connecticut corporation business tax.

Owners of the 2019 Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such 2019 Bonds.

Owners of the 2019 Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2019 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 2019 Bonds under federal or state law or otherwise prevent beneficial owners of the 2019 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 2019 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 2019 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 2019 Bonds may occur. Prospective purchasers of the 2019 Bonds should consult their own tax advisors regarding the impact of any change in law on the 2019 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 2019 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 2019 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 2019 Bonds. Prospective owners of the 2019 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 2019 Bonds.

RATINGS

The 2019 Bonds have been rated "A1" by Moody's Investors Service ("Moody's"), 7 World Trade Center, New York, New York; "A+" 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. Each of Moody's, S&P and Fitch have assigned a "stable" credit outlook on the University's general obligation debt. Each such rating and credit outlook reflects only the views of the respective rating agency and 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 2019 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 2019 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 as amended (the "Rule"). The University, as issuer of the 2019 Bonds, under the Rule will enter into agreements with the Trustee substantially in the form of the Continuing Disclosure Agreement attached hereto as Appendix I-E to this Part I, one for the 2019 Series A Bonds and one for the 2019 Refunding Series A Bonds (collectively, the "Continuing Disclosure Agreement"). The Continuing Disclosure Agreement shall constitute the University's written undertaking for the beneficial owners of the 2019 Bonds. The State as the obligated person under the Rule will enter into an agreement with the Trustee with respect to the 2019 Bonds for the benefit of the beneficial holders of the 2019 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 2019 Bonds within ten (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 2019 Bonds shall be conditioned upon their receiving, at or prior to the delivery of the 2019 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 2019 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 in 2017 and 2018 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 ("EMMA") website 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 an event notice for (i) a rating upgrade of its Bradley International Airport Special Obligation Parking Revenue Bonds, Series 2000A in May 2016 and (ii) a rating downgrade of its Certificates of Participation (Connecticut Juvenile Training School Energy Center Project) in April 2018. The State promptly filed such notices after discovering each omission. In making this disclosure, the State has not concluded and does not admit that these omissions are a material failure to comply with its continuing disclosure obligations. The State has modified its disclosure practices to prevent such failures in the future. Certain prior annual reports of the State and other required reports are available from the EMMA website of 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 2019 Series A Bonds from the University at an aggregate purchase price of $200,333,283.75 (representing the aggregate principal amount of the 2019 Series A Bonds, plus original issue premium of $26,356,776.65 and less Underwriters' discount of $808,492.90). The 2019 Series A 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 2019 Series A 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.

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all, but not less than all, of the 2019 Refunding Series A Bonds from the University at an aggregate purchase price of $72,933,156.53 (representing the aggregate principal amount of the 2019 Refunding Series A Bonds, plus original issue premium of $8,496,052.25 and less Underwriters' discount of $242,895.72). The 2019 Refunding Series A 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 2019 Refunding Series A 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.

MUNICIPAL ADVISORS

PFM Financial Advisors LLC and Hilltop Securities, Inc., are serving as financial advisors in connection with the issuance of the 2019 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 have been 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 have been included herein in reliance upon the Independent Auditors' Report and Certificate of Audit, respectively, of the Auditors of Public Accounts of the State.

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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 statement 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, Storrs, Connecticut, 06269, (860) 486-3455.

Additional information concerning the State may be obtained upon request of the Office of the State Treasurer, Honorable Shawn T. Wooden, Treasurer, Attention: Sarah Sanders, 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 2019 Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2019 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 2019 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

By: /s/ Shawn T. Wooden
Shawn T. Wooden
State Treasurer

UNIVERSITY OF CONNECTICUT

By: /s/ Scott A. Jordan
Scott A. Jordan
Executive Vice President for Administration and Chief Financial Officer

Dated: April 25, 2019

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APPENDIX I-A

UNIVERSITY OF CONNECTICUT
INFORMATION CONCERNING THE UNIVERSITY

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APPENDIX I-A
UNIVERSITY OF CONNECTICUT

April 25, 2019

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.

Board of Trustees

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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 12 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 2018, the University had nearly 258,000 alumni worldwide and 32,257 students (including UConn Health) studying in 14 colleges and schools offering eight 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.

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:

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.

Thomas E. Kruger of Greenwich, Connecticut, Chairman of the Board of Trustees from 2017 resigned effective after the Board of Trustees meeting on April 24, 2019. The Governor has appointed Thomas D. Ritter, Interim Chairperson.

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.

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.

Dr. Herbst announced she is resigning as UConn's President effective during the summer of 2019. On February 5, 2019, the Board of Trustees appointed Thomas C. Katsouleas as the 16th President of the University of Connecticut effective August 1, 2019. Dr. Katsouleas currently serves as the provost and executive vice president at the University of Virginia, one of the nation's top three public research universities. He previously served for seven years at Duke University as the dean of the Pratt School of Engineering and professor of electrical and computer engineering. Katsouleas earned his bachelor's degree summa cum laude in 1979 from UCLA, and received his Ph.D. in physics in 1984, also from UCLA. He was a researcher and faculty member at UCLA for seven years after receiving his Ph.D., before joining the University of Southern California faculty as an associate professor of electrical engineering in 1991, becoming full professor in 1997. He also was an associate dean of USC's engineering school and vice provost of information technology services. Katsouleas is a leading scholar in the field of plasma science and has authored or co-authored more than 250 publications.

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

Name	Position	Background
John Elliot	Interim Provost and Executive Vice President for Academic Affairs; Auran J. Fox Chair in Business	PhD, Cornell University, BS and MBA, University of Maryland; over 20 years in academia including serving as Dean at the Zicklin School of Business at Baruch College and more recently as the Dean of UConn School of Business.
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.

Next Generation Connecticut

Public Act 13-233, "An Act Concerning Next Generation Connecticut" was adopted in 2013, which, among other things, extended the UCONN 2000 program and increased the statutory authorizations for the UCONN 2000 bonds secured by the State's debt service commitment. In 2017, Public Act 17-2 was adopted 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. Next Generation Connecticut also included 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 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.

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 2019 has been significantly reduced relative to what was originally planned. This reduction in expected operating funds contributed to a reduction in the capacity to hire new faculty, and created significant challenges for the University in meeting its original goals although the University has made some progress toward meeting such goals.

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	**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)	Completed

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	Completed
Hilltop Dormitory Renovations	Completed
Heating Plant Upgrade[3]	Completed
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	Completed
School of Pharmacy / Biology Completion	Ongoing
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 is partially funded with Student Fee Revenue Bonds 2018 Series A.

Campuses and Physical Plant

General Information. Of the six campuses, Storrs is the largest campus with 3,421 acres. There are four undergraduate regional campuses strategically located throughout the State in Avery Point, Stamford, Waterbury and Hartford. As of Fall 2018, there are 101 residential facilities all on the Storrs campus, serviced by eight large dining halls, and three residential facilities on the Stamford campus. Together they provide room and board for approximately 12,700 graduate and undergraduate students. During Fall 2017, the new regional Hartford Campus was completed and the University sold its West Hartford campus to a private company on October 10, 2018. 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 sell the land and buildings to the City of Torrington, a private purchaser or a combination. The University Extension facility remains active at the Torrington location and is expected to remain there for at least another eight years in order to fulfill the terms of a gift. In the event the former Torrington campus is sold, the University would become a tenant in the Extension facility. In addition to the regional campuses, the University includes the University of Connecticut School of Law, located in Hartford, and UConn Health, located in Farmington. Collectively these campuses are serving a student body of 32,257 in the 2018-19 academic year.

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 eight kinds of undergraduate degrees in 116 majors, 17 graduate degrees in 88 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 Commission of Higher Education and several other accreditation bodies for specific schools and programs accredit the University.

The National Science Foundation ranks the University 57 out of 400 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. Nearly 6,800 students matriculated in graduate degree programs in academic year 2018-19; of this figure approximately 2,200 are supported on merit based graduate assistantships. This support is available in 88 fields of study in the arts and sciences and professional disciplines.

Student Admissions and Enrollment

Admissions. The University continues to be in high demand with freshmen applications for all campuses over 38,000 for the Fall 2018 entering class. 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 2014 – 2018

Fall	Freshmen Applications	Change in Applications	Accepted	Enrolled	Change in Enrolled as A Percentage	Enrolled as a Percentage of Accepted
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
2018	34,886	2.0	17,015	3,749	1.8	22.0

Average Total SAT Scores*
Fall 2014 - 2018

Fall	Storrs Campus	Regional Campuses	Connecticut Average	National Average
2014	1234	1034	1017	1010
2015	1233	1042	1010	1006
2016	1233	1022	1000	1002
2017**	1294	1093	1041	1060
2018	1306	1106	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. Undergraduate enrollment at all campuses increased from Fall 2014 through 2018 as set forth below.

Total Enrollment Data (Head Count)[1]
Fall 2014 – 2018

Undergraduates	2014	2015	2016	2017	2018
Storrs	18,395	18,826	19,324	19,241	19,133
Regional Campuses	4,578	4,581	4,306	4,604	4,845
Total	**22,973**	**23,407**	**23,630**	**23,845**	**23,978**
Graduates/Professionals[2]	**7,591**	**7,653**	**7,810**	**7,745**	**7,668**
UConn Health					
Medicine	384	396	408	411	425
Dental Medicine	171	168	179	181	186
Total	**555**	**564**	**587**	**592**	**611**
Grand Total	**31,119**	**31,624**	**32,027**	**32,182**	**32,257**

[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 2014 - 2018

	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**
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
2018	71.5	28.5	76.2	23.8	63.2	36.8

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 2019, students classified as full-time undergraduate residents of Connecticut will pay tuition of $12,848. Full-time out-of-state undergraduates will pay $35,216 per year. In the 2019 academic year, total tuition revenues are budgeted to be $418.5 million. For the academic year 2020, full-time undergraduate residents will pay tuition of $13,799, and full-time out-of-state undergraduates will pay tuition of $36,466 per year.

Mandatory Fees. For academic year 2019, undergraduate students must pay a General University Fee of $1,334 per year. Students also pay $1,548 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. For academic year 2020, the General University Fee will be $1,380 per year. In addition, students will begin paying a new fee of $500 per year for the new Student Recreation Center. 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 2019 are the room ($7,028) and board ($5,846) fee. Higher and lower cost meal plan options are available. For academic year 2020, the room fee will increase to $7,238 and the board fee will increase to $6,020.

In-State Undergraduate Tuition & Other Fees
Academic Years 2015 - 2020

	2015	**2016**	**2017**	**2018**	**2019[3]**	**2020**
Tuition	$ 9,858	$10,524	$11,224	$11,998	$12,848	$13,799
Room & Board[1]	11,818	12,172	12,172	12,514	12,874	13,258
General University Fee	1,914	1,914	1,914	1,914	1,334	1,380
Other Fees[2]	928	928	928	968	1,548	2,048
Total	**$24,518**	**$25,538**	**$26,238**	**$27,394**	**$28,604**	**$30,485**

[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.
[3] Beginning in 2019, the Student Health Service Fee was moved from the General University Fee category to Other Fees.

FY 2019 Undergraduate Tuition and Fees
Peer University Comparison*

	In-State	Out-of-State
Boston University	$56,001	$56,001
Boston College	53,948	53,948
Drexel University	53,279	53,279
Fordham University	52,687	52,687
Northeastern University	51,522	51,522
Quinnipiac University	47,960	47,960
Pennsylvania State University	18,436	34,858
University of Vermont	18,276	42,516
University of Massachusetts	15,888	34,570
University of Connecticut	**15,730**	**38,098**
University of Delaware	13,680	34,310
University of Maryland	10,595	35,216

*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. Approximately 76% of all undergraduates are receiving some form of financial aid.

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 $652 to $6,095 (for Fiscal Year 2019) 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 2019 academic year is forecasted at $70.6 million.

Financial Aid to University Students (excluding Tuition Waivers)
for Fiscal Years 2015 – 2019 (in millions)

	2015	2016	2017	2018	2019 Budget
Need Based Grants	$90.9	$94.7	$101.3	$106.6	$112.5
University Scholarships	58.0	62.3	64.8	66.7	76.0
Non University Scholarships	19.4	20.4	19.5	19.0	20.1
Loans	186.5	192.0	199.0	194.9	205.1
Grand Total	**$354.8**	**$369.4**	**$384.7**	**$387.2**	**$413.6**

UNIVERSITY FINANCES

Financial Management

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 (including room, board and 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. The University became responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The enactment of UCONN 2000 extended the authority vested in the University by the Flexibility Acts.

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, 2018 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, 2014, 2015, 2016, 2017 and 2018. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix A for the same information for UConn Health.

Statements of Revenues, Expenses, and Changes in Net Position (in thousands)

OPERATING REVENUES	2014	2015	2016	2017	2018
Student tuition and fees [1]	$ 279,577	$ 308,174	$ 341,809	$ 367,351	$ 386,921
Federal grants and contracts	95,187	93,807	104,725	100,397	106,561
State and local grants and contracts	20,170	20,823	21,200	16,931	19,441
Nongovernmental grants and contracts	14,619	20,535	19,490	28,005	18,386
Sales and services of educational departments	19,280	21,028	20,543	20,325	23,708
Sales and services of auxiliary enterprises [2]	195,525	201,066	210,455	209,851	210,990
Other sources	10,168	12,263	10,758	11,909	14,009
Total Operating Revenues	634,526	677,696	728,980	754,769	780,016
OPERATING EXPENSES					
Salaries and wages	521,076	542,082	557,497	556,411	569,359
Fringe benefits	237,715	271,164	287,553	349,328	338,545
Supplies and other expenses	211,654	217,413	245,871	245,357	264,456
Utilities	20,963	23,212	19,737	19,039	19,655
Depreciation and amortization	95,377	95,990	98,767	104,807	108,185
Scholarships and fellowships	10,953	10,713	12,437	11,791	8,870
Total Operating Expenses	1,097,738	1,160,574	1,221,862	1,286,733	1,309,070
Operating Loss	(463,212)	(482,878)	(492,882)	(531,964)	(529,054)
NONOPERATING REVENUES (EXPENSES)					
State appropriation	308,069	350,699	384,747	374,113	342,987
State debt service commitment for interest	42,091	46,635	53,092	64,757	70,740
Federal and state financial aid	32,647	35,684	38,968	34,800	37,986
Gifts	21,703	23,828	25,380	23,628	19,732
Investment income	799	889	1,448	2,996	6,059
Interest expense	(45,955)	(46,420)	(51,333)	(59,129)	(64,672)
Disposal of property and equipment, net	(1,043)	(473)	(8,486)	(1,418)	(1,524)
Other nonoperating revenue (expenses), net	(1,873)	(1,540)	(3,893)	(1,776)	(2,475)
Net Nonoperating Revenues	356,438	409,302	439,923	437,971	408,833
Loss Before Other Changes in Net Position	(106,774)	(73,576)	(52,959)	(93,993)	(120,221)
OTHER CHANGES IN NET POSITION					
State debt service commitment for principal	80,346	56,430	103,400	281,576	187,269
Capital allocation	(20)	131,500	-	-	-
Capital grants and gifts	21,643	25,412	5,071	1,388	5,099
Additions to permanent endowments	743	66	14	1,149	338
Net Other Changes in Net Position	102,712	213,408	108,485	284,113	192,706
Increase (Decrease) in Net Position	(4,062)	139,832	55,526	190,120	72,485
NET POSITION					
Net Position – Beginning of Year, Adjusted	1,439,422	857,767 [3]	997,599	1,053,125	7,743 [4]
Net Position – End of Year	$1,435,360	$ 997,599	$1,053,125	$1,243,245	$ 80,228

[1] Net of scholarship allowances of $123,312, $134,279, $140,283, $148,415, and $156,962, respectively.

[2] Net of scholarship allowances of $3,213, $3,338, $4,056, $4,981, and $6,495, respectively.

[3] 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.

[4] During fiscal year 2018, the University of Connecticut adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result, beginning net position for the fiscal year ended June 30, 2018 was restated by $1,235,502 for the cumulative effect of applying this standard.

Reclassifications were made for prior fiscal years to reflect changes in the classifications of operating revenues and expenses, nonoperating revenues (expenses), and other changes in net position. These changes had no effect on net position presented on the Statements 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. The Fiscal Year 2019 Spending Plan was approved by the Board of Trustees on June 27, 2018. It is anticipated that the Fiscal Year 2020 Spending Plan will be presented to the Board of Trustees for approval on June 26, 2019. 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. 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 2019 Budget. The Fiscal Year 2019 budget forecast includes $1,367.5 million in expenditures and $1,367.5 million of revenue, yielding a balanced budget.

Fiscal Year 2019 Revenue. For Fiscal Year 2019, State support is budgeted at a level of $346.8 million (allotment $189.7million and fringe benefits $1million including year-end accounting accruals), a decrease of $3.8 million or 1.1% less than the Fiscal Year 2018 amount. State support is the second largest source of revenue for the University. Tuition is the largest source of revenue (excluding waivers) and is budgeted at $418.5 million, an increase of $15.8 million or 3.9% over the Fiscal Year 2018 amount. Tuition revenue collections reflect an $855 annual rate increase for in-state students and a $1,150 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 2019 are budgeted to be $135.7 million, a decrease of $0.4 million or 0.3% less than the Fiscal Year 2018 amount. Auxiliary Enterprise Revenue is budgeted to be $214.3 million, which is a decrease of $3.2 million or 1.5% less than the Fiscal Year 2018 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 2019 are budgeted to be $113.2 million, which is a $5.7 million increase or 5.3% more than Fiscal Year 2018.

Fiscal Year 2019 Expenditures. Total Fiscal Year 2019 expenditures of $1,367.5 million are budgeted to increase by $25.6 million or 1.9% from the Fiscal Year 2018 amount. Personal services expenditures are budgeted to reach $503.9 million or $1.1 million less than Fiscal Year 2018. Fringe benefit expenditures are budgeted to be $277.1 million or $18.0 million more than Fiscal Year 2018. Financial Aid expenditures are budgeted to be $183.9 million, which is an increase of $13.7 million or 8.0% over the Fiscal Year 2018 amount.

In addition to actual results of operations for Fiscal Years 2015-2018, the following schedule reflects the Fiscal Year 2019 budget forecast.

Statement of Current Funds Operations (in millions)

	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Budget
Current Funds Revenues:					
Operating Fund					
State Support	$ 350.7	$ 384.5	$ 374.0	$ 343.0	$346.8
Tuition (Net of Discounts)	319.7	353.4	377.5	402.7	418.5
Fees	124.3	133.5	136.5	136.1	135.7
Auxiliary Enterprise Revenue	204.4	214.5	214.8	217.5	214.3
All Other Revenues	129.9	138.7	130.6	137.5	139.1
Total Operating Fund	$1,120.9	$1,215.4	$1,230.4	$1,236.8	$1,254.4
Research Fund	99.5	105.8	107.5	107.5	113.2
Total Current Funds Revenues	**$1,220.4**	**$1,321.2**	**$1,337.9**	**$1,344.3**	**$1,367.5**
Current Funds Expenditures:					
Operating Fund					
Personal Services	$ 482.8	$ 496.7	$ 495.8	$ 505.0	$503.9
Fringe Benefits	230.1	239.5	241.7	259.1	277.1
Other Expenses	215.2	230.1	219.6	241.2	214.4
Equipment	4.9	21.1	17.3	29.6	236.3
Student Financial Aid	142.7	150.8	160.5	170.2	183.9
Non-mandatory/Projects	49.3	82.1	94.9	31.7	33.7
Total Operating Fund	$1,125.0	$1,220.3	$1,229.7	$1,236.8	$1,255.4
Research Fund Expenditures	94.2	98.2	101.2	105.1	112.1
Total Current Funds Expenditures	**$1,219.2**	**$1,318.5**	**$1,330.9**	**$1,341.9**	**$1,367.5**
Net Gain (Loss)	**$ 1.2**	**$ 2.7**	**$ 7.0**	**$ 2.4**	**$ 0.0**

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 18-81 appropriated $190.6 million to the University for Fiscal Year 2019.The Fiscal Year 2019 appropriation has since been reduced by the State by $0.9 million for allocable bottom line savings for the State budget. This reduction results in a forecasted allotment of $189.7 million for Fiscal Year 2019.

No assurance can be made that the State will not change the Fiscal Year 2019 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 2015 – 2019 (in millions)

Fiscal Year	Operating Appropriations[1] and Allotments	Fringe Benefits/ Adjustments	Operating Total
2015	$222.2	$128.5	$350.7
2016	240.6	143.9	384.5
2017	217.8	156.3	374.1
2018	191.3	151.7	343.0
2019	188.7	158.1	346.8

[1] Excludes State Debt Service Commitment for UCONN 2000 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.

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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	16,000,000 [8]	240,400,000	256,400,000
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	**$272,900,000**	**$4,282,900,000**	**$4,555,800,000**

(Footnotes on the following page)

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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, and the final $16,000,000 was approved on February 1, 2017.

Grants and Contracts

Revenue from federal, state, local and non-governmental grants and contracts totaled $144.4 million in Fiscal Year 2018, representing 18.5% 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, 2018, included in this Appendix A. If nongovernmental grants are excluded, the revenue from federal, state and local governmental grants and contracts, totaled $126.0 million for this time period, which represented 16.1% of total operating revenues.

Governmental Grants and Contracts
for Fiscal Years 2014 - 2018
(in Millions of Dollars)

Fiscal Year	Amount*
2014	$130.0
2015	135.2
2016	145.4
2017	145.3
2018	144.4

*Amounts were updated to reflect financial statement reclassifications of revenues (Federal financial aid) from operating to nonoperating revenues.

The University of Connecticut Foundation, Inc.

Two other entities also support the mission of the University: The University of Connecticut Foundation, Inc., (the "Foundation"), and the University of Connecticut Law School Foundation, Inc., (the "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. On July 1, 2017, the Law School Foundation entered into an agreement with the Foundation and transferred all gift assets and operations to the Foundation. The Foundation 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. These spendable funds are provided to the University for educational, cultural, recreational, and research activities. The 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 $28.4 million in Fiscal Year 2018 compared to $29.4 million in Fiscal Year 2017. In addition, the University receives gifts directly. Total non-operating gifts and capital gifts and grants revenue to the University from all sources amounted to $5.0 million and $3.9 million in Fiscal Years 2018 and 2017, respectively.

Giving University-wide continued at record levels, with contributions of $82.5 million to support the University students, faculty, and programs during Fiscal Year 2018. Of the $82.5 million in new gifts and commitments, $22.3 million was directed for scholarships and fellowships, $45.9 million for program support, $7.6 million for research, $2.8 million for faculty support, and $3.9 million for capital improvements. Donors contributed $42.2 million to the University's endowment.

	2014 $000's	2015 $000's	2016 $000's	2017 $000's	2018 $000's
Assets					
Endowment assets	$369,444	$368,179	$362,419	$401,505	$446,492
All other assets	108,308	102,537	100,473	102,645	113,857
Total Assets	**$477,752**	**$470,716**	**$462,892**	**$504,150**	**$560,349**
Support and Revenue					
Contributions and educational support	$ 34,597	$ 32,504	$ 40,741	$ 35,603	$ 65,045
Payment from the University	8,270	9,139	9,450	10,050	10,480
Investment income, net	47,826	10,067	(3,070)	45,653	32,925
Other revenues	733	1,712	1,694	1,985	1,591
Total Support and Revenue	**$ 91,426**	**$ 53,422**	**$ 48,815**	**$93,291**	**$110,041**
Expenditures					
Disbursements to and on behalf of the University	$ 50,936	$ 37,355	$ 34,181	$ 27,598	$ 28,396
Foundation expenses (development, asset mgt, admin)	17,068	17,067	19,711	20,932	22,790
Total Expenditures	**$ 68,004**	**$ 54,422**	**$ 53,892**	**$ 48,530**	**$ 51,186**
Less change in net assets not owned by Foundation	(18)	127	(109)		
Support and Revenues Over/Under Expenditures	**$ 23,440**	**($ 1,127)**	**($ 4,968)**	**$44,761**	**$ 58,855**

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 2019 Bonds, the University's General Obligation Bonds principal outstanding will be $1,700,180,000 including the 2019 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 2019 Bonds, the Special Obligation Bonds principal outstanding will be $233,445,000.

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 $81,900,000 original principal amount of the Lease, comprised of $75,000,000 executed in 2003, and, pursuant to an amendment, an additional $6,900,000 executed in 2005, 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. Subsequent to 2005, the University has amended the Lease twice to lower interest rates and reduce its monthly Lease payments. As of January 2017, the Lease interest rate became 2.22% resulting in a monthly Lease payment of $461,645. As of the date of delivery of the 2019 Bonds, the principal amount of the Lease outstanding will be $34,261,270 with a final maturity date of December 29, 2025. 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.

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 and secured by the general obligation of the University. 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 final maturity date of December 1, 2016, thus purchasing the Inn. The Note was issued pursuant to separate financing documents and not under the UCONN 2000 General Obligation or Special Obligation Indentures of Trust and was paid off on its maturity date, 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, 2018".

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 2019 Bonds, including the 2019 Bonds.

Debt Service on General Obligation Bonds[1] as of May 8, 2019

	Outstanding General Obligation Bonds			This Issue General Obligation Bonds			
FYE June 30	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Total Debt Service
2020	$ 116,120,000	$ 69,623,690	$ 185,743,690	$ 15,155,000	$ 11,168,490	$ 26,323,490	$212,067,180.44
2021	111,125,000	64,227,640	175,352,640	15,095,000	10,641,225	25,736,225	$201,088,865.02
2022	105,645,000	58,999,121	164,644,121	15,325,000	9,880,725	25,205,725	$189,849,846.26
2023	102,040,000	53,910,221	155,950,221	15,115,000	9,129,575	24,244,575	$180,194,796.26
2024	97,410,000	48,935,821	146,345,821	15,355,000	8,377,675	23,732,675	$170,078,496.26
2025	92,500,000	44,135,340	136,635,340	15,130,000	7,616,800	22,746,800	$159,382,140.00
2026	88,520,000	39,632,490	128,152,490	15,365,000	6,855,675	22,220,675	$150,373,165.00
2027	85,125,000	35,219,128	120,344,128	15,125,000	6,093,425	21,218,425	$141,562,552.50
2028	81,370,000	31,020,003	112,390,003	15,100,000	5,337,800	20,437,800	$132,827,802.50
2029	81,370,000	26,951,503	108,321,503	15,315,000	4,577,425	19,892,425	$128,213,927.50
2030	81,370,000	22,939,278	104,309,278	8,740,000	3,976,050	12,716,050	$117,025,327.50
2031	76,510,000	19,173,238	95,683,238	8,740,000	3,539,050	12,279,050	$107,962,287.50
2032	67,525,000	15,369,525	82,894,525	8,740,000	3,102,050	11,842,050	$94,736,575.00
2033	67,525,000	12,080,663	79,605,663	8,740,000	2,665,050	11,405,050	$91,010,712.50
2034	67,525,000	9,170,838	76,695,838	8,740,000	2,228,050	10,968,050	$87,663,887.50
2035	53,440,000	6,304,200	59,744,200	8,740,000	1,791,050	10,531,050	$70,275,250.00
2036	42,435,000	3,873,000	46,308,000	8,740,000	1,354,050	10,094,050	$56,402,050.00
2037	29,360,000	1,882,000	31,242,000	8,735,000	917,175	9,652,175	$40,894,175.00
2038	13,800,000	552,000	14,352,000	8,735,000	524,100	9,259,100	$23,611,100.00
2039	-	-	-	8,735,000	174,700	8,909,700	$8,909,700.00
Totals[2]	**$ 1,460,715,000**	**$ 563,999,696**	**$ 2,024,714,696**	**$ 239,465,000**	**$ 99,950,140**	**$ 339,415,140**	**$ 2,364,129,837**

[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 2019 Bonds, including the 2019 Bonds.

Total UCONN 2000 Debt Obligations Outstanding

	Original Par Amount[1]	Amount Outstanding Currently[1]	Dated Date	Final Maturity Date
General Obligation Debt Service Commitment Bonds				
GO DSC 2010 Series A	$97,115,000	$53,400,000	May 25, 2010	February 15, 2030
GO DSC 2010 Series A Refunding[2]	36,095,000	6,095,000	May 25, 2010	February 15, 2021
GO DSC 2011 Series A	179,730,000	107,820,000	December 8, 2011	February 15, 2031
GO DSC 2011 Series A Refunding[3]	31,905,000	14,520,000	December 8, 2011	February 15, 2023
GO DSC 2013 Series A	172,660,000	129,490,000	July 31, 2013	August 15, 2033
GO DSC 2013 Series A Refunding[4]	51,250,000	34,295,000	July 31, 2013	February 15, 2024
GO DSC 2014 Series A	109,050,000	81,780,000	April 22, 2014	February 15, 2034
GO DSC 2014 Series A Refunding[5]	92,940,000	9,675,000	April 22, 2014	February 15, 2025
GO DSC 2015 Series A	220,165,000	176,135,000	April 16, 2015	February 15, 2035
GO DSC 2015 Series A Refunding[6]	34,625,000	24,135,000	April 16, 2015	February 15, 2026
GO DSC 2016 Series A	261,510,000	222,275,000	April 21, 2016	March 15, 2036
GO DSC 2016 Series A Refunding[7]	80,425,000	31,855,000	April 21, 2016	March 15, 2027
GO DSC 2017 Series A	311,200,000	280,080,000	January 19, 2017	January 15, 2037
GO DSC 2017 Series A Refunding[8]	33,950,000	26,885,000	January 19, 2017	January 15, 2022
GO DSC 2018 Series A	276,075,000	262,275,000	May 3, 2018	April 15, 2038
GO DSC 2019 Series A	174,785,000	174,785,000	May 8, 2019	November 1, 2038
GO DSC 2019 Series A Refunding[9]	64,680,000	64,680,000	May 8, 2019	November 1, 2028
Total[10,15]		**$1,700,180,000**		
Special Obligation Student Fee Revenue Bonds				
UCONN 2000 SPEC OB 2010-A Refunding[11]	$47,545,000	$21,310,000	June 16, 2010	November 15, 2027
UCONN 2000 SPEC OB 2012-A Refunding[12]	87,980,000	71,135,000	December 13, 2012	November 15, 2029
UCONN 2000 SPEC OB 2018-A	141,725,000	141,000,000	March 29, 2018	November 15, 2047
Total[13, 15]		**$ 233,445,000**		
Capital Leases				
Governmental Lease Purchase Agreement	$ 75,000,000	$ 31,324,306	December 18, 2003	December 29, 2025
Governmental Lease Purchase Agreement	6,900,000	2,936,964	August 15, 2005	December 29, 2025
Total[14, 15]		**$ 34,261,270**		

[1] "Original Par Amount" includes bonds previously refunded. "Amount Currently Outstanding" is net of bonds previously refunded.

[2] 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.

[3] The General Obligation 2011-A Refunding Bonds refunded $33,735,000 of the outstanding GO DSC Series 2003-A and 2004 Bonds.

[4] The General Obligation 2013-A Refunding Bonds refunded $54,375,000 of the outstanding GO DSC Series 2004A and 2005A Bonds.

[5] The General Obligation 2014-A Refunding Bonds refunded $97,930,000 of the outstanding GO DSC Series 2004A and 2005A Bonds.

[6] The General Obligation 2015-A Refunding Bonds refunded $38,550,000 of the outstanding GO DSC Series 2006A Bonds.

[7] The General Obligation 2016-A Refunding Bonds refunded $88,535,000 of the outstanding GO DSC Series 2006A Refunding Bonds and 2007A Bonds.

[8] The General Obligation 2017-A Refunding Bonds refunded $36,095,000 of the outstanding GO DSC Series 2007A Refunding Bonds.

[9] The General Obligation 2019-A Refunding Bonds refunded $72,060,000 of the outstanding GO DSC Series 2009A 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.

[12] 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.

[13] 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 November 2018, the University had 4,948 full-time equivalent ("FTE") employees. Full and part-time faculty accounted for 1,568 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 2018, 55.7% of full-time teaching faculty were tenured, 19.9% 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 918 FTE graduate student assistants who receive stipends; and other non-permanent employees (i.e. special payroll, students) not captured in any of the prior categories.

Six bargaining units represented approximately 4,433 FTE union members as of November 2018. Approximately 10% of University faculty and staff were non-union employees. The University bargains with two units covering 3,717 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 715 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 has recently negotiated a successor agreement with the GEU-UAW which is currently in effect and will be in full force and effect until June 30, 2022. The University is currently negotiating an agreement with the UAW that will cover a unit of post-doctoral research associates.

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 through the State Employee Post-Employment Benefits Plan. In fiscal year 2018, the University adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, that addresses new accounting and financial reporting requirements for other post-employment benefits (OPEB) provided to state and local government employees. In accordance with GASB 75, the University records its proportionate share of the State's collective net OPEB liability, collective deferred inflows and deferred outflows of resources related to OPEB, and collective OPEB expense. For further discussion, see Schedule 1, "AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY FOR FISCAL YEAR ENDED 2018."

Insurance and Litigation

Insurance. The University, as an agency of the State, relies upon sovereign immunity for protection from liability. However, the University participates in the State's program of liability coverage. The State is self-insured for the first $4,000,000. The State purchases excess liability policies beyond its self-insured retention. The State also purchases other coverages to mitigate risk, including property, casualty and hazard insurance for all State agencies. The State pays the premiums for such insurance policies. The University may request disbursement of insurance proceeds, which the State receives from a claim arising out of the loss of University property. The Act authorizes the University to purchase insurance for its assets, actions and activities. With 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. With 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. In conjunction with this mission, UConn Health is focused on 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, 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. As of Fall 2018, UConn Health had 611 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. The University issued a Solicitation of Interest seeking proposals for a public private partnership for its Clinical Enterprise (John Dempsey Hospital and UConn Medical Group). See "University of Connecticut Health Center Clinical Operations" 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
John F. Droney	2016*	Member	Partner, Hinckley Allen Snyder, LLP
Anne Foley		Ex-Officio	SPV to the Secretary; Office of Policy & Management, State of Connecticut
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
Renée D. Coleman-Mitchell, MPH		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 $80.1 million was generated in Fiscal Year 2018 by the research activities of the various faculties, which supplements appropriations from the State.

Student Enrollment

Enrollment. UConn Health's enrollment in Fall 2018 was 425 in the School of Medicine, 186 in the School of Dental Medicine, and 311 Graduate students. Historically, enrollment at UConn Health has been flat. A key component of the Bioscience Connecticut initiative is to grow enrollment 30%. The 425 enrolled students represent an increase of 15% 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 2014 - 2018

Fall	MCAT	DAT
2014	31.9	21.2
2015	31.7	21.2
2016*	509.3	21.6
2017*	511.3	21.5
2018	512.2	21.4

*Beginning in Fall 2016, 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.

Passing Rates on National Exams
2014 - 2018

Year	School of Medicine	School of Dental Medicine
2014	98%	100%
2015	99	100
2016	98	100
2017	99	100
2018	97	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 70th and 75th percentiles of public schools nationally.

Tuition. For the academic year 2019, students classified as full-time residents of Connecticut were charged tuition of $36,932 for the School of Medicine and $34,599 for the School of Dental Medicine. Out-of-state students were charged $71,012 for the School of Medicine and $72,353 for the School of Dental Medicine. For the 2020 academic year, tuition for Connecticut residents has been set at $38,585 for School of Medicine students and $35,810 for School of Dental Medicine students.

Mandatory Fees. For academic year 2019, students will pay a fee of $3,160 for the School of Medicine and $2,538 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 2016 - 2020

School of Medicine

	2016	2017	2018	2019	2020
Tuition	$30,013	$32,554	$34,706	$36,932	$38,585
Fees*	8,500	7,500	3,660	3,160	2,910
Total	**$38,513**	**$40,054**	**$38,366**	**$40,092**	**$41,495**

School of Dental Medicine

	2016	2017	2018	2019	2020
Tuition	$28,231	$30,667	$32,599	$34,599	$35,810
Fees*	7,682	6,681	2,940	2,538	2,627
Total	**$35,913**	**$37,348**	**$35,539**	**$37,137**	**$38,437**

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

Percentage of Enrollment by Residence Status
Fall 2014 - 2018

	School of Medicine		School of Dental Medicine	
Fall	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**
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
2018	90.8	9.2	87.0	13.0

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 included a nation-wide Solicitation of Interest distributed in October 2018. By the December 2018 deadline for responses, UConn Health had received several responses, none of which met the goals outlined in such solicitation. UConn Health is in the process of deciding whether to negotiate with the responders to determine if the goals of UConn Health can be met. 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).

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 between fiscal years 2012 and 2021 and to be deposited in the Connecticut Bioscience Collaboration Fund. This fund is held and administered by Connecticut Innovations Incorporated, a separate authority of the State of Connecticut, to support the establishment of a bioscience cluster anchored by a research laboratory housed at UConn Health. As of fiscal year end 2018, $257.0 million of the $290.7 million had been allocated with the remainder expected to be allocated in fiscal years 2019, 2020 and 2021.

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 in July 2016. Phases 1, 2 and 3 of the renovations are complete and the final phase, phase 4, will be complete in May 2019. The renovations focused on the Dental School clinical practice areas, the Cardiology clinical area, a multi-specialty clinic and the Main Lobby renovation.

Employment

UConn Health employed approximately 4,400 full-time equivalent (FTE) employees as of December 2018. UConn Health employees are State employees. The terms and conditions of employment of almost 3,800 FTE employees as of December 2018 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, 2014, 2015, 2016, 2017 and 2018.

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Statement of Revenues, Expenses and Changes in Net Position

($ in thousands)

	2014	2015	2016	2017	2018
OPERATING REVENUES					
Student tuition and fees[1]	$ 15,794	$ 16,557	$ 15,728	$ 17,499	$ 18,613
Patient services[2]	450,315	512,960	532,876	539,777	580,697
Federal grants and contracts	62,527	57,920	59,529	58,148	50,748
Nongovernmental grants and contracts	23,803	24,407	27,116	29,009	29,337
Contract and other operating revenues	106,772	109,324	108,017	114,283	127,188
Total operating revenues	$659,211	$ 721,168	$743,266	$758,716	$806,583
OPERATING EXPENSES					
Educational and General					
Instruction	$152,618	$ 163,703	$ 168,299	$ 169,130	$ 179,948
Research	59,518	56,961	58,233	59,400	56,102
Patient services	581,558	607,436	648,072	713,342	747,637
Academic support	20,824	22,458	18,070	19,186	19,322
Institutional support	66,416	83,260	80,638	82,233	112,126
Operations and maintenance of plant	31,548	35,363	38,714	37,295	38,223
Depreciation	32,780	37,830	41,468	52,046	52,637
Student aid	50	32	84	194	364
Total operating expenses	945,312	1,007,043	1,053,578	1,132,826	1,206,359
Operating (loss) income	($286,101)	($ 285,875)	($ 310,312)	($ 374,110)	($ 399,776)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	$266,139	$ 280,645	$ 289,287	$ 278,211	$ 279,513
Gifts	7,299	7,175	6,866	4,079	5,706
Interest income	93	176	141	104	654
Interest on capital asset – related debt	(1,007)	(3,820)	(10,487)	(10,214)	(9,909)
Net nonoperating revenues	272,524	284,176	285,807	272,180	275,964
Income before other revenues, expenses, gains or losses	($ 13,577)	($ 1,699)	($ 24,505)	($ 101,930)	($ 123,812)
Loss on disposal	(573)	(3,902)	(695)	(989)	(3,092)
Capital appropriations	193,214	159,810	175,000	43,479	88,806
Total other revenues	192,641	155,908	174,305	42,490	85,714
Increase (decrease) in net position	$179,064	$ 154,209	$ 149,800	($ 59,440)	($ 38,098)
NET POSITION					
Net position-beginning of year	$397,730	$ 576,794	$ 35,971	$ 185,771	$ 126,332
Cumulative impact of implementing GASB 68, 71 and 75	-	(695,032)	-	-	(1,103,187)
Net position-beginning of year as restated	-	(118,238)	-	-	(976,855)
Net position-end of year	$576,794	$ 35,972	$ 185,771	$ 126,331	($1,014,953)

[1] Net of scholarship allowances of $4,517, $5,556, $6,205, $6,250 and $5,964 respectively.
[2] Net of charity care of $630, $328, $438, $310 and $422 respectively.

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".

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 2019. UConn Health is budgeted to end Fiscal Year 2019 with a loss of $18.2 million as compared to the prior year loss before other changes in net position of $123.8 million. Prior year losses reflect GASB 68, 71 and 75 adjustments made for financial reporting purposes and not included in the operating budget. The amount of these adjustments is reflected in the table below. The operating budget reflects salary and fringe benefit increases under previously negotiated collective bargaining agreements. Pharmaceutical and medical supply expense increases are reflective of UConn Health's growing patient volumes. These cost increases are expected to be offset by increased net patient revenues and increased in-kind fringe benefits from the State.

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In addition to actual results of operations for Fiscal Years 2015-2018, the following schedule reflects the Fiscal Year 2019 budget.

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

Revenues:	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Budget
State Support	$226.8	$235.3	$224.3	$225.6	$238.8
Tuition & Fees	21.5	21.5	23.7	24.2	25.5
Research Grants and Contracts	82.3	86.8	87.2	80.1	80.2
Interns and Residents	60.0	63.3	63.0	67.1	69.0
Net Patient Care	428.7	450.4	459.5	501.0	538.3
Correctional Managed Health Care	88.9	86.6	82.7	79.7	0.0
Other Income	48.2	47.2	46.7	60.9	72.1
Total Revenues	**$956.4**	**$991.1**	**$987.1**	**$1,083.6**	**$1,023.9**
Expenses:					
Personal Services	$366.7	$389.1	$385.7	$389.7	$412.5
Fringe Benefits	181.8	208.7	293.0	315.3	254.1
Correctional Managed Health Care	88.9	86.6	82.7	79.7	0.0
Medical/Dental House Staff	51.7	52.4	52.9	53.6	55.8
Drugs/Medical Supplies	74.7	76.9	87.7	95.1	98.6
Outside & Other Purchased Services	72.8	71.3	75.5	93.2	96.2
Other Expenses	121.5	130.6	111.5	135.8	124.9
Total Expenses	**$958.1**	**$1,015.6**	**$1,089.0**	**$1,162.4**	**$1,042.1**
Net Gain (Loss)	**($ 1.7)**	**($ 24.5)**	**($ 101.9)**	**($123.8)**	**($ 18.2)**

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 18-81 appropriated $119.7 million to UConn Health for Fiscal Year 2019. The Fiscal Year 2019 appropriation has since been reduced by the State by $0.5 million for allocable bottom line savings for the State budget. This reduction results in a forecasted allotment of $119.2 million for Fiscal Year 2019.

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 $80.1 million in Fiscal Year 2018, representing 9.9% 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, 2018, included in this Appendix A.

Governmental Grants and Contracts
for Fiscal Years 2014 - 2018
(in Millions of Dollars)

Fiscal Year	Amount
2014	$86.3
2015	82.3
2016	86.6
2017	87.2
2018	80.1

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, 2018, the Fund had actuarial reserves of approximately $15.0 million and assets of approximately $7.1 million. It was estimated that $3.3 million could be used in Fiscal Year 2019 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, 2018.

Long-term liability composition and activity for the Fiscal Years ended June 30, 2018 was as follows:

Long-Term Liability for Years Ended June 30, 2018

	June 30, 2017 Balance	Additions	Reductions	June 30, 2018 Balance	Amounts Due Within One Year
Long-Term Debt					
Capital Lease John Dempsey Hospital	$ 2,186,599	-	$ 485,482	$ 1,701,117	$ 494,853
Mortgage Agreements Primary Institution	204,913,696	-	6,090,659	198,823,037	6,411,004
Malpractice Reserve	24,857,000	-	9,876,000	14,981,000	3,285,000
Compensated Absences	51,993,744	29,830,669	32,645,767	49,178,646	18,461,664
Total Long-Term Liabilities	**$283,951,039**	**$29,830,669**	**$49,097,908**	**$264,683,800**	**$28,652,521**

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

Fiscal Year Ending June 30th	Total Long Term Debt
2019	$16,508,114
2020	16,508,114
2021	16,508,114
2022	16,173,569
2023	15,985,039
Thereafter	236,865,201
Totals	**$318,548,151**

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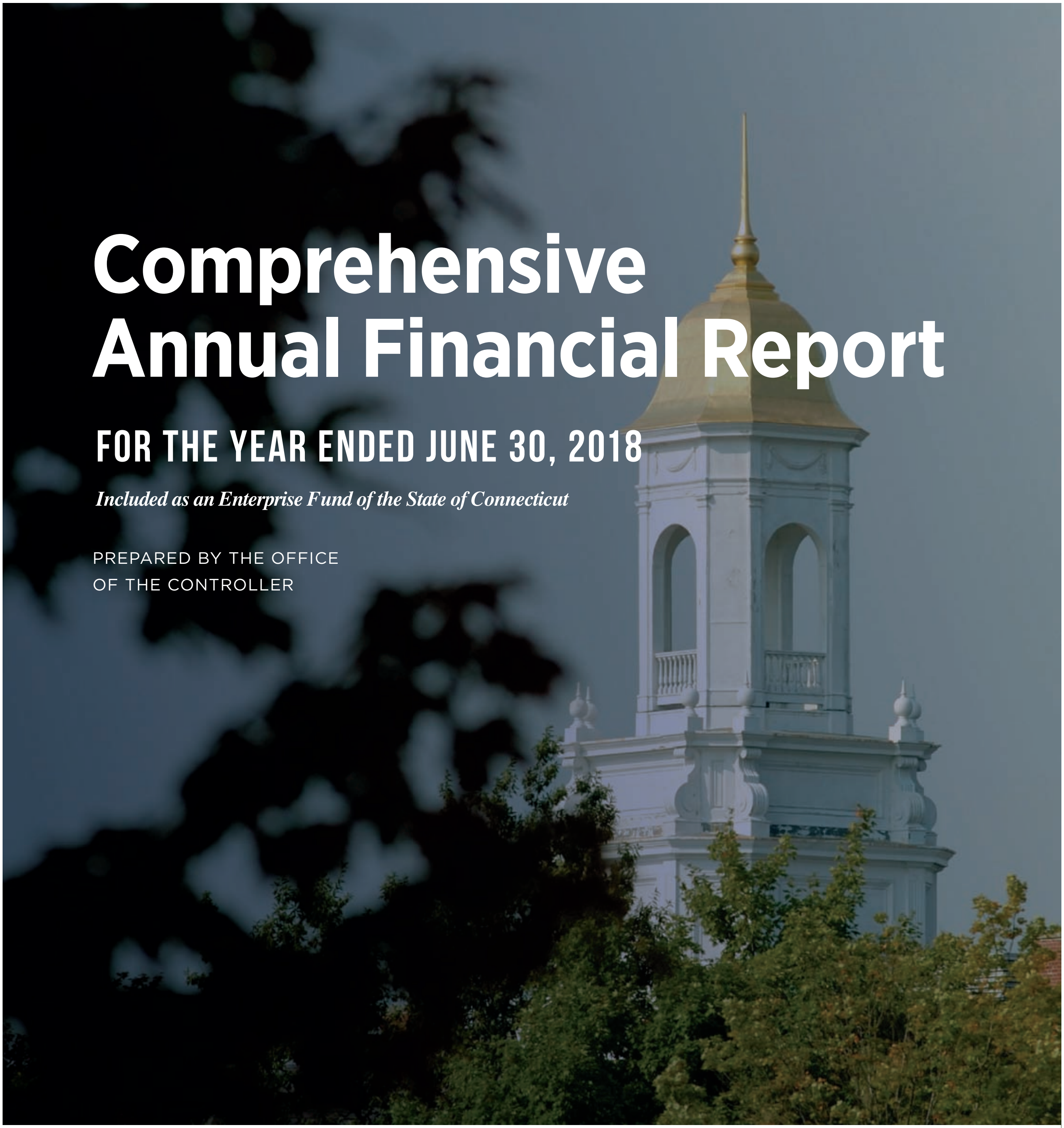
SCHEDULE 1



Comprehensive Annual Financial Report

FOR THE YEAR ENDED JUNE 30, 2018

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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INTRODUCTORY SECTION

UCONN
UNIVERSITY OF CONNECTICUT

LETTER OF TRANSMITTAL

December 28, 2018

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 for the fiscal year ended June 30, 2018. For purposes of this report, the University of Connecticut (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 over 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, 2018 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. The independent auditors' opinion 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), as well as 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 the 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.

The University supports a robust research program, with a "Research 1" classification that places it among those universities with the highest level of research activity. A number of University programs rank among the top research programs in their respective disciplines, including Educational Psychology, Linguistics, Agricultural and Resource Economics, Management, Nutritional Sciences, Communications, Genetics and Genome Sciences, Operations and Information Management, and Computer Science and Engineering.

In addition to academics, the University also participates in Division I athletics. In 2017, the women's field hockey team posted the program's first undefeated season en route to winning their third national title in five years. In 2016, the University's women's basketball team set records by winning their fourth consecutive, and eleventh overall, national championship and continue to be a basketball powerhouse year after year.

Student and Faculty Data
For the 2017-2018 academic year, the number of applications for undergraduate admissions grew to almost 37,000 for just 5,300 seats. Total enrollment in the fall of 2017 was 31,590 students, including more than 7,700 graduate students. There were 42 states represented in the University's student population, as well as 108 countries. Of the 23,845 undergraduates, 51 percent were female and 33 percent were minority students. The University employs 1,545 full-time faculty members and an additional 762 part-time faculty and adjuncts. In 2017-2018, the University awarded 8,650 degrees. Approximately 76 percent of graduates who attended high school in Connecticut, who are employed, continue to work in the State of Connecticut.

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), a related organization, operates exclusively to promote the educational, scientific, cultural, research and recreational objectives for both the University and UConn Health, and therefore is not included as a component unit in the accompanying financial statements. See Notes 1 and 15 for additional information regarding component units and related organizations.

Economic Condition

The Connecticut economy continues to experience steady growth. In September 2017, the unemployment rate was 4.5 percent. Since then, the unemployment rate has dropped 0.3 percent to 4.2 percent. Between fiscal year 2016 and fiscal year 2017, the statewide annual average wage grew 1.2 percent to $66,648. According to the Connecticut Economic Digest in 2017, single-family home sales grew by 5 percent over the prior year, while the median single-family home sales price saw an increase of just 1.6 percent to $249,900. Conventional mortgage rates remained near historic lows, averaging 3.99 percent, keeping rates under 4 percent for the fifth time in six years.

However, despite the State's economic gains, Connecticut continues to deal with fiscal uncertainty. An October 2018 report from the Mercatus Center at George Mason University highlights concerns over Connecticut's fiscal health. The report ranks Connecticut 49th out of 50 for fiscal health, which is a measure of (1) cash, (2) budget, (3) long-run, (4) service-level, and (5) trust fund solvencies. The main contributing factors are the large unfunded pension liabilities that loom over the State.

Long-Term Financial Planning

Despite recent cuts 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 improving the educational quality for students and faculty alike. The University's long-term plan includes becoming more self-reliant in generating diverse operating revenues amid a potential for decreases in State support. The University will maintain a balanced budget for its growing operations through increases in student tuition, increases in philanthropy, and reductions in spending.

Increases in Student Tuition
Starting in fiscal year 2017 and growing since that time, tuition revenue has become the largest source of revenue for the University. During fiscal year 2016, the University's Board of Trustees approved a new four-year tuition plan through fiscal year 2020. Fiscal year 2018 represented the second year of that plan with modest increases. This is the second time that the Board of Trustees has 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. 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 substantial changes in the last few years. In fiscal year 2018, the Foundation raised $82.4 million in contributions and commitments, which was the largest amount in Foundation history and represented a 15 percent increase compared to fiscal year 2017. Additionally, the Law School Foundation (previously separate) has now moved under the Foundation umbrella, which strengthens the overall portfolio.

Reductions in Spending
Over the last several years, the University has taken measures to help promote efficiencies, engage in strategic hiring, align organizational structures, and identify overall expense reductions in order to manage its finances amid declining State support. University departments continue to look for ways to do more with less support while attempting to maintain academic excellence and a high standard of service to our students.

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 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 $1.0 billion in funding for this initiative, with an additional $291.6 million and $186.2 million coming in fiscal years 2020 and 2021, respectively. These funds have allowed UConn to open a new residential hall, renovate the associated dining hall, build a 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 and STEM fellowships, as well as for staff positions. Since fiscal year 2013, undergraduate enrollment has grown by 1,544 at all campuses with a 31 percent increase in STEM undergraduate enrollment at Storrs. This ongoing success has attracted higher quality students and the University maintains solid rankings in virtually all relevant areas.

Academic and Financial Highlights

Highlights from the 2017-2018 academic year include the following:

- For fall 2017, the University ranks 20th out of 58 public research universities in graduation rates for all freshmen and 22nd out of 58 for minority freshmen. Furthermore, the University ranks 16th among the National Public Research Universities for freshman retention.

- Among the graduates from the 2016-2017 academic year, approximately 54 percent are employed, continuing their education, or living or volunteering in the State, with another 33 percent engaging in the same productive activity in other states. The working graduates have an average annual wage increase of 63 percent between their second and fifth year in the workforce.

- The University reduced the time to graduation to 4.2 years, which ranks 4th among public research peers. This was accomplished by increasing the number of class offerings and reducing the student-to-faculty ratio. Decreasing the time to graduation helps UConn students pay less in tuition and join the workforce more quickly.

- In fiscal year 2018, the University provided $119.1 million in institutionally funded financial aid, and has budgeted an additional $13.4 million for fiscal year 2019. This represents nearly an 11 percent increase over last fiscal year.

- As of this date, the University has expended $3.0 billion out of the $3.1 billion of bonds authorized under the UCONN 2000 capital improvement program.

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 eighth consecutive year among the nation's top 25 public universities, according to the 2019 U.S. News & World Report rankings. The No. 22 ranking reflects the University's strong graduation and retention rates, academic excellence, faculty resources, and other factors that are weighed into the annual evaluations. Similarly, according to the Wall Street Journal/Times Higher Education College Rankings, the University sits at No. 23 for top public universities in the United States. The Wall Street Journal ranking system puts emphasis on student success and learning, by factoring in (1) resources, (2) engagement, (3) outcomes, and (4) the environment, as measures of university quality.

Finally, the University holds a number of other worthy distinctions among universities domestically and globally. According to Money Magazine's 2018 *"Best Colleges For Your Money"* rankings, the University ranks 32nd out of 257 public higher education institutions across the United States, citing financial assistance, strong graduation rates, and salaries of graduates as the key factors in their rankings. The University occupies the 3rd spot (out of 239) on the Sierra Club's 2018 "Cool Schools" ranking;

in part because of the University's plan to become carbon neutral by 2050. Furthermore, the University was 7th out of more than 600 universities worldwide, and 2nd in the United States, on the 2017 GreenMetric World University Ranking, which rates universities on their response to sustainability issues.

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, 2017. 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, 2018 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

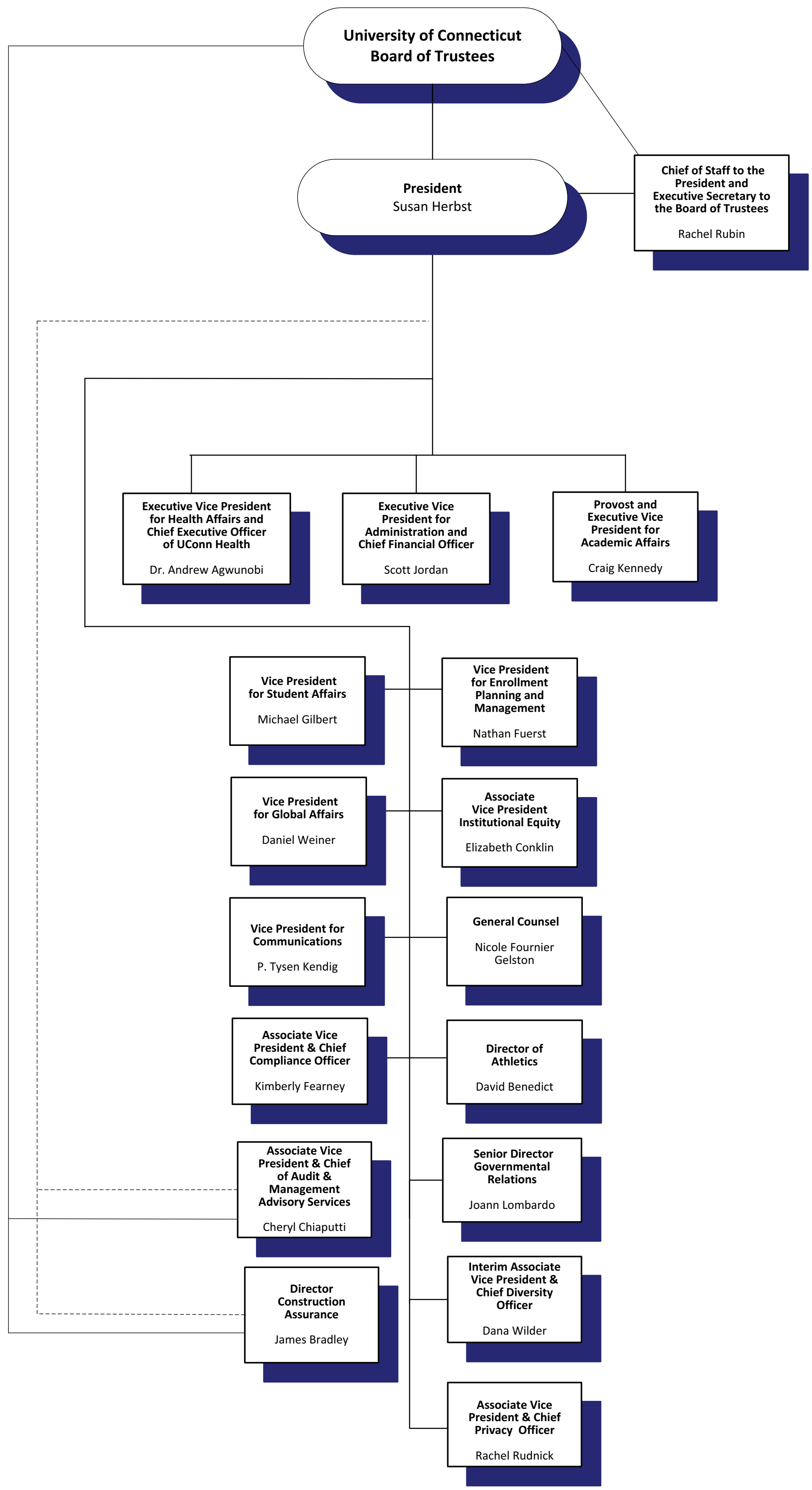
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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, 2018 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.

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, the financial statements referred to above present fairly, in all material respects, the financial position of UConn as of June 30, 2018 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, UConn adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which resulted in UConn restating net position for the recognition of other postemployment benefit activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis on pages 15 through 25 and the Required Supplementary Information on pages 54 through 56 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 28, 2018
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, 2018, and selected comparative information from fiscal year 2017. 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

In fiscal year 2018, the University adopted GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of this adoption, the University now reports its proportionate share of the State of Connecticut's liability for other post-employment benefits (OPEB) provided to State employees. Since the information is not available to restate all data for fiscal year 2017, the cumulative effect of applying GASB 75 is reported as an adjustment of $1,235.5 million to beginning net position for the fiscal year ended June 30, 2018 (see Note 1).

Additionally, certain amounts presented in the condensed schedules of this MD&A for fiscal year 2017 were restated to reflect reclassifications applied in fiscal year 2018 for the following:

- Federal and state financial aid was reclassified from grants and contracts under operating revenues to nonoperating revenues (expenses) on the Statement of Revenues, Expenses, and Changes in Net Position.
- Disposal of property and equipment, net, was reclassified from other changes in net position to nonoperating revenues (expenses) on the Statement of Revenues, Expenses, and Changes in Net Position.
- A portion of the service concession arrangement liability reported as other current liabilities on the Statement of Net Position was reclassified to other noncurrent liabilities for payments due beyond one year.

These changes affected the presentation of revenues and expenses shown on the Statement of Revenues, Expenses, and Changes in Net Position and the presentation of liabilities shown on the Statement of Net Position, but there was no impact to net position as of June 30, 2017, as a result of these adjustments.

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 operations 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 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, federal and state financial aid, 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 2018, exclusive of the cumulative effect of applying GASB 75.

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

	2018	(Restated)* 2017	$ Change	% Change
Operating Revenues				
Student tuition and fees, net	$ 386.9	$ 367.4	$ 19.5	5.3%
Grants and contracts	144.4	145.3	(0.9)	(0.6)%
Sales and services of auxiliary enterprises, net	211.0	209.9	1.1	0.5%
Other	37.7	32.2	5.5	17.1%
Total Operating Revenues	780.0	754.8	25.2	3.3%
Operating Expenses				
Salaries and wages	569.3	556.4	12.9	2.3%
Fringe benefits	338.5	349.3	(10.8)	(3.1)%
Supplies and other expenses	264.5	245.4	19.1	7.8%
Utilities	19.7	19.0	0.7	3.7%
Depreciation and amortization	108.2	104.8	3.4	3.2%
Scholarships and fellowships	8.9	11.8	(2.9)	(24.6)%
Total Operating Expenses	1,309.1	1,286.7	22.4	1.7%
Operating Loss	(529.1)	(531.9)	2.8	(0.5)%
Nonoperating Revenues (Expenses)				
State appropriation	343.0	374.1	(31.1)	(8.3)%
State debt service commitment for interest	70.7	64.7	6.0	9.3%
Federal and state financial aid	38.0	34.8	3.2	9.2%
Gifts and investment income	25.8	26.6	(0.8)	(3.0)%
Interest and other expenses	(68.6)	(62.3)	(6.3)	10.1%
Net Nonoperating Revenues	408.9	437.9	(29.0)	(6.6)%
Loss Before Other Changes in Net Position	(120.2)	(94.0)	(26.2)	27.9%
Other Changes in Net Position				
State debt service commitment for principal	187.3	281.6	(94.3)	(33.5)%
Capital grants and gifts	5.1	1.4	3.7	264.3%
Other	0.3	1.1	(0.8)	(72.7)%
Net Other Changes in Net Position	192.7	284.1	(91.4)	(32.2)%
Increase in Net Position	72.5	190.1	(117.6)	(61.9)%
Net Position – Beginning of Year	1,243.2	1,053.1	190.1	18.1%
Cumulative effect of applying GASB 75	(1,235.5)	-	(1,235.5)	100.0%
Net Position – End of Year	$ 80.2	$ 1,243.2	$ (1,163.0)	(93.5)%

*Federal and state financial aid was reclassified from operating revenues to nonoperating revenues (expenses). In addition, disposal of property and equipment, net, was reclassified from other changes in net position to nonoperating revenues (expenses).

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 $25.2 million in fiscal year 2018 based on the following factors:

- Student tuition and fees, net of scholarship allowances, increased $19.5 million. The rise was mainly due to an average increase in tuition and mandatory fees and a slight increase in undergraduate enrollment, offset in part by higher scholarship allowances and waivers. Increases in student late fees and new visa compliance fees also contributed to the rise in fiscal year 2018.

- Grant revenue can fluctuate year over year depending on various factors including the availability of funding from sponsors, the timing of large grants, and when expenses are incurred. Total grants and contracts decreased $0.9 million due to a decrease in nongovernmental grants of $9.6 million, partially offset by increases in federal grants of $6.2 million and state and local grants of $2.5 million.

Nongovernmental grants decreased due to lower grant revenue recognized from private foundations in fiscal year 2018 compared to the prior year. Grants from the National Science Foundation and the National Institutes of Health contributed to the increase in federal grants and contracts.

- Sales and services of auxiliary enterprises, net of scholarship allowances, showed an overall increase of $1.1 million, mainly due to an increase in room and board fees. Revenue from athletic programs also increased largely due to higher conference distributions and the establishment of the FIT (Facilities Investment Together) surcharge on athletic tickets to help finance the construction of new sports facilities. These revenue increases in fiscal year 2018 were offset in part by a decrease of $4.7 million in insurance claim proceeds for a settlement that took place in fiscal year 2017.

- Other operating revenues increased $5.5 million. This increase was primarily due to increases in revenue from service centers, renewable energy credits, pre-college summer program fees, payment plan fees, and rental income from various University-owned properties.

Revenues under nonoperating and other changes in net position decreased $114.1 million based on the following:

- State appropriations decreased by $31.1 million due to State budget cuts implemented in fiscal year 2018.

- 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 6). 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. In addition, as general obligation bonds are issued, the State commits to the repayment of the future principal amounts. The decrease in revenue related to principal of $94.3 million was due in part to general obligations issued with a lower par amount in the current year. Furthermore, the proportion of bond proceeds designated for UConn Health projects that is reported as a reduction to revenue was higher in fiscal year 2018.

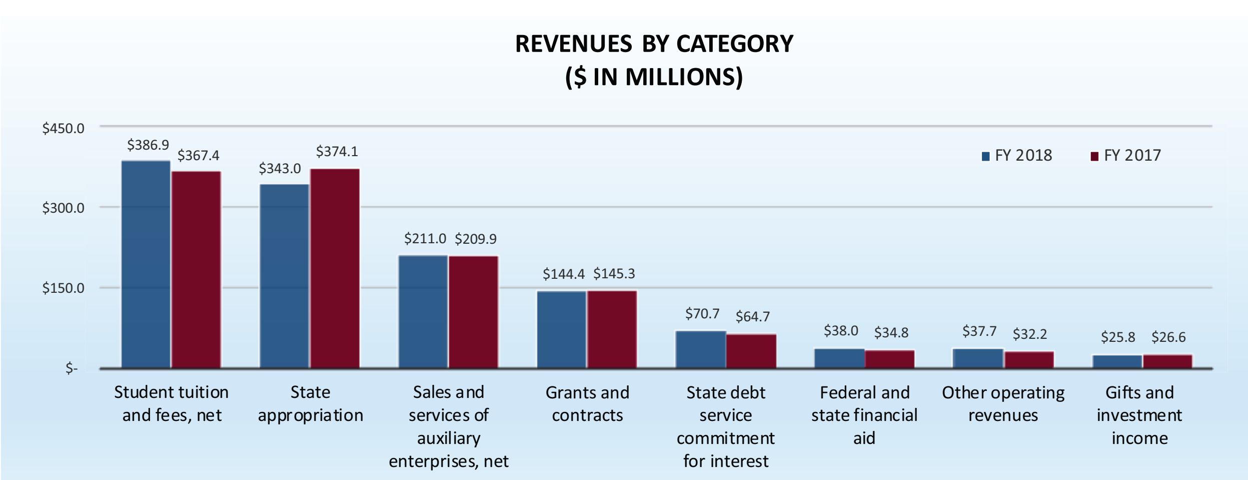
- Federal and state financial aid was $3.2 million higher mainly due to an increase in Federal Pell grants.

- Gifts and investment income decreased $0.8 million. This change was due to a decrease in total gift revenue of $3.9 million partially offset by an increase in investment income of $3.1 million. Lower gift revenue in fiscal year 2018 was mainly due to a decrease in reimbursement requests of eligible athletic expenses from spendable resources held by the University of Connecticut Foundation. Investment income increased due to higher interest rates for funds held in the State's short-term investment fund.

- Capital grants and gifts increased $3.7 million. The change was due in part to assets transferred from UConn Health in connection with the consolidation of the police and fire department services in fiscal year 2018 (see Note 15). The University also received several works of art for the Benton Museum and various one-time donations of equipment in fiscal year 2018.

- Other revenues decreased $0.8 million in fiscal year 2018. This change was mainly due to a decrease in additions to permanent endowments.

The following graph shows the University's total operating and nonoperating revenues by category, excluding other changes in net position:



Expenses
Total expenses increased $28.7 million in fiscal year 2018 based on the following:

- Salaries and wages increased $12.9 million. This increase was primarily due to one-time lump-sum payments and merit bonuses awarded to employees in accordance with the 2017 State Employees' Bargaining Agent Coalition (SEBAC) agreement combined with a 1.5 percent increase in full-time equivalents.

- Fringe benefits decreased $10.8 million due to pension benefit changes set forth in the 2017 SEBAC agreement. This decrease was partially offset by OPEB expenses under GASB 75, fringe benefit rate increases, and additional fringe costs related to the SEBAC awards.

- Supplies and other expenses increased $19.1 million due to the following:

  - General expenses were higher by $8.9 million in instruction, research, academic support, student services, and institutional support. This change was mainly due to increases in services related to education abroad and music programs, rent expenses for new lease agreements, advertising costs for graduate programs, subscriptions, fundraising and development, and executive recruitment costs.

  - Public service expenses were lower by $1.1 million due to a general decrease in services and supplies.

  - Operations and maintenance of plant increased $5.1 million due to higher general repair and maintenance costs combined with an increase in landscaping, snow removal, and other custodial services.

  - Auxiliary enterprises also reflected higher expenses of $6.2 million, primarily due to increases in transportation shuttle services, public transit passes for students, parking services, consulting, and other professional services.

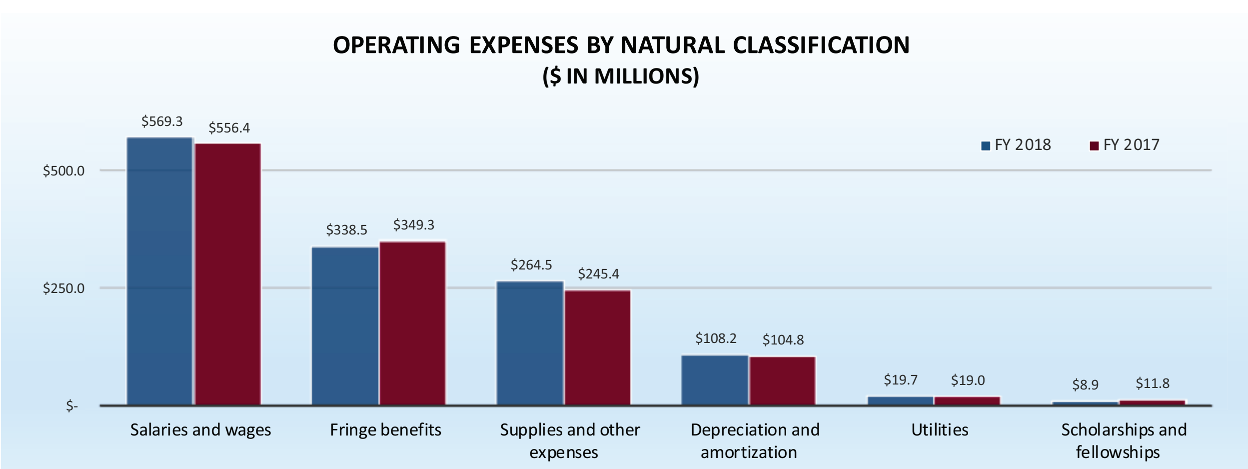
- Utilities expense increased $0.7 million, mainly due to higher oil and electricity costs offset by decreases in natural gas costs. Increases in oil costs were triggered by a higher usage of temporary boilers combined with the Cogeneration Facility switching from natural gas to oil for a longer period compared to the prior year. Lower natural gas costs resulted primarily from participation in the Energy Savings Performance Contracting program and lower prices.

- Depreciation and amortization expense increased $3.4 million due to a significant amount of depreciable assets placed into service during fiscal year 2018 partially offset by retirements.

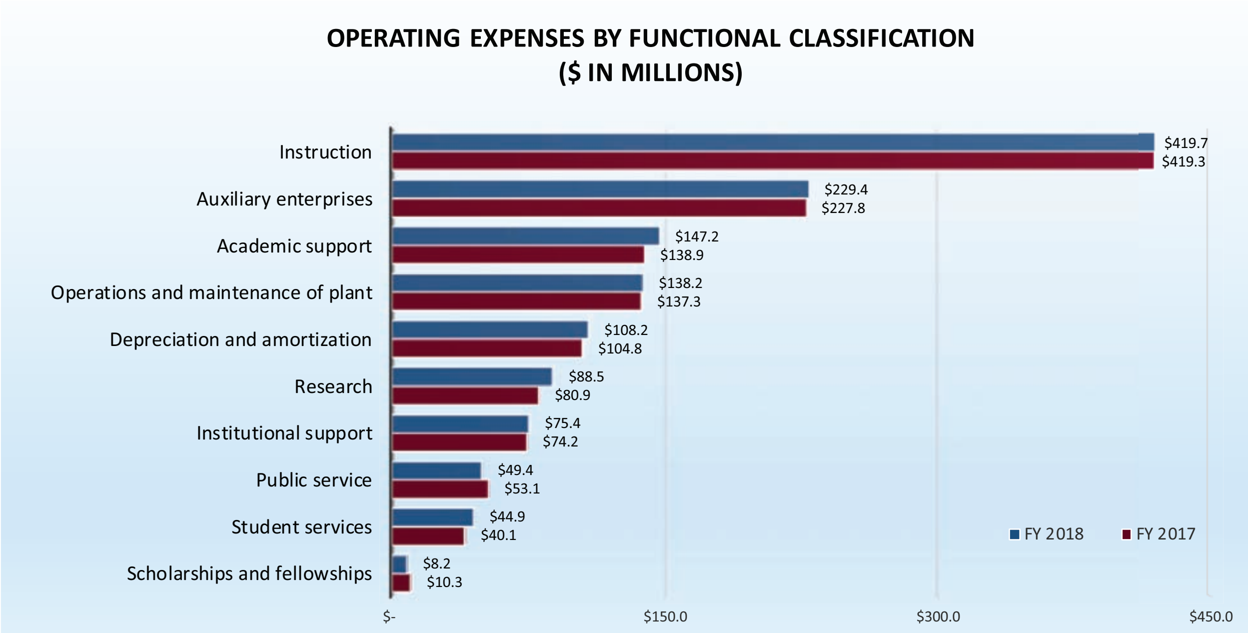
- Scholarships and fellowships decreased $2.9 million, primarily due to more aid applied to tuition, fees, room, and board than amounts paid directly to students combined with a decrease in private scholarships.

- Interest expense increased $5.6 million due to a full year of interest expense on the 2017 Series A General Obligation Bonds and interest expense on new debt issued in fiscal year 2018. This increase was partially offset by decreases in interest on remaining bonds due to lower principal balances. Other nonoperating expenses, net, which consist mainly of bond issuance costs offset by fair market value adjustments, increased $0.7 million. This increase was primarily due to higher bond issuance costs associated with general obligation and Special Obligation Student Fee Revenue Bonds issued during fiscal year 2018.

The following graph shows University's operating expenses by natural classification:



The University's operating expenses by functional classification are presented below:



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 $514.6 million in fiscal year 2018. Total current assets increased $173.2 million, net property and equipment increased $195.2 million, and noncurrent assets increased $146.2 million.

- The change in current assets was due to the following:
  - Cash and cash equivalents decreased $21.2 million, which corresponds with lower state appropriation and a decrease in student payments received in advance of the next academic year.
  - Due from State decreased $33.3 million, primarily a result of capital expenditures paid by State General Obligation Bonds for the technology park during fiscal year 2018.
  - Due from affiliate (UConn Health) increased $5.0 million primarily due to additional receivables related to the consolidation of the police and fire departments with UConn Health (see Note 15).
  - The current portion of the State debt service commitment increased $10.3 million, attributable to the issuance of the 2018 Series A General Obligation Bonds and an increase in interest expense, partially offset by principal payments.
  - Deposits with bond trustee increased $215.5 million due to timing of the issuance of general obligation bonds compared to the prior year, the issuance of the 2018 Special Obligation Student Fee Revenue

Bonds, and the creation of the Renewal and Replacement fund in fiscal year 2018 (see Notes 1 and 2).

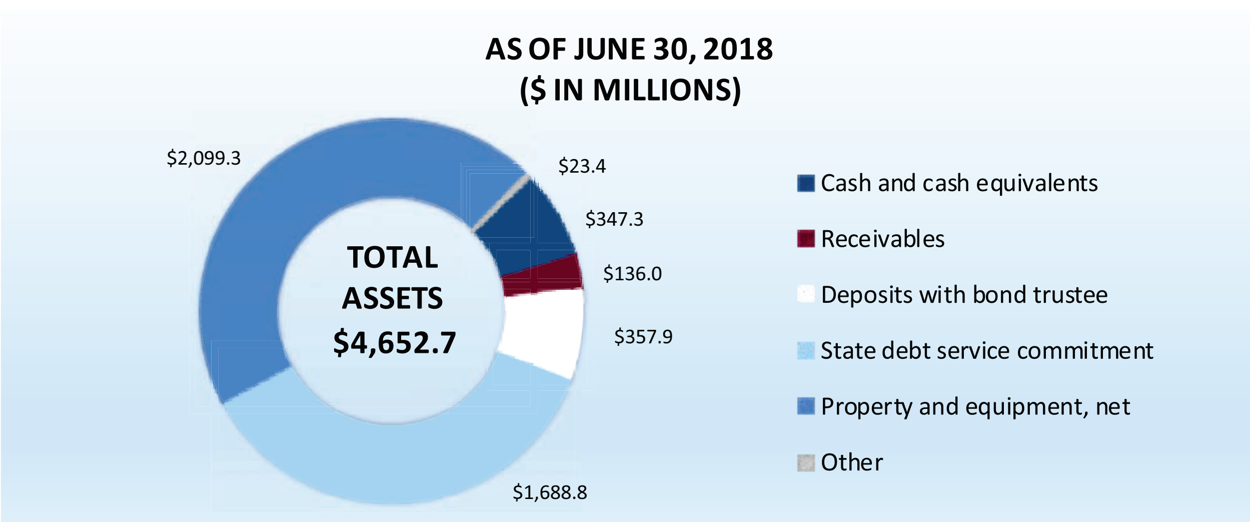
- The net increase in capital assets consists of $305.4 million in additions offset in part by $108.2 million of depreciation and $2.0 million of retirements. The large additions are mostly due to the University's active construction program.
- The change in noncurrent assets corresponds with the increase in the long-term portion of the State debt service commitment of $147.1 million partially offset by a decrease in student loans receivable due to the closeout of the Federal Perkins Loan Program (see Note 7).

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

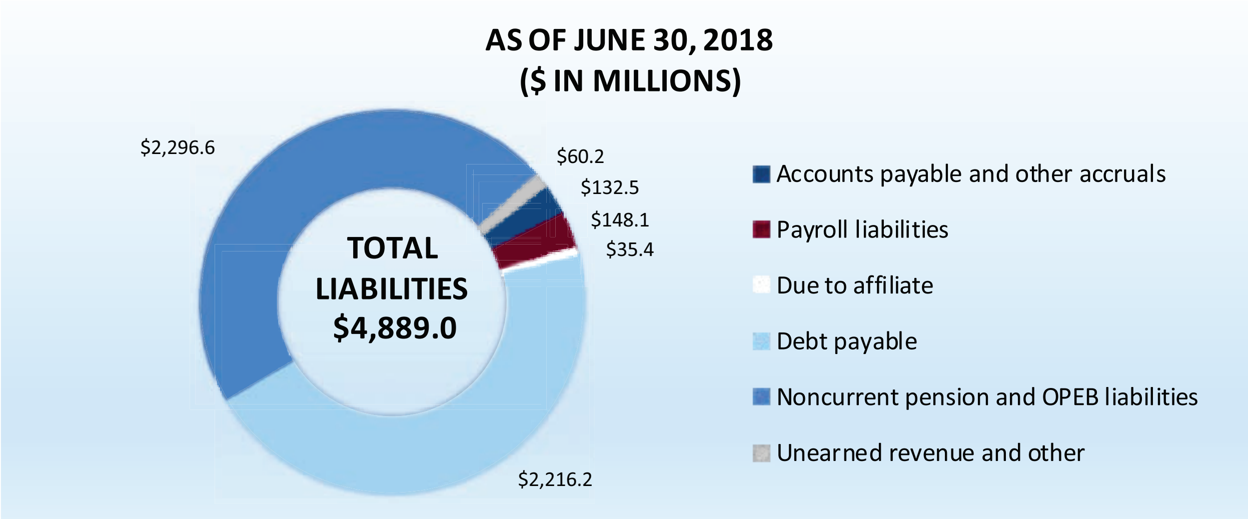
	2018	(Restated)* 2017	$ Change	% Change
Assets				
Current assets	$ 995.9	$ 822.7	$ 173.2	21.1%
Property and equipment, net	2,099.3	1,904.1	195.2	10.3%
Other noncurrent assets	1,557.5	1,411.3	146.2	10.4%
Total Assets	4,652.7	4,138.1	514.6	12.4%
Deferred Outflows of Resources	383.9	446.3	(62.4)	(14.0)%
Liabilities				
Current liabilities	497.0	465.5	31.5	6.8%
Noncurrent liabilities	4,392.0	2,871.5	1,520.5	53.0%
Total Liabilities	4,889.0	3,337.0	1,552.0	46.5%
Deferred Inflows of Resources	67.4	4.2	63.2	1,504.8%
Net Position				
Net investment in capital assets	1,682.3	1,557.5	124.8	8.0%
Restricted nonexpendable	15.0	14.5	0.5	3.4%
Restricted expendable	169.3	125.7	43.6	34.7%
Unrestricted	(1,786.4)	(454.5)	(1,331.9)	293.0%
Total Net Position	$ 80.2	$ 1,243.2	$ (1,163.0)	(93.5)%

*A portion of the service concession arrangement liability was reclassified from current liabilities to noncurrent liabilities.

The following graph shows total assets by major category:



The following graph shows total liabilities by major category:



Liabilities
Total liabilities increased $1,552.0 million in fiscal year 2018. Current liabilities increased $31.5 million and noncurrent liabilities increased $1,520.5 million.

- The change in current liabilities is attributed to the following:

  - Accounts payable decreased $20.3 million, primarily due to large capital projects that are close to completion in fiscal year 2018, including the Hartford Relocation Acquisition and Renovation, Innovation Partnership Building, Engineering and Science Building, and UConn Health projects.

  - Unearned revenue decreased by $8.0 million, mainly due to the timing of student billings and the cancellation of the room deposit fee for continuing students for the upcoming academic year.

  - The current portion of federal refundable loans increased $2.2 million due to the remittance of excess cash on hand for the Federal Perkins Loan Program that will start in fiscal year 2019 as part of the closeout process.

  - Due to affiliate increased $23.9 million. This change was primarily a result of timing of general obligation bond issuances and an increase in bond proceeds allocated to UConn Health in fiscal year 2018 compared to the prior year.

  - Wages payable and due to State reflected a combined increase of $19.5 million due to longevity payments and SEBAC awards accrued at year-end as well as the related fringe benefits reimbursed to the State.

  - The University's current portion of debt payable also increased $13.4 million. This change was primarily due to the new Stamford housing capital lease liability combined with general obligation bonds and Special Obligation Student Fee Revenue Bonds issued during the year.

- The change in noncurrent liabilities is attributed to the following:

  - Compensated absences increased $7.6 million, primarily due to a cap increase for vacation payouts to certain union employees combined with less vacation time used in fiscal year 2018. These changes resulted in an overall increase in accrued time.

  - Long-term debt increased $347.1 million resulting from issuances of new debt offset by repayments in fiscal year 2018.

  - Pension liabilities decreased $118.7 million, primarily due to pension benefit changes from the 2017 SEBAC agreement combined with a decrease in the University's proportionate share of the collective net pension liability.

  - Net OPEB liability increased $1,283.9 million due to the implementation of GASB 75 that required the University to report its proportionate share of the State's OPEB liability.

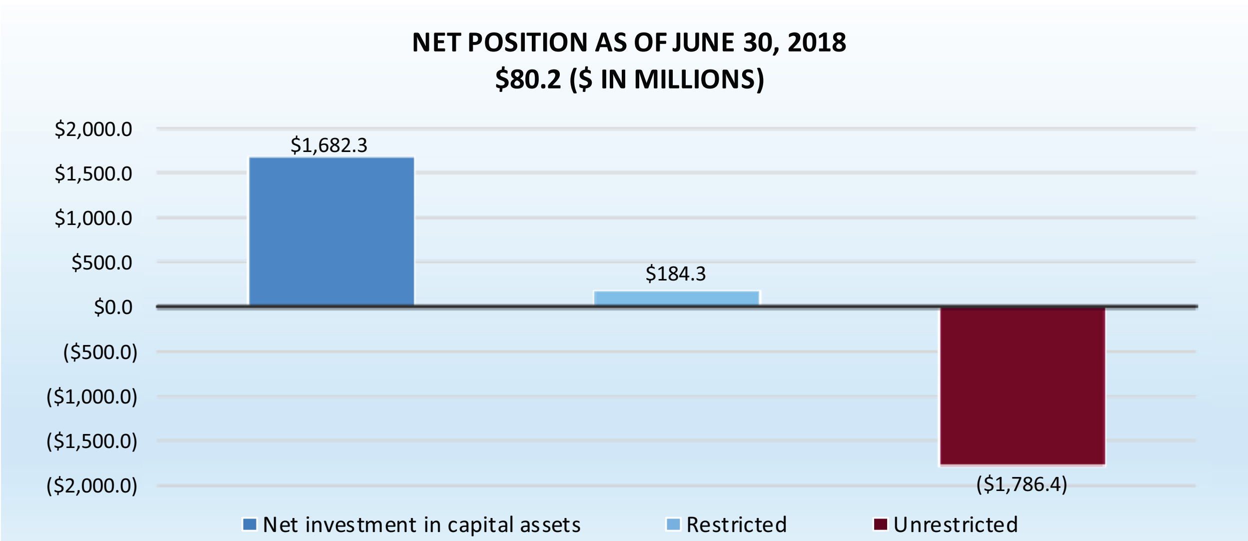
Deferred Outflows and Deferred Inflows of Resources
Deferred outflows of resources decreased $62.4 million, mainly due to the amortization of outflows related to pension plans partially offset by an increase in OPEB contributions made subsequent to the measurement date in

fiscal year 2018. Deferred inflows increased $63.2 million, primarily due to the addition of OPEB-related deferred inflows and changes in the University's proportion of the collective net pension liability.

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 decrease in net position of $1,163.0 million in fiscal year 2018 included the following changes:

- Net investment in capital assets increased $124.8 million. This change was due to a net increase in capital assets of $195.2 million, reduced by a net increase of $70.4 million in capital-related debt.

- Restricted nonexpendable increased $0.5 million due to additions to permanent endowments received during fiscal year 2018 combined with unrealized gains on endowment investments.

- Restricted expendable increased $43.6 million as follows:

  - Restricted expendable under capital projects increased $45.3 million due to a higher amount of unspent bond proceeds at year-end for the 2018 Series A General Obligation and Special Obligation Student Fee Revenue Bonds. In addition, the University transferred $10.0 million from unrestricted sources to the Renewal and Replacement Fund.

  - Restricted expendable related to research and scholarships decreased $1.7 million due to lower nonexchange revenues earned on nongovernmental grants offset partially by differences between projected versus actual fringe benefit costs charged on grants, and an increase in state-related contract revenues.

- Unrestricted net position decreased $1,331.9 million. The large decrease was mainly due to the adoption of GASB 75. Similar to pension accounting standards, GASB 75 now requires the University to report its share of the State's net OPEB liability. The University's proportionate share of the State's net pension liability, net OPEB liability, and related deferred inflows and outflows of resources resulted in a $1,287.0 million reduction of unrestricted net position. Lower State appropriation and the $10.0 million transfer of unrestricted funds to the Renewal and Replacement Fund also contributed to the decrease from prior year.

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), financial aid, 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):

	2018	2017	$ Change	% Change
Land	$ 20.7	$ 20.7	$ -	0.0%
Construction in progress	224.6	404.4	(179.8)	(44.5)%
Art and historical collections	56.0	55.0	1.0	1.8%
Non-structural improvements	153.2	146.1	7.1	4.9%
Buildings and improvements	1,522.3	1,174.7	347.6	29.6%
Intangible assets	20.2	11.5	8.7	75.7%
Library materials	6.6	7.9	(1.3)	(16.5)%
Equipment	95.7	83.8	11.9	14.2%
Total Property and Equipment, Net	$ 2,099.3	$ 1,904.1	$ 195.2	10.3%

- Construction in progress decreased $179.8 million as projects including the Technology Quadrant Innovation Partnership Building, the Engineering and Science Building, and the Hartford Relocation Acquisition and Renovation were transferred from construction in progress to non-structural improvements and buildings and improvements. Transfers were offset by ongoing construction on the Recreation Center, Gant Building STEM Renovations, North Eagleville Road Area Infrastructure Phase III, Northwest Science Quad Infrastructure Phase I, and other projects.

- Art and historical collections increased by $1.0 million, representing additions in fiscal year 2018.

- Non-structural improvements increased by $7.1 million. Additions totaling $16.0 million included Avery Point Utility Relocation, Main Water Line Replacement Phase II, the Tech Park Parking Lot, and other projects. These additions were offset by depreciation expense of $8.9 million.

- Buildings and improvements increased by $347.6 million. Additions of $423.2 million included the Technology Quadrant Innovation Partnership Building, the Engineering and Science Building, the Hartford Relocation Acquisition and Renovation, the Gampel Pavilion Dome Ceiling and Roof Repair, and other renovation projects. These additions were offset by depreciation expense of $75.1 million and net disposals of $544,000.

- Intangible assets increased by $8.7 million. Additions of $13.5 million included long-term software licensing commitments, Hartford Public Library access rights, costs associated with the HuskyBuy procurement system, and other software implementations offset by amortization expense of $4.8 million.

- Library materials decreased by $1.3 million. Additions of approximately $520,000 were offset by $1.8 million in depreciation expense.

- Equipment increased by $11.9 million. Additions of $30.9 million were offset by depreciation expense and net asset disposals of $19.0 million.

- Subsequent to year-end, the University sold the West Hartford campus property that includes buildings and real property to a third party buyer in exchange for $5.2 million. In addition, the University's Board of Trustees authorized the sale of the Nathan Hale Inn to a third party buyer in exchange for $8.3 million. The final closing on the sale is anticipated in May 2019.

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, the program provides for a capital budget in three phases for the University and UConn Health, with an estimated total cost of $4.6 billion. In fiscal year 2018, the Governor deferred $334.1 million in UCONN 2000 authorizations and extended 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.

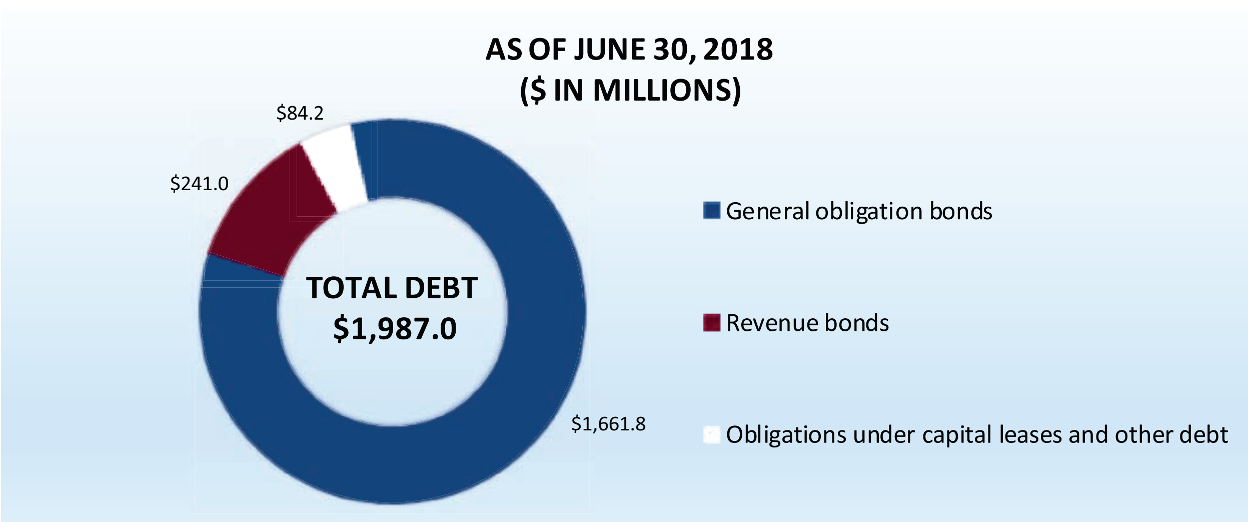
In fiscal year 2018, the University issued UCONN 2000 general obligation bonds with a face value of $276.1 million, of which $88.8 million was committed to UConn Health for its UCONN 2000 projects.

Revenue bonds noted in the graph below relate to Special Obligation Student Fee Revenue Bonds, which are secured by certain pledged revenues. In fiscal year 2018, the University issued Special Obligation Student Fee Revenue Bonds with a face value of $141.7 million to fund construction and infrastructure of the student recreation center and athletic stadia.

Obligations under capital leases include a lease purchase agreement to finance the UCONN 2000 Cogeneration Facility. In addition, in fiscal year 2018, the University entered into a sublease agreement to provide student housing at the Stamford campus. The University recorded a liability of $47.0 million representing the principal portion of future lease payments under the sublease agreement.

See also Note 6 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 faces an uncertain and complex financial future as it balances reductions in State support and rising costs with protecting its academic mission. In June 2018, the University's Board of Trustees approved an annual budget of $1.4 billion for the fiscal year 2019. The fiscal year 2019 budget places more reliance on tuition and fee revenue than any other source at nearly 31 percent, greater than State support at 25 percent. State support includes the General Fund appropriation and payment for a portion of fringe benefits. Fringe benefit costs are anticipated to increase, representing over 20 percent of the University's operating budget. Although the fringe portion of State appropriation has increased over the last 10 years, the University's share of the costs has increased at a much higher rate.

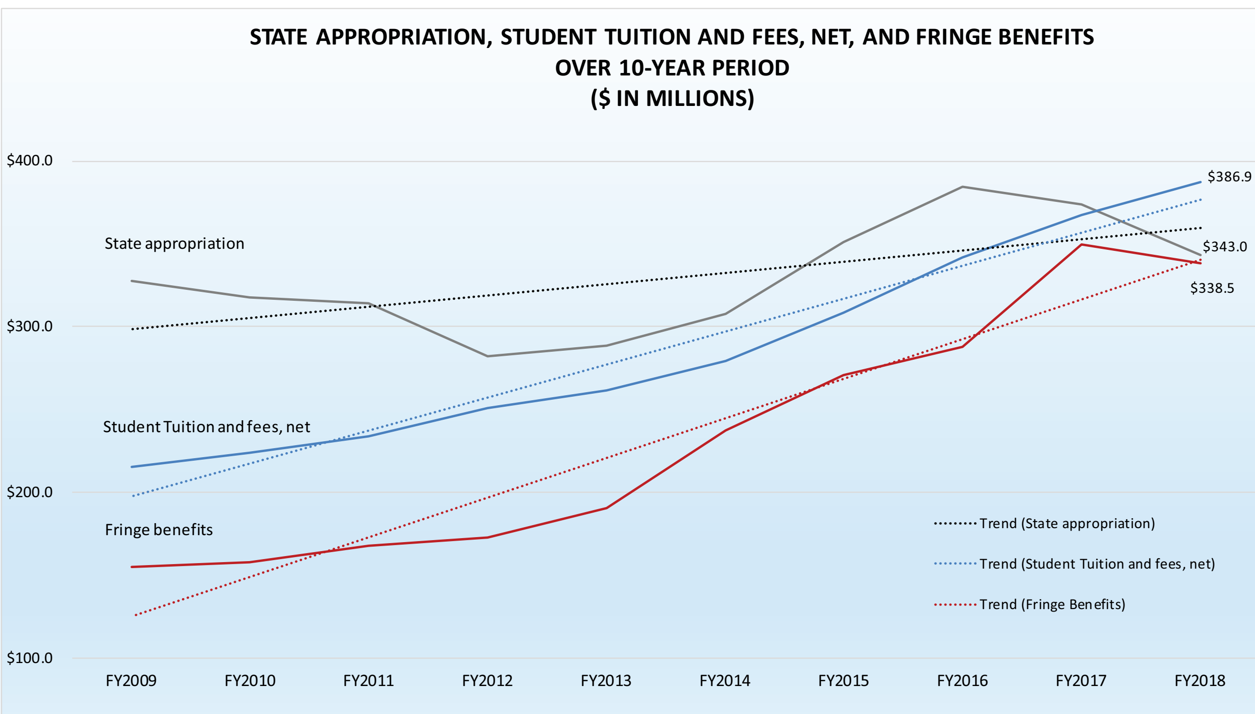
The University has successfully absorbed major reductions in State support and increases in fringe costs over the last several years through spending rescissions, salary freezes, and increasing tuition and fees. In fiscal year 2019, the University seeks to increase revenues, improve efficiencies in operations, and control costs in order to balance the fiscal budget. Revenue increases consist of higher tuition and fee revenue achieved through more students, flexibility in residency mix, and higher rates already approved in the current four-year tuition plan. Improving operational efficiencies include consolidating administrative functions. For example, the University and UConn Health are working together to combine areas for efficiencies where possible, such as procurement, public safety, and others. Cost control measures include hiring restrictions and implementing University-wide spending cuts.

The fiscal year 2019 budget also includes an increase in financial aid to $183.9 million to assist students and to demonstrate the University's commitment to affordability even in difficult budget times.

The budget for the next two years following fiscal year 2019 projects substantial deficits. Mandatory raises for unionized employees and rising fringe benefit costs due to the State's unfunded pension and OPEB liabilities are driving these shortages. To mitigate these costs, one or more strategies may be considered, such as tuition increases beyond the adopted four-year plan, hiring freezes, and further departmental restructurings.

Despite fiscal challenges, the University will continue to contribute to the State's economy, through innovation by leveraging research grants and educating the State's workforce by improving student success. Currently, the University contributes $3.4 billion annually to the State's economy and is responsible for one out of every 90 jobs in the State. In recent years, the University has made significant gains and improved academic quality on every metric. The University's overall goals are to maintain and enhance academic excellence whenever possible and deliver a high standard of service to students and citizens of the State.

The following table shows trends over the last 10 years since fiscal year 2009 for student tuition and fees, net of scholarship allowances, State appropriation, and fringe benefit costs.



UNIVERSITY OF CONNECTICUT
STATEMENT OF NET POSITION
As of June 30, 2018

($ in thousands)

	2018
ASSETS	
Current Assets	
Cash and cash equivalents	$ 347,312
Accounts receivable, net	51,823
Student loans receivable, net	2,326
Due from State of Connecticut	64,650
Due from affiliate (Note 1)	8,302
State debt service commitment	155,987
Deposits with bond trustee	357,914
Prepaid expenses and other assets	7,579
Total Current Assets	995,893
Noncurrent Assets	
Investments	15,833
Student loans receivable, net	8,924
State debt service commitment	1,532,775
Property and equipment, net	2,099,316
Total Noncurrent Assets	3,656,848
Total Assets	4,652,741
DEFERRED OUTFLOWS OF RESOURCES	383,869
LIABILITIES	
Current Liabilities	
Accounts payable	95,860
Unearned revenue	38,454
Deposits held for others	1,705
Federal refundable loans	2,199
Wages payable	69,039
Compensated absences	23,085
Due to State of Connecticut	35,966
Due to affiliate (Note 1)	35,385
Current portion of long-term debt and bonds payable	158,727
Other current liabilities	36,618
Total Current Liabilities	497,038
Noncurrent Liabilities	
Compensated absences	20,024
Long-term debt and bonds payable	2,057,454
Federal refundable loans	9,636
Net pension liabilities	1,012,709
Net other post-employment benefits liability	1,283,941
Other liabilities	8,228
Total Noncurrent Liabilities	4,391,992
Total Liabilities	4,889,030
DEFERRED INFLOWS OF RESOURCES	67,352
NET POSITION	
Net investment in capital assets	1,682,317
Restricted nonexpendable	15,044
Restricted expendable	
Research, instruction, scholarships, and other	32,273
Loans	2,566
Capital projects and debt service	134,453
Unrestricted	(1,786,425)
Total Net Position	$ 80,228

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, 2018

($ in thousands)

	2018
OPERATING REVENUES	
Student tuition and fees, net of scholarship allowances of $156,962	$ 386,921
Federal grants and contracts	106,561
State and local grants and contracts	19,441
Nongovernmental grants and contracts	18,386
Sales and services of educational departments	23,708
Sales and services of auxiliary enterprises, net of scholarship allowances of $6,495	210,990
Other sources	14,009
Total Operating Revenues	780,016
OPERATING EXPENSES	
Salaries and wages	569,359
Fringe benefits	338,545
Supplies and other expenses	264,456
Utilities	19,655
Depreciation and amortization	108,185
Scholarships and fellowships	8,870
Total Operating Expenses	1,309,070
Operating Loss	(529,054)
NONOPERATING REVENUES (EXPENSES)	
State appropriation	342,987
State debt service commitment for interest	70,740
Federal and state financial aid	37,986
Gifts	19,732
Investment income	6,059
Interest expense	(64,672)
Disposal of property and equipment, net	(1,524)
Other nonoperating expenses, net	(2,475)
Net Nonoperating Revenues	408,833
Loss Before Other Changes in Net Position	(120,221)
OTHER CHANGES IN NET POSITION	
State debt service commitment for principal	187,269
Capital grants and gifts	5,099
Additions to permanent endowments	338
Net Other Changes in Net Position	192,706
Increase in Net Position	72,485
NET POSITION	
Net Position – Beginning of Year, Adjusted (Note 1)	7,743
Net Position – End of Year	$ 80,228

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

($ in thousands)

		2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$	373,631
Grants and contracts		146,658
Sales and services of auxiliary enterprises		212,509
Sales and services of educational departments		23,033
Payments to suppliers and others		(363,105)
Payments to employees		(555,817)
Payments for benefits		(273,157)
Loans issued to students		(828)
Collections of loans to students		2,206
Other receipts, net		14,887
Net Cash Used in Operating Activities		(419,983)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriation		336,660
Proceeds from bonds related to affiliate		88,806
State debt service commitment related to affiliate		58,952
Principal paid on debt and bonds payable related to affiliate		(34,321)
Interest paid on debt and bonds payable related to affiliate		(24,631)
Federal and state financial aid		38,032
Gifts		20,821
Other nonoperating expenses, net		(949)
Net Cash Provided from Noncapital Financing Activities		483,370
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from bonds		369,630
State debt service commitment		130,474
Purchases of property and equipment		(264,477)
Proceeds from sale of property and equipment		459
Principal paid on debt and bonds payable		(97,337)
Interest paid on debt and bonds payable		(53,275)
Capital allocation		38,802
Capital grants and gifts		1,767
Net Cash Provided from Capital Financing Activities		126,043
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net		(609)
Interest on investments		5,515
Deposit with bond trustee		(215,496)
Net Cash Used in Investing Activities		(210,590)
DECREASE IN CASH AND CASH EQUIVALENTS		(21,160)
BEGINNING CASH AND CASH EQUIVALENTS		368,472
ENDING CASH AND CASH EQUIVALENTS	$	347,312

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2018

($ in thousands)

		2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$	(529,054)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided from (Used in) Operating Activities:		
Depreciation and amortization expense		108,185
Property and equipment		(917)
In-kind workers' compensation		622
Changes in Assets and Liabilities:		
Receivables, net		3,195
Prepaid expenses and other assets		43
Accounts payable, wages payable, and compensated absences		19,699
Unearned revenue		(8,030)
Deposits		152
Due from (to) State of Connecticut, net		7,231
Due from (to) affiliate, net		(80,558)
Deferred outflows (inflows)		174,584
Net pension and net other post-employment benefits liabilities		(119,575)
Other liabilities		2,878
Federal refundable loans		1,562
Net Cash Used in Operating Activities	$	(419,983)

ACCOMPANYING SCHEDULE OF SIGNIFICANT NONCASH TRANSACTIONS		
Capital assets acquired under capital lease arrangements	$	47,000
Amortization of premiums, discounts, and net loss on debt refundings		14,666
Acquisition of software licenses under long-term purchase contracts		4,330
Capital assets acquired through gifts		3,010
Unrealized gain on investment		179
Loss on disposal of capital assets		(1,983)

See accompanying notes to basic financial statements.

UNIVERSITY OF CONNECTICUT
THE UNIVERSITY OF CONNECTICUT LAW SCHOOL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Period July 1, 2017 through November 10, 2017

($ in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions and grants	$ -	$ 4	$ 7	$ 11
EXPENSES				
Support Expenses				
Management and general	131	-	-	131
Fundraising	6	-	-	6
Total Support Expenses	137	-	-	137
Changes in Net Assets	(137)	4	7	(126)
Transfer to the University of Connecticut Foundation (Note 1)	(1,599)	(7,391)	(15,037)	(24,027)
Net Assets – Beginning of Period	1,736	7,387	15,030	24,153
Net Assets – End of Period	$ -	$ -	$ -	$ -

See accompanying notes to basic financial statements.

Notes to Financial Statements
For the Year Ended June 30, 2018

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 healthcare 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, 2018, 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.

The University of Connecticut Foundation, Inc. (Foundation) is a related, but independent, corporate entity that supports the mission of the University and is also included in the State's annual report. The Foundation raises funds to promote, encourage, and assist education and research at both the University and UConn Health. 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 University of Connecticut Law School Foundation (Law School Foundation), which was organized for the benefit of the University with economic resources that were only to be used by or for the benefit of the University, is included as a component unit. On March 6, 2017, the Law School Foundation's Board of Trustees unanimously approved the dissolution of the Law School Foundation as of June 30, 2017. Accordingly, all remaining assets, including endowed funds, restricted non-endowed funds, and other investment funds, were distributed to the Foundation in July 2017 to be managed in accordance with all donor restrictions and for the sole benefit of the University's Law School. Operations were concluded and fully discontinued as of November 10, 2017. The Law School Foundation's Statement of Activities for the period beginning July, 1, 2017, through November 10, 2017, is discretely presented in its original format on a separate page of the accompanying financial statements.

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, 2018, GASB issued the following statements that were adopted for this financial report:

- GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses new accounting and financial reporting requirements for post-employment benefits other than pensions provided to state and local government employees. GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to other post-employment benefits (OPEB). This statement also requires extensive note disclosure (see Note 10) and required supplementary information (RSI) for defined OPEB plans. As a result of adopting GASB 75, net position and deferred outflows of resources as of July 1, 2017, have been adjusted. The impact of this change is presented in the table below (amounts in thousands):

Net Position, June 30, 2017 (As Reported)	$ 1,243,245
Net OPEB liability	(1,284,855)
Deferred outflows of resources	49,353
Cumulative effect of applying GASB 75	(1,235,502)
Net Position, July 1, 2017 (Adjusted)	$ 7,743

- GASB Statement No. 81 (GASB 81), *Irrevocable Split-Interest Agreements*, defines split-interest agreements as a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. GASB 81 requires that if the University receives resources pursuant to an irrevocable split-interest agreement, the University shall recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the statement requires that the University recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the University controls the present service capacity of the beneficial interests. GASB 81 also requires that the University recognize revenue when the resources become applicable to the reporting period. There was no significant impact on the accompanying financial statements as a result of adopting this statement.

- GASB Statement No. 86 (GASB 86), *Certain Debt Extinguishment Issues*, addresses accounting and financial reporting for in-substance defeasance of debt where cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB 86 also addresses accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for defeased debt. There was no significant impact on the accompanying financial statements as a result of adopting this statement.

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 deposits with bond trustee.

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.

Due From State and Due To State
Due from State includes a receivable from the General Fund of the State (General Fund) for payroll, as well as unspent State bond funds designated to the University by the State Bond Commission for specific capital projects.

The State administers employee benefit and retirement plans and charges the University based on an annual fringe benefit cost recovery rate that is applied to employee salaries. The due to State amount consists of fringe benefits accrued in relation to wages payable reported at the fiscal year-end.

Due From Affiliate and Due To Affiliate
Due from affiliate includes receivables from UConn Health resulting from cost-reimbursement arrangements for shared operating activities. Due to affiliate includes the unspent portion of general obligation bond proceeds allocated to UConn Health for capital projects that are administered by the University. The proceeds are reported net of accruals for capital expenditures and retainage.

State Debt Service Commitment
The State has made a commitment to pay an annual amount of debt service on securities issued as general obligations of the University. As general obligation debt and related interest are incurred, the commitment from the State is recorded as revenue for principal and interest in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. A corresponding receivable is

recorded in the accompanying Statement of Net Position and is classified as current and noncurrent based on debt service payments owed in one year and beyond one year, respectively.

Deposits 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 indenture related construction fund proceeds in STIF. Similarly, the University has directed the Trustee Bank to invest other related funds in dedicated STIF accounts for debt service funds, capitalized interest, and cost of issuance for the Special Obligation Student Fee Revenue Bonds. Additionally, in fiscal year 2018, the University transferred unrestricted funds to a dedicated STIF account in accordance with the Renewal and Replacement Fund Requirement (see Note 2). The Renewal and Replacement Fund Requirement is defined by the Special Obligation Indenture as an amount deemed necessary to maintain assets financed with bond proceeds in sound operating condition.

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.

Inventories

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

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.

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. Capital projects 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 value of $5,000 or more and a useful life of more than one year is capitalized.

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

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

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.

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 by 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 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 an operating expense in the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Noncurrent Liabilities
Noncurrent liabilities include (1) the long-term portion of compensated absences, (2) principal payments due on bonds (net of unamortized premiums and discounts), loans and capital leases with a maturity of more than one year, (3) net pension and net OPEB liabilities, (4) the long-term portion of governmental advances for revolving student loan programs required to be returned to the federal government upon cessation of the program, and (5) other liabilities consisting of long-term software commitments and the long-term portion of the University's bookstore service concession arrangement liability.

Net Pension and Net OPEB Liabilities
For purposes of measuring net pension and net OPEB liabilities, related deferred outflows of resources and deferred inflows of resources, and related expenses, information about the fiduciary net position as well as additions to and deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, plan member contributions are recognized in the period the contributions are due. Employer contributions are recognized in the period the contributions are appropriated. Benefits and refunds to pension plan members 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
Changes in the net pension and net OPEB liabilities not included in pension or OPEB expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. The University's contributions to the pension and OPEB plans made subsequent to the measurement date of the net pension and net OPEB liabilities are reported as deferred outflows.

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 17 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, federal and state financial aid, noncapital gifts, and investment income. Interest expense and disposal of property and equipment, net, are also reported as nonoperating.

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's Statement of Activities included in this report for the final closeout was prepared 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. The Law School Foundation's Board of Trustees established a portion of the unrestricted net assets to function as an endowment.

- **Temporarily restricted net assets:** Net assets restricted by the donor as to purpose or time of expenditure. Accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditures are also included in this net asset category.

- **Permanently restricted net assets:** Net assets subject to donor-imposed stipulations that require that the principal be maintained in perpetuity but permit the expenditure of income earned thereon.

NOTE 2. CASH AND CASH EQUIVALENTS, DEPOSITS, AND INVESTMENTS

The University's total cash and cash equivalents, deposits, and investments included the following as of June 30, 2018 (amounts in thousands):

	2018
Cash and Cash Equivalents	
Cash maintained by State Treasurer	$ 314,387
Invested in STIF	24,535
Other deposits	8,390
Total Cash and Cash Equivalents	347,312
Deposits with Bond Trustee	
Invested in STIF	354,833
Cash	3,081
Total Deposits with Bond Trustee	357,914
Investments	
Foundation-managed endowments	15,044
POET Technologies, Inc.	320
UConn Innovations Fund, LLC	469
Total Investments	15,833
Total Cash and Cash Equivalents, Deposits, and Investments	$ 721,059

Cash and Cash Equivalents

Collateralized deposits are protected by State General 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 (FDIC) 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.

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.

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. STIF had a Standard and Poor's rating of AAAm and a weighted average maturity of 35 days as of June 30, 2018.

Deposits with Bond Trustee

Deposits of the University include UCONN 2000 bond indenture related funds held by the Trustee Bank at the direction of the University. As of June 30, 2018, deposits with bond trustee included $354.8 million invested in STIF. Of this amount, $10.0 million related to the Renewal and Replacement Fund, an indenture defined account funded with non-bond proceeds. The Trustee Bank's FDIC deposit insurance covers the University's deposits up to $250,000.

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 General 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 advancement 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 advancement fee taken together cannot exceed 6.75 percent or fall below 3.00 percent of the quarterly fair value of endowment funds. 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 advancement 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 2.92 years and a Standard and Poor's rating of AAA totaling $1.5 million and a rating of AA totaling $269,000. The University endowment's foreign publicly traded equities totaled $3.5 million as of June 30, 2018. Private capital investments totaled approximately $1.2 million as of June 30, 2018.

Other Investments

Certain investments are also held directly by the University. As of June 30, 2018, 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, 2018 (see Note 15).

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.

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 $15.7 million as of June 30, 2018. 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, 2018, was $549,000.

Fair Value Measurement

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 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, 2018 (amounts in thousands):

	2018				
	Level 1	Level 2	Level 3	NAV	Total
Foundation-Managed Investments					
Cash and cash equivalents	$ 834	$ -	$ -	$ -	$ 834
Fixed income securities					
Corporate investment grade	1,719	-	-	-	1,719
Equity securities					
Domestic	9,247	-	-	-	9,247
Foreign	609	-	-	-	609
Private capital					
Buyout and venture capital	-	-	-	509	509
Debt	-	-	-	163	163
Royalties	-	-	-	492	492
Long and short equities	-	-	-	1	1
Private real estate	-	-	-	66	66
Private natural resources	-	-	-	526	526
Relative value	-	-	-	878	878
Total Foundation-Managed Investments	12,409	-	-	2,635	15,044
University-Held Investments					
Equity securities – foreign	320	-	-	-	320
Other	-	-	-	469	469
Total University-Held Investments	320	-	-	469	789
Total Investments	$ 12,729	$ -	$ -	$ 3,104	$ 15,833

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, 2018 (amounts in thousands):

	2018				
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	$ 1,632	$ 219	Less than 1 to 12 years	Not applicable	Not redeemable
Private real estate partnerships in commercial, residential, office, and industrial properties	66	39	1 to 8 years	Not applicable	Not redeemable
Natural resource partnerships in energy and timber	526	86	13 years	Not applicable	Not redeemable
Total	$ 2,224	$ 344			

NOTE 3. ACCOUNTS AND STUDENT LOANS RECEIVABLE

Accounts receivable as of June 30, 2018, consisted of the following (amounts in thousands):

	2018
Grants and contracts	$ 34,572
Student and general	22,471
Investment income	1,325
Allowance for doubtful accounts	(6,545)
Total Accounts Receivable, Net	$ 51,823

The University participated in the U.S. Department of Education Federal Direct Lending Program during fiscal year 2018 and distributed student loans through this program of $168.3 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, 2018, was $664,000; this amount was included as a receivable under grants and contracts.

The University reported student loans receivable of $11.3 million as of June 30, 2018. 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 2018 amount is reported net of an allowance for doubtful accounts of $943,000. See Note 7 for information regarding the closeout of the Federal Perkins Loan Program.

NOTE 4. PROPERTY AND EQUIPMENT

The following table describes the changes in property and equipment for the year ended June 30, 2018 (amounts in thousands):

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital Assets Not Being Depreciated					
Land	$ 20,679	$ -	$ (1)	$ -	$ 20,678
Construction in progress	404,388	106,462	-	(286,279)	224,571
Art and historical collections	54,983	1,059	(20)	(11)	56,011
Total Capital Assets Not Being Depreciated	480,050	107,521	(21)	(286,290)	301,260
Depreciable Capital Assets					
Non-structural improvements	296,767	5,817	-	10,149	312,733
Buildings and improvements	2,154,419	154,929	(1,253)	268,221	2,576,316
Intangible assets	31,972	8,152	(384)	5,418	45,158
Library materials	82,312	520	(28,612)	11	54,231
Equipment	260,510	28,456	(12,729)	2,491	278,728
Total Depreciable Capital Assets	2,825,980	197,874	(42,978)	286,290	3,267,166
Less Accumulated Depreciation					
Non-structural improvements	150,687	8,892	-	-	159,579
Buildings and improvements	979,675	75,080	(709)	-	1,054,046
Intangible assets	20,504	4,755	(379)	-	24,880
Library materials	74,385	1,804	(28,612)	-	47,577
Equipment	176,691	17,654	(11,317)	-	183,028
Total Accumulated Depreciation	1,401,942	108,185	(41,017)	-	1,469,110
Depreciable Capital Assets, Net	1,424,038	89,689	(1,961)	286,290	1,798,056
Property and Equipment, Net	$ 1,904,088	$ 197,210	$ (1,982)	$ -	$ 2,099,316

In September 2018, the University's Board of Trustees authorized the sale of the Nathan Hale Inn to a third party buyer for $8.3 million, and a ground lease for the land on which the hotel is situated. The final closing, transfer of title, and lease commencement are anticipated to occur in May 2019.

In October 2018, the University sold the West Hartford campus property to a third-party buyer. As part of the purchase and sale agreement, the University transferred buildings and real property (land, improvements, and easements) in exchange for $5.2 million. In addition, the State and the University are released from any claims relating to the physical or environmental conditions of the property.

NOTE 5. UNEARNED REVENUE

As of June 30, 2018, unearned revenue included the following (amounts in thousands):

	2018
Tuition, fees, and other student charges	$ 21,247
Amounts received from grant sponsors	12,458
Athletic tickets, commitments, and other	4,749
Total Unearned Revenue	$ 38,454

NOTE 6. 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 2018, the Governor deferred $334.1 million in UCONN 2000 authorizations and extended 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. 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 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 May 2018, the University issued 2018 Series A General Obligation Bonds at a face value of $276.1 million. The total bonds were issued at a premium of $25.6 million. Total net proceeds realized from the 2018 Series A bonds were $300.0 million after the payment of issuance costs and underwriter fees. Of this amount, $88.8 million was allocated to finance projects at UConn Health.

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, 2018, total State debt service commitment for principal recognized was $187.3 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, 2018, the unspent portion of this balance was $35.4 million. In addition, nonoperating revenue for State debt service commitment for interest on general obligation bonds of $70.7 million was recognized for the year ended June 30, 2018, of which approximately $24.8 million was associated with UConn Health projects. As of June 30, 2018, approximately $647.4 million of the total general obligation bonds outstanding, net of premiums and discounts, pertained to proceeds used to finance UConn Health projects.

In addition to general obligation bonds, the University may issue special obligation bonds, also called Student Fee Revenue Bonds which are backed by certain pledged revenues of the University.

In March 2018, the University issued the 2018 Series A Special Obligation Student Fee Revenue Bonds at a face value of $141.7 million to fund construction and infrastructure of the student recreation center and athletic stadia. The total bonds were issued at a premium of $16.7 million. Total net proceeds realized from the 2018 bonds were $157.2 million less issuance costs and underwriter fees. Total net proceeds included capitalized interest of $5.2 million to fund interest payments prior to the receipt of pledged revenues during the construction period.

Special obligation bonds are secured by certain pledged revenues as defined in the indenture. In fiscal year 2018, this consisted of gross and net revenue amounts of approximately $94.6 million. Gross pledged revenues include the Infrastructure Maintenance Fee, the General University Fee, and other revenue. Other revenue consists of the FIT (Facilities Investment Together) surcharge on athletic ticket sales plus investment income on the bond accounts held by the Trustee Bank. 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, 2018, was $402.7 million. The total amount of $6.7 million for the principal and $4.9 million for the interest was paid on this debt from pledged revenues in fiscal year 2018.

Obligations under capital leases include a long-term UCONN 2000 Governmental Lease Purchase Agreement to finance the UCONN 2000 Cogeneration Facility (see Note 8). In addition, in August 2017, the University entered into an agreement to sublease a residential facility for student housing at the Stamford campus (see Note 8).

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, 2018, was as follows (amounts in thousands):

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
General obligation bonds	$ 1,504,995	$ 276,075	$ (119,285)	$ 1,661,785	$ 129,010
Revenue bonds	105,955	141,725	(6,700)	240,980	7,535
Installment loans	117	-	(55)	62	37
Obligations under capital leases					
Cogeneration Facility	42,818	-	(4,623)	38,195	4,729
Stamford residential facility	-	47,000	(996)	46,004	874
Total Long-Term Debt	1,653,885	464,800	(131,659)	1,987,026	142,185
Premiums and discounts	201,858	42,339	(15,042)	229,155	16,542
Total Long-Term Debt, Net	$ 1,855,743	$ 507,139	$ (146,701)	$ 2,216,181	$ 158,727

Long-term debt outstanding as of June 30, 2018, consisted of the following (amounts in thousands):

Type of Debt and Issue Date	Original Amount	Maturity Dates Through Fiscal Year	Interest Rate*	2018 Balance
Bonds				
GO 2009 Series A	$ 144,855	2029	3.0-5.0%	$ 79,410
GO 2010 Series A	97,115	2030	3.0-5.0%	58,255
GO 2010 Refunding Series A	36,095	2021	2.25-5.0%	11,450
GO 2011 Series A	179,730	2031	3.515-5.0%	116,805
GO 2011 Refunding Series A	31,905	2023	2.0-5.0%	17,340
GO 2013 Series A	172,660	2034	2.0-5.0%	138,125
GO 2013 Refunding Series A	51,250	2024	2.0-5.0%	38,930
GO 2014 Series A	109,050	2034	2.0-5.0%	87,235
GO 2014 Refunding Series A	92,940	2025	2.0-5.0%	9,675
GO 2015 Series A	220,165	2035	1.0-5.0%	187,145
GO 2015 Refunding Series A	34,625	2026	4.0-5.0%	27,620
GO 2016 Series A	261,510	2036	3.0-5.0%	235,350
GO 2016 Refunding Series A	80,425	2027	4.0-5.0%	53,380
GO 2017 Series A	311,200	2037	2.5-5.0%	295,640
GO 2017 Refunding Series A	33,950	2022	2.5-5.0%	29,350
GO 2018 Series A	276,075	2038	3.0-5.0%	276,075
Total General Obligation Bonds	2,133,550			1,661,785
Rev 2010 Refunding Series A	47,545	2028	3.0-5.0%	25,075
Rev 2012 Refunding Series A	87,980	2030	1.5-5.0%	74,180
Rev 2018 Series A	141,725	2047	3.0-5.25%	141,725
Total Revenue Bonds	277,250			240,980
Total Bonds	2,410,800			1,902,765
Loans and Other Debt				
Installment loans	246	various	1.31-1.40%	62
Obligations under capital leases				
Cogeneration Facility	81,900	2026	2.22%	38,195
Stamford residential facility	47,000	2042	2.62%	46,004
Total Loans and Other Debt	129,146			84,261
Total Bonds, Loans, and Other Debt	$2,539,946			1,987,026
Add: premiums and discounts				229,155
Total Bonds, Loans, and Installment Purchases, Net				2,216,181
Less: current portion, net				158,727
Total Noncurrent Portion, Net				$2,057,454

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

Long-term debt, including general obligation bonds, revenue bonds, and loans, is 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
2019	$ 129,010	$ 78,230	$ 207,240	$ 13,175	$ 13,388	$ 26,563	$ 142,185	$ 91,618	$ 233,803
2020	123,235	72,890	196,125	15,917	12,995	28,912	139,152	85,885	225,037
2021	118,240	67,178	185,418	16,049	12,409	28,458	134,289	79,587	213,876
2022	112,995	61,623	174,618	16,679	11,807	28,486	129,674	73,430	203,104
2023	109,150	56,240	165,390	16,590	11,188	27,778	125,740	67,428	193,168
2024-2028	480,950	205,744	686,694	79,947	45,746	125,693	560,897	251,490	812,387
2029-2033	381,645	96,863	478,508	46,622	30,842	77,464	428,267	127,705	555,972
2034-2038	206,560	21,782	228,342	36,742	23,397	60,139	243,302	45,179	288,481
2039-2043	-	-	-	43,290	15,168	58,458	43,290	15,168	58,458
2044-2048	-	-	-	40,230	5,492	45,722	40,230	5,492	45,722
Total	$ 1,661,785	$ 660,550	$ 2,322,335	$ 325,241	$ 182,432	$ 507,673	$ 1,987,026	$ 842,982	$ 2,830,008

NOTE 7. OTHER LONG-TERM LIABILITIES

Long-term liability activity other than debt and bonds payable for the year ended June 30, 2018, was as follows (amounts in thousands):

	(Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Current Portion
Compensated absences	$ 36,283	$ 10,142	$ (3,316)	$ 43,109	$ 23,085
Federal refundable loans	11,906	-	(71)	11,835	2,199
Net pension liabilities	1,131,370	13,528	(132,189)	1,012,709	-
Net OPEB liability	1,284,855	90,495	(91,409)	1,283,941	-
Other liabilities					
Long-term software commitments	-	5,053	(723)	4,330	744
Service concession arrangement	6,217	-	(791)	5,426	784
Total Other Long-Term Liabilities	$ 2,470,631	$ 119,218	$ (228,499)	$ 2,361,350	$ 26,812

Beginning balances as of July 1, 2017, shown in the table above, were restated due to the adoption of GASB 75 and the reclassification of the service concession arrangement liability from current to noncurrent. See Note 11 for more information on the service concession arrangement.

The federal refundable loans include the federal liability for the Federal Perkins Loan Program that expired September 30, 2017. No new disbursements were permitted under the program after June 30, 2018. As part of the closeout of the Federal Perkins Loan Program, the University opted to continue to service outstanding loans, assign defaulted loans, and return the federal portion of the program's total cash on hand annually starting in fiscal year 2019. Accordingly, $2.2 million was recorded as the current portion of the federal refundable loans balance payable to the federal government within one year as of June 30, 2018.

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, decreasing monthly payments 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 $43.0 million, respectively, as of June 30, 2018.

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 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. Lease payments for the first year of the master sublease total $2.7 million, and increase by 1.9 percent annually. The historical cost and accumulated depreciation of the Stamford residential facility were $47.1 million and $946,000, respectively, as of June 30, 2018.

Equipment financed by capital leases had a historical cost and accumulated depreciation of $159,000 and $38,000, respectively, as of June 30, 2018.

All assets subject to capital lease agreements are included in property and equipment on the accompanying Statement of Net Position, and depreciation on these assets is included in 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 in long-term debt and bonds payable in the accompanying Statement of Net Position (see Note 6).

Operating Leases

The University has leases related to equipment and building space that expire at various dates. Future minimum rental payments at June 30, 2018, under non-cancellable operating leases that exceeded $500,000 each were as follows (amounts in thousands):

Fiscal Year	Payments
2019	$ 3,805
2020	3,848
2021	3,891
2022	3,878
2023	3,368
Thereafter	15,575
Total	$ 34,365

Expenses related to operating lease commitments in excess of $500,000 each were approximately $3.6 million for the fiscal year ended June 30, 2018.

NOTE 9. RETIREMENT PLANS

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.

Effective July 1, 2017, the State legislature approved the State Employees' Bargaining Agent Coalition (SEBAC) 2017 agreement, which amended certain provisions under collective bargaining agreements for existing SERS plans by revising certain factors including employee contribution rates, annual cost-of-living adjustments (COLAs) for plan members retiring after July 1, 2022, and disability retirement requirements. In addition, the agreement implemented the new Tier IV Hybrid Plan for the State's employees hired on or after the effective date.

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 50 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, 2018, SERS consists of six plans: Tier I, Tier II, Tier IIA, Tier III, Tier IV Hybrid, 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 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. The details on plan benefits for the Tier IV Hybrid Plan, revised COLAs for plan members retiring on or after July 1, 2022, and revised disability retirement requirements are described in the SEBAC 2017 agreement.

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. In accordance with the SEBAC 2017 agreement, employee contribution rates for existing SERS plans will increase by two percent over a three-year period. Employee contribution rates increased by 1.5 percent effective July 1, 2017, and will increase another 0.5 percent effective July 1, 2019. Tier I Plan B regular and Hazardous Duty members are required to contribute 3.5 percent and 5.5 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 6.5 percent above that level; Tier I Plan C members are required to contribute 6.5 percent of their annual salary; Tier II Plan regular and Hazardous Duty members are required to contribute 1.5 percent and 5.5 percent of their annual salary, respectively; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 3.5 percent and 6.5 percent of their annual salary, respectively. Individuals hired on or after July 1, 2011 and before July 1, 2017, who were otherwise eligible for the Alternate Retirement Plan, were also eligible to become members of the Hybrid Plan. The Hybrid Plan has defined benefits identical to Tiers II, IIA, and III, 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.

Individuals hired on or after July 1, 2017, are eligible to become members of the Tier IV Hybrid Plan that includes a defined-benefit and defined-contribution component. Tier IV Hybrid Plan regular and Hazardous Duty members are required to contribute five percent and eight percent of their annual salary, respectively, to the defined-benefit component and one percent of eligible compensation to the defined-contribution component. The State is required to contribute at an actuarially determined rate to the defined-benefit component and one percent of eligible compensation to the defined-contribution component.

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 2018 were 36.8 percent and 25.4 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 2018 were $72.9 million and $304,000 for SERS and TRS, respectively.

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, and rolled forward to the measurement date of June 30, 2017. 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 4.78 percent and 0.03 percent for SERS and TRS, respectively, at the measurement date of June 30, 2017. SERS decreased 0.12 of a percentage point from its proportion measured as of June 30, 2016.

The University's proportionate share of the collective NPL at June 30, 2018, and related pension expense for fiscal year 2018 consisted of the following (amounts in thousands):

	SERS	TRS	Total
Proportionate share of collective NPL	$ 1,007,992	$ 4,717	$ 1,012,709
Proportionate share of collective pension expense	$ 95,722	$ 373	$ 96,095

At June 30, 2018, 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	$154,449	$ 546	$154,995
Changes in proportion and differences between University contributions and proportionate share of contributions	67,686	16	67,702
Net differences between projected and actual earnings on pension plan investments	-	64	64
University contributions subsequent to the measurement date	72,898	304	73,202
Difference between expected and actual experience	24,064	-	24,064
Total Deferred Outflows	$319,097	$ 930	$320,027
Deferred Inflows of Resources			
Changes in proportion and differences between University contributions and proportionate share of contributions	$ 17,497	$ 733	$ 18,230
Net differences between projected and actual earnings on pension plan investments	1,925	-	1,925
Difference between expected and actual experience	-	93	93
Total Deferred Inflows	$ 19,422	$ 826	$ 20,248

The $73.2 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, 2019. 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
2019	$ 75,089	$ (63)	$ 75,026
2020	76,391	11	76,402
2021	53,390	(39)	53,351
2022	24,320	(80)	24,240
2023	(2,413)	(19)	(2,432)
Thereafter	-	(10)	(10)
Total	$ 226,777	$ (200)	$ 226,577

At June 30, 2018, the University reported a payable of $10.3 million within due to State in the accompanying Statement of Net Position for the outstanding amount of pension contributions required for the year ended June 30, 2018.

Actuarial assumptions. 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. The TPL was determined by rolling forward the liabilities of an actuarial valuation performed as of June 30, 2016, 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%

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 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, 2017 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 were 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 Discount**	**1% Increase**
SERS	$ 1,165,723	$ 1,007,992	$ 811,500
TRS	$ 5,904	$ 4,717	$ 3,713

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, 2017.

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.

The SEBAC 2017 agreement amended certain provisions for ARP by revising employee and employer contribution rates. In accordance with the SEBAC 2017 agreement, employer contribution rates for participants hired prior to July 1, 2017, will decrease by one percent to seven percent over a three-year period. Employer contribution rates decreased by three-quarters of a percent effective July 1, 2017, with a commensurate increase in employee contributions and will decrease by another one-quarter of a percent effective July 1, 2019, with a commensurate increase in employee contributions. Except for participants who elected the one-time option to remain at the previous employee contribution rate of 5 percent, participants hired prior to July 1, 2017, must contribute 5.75 percent of their eligible compensation and their employer must contribute 7.25 percent of eligible compensation. Participants hired on or after July 1, 2017, have the option to contribute 6.5 percent or 5 percent of their eligible compensation and their employer must contribute 6.5 percent of eligible compensation. For fiscal year 2018, the University's employer contributions to ARP were $19.6 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*.

Department of Dining Services

The University's Department of Dining Services (DDS) employs 522 full-time staff, of which 60 participate in either SERS or ARP. The remaining 462 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 $779,000 to the plan during fiscal year 2018. Forfeitures used to reduce the required contributions were $19,000. 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 $18,000 to the plan during fiscal year 2018. 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.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The State provides OPEB benefits to University employees through the State Employee OPEB Plan (SEOP). SEOP does not issue stand-alone financial reports but is reported as a fiduciary fund within the State's CAFR. Financial reports are available on the website of the Office of the State Comptroller.

Plan description. SEOP is a single-employer defined-benefit OPEB plan that covers employees of the State who are receiving benefits from a qualifying State-sponsored retirement system. This plan is administered by the State

Comptroller's Healthcare Policy and Benefits Division under the direction of the State Employees Retirement Commission.

Benefits provided. SEOP provides healthcare benefits to eligible retirees and their spouses as well as life insurance benefits to employees when they retire. The State may pay up to 100 percent of the healthcare insurance premium cost for eligible retirees. 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. Plan benefits, and other plan provisions are described in sections 5-257 and 5-259 of the State General Statutes. Further information regarding plan changes affecting employees retiring on or after October 2, 2017, are described in the SEBAC 2017 agreement.

Contributions. SEOP is primarily funded on a pay-as-you-go basis. 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. Current active employees contribute a percentage of their salary into the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3 percent of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 3 percent of their salary for 15 years. Contributions are refundable to employees that leave State employment prior to completing the required years of service.

Similar to pension, the University contributes to SEOP on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages for participants in each retirement plan. This amount is expected to finance retiree healthcare service costs and fund the matching employer portion that is equal to the amount contributed by employees to the RHCF each year beginning on July 1, 2017. The University's rate of actual contributions as a percentage of covered payroll was 13.4 percent and the total amount contributed to the plan was $60.1 million for the fiscal year ended June 30, 2018.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability (TOL) used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2016, were due to an increase in the discount rate. In addition, demographic assumptions, per capita health costs, administrative costs, contributions, and adjustments to future trends were also updated.

At June 30, 2018, the University reported a liability of $1,283.9 million for its proportionate share of the collective net OPEB liability. The University's proportion of the collective NOL was based on the University's share of contributions relative to total contributions made to SEOP. Based on this calculation, the University's proportion was 7.39 percent, which was a decrease of .06 of a percentage point from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of $88.7 million. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	SEOP
Deferred Outflows of Resources	
University contributions subsequent to the measurement date	$ 60,089
Deferred Inflows of Resources	
Changes in assumptions	$ 30,803
Changes in proportion	7,992
Net differences between projected and actual earnings on OPEB plan investments	1,453
Total Deferred Inflows	$ 40,248

The $60.1 million in deferred outflows for contributions subsequent to the measurement date will be included as a reduction of the collective NOL in the reporting year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the University's OPEB expense as follows (amounts in thousands):

Fiscal Year	**SEOP**
2019	$ (9,140)
2020	(9,140)
2021	(9,140)
2022	(9,141)
2023	(3,687)
Thereafter	-
Total	$ (40,248)

At June 30, 2018, the University reported a payable of $8.5 million within due to State in the accompanying Statement of Net Position for the outstanding amount of SEOP contributions required for the year ended June 30, 2018.

Actuarial assumptions. The TOL was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	SEOP
Payroll growth rate	3.50%
Salary increases	3.25% – 19.50%
Discount rate	3.68%
Healthcare cost trend rates	
Medical[1]	6.50% graded to 4.50% over 4 years
Prescription drug[1]	8.00% graded to 4.50% over 7 years
Dental and Part B	4.50%
Administrative expense	3.00%

[1]Short-term rates were altered to reflect changes from the SEBAC 2017 agreement.

Demographic assumptions used to determine TOL are the same as those used in the most recent actuarial pension valuations and experience studies included in Note 9 disclosures for defined-benefit pension plans.

The same long-term expected rate of return of 6.9 percent used in the SERS pension valuation was also used in the SEOP valuation. See Note 9, under SERS, for the target allocation and projected arithmetic real return for each major asset class used in the derivation of the long-term expected investment rate of return.

Discount rate. The discount rate changed from 2.96 percent as of June 30, 2016, to 3.68 percent as of June 30, 2017. The projection of cash flows used in calculating the discount rate included employer contributions actuarially determined in accordance with GASB 75 and employee contributions made in accordance with the current SEBAC agreements. The discount rate used is a blend of the long-term expected rate of return on OPEB trust assets and the municipal bond rate. The municipal bond rate is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.58 percent as of June 30, 2017). The blending is based on sufficiency of projected assets to make projected benefits.

Sensitivity analysis. The following presents the University's proportionate share of the collective NOL and what it would be using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts in thousands):

	Sensitivity of Discount Rate		
	1% Decrease	Current Discount	1% Increase
SEOP	$ 1,490,270	$ 1,283,941	$ 1,116,770

Also, shown is the University's proportionate share of the collective NOL and what it would be using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates (amounts in thousands):

	Sensitivity of Healthcare Cost Trends		
	1% Decrease	Current Trend Rates	1% Increase
SEOP	$ 1,103,388	$ 1,283,941	$ 1,512,677

OPEB plan fiduciary net position. Detailed information about SEOP's fiduciary net position is available in the State's CAFR for the fiscal year ended June 30, 2017.

NOTE 11. 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 is 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 was obligated to invest a minimum of $4.0 million to improve and furnish the bookstore facilities by December 31, 2017.

At June 30, 2018, the University recorded bookstore facilities as capital assets with a carrying amount of $6.6 million and a receivable of $2.9 million, representing June 2018 income and the present value of the installment payments for the third contract year. The University also reported a liability of $5.4 million, representing the present value of the lease obligations and utilities, and a deferred inflow of resources of $6.9 million that will be amortized as revenue over the contract term.

NOTE 12. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows and deferred inflows of resources consisted of the following as of June 30, 2018 (amounts in thousands):

	2018
Deferred Outflows of Resources	
Accumulated loss on debt refundings, net	$ 3,753
Amounts related to net pension liabilities	320,027
Amounts related to net OPEB liability	60,089
Total Deferred Outflows of Resources	$ 383,869
Deferred Inflows of Resources	
Amounts related to service concession arrangement	$ 6,856
Amounts related to net pension liabilities	20,248
Amounts related to net OPEB liability	40,248
Total Deferred Inflows of Resources	$ 67,352

NOTE 13. COMMITMENTS

The University had outstanding commitments, in excess of $500,000 each, of $231.1 million as of June 30, 2018. This amount included $197.5 million related to capital projects for the University and $18.9 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 6). In addition to the amounts related to capital outlay, approximately $14.7 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, 2018. See Note 8 for amounts related to operating leases.

NOTE 14. 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 $5.1 million for the fiscal year ended June 30, 2018. The total amount of waivers not reflected in the accompanying financial statements was $61.7 million in fiscal year 2018. Approximately 91 percent of this amount was provided to graduate assistants.

NOTE 15. 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:

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 6). 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 2018, the University recorded $706,000 of reimbursements from UConn Health for economic development activities during that period.

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 2018, the University incurred $4.0 million in expenses that were offset in total by reimbursements from UConn Health for its share of marketing support.

In fiscal year 2018, the University and UConn Health entered into an agreement to combine all services and supervision of personnel within the Police Department, Fire Department, Fire Marshall and Building Inspectors Office, Office of Emergency Management, and Communications Center, under the Division of Public Safety headquartered at the Storrs campus. In accordance with an annual memorandum of agreement, the University is fiscally responsible for all public safety costs covered by the agreed-upon budget and UConn Health is obligated to fund approximately half of those costs. In fiscal year

2018, the University recorded $5.0 million of reimbursements from UConn Health for public safety services provided during that period.

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, 2018 (amounts in thousands):

	2018
Total expenses incurred for guaranteed contractual services provided by the Foundation	$ 9,535
Reimbursements from the Foundation for operating expenses	$ 350
Accrued capital and noncapital gift and grant revenue from the Foundation	$ 18,905
Amount receivable from the Foundation*	$ 4,863

**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.

Effective June 30, 2017, the Law School Foundation's Board of Trustees approved the dissolution of the Law School Foundation and transferred assets and operations to the Foundation (see Note 1).

The State

The University receives funding from the State for capital projects via UCONN 2000 (see Note 6). 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, 2018, consisted of the following (amounts in thousands):

	2018
General Fund appropriation received from the State	$ 189,031
Payments for fringe benefits received from the State	148,123
Increase of General Fund payroll receivable	5,833
Total Appropriation and Payments for Fringe Benefits from the State	$ 342,987

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 $19.8 million as of June 30, 2018, and was included as part of due from State in the accompanying Statement of Net Position.

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 2018, the University paid $250,000 as part of its final 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: Downtown Storrs, 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 2018, the University paid $132,000 in annual membership dues to MDP.

Fraunhofer Center

In September 2018, the University, Fraunhofer USA, and the Connecticut Department of Economic and Community Development (DECD) entered into two inter-related agreements to support the re-launch of the Fraunhofer Center for Energy Innovation (Center) located on the University campus. The Center, which is legally part of Fraunhofer USA, takes part in the development of advanced technologies related to energy storage, fuel cells, in-steam hydro, power management and distribution through contract research. Under the agreements, Fraunhofer USA has committed $903,000 and DECD has committed up to $1.2 million through May 31, 2020, and the University has committed to provide at least $903,000 of in-kind contributions to the Center.

NOTE 16. CONTINGENCIES

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. In particular, there are two pending claims resulting from deaths. In one, the claimant seeks $20.0 million in damages, though the State expects this matter to be resolved for substantially less than that amount. Any monies paid on that claim will be paid from the State's General Fund, not by the University.

In a second matter, there is a pending claim with the State Claims Commissioner in which the claimant seeks $25.0 million in damages. The State has moved to dismiss that claim and the motion is pending. A lawsuit was filed in connection with the same matter and is being handled under the State's fleet insurance policy. No demand has been made in that matter. 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 17. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The table below details the University's operating expenses by functional classification for the year ended June 30, 2018 (amounts in thousands):

	Salaries and Wages	Fringe Benefits	Supplies and Other Expenses	Utilities	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	$ 251,097	$ 133,786	$ 34,829	$ 1	$ -	$ (22)	$ 419,691
Research	46,426	15,969	25,652	1	-	421	88,469
Public service	25,094	15,031	9,129	-	-	163	49,417
Academic support	66,124	43,232	37,908	-	-	-	147,264
Student services	22,654	14,114	8,086	2	-	-	44,856
Institutional support	34,457	24,408	16,491	-	-	1	75,357
Operations and maintenance	31,019	37,153	55,529	14,483	-	-	138,184
Depreciation and amortization	-	-	-	-	108,185	-	108,185
Scholarships and fellowships	33	7	287	-	-	7,905	8,232
Auxiliary enterprises	92,455	54,845	76,545	5,168	-	402	229,415
Total	$ 569,359	$ 338,545	$ 264,456	$ 19,655	$ 108,185	$ 8,870	$ 1,309,070

Required Supplementary Information
State Employees' Retirement System (SERS)

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

Fiscal Year Ended June 30	SERS 2018	2017	2016	2015
Proportion of the collective NPL	4.78%	4.91%	4.88%	4.51%
Proportionate share of the collective NPL	$ 1,007,992	$ 1,126,394	$ 805,629	$ 722,009
University's covered payroll	$ 195,810	$ 200,845	$ 189,903	$ 165,841
Proportionate share of the collective NPL as a percentage of covered payroll	514.78%	560.83%	424.23%	435.36%
Plan fiduciary net position as a percentage of the total pension liability	36.25%	31.69%	39.23%	39.54%

Schedule of University Pension Contributions
($ in thousands)

Fiscal Year Ended June 30	SERS 2018	2017	2016	2015
Contractually required employer contribution	$ 72,898	$ 73,781	$ 73,668	$ 66,875
Actual University contributions	72,898	73,781	73,668	66,875
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll	$ 198,089	$ 195,810	$ 200,845	$ 189,903
Actual University contributions as a percentage of covered payroll	36.80%	37.68%	36.68%	35.22%

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 Benefit Terms
2018 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Hybrid Plan.

Required Supplementary Information
Teachers' Retirement System (TRS)

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

	TRS			
Fiscal Year Ended June 30	2018	2017	2016	2015
Proportion of the collective NPL	0.03%	0.03%	0.04%	0.04%
Proportionate share of the collective NPL	$ 4,717	$ 4,976	$ 4,430	$ 4,090
University's covered payroll	$ 1,364	$ 1,372	$ 1,214	$ 1,191
Proportionate share of the collective NPL as a percentage of covered payroll	345.82%	362.68%	364.91%	343.41%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

Schedule of University Pension Contributions
($ in thousands)

	TRS			
Fiscal Year Ended June 30	2018	2017	2016	2015
Contractually required employer contribution	$ 304	$ 135	$ 426	$ 425
Actual University contributions	304	135	426	425
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll	$ 1,196	$ 1,364	$ 1,372	$ 1,214
Actual University contributions as a percentage of covered payroll	25.42%	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.

Other Factors
2018 – The State's assessed fringe benefit rate attributable to TRS increased from 9.87% in fiscal year 2017 to 27.41% in fiscal year 2018, resulting in a material increase of University contributions for that plan.

Required Supplementary Information
State Employee Other Post-Employment Benefits (OPEB) Plan

Schedule of University's Proportionate Share of Collective Net OPEB Liability (NOL)
($ in thousands)

Fiscal Year Ended June 30	2018
Proportion of the collective NOL	7.39%
Proportionate share of the collective NOL	$ 1,283,941
University's covered payroll	$ 435,196
Proportionate share of the collective NOL as a percentage of covered payroll	295.03%
Plan fiduciary net position as a percentage of the total OPEB liability	3.03%

Schedule of University OPEB Contributions
($ in thousands)

Fiscal Year Ended June 30	2018
Contractually required employer contribution	$ 60,089
Actual University contributions	60,089
Contribution deficiency (excess)	$ -
University's covered payroll	$ 448,931
Actual University contributions as a percentage of covered payroll	13.38%

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
The discount rate was updated in accordance with GASB 75 to 3.68 percent as of June 30, 2017. In addition, demographic assumptions, per capita health costs, administrative costs, and contributions were updated to better reflect actual experience. Healthcare cost trend rates and retiree contribution rates were also adjusted.

STATISTICAL SECTION

Statistical Section
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SCHEDULE OF REVENUES BY SOURCE

Last Ten Fiscal Years

($ in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Student tuition and fees, net of scholarship allowances	$ 386,921	$ 367,351	$ 341,809	$ 308,174	$ 279,577	$ 261,641	$ 251,017	$ 233,881	$ 223,766	$ 215,642
Federal grants and contracts	106,561	100,397	104,725	93,807	95,187	96,528	102,814	101,090	91,212	79,269
State and local grants and contracts	19,441	16,931	21,200	20,823	20,170	16,629	11,566	14,497	12,978	13,889
Nongovernmental grants and contracts	18,386	28,005	19,490	20,535	14,619	15,212	13,141	11,367	11,075	12,348
Sales and services of educational departments	23,708	20,325	20,543	21,028	19,280	15,814	17,348	16,161	15,204	17,216
Sales and services of auxiliary enterprises, net of scholarship allowances	210,990	209,851	210,455	201,066	195,525	185,240	181,974	178,494	161,780	149,501
Other sources	14,009	11,909	10,758	12,263	10,168	8,114	6,229	6,447	10,855	10,682
Total Operating Revenues	780,016	754,769	728,980	677,696	634,526	599,178	584,089	561,937	526,870	498,547
State appropriation	342,987	374,113	384,747	350,699	308,069	288,456	282,370	328,951	325,462	327,751
State debt service commitment for interest	70,740	64,757	53,092	46,635	42,091	40,571	39,755	39,978	38,557	37,843
Federal and state financial aid	37,986	34,800	38,968	35,684	32,647	31,456	32,176	37,601	31,918	27,071
Gifts	19,732	23,628	25,380	23,828	21,703	19,996	24,377	21,168	18,081	21,806
Investment income	6,059	2,996	1,448	889	799	859	898	1,020	1,313	4,268
Other nonoperating revenues, net	-	-	-	-	-	352	-	-	-	-
Total Nonoperating Revenues	477,504	500,294	503,635	457,735	405,309	381,690	379,576	428,718	415,331	418,739
	$ 1,257,520	**$ 1,255,063**	**$ 1,232,615**	**$ 1,135,431**	**$ 1,039,835**	**$ 980,868**	**$ 963,665**	**$ 990,655**	**$ 942,201**	**$ 917,286**

(% of total revenues)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Student tuition and fees, net of scholarship allowances	30.8%	29.3%	27.7%	27.1%	26.9%	26.8%	26.1%	23.7%	23.7%	23.5%
Federal grants and contracts	8.5%	8.0%	8.5%	8.3%	9.2%	9.8%	10.7%	10.2%	9.7%	8.6%
State and local grants and contracts	1.5%	1.3%	1.6%	1.8%	1.9%	1.7%	1.2%	1.5%	1.4%	1.5%
Nongovernmental grants and contracts	1.4%	2.2%	1.6%	1.8%	1.4%	1.6%	1.4%	1.1%	1.2%	1.3%
Sales and services of educational departments	1.9%	1.6%	1.7%	1.9%	1.9%	1.6%	1.8%	1.6%	1.6%	1.9%
Sales and services of auxiliary enterprises, net of scholarship allowances	16.8%	16.7%	17.1%	17.7%	18.8%	18.9%	18.9%	18.0%	17.2%	16.3%
Other sources	1.1%	0.9%	1.0%	1.1%	1.0%	0.8%	0.6%	0.7%	1.2%	1.2%
Total Operating Revenues	62.0%	60.0%	59.2%	59.7%	61.1%	61.2%	60.7%	56.8%	56.0%	54.3%
State appropriation	27.3%	29.9%	31.1%	30.9%	29.6%	29.4%	29.3%	33.2%	34.5%	35.7%
State debt service commitment for interest	5.6%	5.2%	4.3%	4.1%	4.0%	4.1%	4.1%	4.0%	4.1%	4.1%
Federal and state financial aid	3.0%	2.8%	3.2%	3.1%	3.1%	3.2%	3.3%	3.8%	3.4%	3.0%
Gifts	1.6%	1.9%	2.1%	2.1%	2.1%	2.0%	2.5%	2.1%	1.9%	2.4%
Investment income	0.5%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.5%
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	38.0%	40.0%	40.8%	40.3%	38.9%	38.8%	39.3%	43.2%	44.0%	45.7%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Federal and state financial aid prior to fiscal year 2018 were reclassified from operating to nonoperating categories in order to provide comparison among years.

SCHEDULE OF EXPENSES BY NATURAL CLASSIFICATION
Last Ten Fiscal Years

($ in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Salaries and wages	$ 569,359	$ 556,411	$ 557,497	$ 542,082	$ 521,076	$ 482,685	$ 474,385	$ 472,725	$ 444,481	$ 456,102
Fringe benefits	338,545	349,328	287,553	271,164	237,715	190,549	172,765	168,133	157,746	155,215
Supplies and other expenses	264,456	245,357	245,871	217,413	211,654	205,774	190,442	208,789	192,793	188,420
Utilities	19,655	19,039	19,737	23,212	20,963	19,725	21,684	26,506	27,810	33,600
Depreciation and amortization	108,185	104,807	98,767	95,990	95,377	91,713	88,478	90,335	90,039	90,037
Scholarships and fellowships	8,870	11,791	12,437	10,713	10,953	8,070	9,039	9,910	9,151	8,943
Total Operating Expenses	1,309,070	1,286,733	1,221,862	1,160,574	1,097,738	998,516	956,793	976,398	922,020	932,317
Interest expense	64,672	59,129	51,333	46,420	45,955	46,961	47,117	48,824	48,558	48,916
Transfers to State General Fund	-	-	-	-	-	-	-	15,000	8,000	-
Disposal of property and equipment, net	1,524	1,418	8,486	473	1,043	(103)	540	618	727	439
Other nonoperating expenses, net	2,475	1,776	3,893	1,540	1,873	-	1,635	297	1,957	4,247
Total Nonoperating Expenses	68,671	62,323	63,712	48,433	48,871	46,858	49,292	64,739	59,242	53,602
	$ 1,377,741	**$ 1,349,056**	**$ 1,285,574**	**$ 1,209,007**	**$ 1,146,609**	**$ 1,045,374**	**$ 1,006,085**	**$ 1,041,137**	**$ 981,262**	**$ 985,919**

(% of total expenses)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Salaries and wages	41.3%	41.2%	43.3%	44.8%	45.4%	46.1%	47.1%	45.5%	45.4%	46.3%
Fringe benefits	24.6%	25.9%	22.4%	22.5%	20.7%	18.2%	17.2%	16.1%	16.1%	15.7%
Supplies and other expenses	19.2%	18.2%	19.1%	18.1%	18.5%	19.7%	18.8%	20.0%	19.6%	19.2%
Utilities	1.4%	1.4%	1.5%	1.9%	1.8%	1.9%	2.2%	2.5%	2.8%	3.4%
Depreciation and amortization	7.9%	7.8%	7.7%	7.9%	8.3%	8.8%	8.8%	8.7%	9.2%	9.1%
Scholarships and fellowships	0.6%	0.9%	1.0%	0.9%	1.0%	0.8%	0.9%	1.0%	0.9%	0.9%
Total Operating Expenses	95.0%	95.4%	95.0%	96.1%	95.7%	95.5%	95.0%	93.8%	94.0%	94.6%
Interest expense	4.7%	4.4%	4.0%	3.8%	4.0%	4.5%	4.7%	4.7%	4.9%	5.0%
Transfers to State General Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.8%	0.0%
Disposal of property and equipment, net	0.1%	0.1%	0.7%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%
Other nonoperating expenses, net	0.2%	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.0%	0.2%	0.4%
Total Nonoperating Expenses	5.0%	4.6%	5.0%	3.9%	4.3%	4.5%	5.0%	6.2%	6.0%	5.4%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF EXPENSES BY FUNCTION

Last Ten Fiscal Years

($ in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	$ 419,691	$ 419,251	$ 390,364	$ 382,256	$ 353,251	$ 302,202	$ 291,370	$ 292,203	$ 271,939	$ 284,036
Research	88,469	80,953	80,070	73,596	79,484	74,948	73,509	74,481	72,286	64,029
Public service	49,417	53,116	53,903	48,884	41,919	39,068	35,478	41,470	35,623	36,998
Academic support	147,264	138,912	139,643	131,914	125,557	117,679	108,340	98,393	90,593	87,047
Student services	44,856	40,087	38,916	36,955	36,787	33,315	35,256	39,755	37,063	36,711
Institutional support	75,357	74,226	66,580	57,330	54,484	51,358	53,465	84,744	83,175	83,155
Operations and maintenance of plant	138,184	137,259	122,034	114,889	105,148	94,961	100,402	71,365	66,742	71,432
Depreciation and amortization	108,185	104,807	98,767	95,990	95,377	91,713	88,478	90,335	90,039	90,037
Student aid	8,232	10,306	9,748	9,127	8,796	7,154	6,107	5,490	4,638	3,917
Auxiliary enterprises	229,415	227,816	221,837	209,633	196,935	186,118	164,388	158,422	145,414	144,376
Other operating expenses	-	-	-	-	-	-	-	19,740	24,508	30,579
Interest expense	64,672	59,129	51,333	46,420	45,955	46,961	47,117	48,824	48,558	48,916
Transfers to State General Fund	-	-	-	-	-	-	-	15,000	8,000	-
Disposal of property and equipment, net	1,524	1,418	8,486	473	1,043	(103)	540	618	727	439
Other nonoperating expenses, net	2,475	1,776	3,893	1,540	1,873	-	1,635	297	1,957	4,247
	$ 1,377,741	**$ 1,349,056**	**$ 1,285,574**	**$ 1,209,007**	**$ 1,146,609**	**$ 1,045,374**	**$ 1,006,085**	**$ 1,041,137**	**$ 981,262**	**$ 985,919**

(% of total expenses)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	30.5%	31.1%	30.3%	31.7%	30.7%	28.8%	28.9%	28.1%	27.7%	28.9%
Research	6.4%	6.0%	6.2%	6.1%	6.9%	7.2%	7.3%	7.2%	7.4%	6.5%
Public service	3.6%	3.9%	4.2%	4.0%	3.7%	3.7%	3.5%	4.0%	3.6%	3.8%
Academic support	10.7%	10.3%	10.8%	10.9%	10.9%	11.3%	10.8%	9.4%	9.2%	8.8%
Student services	3.3%	3.0%	3.0%	3.1%	3.2%	3.2%	3.5%	3.8%	3.8%	3.7%
Institutional support	5.5%	5.5%	5.2%	4.7%	4.8%	4.9%	5.3%	8.1%	8.5%	8.4%
Operations and maintenance of plant	10.0%	10.2%	9.5%	9.5%	9.2%	9.1%	10.0%	6.9%	6.8%	7.2%
Depreciation and amortization	7.8%	7.8%	7.7%	7.9%	8.3%	8.8%	8.8%	8.7%	9.2%	9.1%
Student aid	0.6%	0.7%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%	0.5%	0.4%
Auxiliary enterprises	16.6%	16.9%	17.3%	17.4%	17.2%	17.8%	16.3%	15.2%	14.8%	14.6%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	2.5%	3.1%
Interest expense	4.7%	4.4%	4.0%	3.8%	4.0%	4.5%	4.7%	4.7%	4.9%	5.0%
Transfers to State General Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	0.8%	0.0%
Disposal of property and equipment, net	0.1%	0.1%	0.7%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
Other nonoperating expenses, net	0.2%	0.1%	0.3%	0.1%	0.2%	0.0%	0.2%	0.0%	0.2%	0.4%
	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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total revenues	$ 1,257,520	$ 1,255,063	$ 1,232,615	$ 1,135,431	$ 1,039,835	$ 980,868	$ 963,665	$ 990,655	$ 942,201	$ 917,286
Total expenses	1,377,741	1,349,056	1,285,574	1,209,007	1,146,609	1,045,374	1,006,085	1,041,137	981,262	985,919
Loss Before Other Changes in Net Position	(120,221)	(93,993)	(52,959)	(73,576)	(106,774)	(64,506)	(42,420)	(50,482)	(39,061)	(68,633)
State debt service commitment for principal	187,269	281,576	103,400	56,430	80,346	-	115,400	-	61,714	104,910
Capital allocation	-	-	-	131,500	(20)	20,000	18,000	(479)	-	-
Capital grants and gifts	5,099	1,388	5,071	25,412	21,643	6,675	2,768	1,989	2,396	3,814
Additions to permanent endowments	338	1,149	14	66	743	13	-	-	33	20
Total Changes in Net Position	72,485	190,120	55,526	139,832	(4,062)	(37,818)	93,748	(48,972)	25,082	40,111
Net position, beginning	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
Prior year adjustment	(1,235,502)	-	-	(577,593)	-	-	(11,863)	-	-	-
Net Position, Ending	**$ 80,228**	**$ 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**
Net investment in capital assets	$ 1,682,317	$ 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
Restricted nonexpendable	15,044	14,483	12,593	13,091	13,546	11,902	11,574	11,892	11,122	10,819
Restricted expendable										
Research, instruction, scholarships and other	32,273	34,058	24,455	19,334	15,465	20,602	19,535	17,915	15,748	15,147
Loans	2,566	2,543	2,520	2,533	2,482	2,469	2,426	2,818	3,945	3,758
Capital projects and debt service	134,453	89,146	49,637	184,023	85,447	33,551	115,315	42,433	118,820	98,846
Unrestricted	(1,786,425)	(454,454)	(401,998)	(429,274)	130,818	153,490	168,174	175,374	162,807	147,249
Total Net Position	**$ 80,228**	**$ 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**

SCHEDULE OF LONG-TERM DEBT

Last Ten Fiscal Years

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General obligation bonds	$ 1,661,785	$ 1,504,995	$ 1,303,870	$ 1,147,985	$ 1,023,985	$ 828,795	$ 903,550	$ 804,310	$ 877,492	$ 844,945
Revenue bonds	240,980	105,955	112,410	118,625	124,615	130,415	154,170	159,290	164,375	172,830
Self-liquidating bonds	-	-	275	349	551	1,050	2,171	2,953	3,793	4,786
Capital lease obligations	84,199	42,818	47,229	51,398	55,437	59,320	62,785	66,098	69,267	72,298
Installment loans and other	62	117	5,487	671	1,027	1,319	1,727	150	253	416
	1,987,026	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
Premiums and discounts	229,155	201,858	172,757	134,213	107,074	82,980	46,320	25,849	27,956	18,825
Total Long-Term Debt	2,216,181	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
Less: State debt service commitment for general obligation bonds	(1,661,785)	(1,504,995)	(1,303,870)	(1,147,985)	(1,023,985)	(828,795)	(903,550)	(804,310)	(877,492)	(844,945)
Total Long-Term Debt, Net	$ 554,396	$ 350,748	$ 338,158	$ 305,256	$ 288,704	$ 275,084	$ 267,173	$ 254,340	$ 265,644	$ 269,155
Full-time equivalent students*	29,424	29,220	28,832	28,134	27,461	27,036	27,240	26,686	26,705	26,382
Outstanding debt per student	$ 18,842	$ 12,004	$ 11,729	$ 10,850	$ 10,513	$ 10,175	$ 9,808	$ 9,531	$ 9,947	$ 10,202

**Source: IPEDS (Integrated Postsecondary Education Data System) 12-month Instructional Activity surveys for fiscal years 2009 to 2018, 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
2018	$ 52,429	$ 173,951	$ (131,743)	$ 42,208	$ 94,637	$ (12,432)	7.61
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

(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)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Applications	34,198	35,980	34,978	31,280	27,479	29,966	27,247	22,142	21,999	21,058
Offers of admission	16,360	17,560	18,598	15,629	14,745	13,397	12,894	11,949	10,931	11,474
Percent admitted	48%	49%	53%	50%	54%	45%	47%	54%	50%	54%
Enrolled	3,683	3,822	3,774	3,588	3,755	3,114	3,327	3,339	3,221	3,604
Yield (enrolled/offers)	23%	22%	20%	23%	25%	23%	26%	28%	29%	31%
Total average SAT	1,294	1,233	1,233	1,234	1,233	1,226	1,216	1,221	1,212	1,200

ENROLLMENT	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Non-Resident Alien										
Male	2,001	1,890	1,773	1,532	1,301	1,163	1,018	924	872	875
Female	1,847	1,665	1,462	1,277	1,077	1,012	892	787	725	710
Black or African American										
Male	885	874	813	756	722	723	756	709	673	677
Female	1,153	1,098	1,053	1,010	981	1,017	1,007	963	977	931
American Indian or Alaska Native										
Male	16	19	18	18	25	25	28	33	43	37
Female	27	25	28	27	29	31	40	41	38	46
Asian										
Male	1,497	1,475	1,372	1,315	1,213	1,194	1,159	1,119	1,062	1,054
Female	1,556	1,467	1,419	1,333	1,189	1,106	1,108	1,060	1,038	986
Hispanic/Latino										
Male	1,477	1,386	1,293	1,233	1,132	1,059	1,006	889	790	746
Female	1,800	1,616	1,468	1,393	1,315	1,206	1,149	1,095	983	930
Native Hawaiian or Other Pacific Islander										
Male	10	8	8	10	8	12	14	11	*	*
Female	13	12	13	13	16	17	14	11	*	*
Two or More Races										
Male	394	364	330	301	258	238	170	96	*	*
Female	464	442	412	408	381	300	197	90	*	*
White										
Male	9,089	9,518	9,809	9,916	10,183	10,416	10,795	10,913	10,860	10,764
Female	9,361	9,581	9,789	10,022	10,102	10,209	10,641	10,763	10,940	11,124
Total Head Count	31,590	31,440	31,060	30,564	29,932	29,728	29,994	29,504	29,001	28,880
Percent female	51.3%	50.6%	50.4%	50.7%	50.4%	50.1%	50.2%	50.2%	50.7%	51.0%
Percent minority	29.4%	27.9%	26.5%	25.6%	24.3%	23.3%	22.2%	20.7%	19.3%	18.7%
Percent non-resident alien	12.2%	11.3%	10.4%	9.2%	7.9%	7.3%	6.4%	5.8%	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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Undergraduate resident	$ 14,880	$ 14,066	$ 13,366	$ 12,700	$ 12,022	$ 11,242	$ 10,670	$ 10,416	$ 9,886	$ 9,338
Undergraduate non-resident	$ 36,948	$ 35,858	$ 34,908	$ 32,880	$ 30,970	$ 29,074	$ 27,566	$ 26,880	$ 25,486	$ 24,050
Graduate resident	$ 16,810	$ 15,996	$ 15,296	$ 14,472	$ 13,662	$ 12,786	$ 12,130	$ 11,828	$ 11,226	$ 10,594
Graduate non-resident	$ 38,122	$ 37,032	$ 36,082	$ 33,944	$ 31,946	$ 29,994	$ 28,438	$ 27,740	$ 26,310	$ 24,814

DEGREES CONFERRED

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Associate	21	30	24	20	21	26	25	29	26	19
Bachelor's	5,618	5,530	5,197	5,320	5,200	5,122	5,149	4,747	4,606	4,610
Post-baccalaureate	299	251	229	167	172	140	141	102	134	41
Master's	2,048	1,904	1,750	1,713	1,636	1,527	1,573	1,475	1,438	1,499
Sixth-year education	51	62	66	69	45	56	79	67	69	89
Ph.D.	384	411	379	372	342	340	341	322	309	266
J.D.	89	155	151	156	190	178	204	172	222	207
LL.M.	42	43	44	31	35	30	30	29	27	33
Pharm D.	98	101	99	95	97	94	94	103	100	98
Total	8,650	8,487	7,939	7,943	7,738	7,513	7,636	7,046	6,931	6,862

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FACULTY										
Full-time	1,545	1,518	1,489	1,517	1,485	1,377	1,330	1,304	1,286	1,324
Part-time	53	32	30	33	34	39	43	43	35	36
Total Faculty	1,598	1,550	1,519	1,550	1,519	1,416	1,373	1,347	1,321	1,360
Tenured	854	841	848	877	874	848	841	815	777	815
Percentage tenured	53%	54%	56%	57%	58%	60%	61%	61%	59%	60%
STAFF										
Full-time	3,109	3,198	3,115	3,080	3,063	3,028	2,956	3,017	2,879	3,049
Part-time	150	82	158	186	175	180	181	222	210	222
Total Staff	3,259	3,280	3,273	3,266	3,238	3,208	3,137	3,239	3,089	3,271
Total Faculty and Staff	4,857	4,830	4,792	4,816	4,757	4,624	4,510	4,586	4,410	4,631
Student to faculty ratio*	16 to 1	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
Full-time and part-time faculty										
Female	41%	41%	41%	39%	39%	40%	40%	39%	38%	37%
Minority	21%	23%	23%	22%	22%	22%	21%	20%	20%	19%
Full-time and part-time staff										
Female	57%	57%	57%	58%	57%	58%	58%	58%	58%	58%
Minority	15%	17%	17%	17%	17%	17%	17%	15%	15%	15%
Staff covered by collective bargaining agreements	90%	90%	90%	91%	91%	90%	91%	92%	91%	91%
Adjunct lecturers	709	690	679	708	696	686	692	691	648	669

**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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Academic Buildings										
Net assignable square feet (in thousands)	2,847	2,654	2,753	2,753	2,736	2,684	2,604	2,604	2,604	2,604
Number of buildings	170	168	171	171	171	171	172	172	172	172
Auxiliary and Independent Operations Buildings										
Net assignable square feet (in thousands)	3,859	3,753	3,277	3,336	3,279	3,279	3,396	3,430	3,430	3,430
Number of buildings	190	189	193	209	213	213	217	220	220	220
Administrative and Support Buildings										
Net assignable square feet (in thousands)	832	852	964	949	949	949	948	948	948	948
Number of buildings	83	88	97	96	96	96	95	95	95	95
Total Net Assignable Square Feet (in thousands)	7,538	7,259	6,994	7,038	6,964	6,912	6,948	6,982	6,982	6,982
Total Number of Buildings	443	445	461	476	480	480	484	487	487	487

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Residential halls*	100	101	115	115	116	117	116	114	114	114
Residential hall occupancy	12,597	12,699	12,723	12,711	12,668	12,469	12,716	12,546	12,378	11,970
Percentage of main campus undergraduates in campus housing	66%	67%	70%	71%	72%	72%	73%	74%	73%	71%

**Residential halls include houses owned by the University and used for student housing. For 2018, residential halls and occupancy includes Stamford campus.*
Source: Office of Residential Life

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)
2018	$ 265,636,709,000	3,588,236	$ 74,030	4.5%
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%

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

TOP TEN NONGOVERNMENTAL EMPLOYERS

State of Connecticut

Current Year and Ten Years Ago

	2018			
NAME	**Employees in CT**	**Percentage of Total CT Employment**	**Rank**	
Yale New Haven Health Sys	19,416	1.1%	1	
Hartford HealthCare	18,652	1.0%	2	
United Technologies Corp. UTC	18,000	1.0%	3	(1)
Yale University	14,440	0.8%	4	
General Dynamics/Electric Boat	11,862	0.7%	5	
Wal-Mart Stores Inc.	8,835	0.5%	6	
Sikorsky Air / Lockheed Martin Co.	7,900	0.4%	7	
The Travelers Cos Inc.	7,400	0.4%	8	
Mohegan Sun Casino	7,150	0.4%	9	
The Hartford	6,800	0.4%	10	
Total	120,455	6.7%		

	2009			
	Employees in CT	**Percentage of Total CT Employment**	**Rank**	
United Technologies Corp. UTC	27,050	1.7%	1	(1)
Stop & Shop Co. Inc	13,574	0.8%	2	
Yale University	12,795	0.8%	3	
Hartford Financial Services	12,500	0.8%	4	
Mohegan Sun Casino	9,800	0.6%	5	
Foxwoods Resort Casino	9,276	0.6%	6	
Wal-Mart Stores Inc.	9,204	0.6%	7	
General Dynamics/Electric Boat	8,200	0.5%	8	
Aetna, Inc.	7,206	0.4%	9	
AT&T Connecticut	7,000	0.4%	10	
Total	116,605	7.2%		

Source: Hartford Business Journal (HBJ)

(1) For 2018 includes UTC Aerospace and Pratt & Whitney - Business units of UTC. For 2009, also includes Sikorsky Aircraft.

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UNIVERSITY OF CONNECTICUT

1881

UCONN HEALTH

Financial Report

For the Year Ended June 30, 2018

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, and 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. An 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 (Finance Corporation) and Correctional Managed Healthcare (CMHC); which was terminated June 30, 2018. 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.

On April 28, 2018, UConn Health installed the EPIC Medical Record/Revenue Cycle Management System (EPIC) in all the clinical locations. EPIC is a fully integrated Centers for Medicare and Medicaid Services (CMS) certified electronic health record system (EHR) and is the most widely used EHR in the U.S. It uses digital technologies to integrate patient medical information to ensure a highly personalized experience for UConn Health's patients and helps clinician better coordinate medical care-safely and securely. My UConn Health is the brand given to the EPIC System now used throughout UConn Health.

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, 2,774 men and women have received the D.M.D. degree; 4,693 the M.D. degree.

Through a variety of residency programs, the School of Medicine provides postgraduate training for more than 600 newly graduated D.M.D. and 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 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 $82.3 million in fiscal 2018.

Health Care Services

Through John Dempsey Hospital (234 licensed beds, 186 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, low reimbursement rate for 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 prior 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. Republicans and Democrats came together to pass a budget in the final hours of the legislative session in May of 2018. The budget closed a $380 million deficit in fiscal year 2018 at the State level budget, and made adjustments to the fiscal year 2019 budget. For UConn Health specifically, the bi-partisan fiscal year 2019 budget cut UConn Health by $3.3 million compared to the Senate Bill passed in October of 2017. In June, an additional cut of $575,000 was made to the fiscal year 2019 allotment. UConn Health will continue to focus on protecting academic excellence, delivering strong student support, providing excellent patient care, and supporting the research mission.

In November, the Office of Policy and Management presented a tentative budget for the fiscal years 2020 and 2021 to the Governor-elect. The tentative budget is intended to provide the incoming administration with estimates of expenditures and revenues as a starting point for the formulation of the governor's budget proposal in February. The tentative appropriations of $130.2 million for fiscal year 2020 and $137.8 million for fiscal year 2021 are comparable to the amounts UConn Health requested in their budget request in September of 2018.

Awards and Acknowledgements

At the intersection of its teaching, research and patient care mission, UConn Health continues to show innovative leadership through medical breakthroughs that create new standards in patient care, teaching and research. UConn Health is Connecticut's only public academic medical center and comprises UConn School of Medicine, School of Dental Medicine and John Dempsey Hospital on its 206-acre campus in Farmington. There are an additional eight clinical care community locations throughout the state.

UConn Health was first in the nation when they recently introduced a high-tech surgical microscope with augmented reality computer-generated digital imaging capabilities to visually assist surgeons during some of the most complex brain surgeries. With application from strokes and tumors to spine surgeries, the ARveo Augmented Reality microscope advances the care at UConn John Dempsey Hospital's state-of-the-art hybrid operating room. Opened in early 2018, the room features built-in, advanced imaging capabilities for minimally invasive and complex surgical procedures - resulting in better visualization for doctors, optimal outcomes for patients.

The world's first investigational gene therapy for potentially deadly glycogen storage disease (GSD) was administered to a patient at UConn Health. The novel gene therapy to treat the rare childhood genetic disorder that impacts the liver's storage and release of sugar was successfully given to the first human patient through a one-time, 30-minute infusion at UConn John Dempsey Hospital.

The Liaison Committee on Medical Education (LCME) accredited the University of Connecticut School of Medicine medical education program. The LCME is recognized by the U.S. Department of Education as the authority for the accreditation of medical education programs. The School of Medicine was deemed satisfactory in 92 of the 93 elements and compliant with all 12 standards of the accreditation criteria.

The John Dempsey Hospital at UConn Health earned The Joint Commission's Gold Seal of Approval® for accreditation by demonstrating compliance with The Joint Commission's national standards for health care quality and safety in hospitals. The accreditation award recognizes UConn Health's dedication to continuous compliance with The Joint Commission's state-of-the-art standards.

The Pat and Jim Calhoun Cardiology Center at UConn Health is on the *Target: Heart Failure℠ Honor Roll* for meeting specific criteria that improve medication adherence, provides early follow-up care and coordination, and enhances patient education in order to reduce hospital readmissions and help patients improve their quality of life in managing this chronic condition. The Pat and Jim Calhoun Cardiology Center also received the *Get With The Guidelines® Heart Failure Gold Plus Quality Achievement Award*, which recognizes the hospital's commitment to ensuring heart failure patients receive the most appropriate treatment to speed recovery and reduce hospital readmissions.

UConn Health is now designated by the Pulmonary Hypertension Association (PHA) as a Pulmonary Hypertension Regional Clinical Program. By designating regional centers of excellence across the nation the PHA hopes to improve the overall quality of care and outcomes of pulmonary hypertension patients. UConn Health was identified and approved as a regional program due to its infrastructure and experience to best manage the disease. The accreditation runs until May 2020 when an onsite reaccreditation review by the PHA will occur.

The UConn Musculoskeletal Institute is now designated a "Blue Distinction Center" for both spine surgery and total joint replacement. "Blue Distinction" is a designation from the BlueCross BlueShield Association recognizing health care facilities for their expertise in the safe, efficient, and cost-effective delivery of quality specialty care. UConn Health has been designated as a "Blue Distinction Center for Knee and Hip Replacement" for meeting nationally established quality care and outcomes criteria, and as a "Blue Distinction Center+ for Spine Surgery" for meeting those criteria, plus meeting cost measures that address the need for affordable health care.

Also, the new hospital tower at UConn John Dempsey Hospital, thanks to Bioscience CT and UConn Health investments, celebrated its two-year anniversary in May 2018. UConn Health also increased patient volumes, revenues, and market share. Its clinical care has grown to more than 667,000 outpatient appointments, 10,100 inpatients, 36,000 emergency room visits and more than 135,000 additional patient visits conducted at our community sites.

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Respectfully Submitted,

Scott Jordan
Executive Vice President for Administration &
Chief Financial Officer
University of Connecticut
January 10, 2019

Jeffrey P. Geoghegan
Chief Financial Officer

UConn Health

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DIRECTORS AND FINANCIAL OFFICERS
June 30, 2018

BOARD OF DIRECTORS

Members at Large		***Appointed by the Governor***	
Dr. Kenneth Alleyne	*Bloomfield*	Kathleen D. Woods	*Avon*
Francis X. Archambault, Jr.	*Storrs*	Teresa M. Ressel	*New Canaan*
Richard M. Barry	*Avon*	Joel Freedman	*South Glastonbury*
Cheryl A. Chase	*Hartford*		
John F. Droney	*West Hartford*		
Timothy A. Holt	*Glastonbury*	***Members Ex Officio***	
Wayne Rawlins	*Cromwell*	Susan Herbst	*Storrs*
		Robert S. Dakers	*Glastonbury*
		Raul Pino	*Hartford*

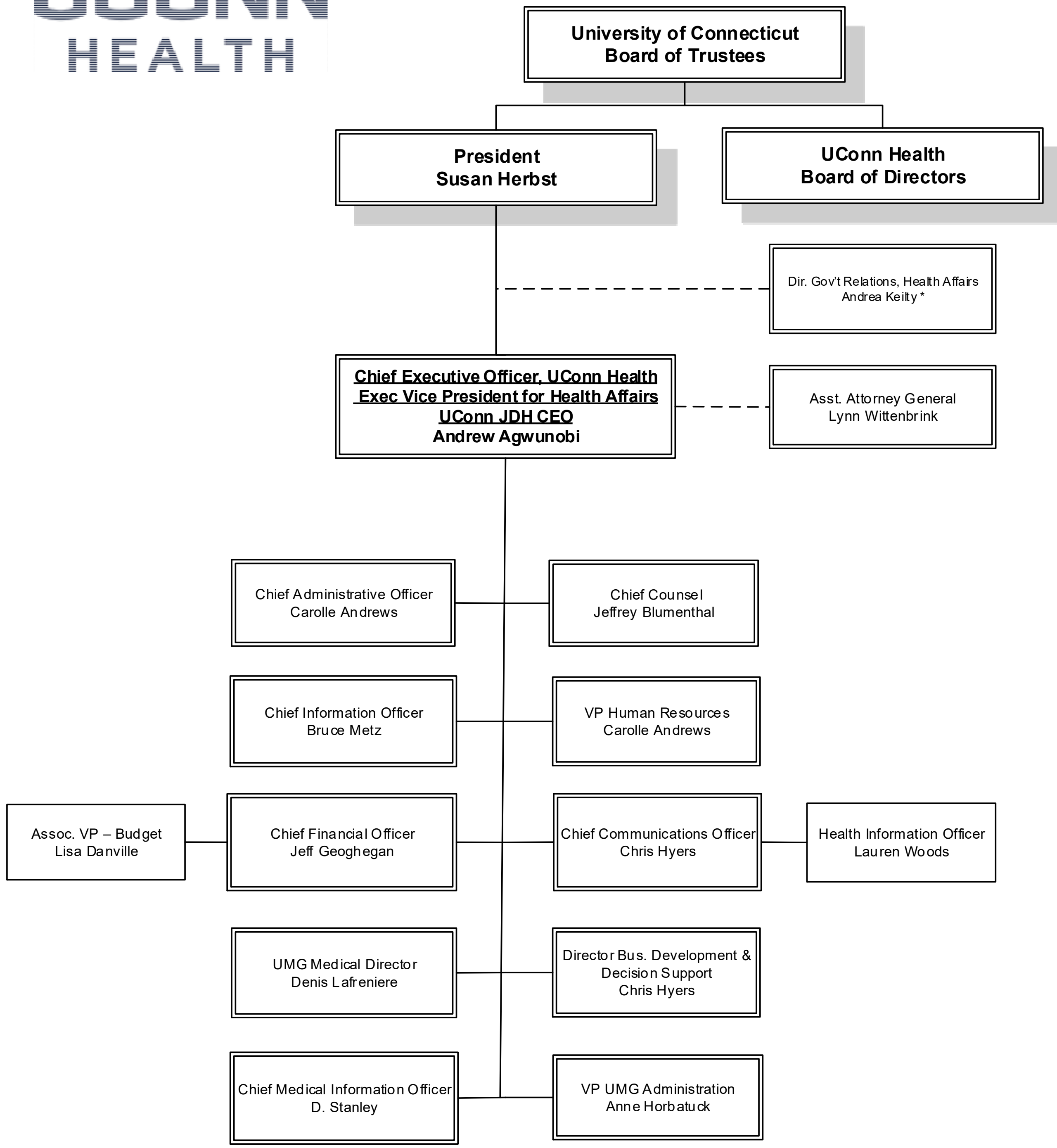
Appointed by Chairperson, Board of Trustees

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

FINANCIAL OFFICERS

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

TRUSTEES
As of June 30, 2018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Health Information Officer Lauren Woods
UMG Medical Director Denis Lafreniere
Director Bus. Development & Decision Support Chris Hyers
Chief Medical Information Officer D. Stanley
VP UMG Administration Anne Horbatuck

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 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 statement of net position as of June 30, 2018 and the related statements of revenues, expenses and changes in net position and cash flows and 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.

Auditors' 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 39% of the assets of UConn Health as of June 30, 2018 and 39% 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, UConn Health adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which resulted in UConn Health restating net position for the recognition of other postemployment benefit activity incurred prior to July 1, 2017. Also in Note 1 to the financial statements, UConn Health discussed the closure of its Correctional Managed Healthcare (CMHC) service line as of June 30, 2018. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

The accompanying Management Discussion and Analysis on pages 14 through 24 and the Required Supplemental Information on pages 53 through 56 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.

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	Robert J. Kane
State Auditor	State Auditor

December 28, 2018
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, 2018. 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 Finance Corporation, Correctional Managed Healthcare (CMHC), and John Dempsey Hospital ("the Hospital"). UConn Health's enrollment in fiscal year 2018 was 411 students in the School of Medicine, 181 in the School of Dental Medicine, and 250 Graduate students, taught by over 500 faculty members. UConn Health finished fiscal 2018 with 4,900 FTE's. John Dempsey Hospital (JDH) has 186 staffed acute care beds. In fiscal year 2018, adjusted patient days (a measure of total hospital volume) were 116,386, a 2.2% increase from the prior year. During 2018, UConn Medical Group (UMG) had 667,009 unique patient visits, a 1.3% 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, 2018, 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, 2018, 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, 2018, consisted of assets of $1.35 billion and liabilities of $2.75 billion. Net assets, which represent the residual interest in UConn Health's assets after liabilities are deducted, decreased $1.14 billion in fiscal 2018 after capital appropriations, other changes in net position and cumulative effect of implementing GASB 75.

The decrease in net position is primarily attributed to the adoption of GASB 75, which required a beginning balance adjustment of $1.1 billion. Operating losses, including additional pension and other post-employment benefit expenses (OPEB) recorded in accordance with GASB 68 and GASB 75 requirements, were 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 $399.8 million for the year ending June 30, 2018 (fiscal year 2018). 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 $123.8 million in fiscal year 2018.

Some sources of recurring operating and non-operating revenues increased in 2018, including patient service revenue and contract and other operating revenue. These categories are expected to have slight increases in 2019. State support, including state funded capital appropriations, increased 14.5% in fiscal 2018. Decreases in state support are expected in the upcoming fiscal year due to ongoing efforts by the state to reduce expected budget shortfalls. The 2019 budget reduced the amount of block grant appropriations to UConn Health to $123.0 million. In addition, we have already received an additional lapse reduction of $3.9 million in fiscal year 2019. UConn Health has submitted a biennial budget request for 2020-2021 for $130.1 million and $137.4 million, respectively.

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 2018 and 2017; 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 $52.7 million, or 4.1%, 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 EHR My UConn Health used throughout UConn Health.

Due from affiliates increased by $23.9 million from 2017. This change occurs as UConn Health continues spending on construction related to UConn 2000 construction initiatives.

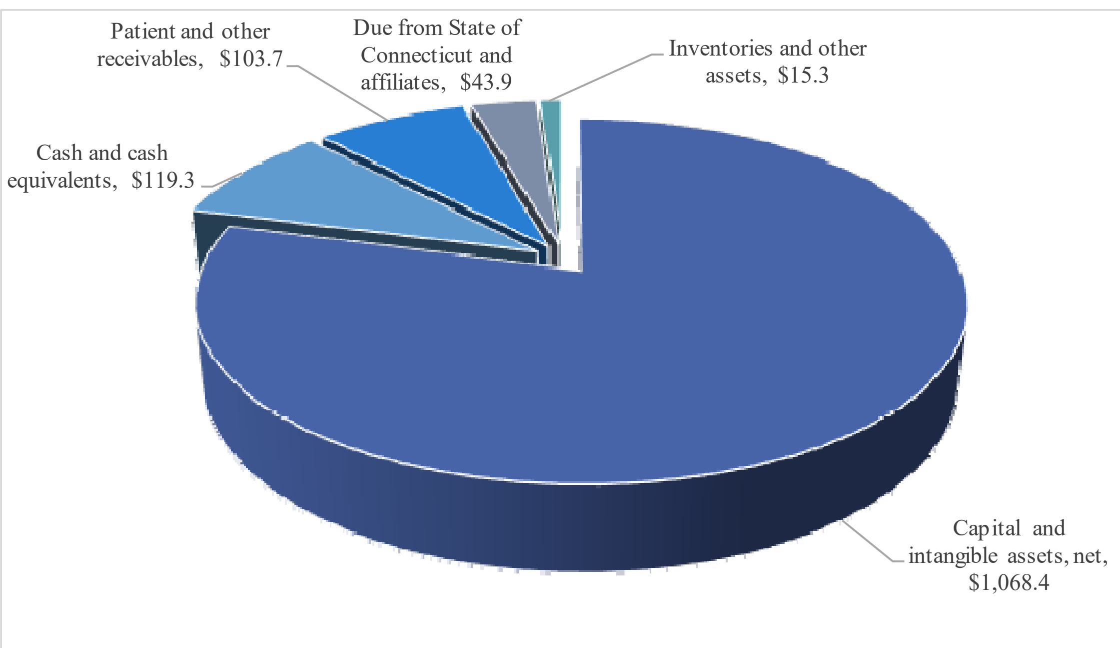
Total liabilities increased by $1.13 billion or 69.4% from 2017. The driver of the increase was the addition of $1.2 billion in OPEB liability due primarily to the adoption of GASB 75. The combination of the increase in total assets of $52.7 million and total liabilities of $1.13 billion, offset by the net increase of $65.6 million in deferred inflows/outflows and the cumulative effect of implementing GASB 75 yielded a decrease in total net position of $1.14 billion.

Deferred outflows of resources decreased $35.2 million and deferred inflows of resources increased $30.4 million mainly due to pension and OPEB 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.

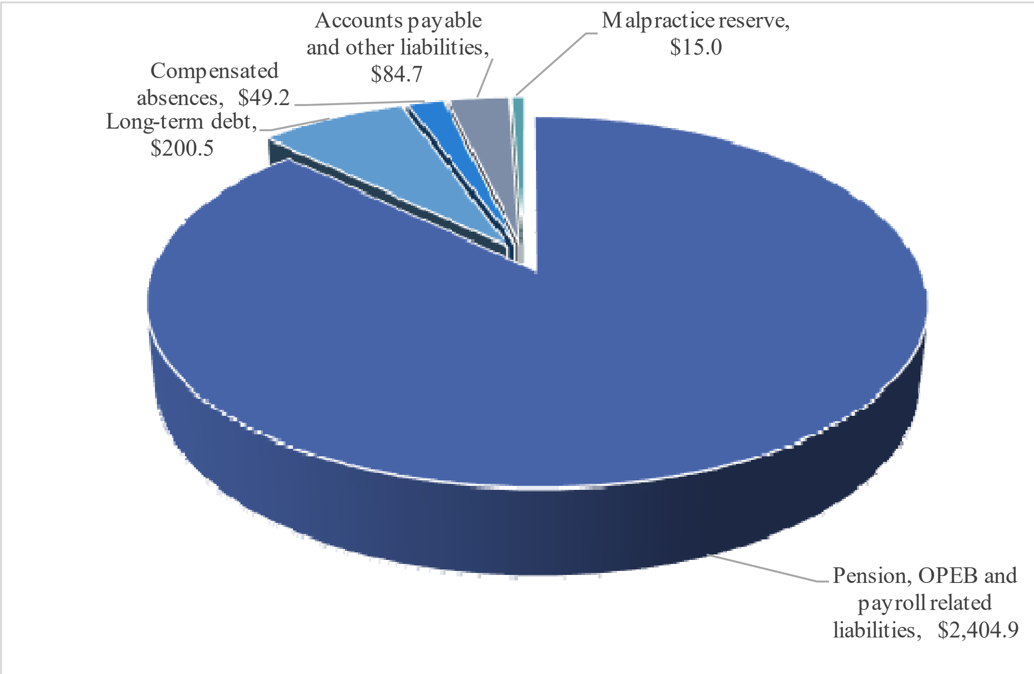
The following table shows a Condensed Schedule of Net Position at June 30 ($ in millions):

	2018	2017	$ Change	% Change
Assets:				
Current Assets	$ 276.2	$ 240.2	$ 36.0	15.0%
Capital and intangile assets, net	1,068.4	1,030.4	38.0	3.7%
Other noncurrent assets	6.0	27.3	(21.3)	-78.0%
Total Assets	1,350.6	1,297.9	52.7	4.1%
Deferred outflows of resources	429.3	464.5	(35.2)	-7.6%
Liabilities				
Current Liabilities	148.0	141.8	6.2	4.4%
Noncurrent liabilities	2,606.3	1,484.1	1,122.2	75.6%
Total Liabilities	2,754.3	$ 1,625.9	$ 1,128.4	69.4%
Deferred infllows of resources	40.6	10.2	30.4	298.0%
Net Postion:				
Net Investment in capital assets	867.9	823.3	44.6	5.4%
Restrcited nonexpendable	0.1	0.1	-	0.0%
Restricted expendable	38.0	37.0	1.0	2.7%
Unrestricted	(1,921.0)	(734.1)	(1,186.9)	161.7%
Total Net Position	$ (1,015.0)	$ 126.3	$ (1,141.3)	-903.6%

The following graph shows total assets of $1.35 billion by major category as of June 30, 2018 ($ in millions):



The following graph shows total liabilities of $2.75 billion by major category as of June 30, 2018 ($ in millions):



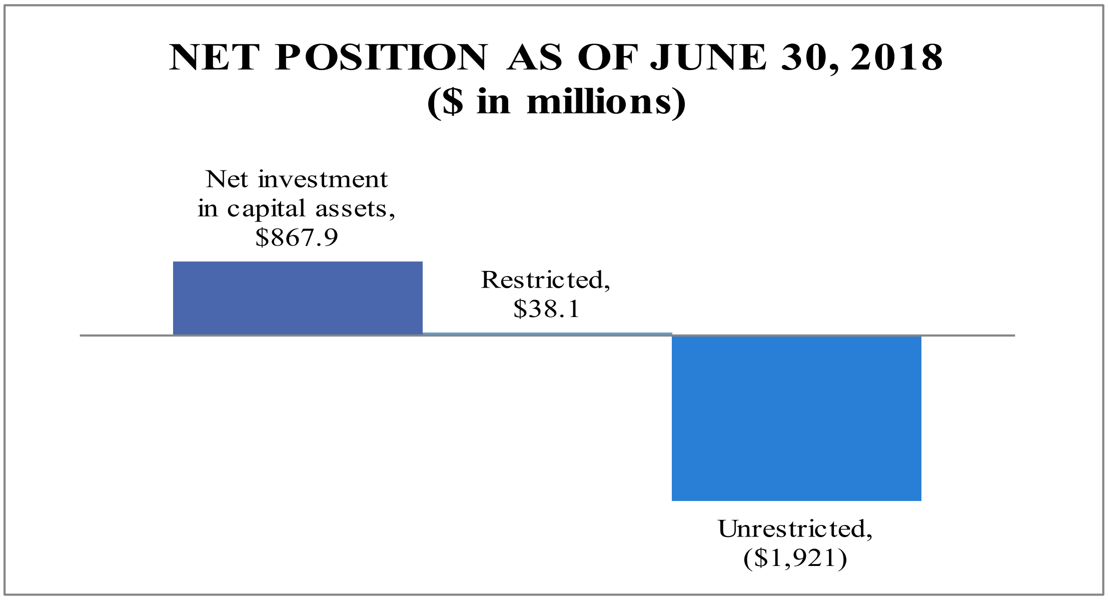
Net Position

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 not 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, 2018 and 2017 is presented below:

Operating revenues:	2018	2017	$ Change	% Change
		($ in millions)		
Student tuition and fees (net of scholarship allowances)	$ 18.6	$ 17.5	$ 1.1	6.4%
Patient services	580.7	539.8	40.9	7.6%
Federal grants and contracts	50.8	58.1	(7.3)	-12.5%
Nonfederal grants and contracts	29.3	29.0	0.3	1.1%
Contract and other operating revenues	127.2	114.3	12.9	11.3%
Total operating revenues	806.6	758.7	47.9	6.3%
Operating expenses:				
Instruction	180.0	169.1	10.9	6.5%
Research	56.1	59.4	(3.3)	-5.6%
Patient services	747.6	713.3	34.3	4.8%
Academic support	19.4	19.2	0.2	1.2%
Institutional support	112.1	82.2	29.9	36.4%
Operations and maintenance of plant	38.2	37.3	0.9	2.5%
Depreciation and amortization	52.6	52.1	0.5	0.9%
Student aid	0.4	0.2	0.2	100.0%
Total operating expenses	1,206.4	1,132.8	73.6	6.5%
Operating Loss	(399.8)	(374.1)	(25.7)	6.9%
Nonoperating revenues (expenses):				
State appropriations	279.5	278.2	1.3	0.5%
Gifts	5.7	4.1	1.6	39.9%
Investment income (net of investment expense)	0.7	0.1	0.6	0.0%
Interest on capital asset - related debt	(9.9)	(10.2)	0.3	-3.0%
Net nonoperating revenues	276.0	272.2	3.8	1.4%
Loss before other changes in net position	(123.8)	(101.9)	(21.9)	21.5%
Other changes in net position:				
Capital appropriations	88.8	43.4	45.4	104.7%
Loss on disposal	(3.1)	(1.0)	(2.1)	212.6%
Net other changes in net position	85.7	42.4	43.3	102.2%
Increase in net position	(38.1)	(59.5)	21.4	-36.0%
Net position-beginning of year (as previously stated)	126.3	185.8	(59.5)	-32.0%
Cumulative effect of implementing GASB 75	(1,103.2)	-	(1,103.2)	0.0%
Net position-beginning of year	(976.9)	185.8	(1,162.7)	-625.9%
Net position-end of year	$ (1,015.0)	$ 126.3	$ (1,141.3)	-903.4%

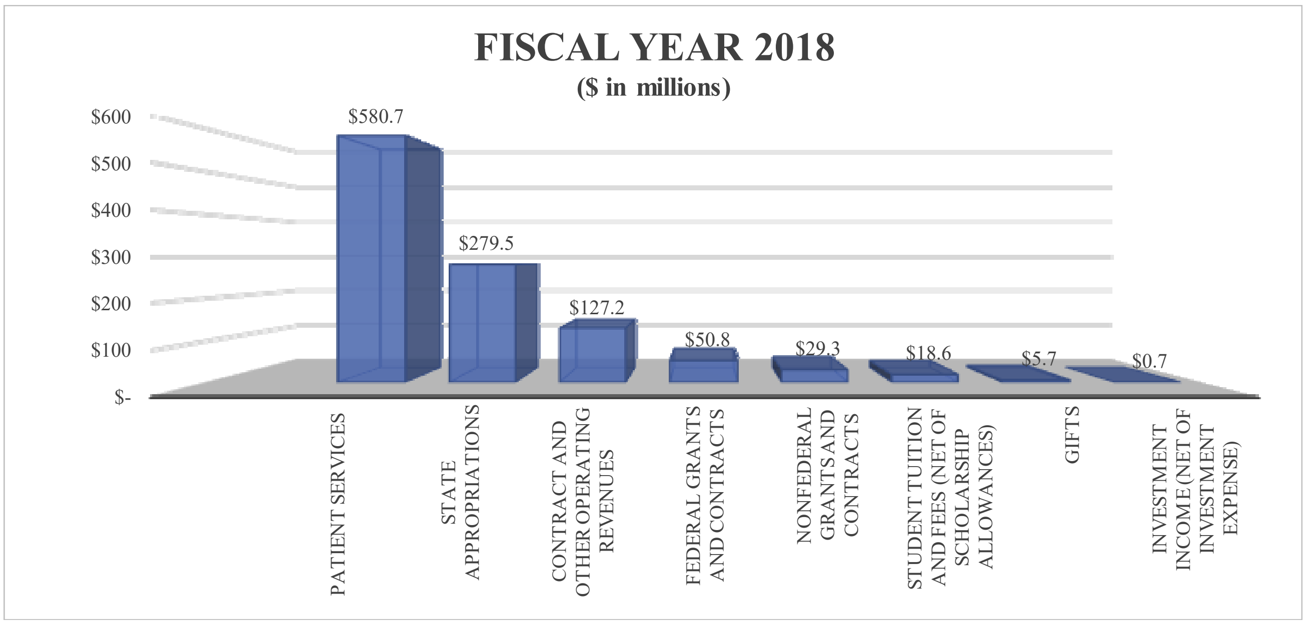
Revenue

Revenue highlights for the year ending June 30, 2018, 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 $40.9 million or 7.6% over prior year. Prior to eliminations the increase in net patient service revenue for John Dempsey Hospital was $31.0 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 Group's net revenue increased $7.8 million. UMG's increases reflect changes in patient mix and UMG's focus on contracted rates. More detailed information about UConn Health's patient revenue is presented in note 4 of the financial statements.

Correctional Managed Health Care program revenue increased by $790,000 compared to prior year. The increase was due to a mix of operational and close out costs associated with the program. Additional information on the dissolution of CMHC can be found in note 1 of the financial statements.

The State Appropriation (including In Kind Fringe Benefits), which is included in non-operating revenues, totaled $279.5 million. This represents a .5% increase over the prior year.



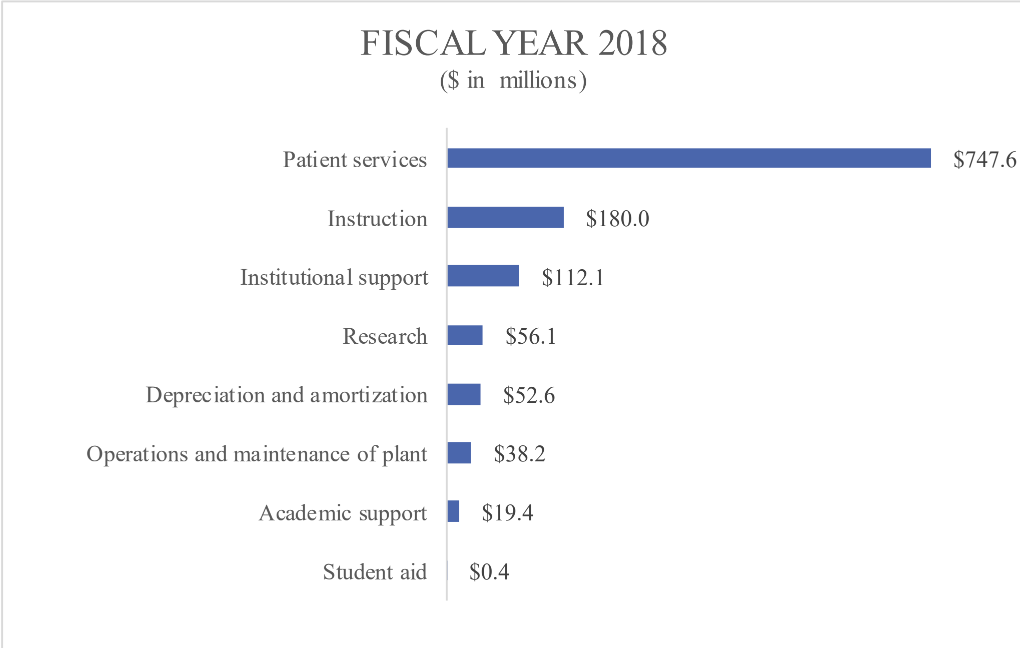
Expenses

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

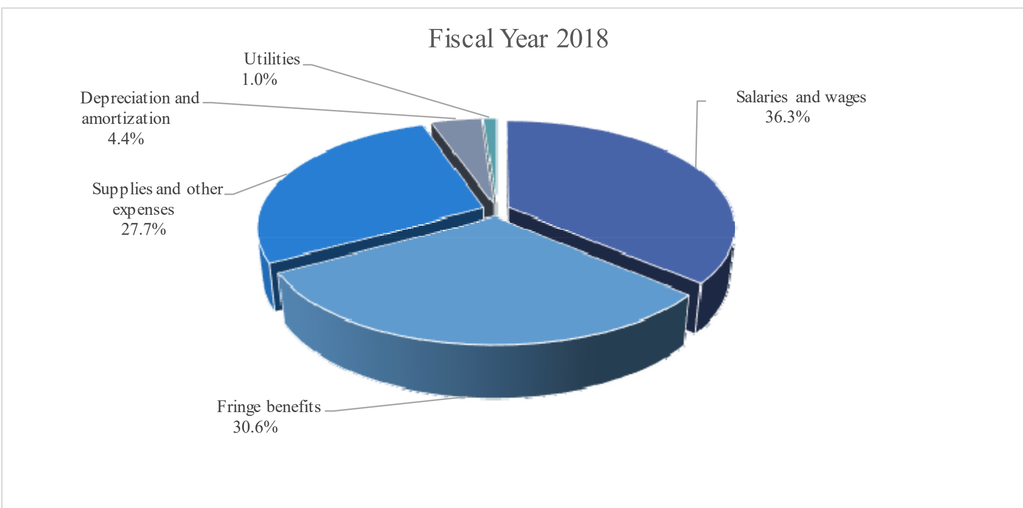
Patient service expense is the largest expense category for UConn Health; it accounts for 62.0% of total operating expenses. It increased by $34.3 million or 4.8% over the prior year. The increase was driven by expenses to support the additional clinical volume in JDH and UMG.

Depreciation and amortization expenses, which comprise about 4.4% of total expenses, grew to $52.6 million from $52.1 million reported in fiscal 2017. The increase was primarily due to increases in depreciable assets, including the new EHR system, 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, 2018 and 2017, is as follows:

($ in millions)

	2018	2017	$ Change	% Change
Cash received from operations	$ 804.0	$ 758.5	$ 45.5	6.0%
Cash expended for operations	(902.3)	(862.5)	(39.8)	4.6%
Net cash used in operating activities	(98.3)	(104.0)	5.7	-5.5%
Net cash provided by investing activities	0.7	0.1	0.6	600.0%
Net cash provided by noncapital financing activities	136.9	140.1	(3.2)	-2.3%
Net cash used in capital and related financing activities	(25.7)	(30.5)	4.8	-15.7%
Net increase/(decrease) in cash and cash equivalents	13.6	5.7	7.9	138.6%
Cash and cash equivalents, beginning of the year	105.7	100.0	5.7	5.7%
Cash and cash equivalents, end of the year	$ 119.3	$ 105.7	$ 13.6	12.9%

CAPITAL

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

	2018	2017	$ Change	% Change
Land	$ 13.5	$ 13.5	$ (0.0)	0.0%
Construction in Progess	313.7	329.4	(15.7)	-4.8%
Buildings and Building Improvements	597.2	607.6	(10.4)	-1.7%
Equipment	71.8	66.8	5.0	7.5%
Computer Software	70.5	10.8	59.7	552.8%
Capital Leases	1.7	2.3	(0.6)	-26.1%
Capital assets, net	$ 1,068.4	$ 1,030.4	$ 38.0	3.7%

Construction in progress decreased approximately $15.7 million driven by continued progress on UCONN 2000 construction initiatives and UConn Health's EHR 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 $812.9 million over the life of this program. UConn Health received $88.8 million capital appropriations during 2018 from the UCONN 2000 bond issuance.

During 2017, UConn Health received $16 million from the State Bond Commission for UConn Health's EHR, bringing the total received to $41 million. No additional funding was received in 2018.

UConn Health's fiscal 2019 capital funding requests will be considered for funding by the senior executive committee of UConn Health on an individual basis.

DEBT ACTIVITIES

UConn Health did not enter into any new debt agreements in 2018. JDH and Finance Corporation met all of their debt service requirements during 2018 including required payments on capital leases and mortgage payments for the Outpatient Pavilion and UConn Musculoskeletal Institute (formerly the Medical Arts and Research Building).

CORRECTIONAL MANAGED HEALTHCARE (CMHC)

On June 30, 2018, the agreement between the State Department of Correction (DOC) and UConn Health for inmate medical care lapsed. Both parties had previously agreed not to pursue an extension of the existing agreement. As a result, UConn Health dissolved its Correctional Managed Healthcare (CMHC) program as of year-end. As part of the agreement between DOC and UConn Health, substantially all unionized staff were transferred to DOC to allow them to continue to provide medical services. DOC then contracted with UConn Health starting July 1, 2018, to provide certain essential services such as pharmacy, supply stocking, and human resource support. These agreements were generally for six month durations with extension provisions. The goal of these contracts was to allow DOC time to assess its operations and determine which services it wished to bid out. UConn Health remains committed to fulfilling DOC's patient care needs through these new contracts and will evaluate potential bid responses for continuation of services as applicable.

The dissolution of CMHC will not have an impact on UConn Health's profitability. For the current year, UConn Health recorded a charge related to the certain dissolution costs as noted in note 1.

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 fiscal 2019.

FISCAL YEAR 2019 OUTLOOK

UConn Health is looking towards 2019 as a year of opportunity. Our campus 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 EPIC implementation, My UConn Health, provides our clinicians and patients cutting edge technology and ability to access and coordinate patient care across the state and country.

Research, education, and patient care remain the cornerstones of our mission. Each of these areas share in the uncertainty surrounding both local and national government and funding opportunities.

The competition for researchers and grants remains intense. 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 is exploring the possibility of public private partnership and has issued a solicitation of interest to the broad healthcare market, making the upcoming year a critical year in this exploration. Our primary objective is to create financial stability for the organization and address market consolidation in a way that strengthens our teaching and research enterprises by generating additional funding.

Concurrently, we continue to work on strengthening our operations and ability to compete in the marketplace on a standalone basis. Should we decide that a suitable partnership is not presently available, UConn Health remains committed to increasing our patient volume and adapting our care offerings to changing population demographics, needs, and treatment demands. Management believes our new facilities, growth in our faculty and consistent consumer marketing provides UConn Health with the resources it needs to compete effectively. Additionally, we continue to pursue additional opportunities to improve revenue cycle related operations, and as a result anticipate a reevaluation of clinical business.

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. Provisions of the SEBAC 2017 agreement, including a bargained one-time payment to SEBAC members and certain employment protections, will increase the pressure to contain costs. Additional cuts in State support, beyond those in the original biennial budget, are possible depending on how the State plans to balance its budget for 2019.

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, 2018

		2018
		($ in thousands)
ASSETS		
Current Assets		
Cash and cash equivalents	$	118,794
Patient receivables, net		57,227
Contract and other receivables		33,733
Construction escrow account		529
Due from Affiliates (Note 12)		35,385
Due from State of Connecticut		6,870
Inventories		11,531
Prepaid expenses		12,185
Total current assets		276,254
Noncurrent Assets		
Restricted cash and cash equivalents		472
Other assets		3,733
Due from State of Connecticut		1,746
Capital and intangible assets, net		1,068,437
Total noncurrent assets		1,074,388
Total assets	$	1,350,642
Deferred Outflows of Resources Pension (Note 11)	$	339,994
Deferred Outflows of Resources OPEB (Note 11)	$	89,256

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

UCONN HEALTH
STATEMENT OF NET POSITION (continued)
As of June 30, 2018

		2018
		($ in thousands)
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$	55,656
Due to State of Connecticut		7,576
Accrued salaries		27,014
Compensated absences - current portion (Note 10)		18,462
Due to third party payors		19,831
Due to Affiliates (Note 14)		8,302
Unearned revenues		932
Malpractice reserve (Note 10)		3,285
Long-term debt - current portion (Note 10)		6,906
Total current liabilities		147,964
Noncurrent Liabilities		
Malpractice reserve (Note 10)		11,696
Compensated absences - net of current portion (Note 10)		30,717
Pension Liability (Note 11)		1,161,870
OPEB Liability (Note 11)		1,208,426
Long-term debt - net of current portion (Note 10)		193,617
Total noncurrent liabilities		2,606,326
Total liabilities	$	2,754,290
Deferred Inflows of Resources Pension	$	10,196
Deferred Inflows of Resources OPEB	$	30,359
NET POSITION		
Net investment in capital assets	$	867,913
Restricted for		
Nonexpendable		
Scholarships		61
Expendable		
Research		(127)
Loans		523
Capital projects		37,660
Unrestricted		(1,920,983)
Total net position	$	(1,014,953)

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, 2018

		2018
		($ in thousands)
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of $5,964)	$	18,613
Patient services (net of charity care of $422)		580,697
Federal grants and contracts		50,748
Nonfederal grants and contracts		29,337
Contract and other operating revenues		127,188
Total operating revenues		806,583
OPERATING EXPENSES		
Educational and General		
Instruction		179,948
Research		56,102
Patient services		747,637
Academic support		19,322
Institutional support		112,126
Operations and maintenance of plant		38,223
Depreciation and amortization		52,637
Student aid		364
Total operating expenses		1,206,359
Operating loss		(399,776)
NONOPERATING REVENUES (EXPENSES)		
State appropriations		279,513
Gifts		5,706
Investment income		654
Interest on capital asset - related debt		(9,909)
Net nonoperating revenues		275,964
Loss before other changes in net position		(123,812)
OTHER CHANGES IN NET POSITION		
Capital appropriations		88,806
Loss on Disposal		(3,092)
Net Other Changes in Net Position		85,714
Decrease in net position		(38,098)
NET POSITION		
Net position-beginning of year (as previously stated)		126,332
Cumulative effect of implementing GASB 75 (see note 1)		(1,103,187)
Net position-beginning of year as restated		(976,855)
Net position-end of year	$	(1,014,953)

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

UCONN HEALTH
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

		2018
		($ in thousands)
Cash flows from operating activities:		
Cash received from patients and third-party payors	$	582,668
Cash received from tuition and fees		18,613
Cash received from grants, contracts and other revenue		202,674
Cash paid to employees for personal services and fringe benefits		(563,072)
Cash paid for other than personal services		(339,143)
Net cash used in operating activities		(98,260)
Cash flows from investing activities:		
Interest received		654
Net cash provided by investing activities		654
Cash flows from noncapital financing activities:		
State appropriations		131,183
Gifts		5,706
Net cash provided by noncapital financing activities		136,889
Cash flows from capital and related financing activities:		
Additions to property and equipment		(97,441)
Capital appropriations		86,257
Interest paid		(9,922)
Net proceeds/(repayment) from long-term debt		(4,626)
Net cash used in capital and related financing activities		(25,732)
Net increase in cash and cash equivalents		13,551
Cash and cash equivalents at beginning of year		105,715
Cash and cash equivalents at end of year	$	119,266

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

UCONN HEALTH
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended June 30, 2018

		2018
		($ in thousands)
Operating loss	$	(399,776)
Adjustments to reconcile operating loss to net cash		
Used in operating activities:		
Depreciation and amortization		52,637
Personal services and fringe benefits In Kind from State		148,331
Changes in assets and liabilities:		
Patients receivables, net		(5,546)
Contract and other receivables		(3,478)
Due from DOC		10,909
Inventories		249
Third party payors		(3,392)
Prepaid expenses		(5,539)
Other assets		(753)
Accounts payable and accrued liabilities		7,640
Due to State of Connecticut		7,197
Due to Affiliates		8,302
Accrued salaries		(579)
Pension liabilities and related deferred outflows/inflows		99,350
Compensated absences		(2,815)
Deferred revenue		(1,121)
Malpractice reserve		(9,876)
Net cash used in operating activities	$	(98,260)

Schedule of Non-Cash Financing Transactions

Mortgage proceeds held by Trustee in construction escrow account	$	(1,950)
Accruals of expenses related to construction in progress	$	75
Loss on disposal of capital and intangible assets	$	(3,092)

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, 2018, which includes the School of Medicine, School of Dental Medicine, UConn Medical Group (UMG), Finance Corporation, Correctional Managed Healthcare (CMHC), Dental Clinics (the "Primary Institution") and John Dempsey Hospital (the "Hospital"). UConn Health offers medical and dentistry degrees as well as Ph.D.'s in the biomedical sciences 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.

Correctional Managed Healthcare

On June 30, 2018, the agreement between the State Department of Corrections (DOC) and UConn Health to facilitate both outpatient and inpatient medical care for Connecticut's incarcerated population through UConn Health's Correctional Managed Healthcare (CMHC) expired. Both parties had previously agreed not to pursue an extension of this agreement. Instead, UConn Health and DOC agreed to transfer unionized staff from CMHC to DOC. DOC then signed certain agreements with UConn Health for the provision of services on an interim basis while it evaluated which services it would manage itself or put out to bid.

UConn Health closed the Correctional Managed Healthcare service line as of June 30, 2018. In doing so, UConn Health incurred certain costs related to the separation of non-transferred staff as well as certain closeout costs for the program. As a result, UConn Health recorded a one-time charge of $5.3 million related to the closure of the program. Future CMHC expenses, to the extent they were incurred before June 30, 2018, will be borne by UConn Health. The reduction in employees should favorably impact UConn Health's GASB 68 and 75 liabilities in future periods. The full extent of this adjustment cannot be reasonably estimated at this time.

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). UConn Health adopted this Statement for the year ended June 30, 2016.

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. UConn Health adopted this Statement for the year ended June 30, 2016.

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, UConn Health reports 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.

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. 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.

Recently Adopted Accounting Pronouncements

In 2018, UConn Health adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* which required additional disclosures and the reporting of UConn Health's proportionate share of the net liabilities related to its participation in the State's postemployment benefit plans on the statements of net position and requires supplementary information about the postemployment liabilities. This statement is effective for fiscal years beginning after June 15, 2017.

As the State Employee OPEB Plan (SEOPEBP) did not have a practical way to provide each of its component units with all of the information needed to fully restate their prior period financial statements, UConn Health has elected to apply the "cumulative effect" method, as permitted by GASB 75, by restating beginning net position as of July 1, 2017. The implementation of this standard resulted in an adjustment to reduce UConn Health's beginning net position by $1.1 billion as of July 1, 2017.

The cumulative effect of applying GASB 75 is reported as a restatement of beginning net position. The following table shows the impact of the cumulative effect method of adopting and implementing GASB 75 on beginning net position.

	2018 ($ in thousands)
Net Position, beginning of period, July 1, 2017 (as previously stated)	$ 126,332
Cumulative effect of adopting GASB 75	(1,149,638)
Deferred outflows	46,451
Net Position, beginning of period, July 1, 2017 (as re-stated)	$ (976,855)

Upcoming Accounting Pronouncements

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.

Due from Affiliate and Due to Affiliate

Due from affiliate includes the unspent portion of general obligation bond proceeds allocated to UConn Health for capital projects that are administered by the University of Connecticut. Due from/to affiliate includes payables to the University of Connecticut resulting from cost-reimbursement arrangements for shared operating activities.

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 annually as part of the Health Center's self-insurance for malpractice claims. 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.

Intangible assets consist of capitalized computer software costs, including software internally developed. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the primary project stage, application development state, or post-implementation state, and the nature of the costs. Computer software costs are amortized on a straight-line basis over their expected useful lives which range from 3 years to 10 years. During the year ended June 30, 2018, My UConn Health electronic health system was placed in service with total capitalized costs of approximately $68.0 million. Capitalized computer software costs are included with capital assets on the statements of net position. Reference is made in note 9 for the gross costs capitalized and the accumulated amortization of capitalized computer costs.

Impairment of Long-Lived Assets

UConn Health records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. During 2018, UConn Health replaced its electronic health record system (EHR) with EPIC. My UConn Health is the UConn Health brand given to EPIC. My UConn Health replaced the Siemens and NextGen systems which were written off in the current fiscal year. The loss on disposal was $2.4 million. As of June 30, 2018, UConn Health continues to utilize its legacy patient revenue systems and therefore, did not record any impairment losses.

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 year ended June 30, 2018, 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.

OPEB Liabilities

Individuals who are employed by UConn Health are eligible to participate in the State's group health plan and are also eligible to continue benefits upon retirement.

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.

UConn Health recorded its proportionate share of the net OPEB liability during the year ended June 30, 2018.

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 pension and OPEB plans. Differences between expected and actual experience in the measurement of the total pension liability and OPEB 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 and OPEB benefits. The net differences between projected and actual earnings on pension and OPEB 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 and OPEB 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 and OPEB.

Regulatory Matters

The Hospital is required to file semi-annual and annual operating information with the State of Connecticut Office of Health Strategy (OHS) formerly Office of Health Care Access ("OHCA"), and is required to file annual cost reports with Medicare and Medicaid.

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 $119,266,272, as of June 30, 2018, included the following:

		2018
Cash maintained by State of Connecticut Treasurer	$	76,565,749
Invested in State of Connecticut Short-Term Investment Fund		42,514,761
Deposits with Financial Institutions and Other		176,407
Currency (Change Funds)		9,355
Total cash and cash equivalents		119,266,272
Less: current balance		118,794,080
Total noncurrent balance	$	472,192

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 $42,514,761 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 2018.

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 $2,556,035 as of June 30, 2018. Investment income earned on these assets is transferred to UConn Health in accordance with the applicable trust agreement. Income received from those sources was $17,059 the year ended June 30, 2018.

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, 2018, the Hospital and UMG had the following draws and availability under the State statute:

		2018	
		John Dempsey Hospital	UConn Medical Group
Amount Drawn under Hypothecation	$	-	5,622,734
Remaining amounts available under Hypothecation	$	53,524,046	815,913

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:

		2018	
John Dempsey Hospital			
Gross patient services revenue	$	1,083,127,982	
Less allowances		664,371,947	
Less bad debts		20,009,230	
			398,746,805
UConn Medical Group			
Gross patient services revenue		250,898,128	
Less allowances		152,599,202	
Less bad debts		1,398,240	
			96,900,686
Correctional Managed Health Care			79,661,517
All other			11,725,169
			587,034,177
Eliminations			(6,337,176)
	$		580,697,001

(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 and Physician Practice maintain 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 2018, the Hospital and Physician Practice provided charity care services of $367,843 and $54,612, respectively. The cost basis of these services for the Hospital was $167,274. The cost basis of UMG charity care services was undetermined. 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 AND INTANGIBLE ASSETS

Capital and intangible assets at June 30, 2018, consisted of the following:

	2018
Land	$ 13,537,051
Construction in Progress	313,664,871
Buildings	936,323,483
Equipment	261,742,204
Computer Software	92,405,911
Capital Leases	14,084,244
	1,631,757,764
Less accumulated depreciation	563,320,310
Capital and intangible assets, net	$ 1,068,437,454

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 $1,246,698 at June 30, 2018. Plant and equipment activity and related information on accumulated depreciation for UConn Health for the year ended June 30, 2018 was as follows:

	2017	Additions	Deletions	2018
Property and equipment:				
Land	$ 13,537,051	$ -	$ -	$ 13,537,051
Construction in Progress	329,428,817	56,165,867	(71,929,813)	313,664,871
Buildings and Building Improvements	921,799,316	19,026,961	(4,502,794)	936,323,483
Equipment	249,111,074	23,099,219	(10,468,089)	261,742,204
Computer Software	38,818,559	67,379,004	(13,791,652)	92,405,911
Capital Leases	14,084,244	-	-	14,084,244
Total property and equipment	1,566,779,061	165,671,051	(100,692,348)	1,631,757,764
Less accumulated depreciation:				
Buildings and Building Improvements	314,150,457	29,067,991	(4,100,827)	339,117,621
Equipment	182,339,141	17,717,335	(10,074,281)	189,982,195
Computer Software	28,036,493	5,353,129	(11,495,029)	21,894,593
Capital Leases	11,827,379	498,522	-	12,325,901
Total accumulated depreciation	536,353,470	52,636,977	(25,670,137)	563,320,310
Net property and equipment:				
Land	13,537,051	-	-	13,537,051
Construction in Progress	329,428,817	56,165,867	(71,929,813)	313,664,871
Buildings and Building Improvements	607,648,859	(10,041,030)	(401,967)	597,205,862
Equipment	66,771,933	5,381,884	(393,808)	71,760,009
Computer Software	10,782,066	62,025,875	(2,296,623)	70,511,318
Capital Leases	2,256,865	(498,522)	-	1,758,343
Total capital assets, net	$ 1,030,425,591	$ 113,034,074	$ (75,022,211)	$ 1,068,437,454

Construction in progress at June 30, 2018, 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.

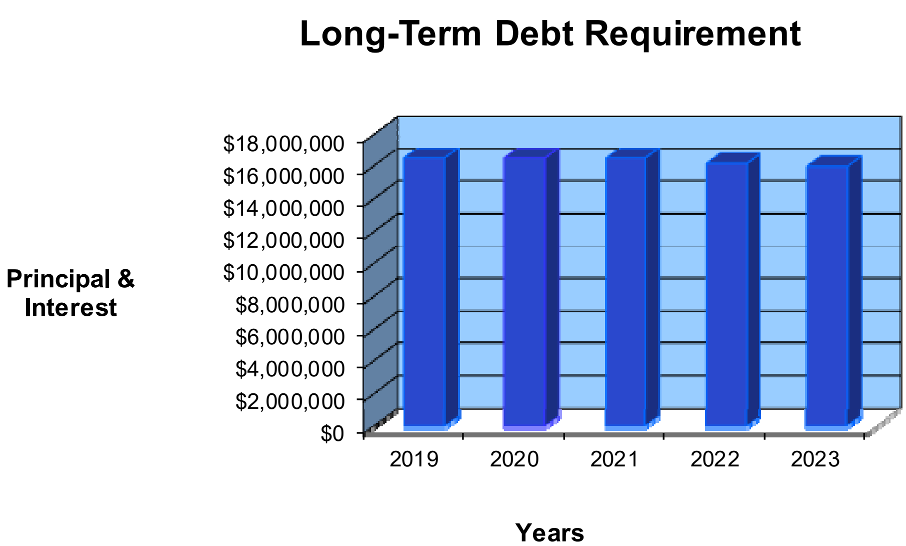
During 2018, UConn Health placed My UConn Health in service, which had total capitalized hardware and software costs of approximately $68.0 million representing the cost of the system that met the criteria for capitalization from the inception of the project. The My UConn Health system is being depreciated over 10 years and related hardware is being depreciated between 3 to 10 years.

10. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2018 was as follows:

		June 30, 2017 Balance		Additions		Reductions	June 30, 2018 Balance		Amounts due within 1 year
Long-Term debt:									
Capital Leases John Dempsey Hospital	$	2,186,599	$		$	(485,482)	1,701,117	$	494,853
Mortgage Agreements Primary Institution		204,913,696				(6,090,659)	198,823,037		6,411,004
Total Long-Term Debt		207,100,295				(6,576,141)	200,524,154		6,905,857
Malpractice reserve		24,857,000				(9,876,000)	14,981,000		3,285,000
Compensated absences		51,993,744		29,830,669		(32,645,767)	49,178,646		18,461,664
Total Long - Term Liabilities	$	283,951,039	$	29,830,669	$	(49,097,908) $	264,683,800	$	28,652,521

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:



Year		Long-Term Debt
2019	$	16,508,114
2020		16,508,114
2021		16,508,114
2022		16,173,569
2023		15,985,039
Thereafter		236,865,201
Totals	$	318,548,151

All assets subject to capital lease agreements are included in property and equipment on the accompanying Statement of Net Position; depreciation on these assets 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, 2018, UConn Health Malpractice Fund had actuarial reserves of approximately $15 million and assets of approximately $7.4 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); and the Alternate Retirement Plan which is a defined contribution plan. Through employee participation in one of the above plans, employees are also enrolled in the State of Connecticut State Employee OPEB Plan (SEOPEBP). SERS, TRS and SEOPEBP 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. Information for the SERS and OPEB plans, in which UConn Health holds significant liabilities under GASB 68 and GASB 75, respectively, is presented below.

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, 2018, SERS consisted of five plans: Tier I, Tier II, Tier IIA, Tier III, and the Tier IV 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 Tier IV 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. Transfers to the Tier IV Hybrid plan is made via a one time, irrevocable election that must be made by December 14, 2018.

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 (exclusive of CMHC) were $52.2 million for fiscal year 2018.

In 2018, 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.

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, 2017. 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 5.50 percent at the measurement date of June 30, 2017.

At June 30, 2018, 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 The target assets allocation and best estimates of arithmetic real rates of return for each major asset class as of the June 30, 2017 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Market (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Fixed Income (Core)	8.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	4.00%	3.70%
Inflation Linked Bonds	5.00%	1.00%
Cash	4.00%	0.40%
Total	100.00%	

Discount rate - The discount rate used to measure the TPL at June 30, 2017 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%)
$1,340,779	$1,159,362	$ 933,362

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, 2017.

Connecticut Teachers' Retirement System (TRS)

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 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, 2018, was $280,091.

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, 2017. 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, 2017.

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 used 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%,

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, 2017 measurement date are summarized in the following table:

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternate Investment	8.00%	4.10%
Fixed Income (Core)	7.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	5.00%	3.70%
Inflation Linked Bonds	3.00%	1.00%
Cash	6.00%	0.40%
Total	100.00%	

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%)**
$ 3,139	$ 2,508	$ 1,974

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, 2017.

Deferred outflows and deferred inflows of resources related to pensions -At June 30, 2018, 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	$ 177,642	$ 239	$ 177,881
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	80,877	1,071	81,948
Net differences between projected and actual earnings on pension plan investments	-	34	34
UConn Health contributions subsequent to the measurement date	52,171	280	52,451
Difference between expected and actual experience	27,678	2	27,680
Total Deferred Outflows	$ 338,368	$ 1,626	$ 339,994
Deferred Inflows of Resources			
Changes in proportion and differences between UConn Health contributions and proportionate share of contributions	$ 7,982	$ -	$ 7,982
Net differences between projected and actual earnings on pension plan investments	2,214	-	2,214
Difference between expected and actual experience	-	-	-
Total Deferred Inflows	$ 10,196	$ -	$ 10,196

The $52.5 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, 2019. 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
2019	80,953	345	81,298
2020	85,232	365	85,597
2021	68,355	331	68,686
2022	37,900	195	38,095
2023	3,561	155	3,716
Thereafter	-	6	6
Total	$ 276,001	$ 1,397	$ 277,398

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 seven 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 2018, UConn Health's employer contributions to ARP were $31.2 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.

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.

General Information about the SEOPEBP

Plan description - The State's defined benefit OPEB plan, State of Connecticut State Employee OPEB Plan (SEOPEBP), provides OPEB benefits for employees of the State who are receiving benefits from a qualifying State-sponsored retirement system. This plan is administered by the State Comptroller's Healthcare Policy and Benefits Division under the direction of the State Employees Retirement Commission.

Benefits provided - SEOPEBP provides healthcare and life insurance benefits to eligible retired State employees and their spouses was well as life insurance benefits to employees when they retire. The State may pay up to 100 percent of the healthcare insurance premium cost for eligible retirees. 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. Plan benefits, and other plan provisions are described in sections 5-27 and 5-259 of the State General Statues. Further information regarding plan changes affecting employees retiring on or after October 2, 2017, are described in the SEBAC 2017 agreement.

Employees covered by benefit terms - Demographic data for individual State entities in the OPEB plan are not readily available. At June 30, 2017, SEOPEBP in total covered the following:

Inactive employees or beneficiaries currently receiving benefit payments	74,579
Inactive employees entitled to but not yet receiving benefit payments	256
Active employees	49,538
Total covered employees	124,373

Contributions – SEOPEBP is primarily funded on a pay-as-you-go basis. 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. Current active employees contribute a percentage of their salary into the Retiree Health Care Trust Fund (RHCF) for pre-funding of OPEB benefits. Employees hired prior to July 1, 2017, contribute 3% of their salary for a period of 10 years or until retirement, whichever is sooner. In accordance with the SEBAC 2017 agreement, employees hired on or after July 1, 2017, contribute 2% of their salary for 15 years. Contributions are refundable to employees that leave State employment prior to completing 10 years of service.

Similar to pension, UConn Health contributes to SEOPEBP on behalf of its employees by applying fringe benefit rates assessed by the State to eligible salaries and wages for participants in each retirement plan. This amount is expected to finance retiree healthcare service costs and fund the matching employer portion that is equal to the amount contributed by employees to the RHCF each year beginning on July 1, 2017. UConn Health's rate of actual contributions as a percentage of covered payroll was 13.1% and the total amount contributed to the plan was $48.1 million for the fiscal year ended June 30, 2018.

Proportionate share of collective net OPEB liability (NOL) and collective OPEB expense. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability (TOL) used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. Changes in assumptions that affected the measurement of the TOL since the prior measurement date of June 30, 2016 were due to an increase in the discount rate. In addition, demographic assumptions, per capita health costs, administrative costs, contributions and adjustments to future trends were also updated.

At June 30, 2018, UConn Health reported a liability of $1,208.4 million for its proportionate share of the collective net OPEB liability. UConn Health's proportion of the collective NOL was based on UConn Health's share of contributions relative to total contributions made to SEOPEBP. Based on this calculation, UConn Health's proportion was 7.0%, which was an increase of .3% from its proportion measured as of June 30, 2016.

Changes in the Net OPEB Liability

	Net OPEB Liability
	($ in thousands)
Balance at June 30, 2016	$ 1,149,638
Changes for the year:	
Service Cost	66,885
Interest	35,575
Changes in assumptions or other inputs	(35,550)
Benefit payments	(44,507)
Other changes in proportionate share and Plan Fiduciary net position	36,386
Net changes	58,789
Balance at June 30, 2017	$ 1,208,427

Actuarial assumptions and other inputs - The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Payroll growth rate:	3.5%
Salary increase:	3.25% to 19.5% varying by years of service
Discount rate:	3.68% as of June 30, 2017 and 2.96% as of June 2016

Healthcare cost trends rates

Medical *	6.5% graded to 4.5% over 7 years
Prescription Drug*	8.0% graded to 4.5% over 4 years
Dental and Part B	4.5%
Administrative Expense	3.0%

Retirees' share of benefit-related costs. Contributions, if required, are determined by plan, employee start date, and benefit type.

*Short-term rates were altered to reflect changes from the SEBAC 2017 agreement.

Discount rate - The discount rate, 3.68%, is a blend of long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.58% as of June 30, 2017 and 2.85% as of June 30, 2016). The blending is based on the sufficiency of projected assets to make projected benefit payments.

Mortality rates for healthy personnel were based on the RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females. For disabled employees, the RP-2014 Disabled Mortality Table at 65% for males and 85% for females was used.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011—June 30, 2016.

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of UConn Health, as well as what the UConn Health's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.68 percent) or 1- percentage-point higher (4.68 percent) than the current discount rate:

	1% Decrease 2.68%	Discount Rate 3.68%	1% Increase 4.68%
	($ in thousands)		
Net OPEB Liability	$ 1,402,620	$ 1,208,426	$ 1,051,087

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability of UConn Health, as well as what UConn Health's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	1% Decrease 2.68%	Current Valuation 3.68%	1% Increase 4.68%
	($ in thousands)		
Net OPEB Liability	$ 1,038,493	$ 1,208,426	$ 1,423,709

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, UConn Health recognized OPEB expense of $48.0 million. At June 30, 2018, UConn Health reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	($ in thousands)	
Changes in proportion	$ 41,122	$ -
UConn Health contributions subsequent to measurement date	48,134	-
Changes in assuptions or other inputs	-	28,992
Net difference between projected and actual earnings	-	1,367
Total	$ 89,256	$ 30,359

UConn Health contributions subsequent to the measurement date totaling $48.1 million reported as deferred outflows of resources will be recognized as a reduction of the OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Amount
(in thousands)	
2019	$ 2,403
2020	2,403
2021	2,403
2022	2,403
2023	1,151
Therefore	-
Total	$ 10,763

Expected rate of return on investments – The target asset allocation and best estimate of arithmetic real rates of return for each major asset class in the SEOPEBP are summarized in the following table:

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternate Investment	8.00%	4.10%
Fixed Income (Core)	8.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Bond	4.00%	3.70%
Inflation Linked Bonds	5.00%	1.00%
Cash	4.00%	0.40%
Total	100.00%	

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.

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.

As of June 30, 2018, approved projects had an allocated total of $812.9 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 million including $825.9 for projects at UConn Health. These deferrals are not expected to have a material impact on UConn Health's ongoing projects.

In fiscal 2018, the University recorded total revenue of $300 million as State debt service commitment for principal for the 2018 Series A bonds and Refunding Series A bonds which included $88.8 million to finance projects for UConn Health. UConn Health reports revenues from these bonds as Capital Appropriations. As noted above, the current Phase III commitment to fund projects totals $812.9 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, $35.4 million, at June 30, 2018, 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. 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. As of June 30, 2018, UConn Health had drawn all of the funding available via Public Act 15-01 and had drawn $20.0 million against the revised UCONN 2000 authorizations noted above. Any additional remaining UCONN 2000 authorizations are included in the unspent portion of bond proceeds held as Due from Affiliates in the Statement of Net Position.

13. COMMITMENTS

On June 30, 2018, UConn Health had individual outstanding commitments exceeding $300,000 in amount, totaling $7,574,832. A portion of this amount was included in the June 30, 2018 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 $58,484,220 during the 2018-2019 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 $5,633,095 for the year ended June 30, 2018. Future minimum rental payments at June 30, 2018 under non-cancelable operating leases are approximately as follows:

Year		Payments
2019	$	4,006,750
2020		3,358,577
2021		2,759,405
2022		1,891,951
2023		1,415,098
Thereafter		7,430,018
Total	$	20,861,799

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, 2018:

		2018
Amount paid to the Foundation	$	14,906
Amount paid to University for Foundation services*	$	945,000
Amount received from the Foundation for personnel services and operating expenses	$	2,723,708
Amount received from the Foundation from endowments and gifts	$	1,729,727

*Included in Due to Affiliate in the accompanying Statement of Net Position

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.

UConn Health and the University have 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, UConn Health and the University 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 2018, UConn Health reimbursed the University $706,000 for economic development activities during that period.

In addition, UConn Health and the University 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 this agreement.
In accordance with the memorandum of understanding, UConn Health is obligated to reimburse the University $4.2 million for its share of the marketing support. At June 30, 2018, UConn Health had $1.9 million payable to the University for this agreement.

In fiscal year 2018, UConn Health and the University entered into an agreement to combine all services and supervision of personnel within the Police Department, Fire Department, Fire Marshall and Building Inspectors Office, Office of Emergency Management, and Communications Center, under the Division of Public Safety headquartered at the Storrs campus. In accordance with an annual memorandum of agreement, the University is fiscally responsible for all public safety costs covered by the agreed-upon budget and UConn Health is obligated to fund approximately half of those costs. In fiscal year 2018, UConn Health recorded a payable to the University for the $5.0 million reimbursement for public safety services provided during the year.

Funds Paid to the University of Connecticut*	$	12,217,150

*A portion of this was included in Due to Affiliate in the accompanying Statement of Net Position

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, 2018, the amounts of these benefits recognized were as follows:

State of Connecticut Appropriations	$	102,683,263
Bioscience CT Appropriation		10,678,756
Worker Compensation Appropriation		4,320,856
Fringe Benefit Differential Sec 3-123i		13,500,000
Amount of General Fund Appropriations from State of Connecticut	$	131,182,875
In Kind Fringe Benefits:		
Recognized through CMHC		53,755,214
Received elsewhere in Primary Institution		94,575,340
Total In Kind Fringe Benefits received from State of Connecticut:	$	148,330,554
Total Appropriations and In Kind Fringe Benefits received from State of Connecticut	$	279,513,429

15. OPERATING EXPENSES BY OBJECT

The table below details UConn Health's operating expenses by object for the year ended June 30, 2018.

Operating Expenses by object for the Year Ended June 30:

		2018
Salaries and wages	$	438,122,304
Fringe benefits		369,184,734
Supplies and other expenses		333,986,021
Utilities		12,428,844
Depreciation and amortization		52,636,977
Total	$	1,206,358,880

16. SUBSEQUENT EVENTS

On October 22, 2018, UConn Health published a Solicitation of Interest seeking potential partners for the John Dempsey Hospital and University Medical Group (the "Clinical Group"). The Solicitation of Interest represents UConn Health's effort, as mandated by the General Assembly, to seek out partners who can help strengthen UConn Health's clinical offerings while adding overall financial stability to the whole of UConn Health. The original response date of December 3, 2018 was extended by one day to December 4, 2018, and the initial response period is now closed. UConn Health will be evaluating responses to determine its path forward over the next several months.

REQUIRED SUPPLEMENTARY INFORMATION

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	2018	2017	2016	2015	2018	2017	2016	2015
Proportion of Collective NPL	5.50%	5.36%	5.29%	4.99%	0.019%	0.019%	0.0009%	0.0009%
Proportionate share of the collective NPL	$ 1,159,362	$ 1,230,753	$ 873,351	$ 799,061	$ 2,508	$ 2,646	$ 1,042	$ 963
UConn Health's covered employee payroll	$ 205,188	$ 200,050	$ 184,762	$ 167,523	$ 834	$ 762	$ 573	$ 384
Proportionate share of the collective NPL as a percentage of covered-employee payroll	565.02%	615.22%	472.69%	476.99%	300.72%	347.24%	181.85%	250.78%
Plan fiduciary net position as a percentage of the total pension liability	36.25%	31.69%	39.23%	39.54%	55.93%	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	2018	2017	2016	2015	2018	2017	2016	2015
Contractually Required employer contribution	$ 52,170	$ 84,860	$ 80,493	$ 72,496	$ 280	$ 239	$ 181	$ 93
Actual UConn Health Contribution	52,170	84,860	80,493	72,496	280	239	237	201
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ (56)	$ (108)
UConn Health's covered employee payroll	$ 150,434	$ 205,188	$ 200,050	$ 184,762	$ 1,103	$ 834	$ 762	$ 573
Actual UConn Health contributions as a percentage of covered employee payroll	34.68%	41.36%	40.24%	39.24%	25.39%	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 Benefit Terms

2018 – The SEBAC 2017 agreement included changes to benefit terms for existing SERS plans by revising certain factors including employee contribution rates and annual cost-of-living adjustments for members retiring after July 1, 2022. The agreement also implemented a new Tier IV Hybrid Plan.

Other Factors

2018 – The State's assessed fringe benefit rate attributable to TRS increased from 9.87% in fiscal year 2017 to 27.41% in fiscal year 2018, resulting in a material increase of UConn Health contributions to that plan.

2018 – The SERS contractually required employer contribution and covered payroll did not include CMHC.

UCONN HEALTH
Required Supplementary Information
For the Year Ended June 30, 2018

SCHEDULE OF UCONN HEALTH'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Based on a valuation date lagging one year behind the fiscal year

		2018
		($ in Thousands)
UConn Health's proportion of the net OPEB liability		6.96%
UConn Health's proportion of the net OPEB liability	$	1,208,427
UConn Health's covered-employee payroll	$	424,734
UConn Health's proportion share of the net OPEB liability as a percentage of its covered-employee payroll		284.51%
Plan fiduciary net position as a percentage of the total OPEB liability		3.03%

SCHEDULE OF UCONN HEALTH'S OPEB CONTRIBUTION

Based on contribution for the Fiscal Year Ended June 30,

		2018
		($ in Thousands)
Contractually required contribution	$	48,134
Contributions in relation to the contractually required contribution	$	48,134
Contribution deficiency (excess)		--
UConn Health's covered-employee payroll	$	366,593
Contributions as a percentage of covered-employee payroll		13.13%

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.

2018 – The SERS contractually required employer contribution and covered payroll did not include CMHC.

Changes of Benefit Terms

In the June 30, 2017 actuarial valuation, there were no change of benefit terms.

Changes of Assumptions

In the June 30, 2017 actuarial valuation, the discount rate was increased to more closely reflect the expected long-term rate of return. In the June 30, 2017 actuarial valuation, demographic assumptions were updated to match the most recent valuations or experience studies.

UCONN HEALTH
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2018

($ in thousands)	2018 Primary Institution	John Dempsey Hospital	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 61,745	$ 57,049	$ -	$ 118,794
Patient receivables, net	9,329	47,898	-	57,227
Contract and other receivables	22,161	11,572	-	33,733
Construction escrow account	529	-	-	529
Due from Affiliates (Note 12)	35,385	-	-	35,385
Due from State of Connecticut	6,870	-	-	6,870
Due from Primary Institution	-	10,155	(10,155)	-
Inventories	2,361	9,170	-	11,531
Prepaid expenses	4,986	7,199	-	12,185
Total current assets	143,366	143,043	(10,155)	276,254
Noncurrent Assets				
Restricted cash and cash equivalents	472	-	-	472
Other assets	2,930	803	-	3,733
Due from State of Connecticut	1,746	-	-	1,746
Capital and intangible assets, net	682,078	386,359	-	1,068,437
Total noncurrent assets	687,226	387,162	-	1,074,388
Total assets	$ 830,592	$ 530,205	$ (10,155)	$ 1,350,642
Deferred Outflows of Resources Pension	$ 223,297	$ 116,697	$ -	$ 339,994
Deferred Outflows of Resources OPEB	$ 56,365	$ 32,891	$ -	$ 89,256
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$ 28,510	$ 27,146	$ -	$ 55,656
Due to State of Connecticut	2,348	5,228	-	7,576
Accrued salaries	18,717	8,297	-	27,014
Compensated absences - current portion (Note 10)	11,173	7,289	-	18,462
Due to John Dempsey Hospital	10,155	-	(10,155)	-
Due to third party payors	-	19,831	-	19,831
Due to Affiliates (Note 12)	8,302	-	-	8,302
Unearned revenues	928	4	-	932
Malpractice reserve (Note 10)	3,285	-	-	3,285
Long-term debt - current portion (Note 10)	6,411	495	-	6,906
Total current liabilities	89,829	68,290	(10,155)	147,964
Noncurrent Liabilities				
Malpractice reserve (Note 10)	11,696	-	-	11,696
Compensated absences - net of current portion (Note 10)	18,589	12,128	-	30,717
Pension Liability (Note 11)	874,474	287,396	-	1,161,870
OPEB Liability (Note 11)	841,877	366,549	-	1,208,426
Long-term debt - net of current portion (Note 10)	192,411	1,206	-	193,617
Total noncurrent liabilities	1,939,047	667,279	-	2,606,326
Total liabilities	$ 2,028,876	$ 735,569	$ (10,155)	$ 2,754,290
Deferred Inflows of Resources Pension	$ 10,196	$ -	$ -	$ 10,196
Deferred Inflows of Resources OPEB	$ 21,150	$ 9,209	$ -	$ 30,359
NET POSITION				
Net investment in capital assets	$ 483,255	$ 384,658	$ -	$ 867,913
Restricted for				
Nonexpendable				
Scholarships	61	-	-	61
Expendable				
Research	(127)	-	-	(127)
Loans	523	-	-	523
Capital projects	37,660	-	-	37,660
Unrestricted	(1,471,340)	(449,643)	-	(1,920,983)
Total net position	$ (949,968)	$ (64,985)	$ -	$ (1,014,953)

UCONN HEALTH
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

($ in thousands)	2018 Primary Institution	John Dempsey Hospital	Total (Memo Only)	Eliminations	Consolidated
OPERATING REVENUES					
Student tuition and fees, net	$ 18,613	$ -	$ 18,613	$ -	$ 18,613
Patient services, net	188,287	398,747	587,034	(6,337)	580,697
Federal grants and contracts	50,748	-	50,748	-	50,748
Nonfederal grants and contracts	29,337	-	29,337	-	29,337
Contract and other operating revenues	133,948	40,829	174,777	(47,589)	127,188
Total operating revenues	420,933	439,576	860,509	(53,926)	806,583
OPERATING EXPENSES					
Educational and General					
Instruction	203,445	-	203,445	(23,497)	179,948
Research	56,102	-	56,102	-	56,102
Patient services	331,225	446,841	778,066	(30,429)	747,637
Academic support	19,322	-	19,322	-	19,322
Institutional support	112,126	-	112,126	-	112,126
Operations and maintenance of plant	38,223	-	38,223	-	38,223
Depreciation and amortization	32,580	20,057	52,637	-	52,637
Student aid	364	-	364	-	364
Total operating expenses	793,387	466,898	1,260,285	(53,926)	1,206,359
Operating loss	(372,454)	(27,322)	(399,776)	-	(399,776)
NONOPERATING REVENUES (EXPENSES)					
State appropriations	279,513	-	279,513	-	279,513
Gifts	5,706	-	5,706	-	5,706
Hospital transfer	(38,226)	38,226	-	-	-
Investment income, net	654	-	654	-	654
Interest on capital asset - related debt	(9,871)	(38)	(9,909)	-	(9,909)
Net nonoperating revenues	237,776	38,188	275,964	-	275,964
Loss before other changes in net position	(134,678)	10,866	(123,812)	-	(123,812)
OTHER CHANGES IN NET POSITION					
Capital appropriations	88,806	-	88,806	-	88,806
Loss on Disposal	(2,666)	(426)	(3,092)	-	(3,092)
Net Other Changes in Net Position	86,140	(426)	85,714	-	85,714
Decrease in net position	(48,538)	10,440	(38,098)	-	(38,098)
NET POSITION					
Net position-beginning of year (as previously stated)	(129,498)	255,830	126,332	-	126,332
Cumulative effect of implementing GASB 75 (see note 1)	(771,932)	(331,255)	(1,103,187)	-	(1,103,187)
Net position-beginning of year as restated	(901,430)	(75,425)	(976,855)	-	(976,855)
Net position-end of year	$ (949,968)	$ (64,985)	$ (1,014,953)	$ -	$ (1,014,953)

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE

	For the Year Ended June 30, (amounts in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Student tuition and fees (net of scholarship allowances)	$ 18,613	$ 17,499	$ 15,728	$ 16,557	$ 15,794	$ 13,812	$ 13,746	$ 13,095	$ 12,163	$ 11,579
Patient services	580,697	539,777	532,876	512,960	450,315	432,032	429,546	422,094	405,660	413,226
Federal grants and contracts	50,748	58,148	59,529	57,920	62,527	60,651	56,904	60,127	59,358	60,479
Nonfederal grants and contracts	29,337	29,009	27,116	24,407	23,803	27,593	27,690	25,885	28,673	27,785
Contract and other operating revenues	127,188	114,284	108,017	109,324	106,771	102,574	93,730	71,694	58,791	52,018
Total operating revenues	806,583	758,717	743,266	721,168	659,210	636,662	621,616	592,895	564,645	565,087
State appropriations	279,513	278,211	289,287	280,645	266,139	213,371	202,997	225,268	218,484	208,531
Transfer from/(to) State and outside programs	-	-	-	-	-	-	1,312	(10,807)	(10,000)	-
Gifts	5,706	4,079	6,865	7,175	7,300	7,658	7,435	2,554	1,602	982
Investment income (net of investment expense)	654	104	141	176	93	124	101	134	2,506	5,885
Net nonoperating revenues	285,873	282,394	296,293	287,996	273,532	221,153	211,845	217,149	212,592	215,398
Total Revenues	**$ 1,092,456**	**$ 1,041,111**	**$ 1,039,559**	**$ 1,009,164**	**$ 932,742**	**$ 857,815**	**$ 833,461**	**$ 810,044**	**$ 777,237**	**$ 780,485**

	For the Year Ended June 30, (percent of total revenues)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Student tuition and fees (net of scholarship allowances)	1.7%	1.7%	1.5%	1.6%	1.7%	1.6%	1.7%	1.6%	1.6%	1.5%
Patient services	53.2%	51.8%	51.3%	50.9%	48.3%	50.4%	51.5%	52.1%	52.2%	52.9%
Federal grants and contracts	4.6%	5.6%	5.7%	5.7%	6.7%	7.1%	6.8%	7.4%	7.6%	7.7%
Nonfederal grants and contracts	2.7%	2.8%	2.6%	2.4%	2.6%	3.2%	3.3%	3.2%	3.7%	3.6%
Contract and other operating revenues	11.6%	11.0%	10.4%	10.9%	11.4%	11.9%	11.3%	8.9%	7.6%	6.7%
Total operating revenues	73.8%	72.9%	71.5%	71.5%	70.7%	74.2%	74.6%	73.2%	72.7%	72.4%
State appropriations	25.6%	26.7%	27.8%	27.8%	28.5%	24.9%	24.4%	27.8%	28.1%	26.7%
Transfer from/(to) State and outside programs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	-1.3%	-1.3%	0.0%
Gifts	0.5%	0.4%	0.7%	0.7%	0.8%	0.9%	0.9%	0.3%	0.2%	0.1%
Investment income (net of investment expense)	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.8%
Net nonoperating revenues	26.2%	27.1%	28.5%	28.5%	29.3%	25.8%	25.4%	26.8%	27.3%	27.6%
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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses:										
Instruction	$ 179,948	$ 169,130	$ 168,299	$ 163,703	$ 152,618	$ 141,182	$ 129,217	$ 129,793	$ 126,206	$ 115,261
Research	56,102	59,400	58,233	56,961	59,518	60,918	63,080	58,892	59,967	59,329
Patient services	747,637	713,342	648,071	607,435	581,558	522,825	506,720	492,788	464,366	471,209
Academic support	19,322	19,186	18,070	22,458	20,824	20,011	20,200	16,355	14,470	16,111
Institutional support	112,126	82,233	80,638	83,260	66,416	53,114	53,059	58,421	55,016	59,122
Operations and maintenance of plant	38,223	37,295	38,714	35,363	31,548	33,606	28,031	27,653	26,223	27,073
Depreciation and amortization	52,637	52,046	41,469	37,830	32,780	32,365	30,875	30,075	28,881	29,168
Student aid	364	194	84	32	50	136	165	416	480	659
Total operating expenses	1,206,359	1,132,826	1,053,578	1,007,042	945,312	864,157	831,347	814,393	775,609	777,932
Interest on capital asset - related debt	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574
Total nonoperating expenses	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574
Total Expenses	**$ 1,216,268**	**$ 1,143,040**	**$ 1,064,065**	**$ 1,010,862**	**$ 946,319**	**$ 865,229**	**$ 832,442**	**$ 815,963**	**$ 777,973**	**$ 780,506**

For the Year Ended June 30,
(percent of total expenses)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses:										
Instruction	14.8%	14.8%	15.8%	16.2%	16.1%	16.3%	15.5%	15.9%	16.2%	14.8%
Research	4.6%	5.2%	5.5%	5.6%	6.3%	7.1%	7.6%	7.2%	7.7%	7.6%
Patient services	61.5%	62.4%	60.9%	60.1%	61.5%	60.4%	60.9%	60.4%	59.7%	60.4%
Academic support	1.6%	1.7%	1.7%	2.2%	2.2%	2.3%	2.4%	2.0%	1.8%	2.1%
Institutional support	9.2%	7.2%	7.6%	8.2%	7.0%	6.1%	6.4%	7.2%	7.1%	7.6%
Operations and maintenance of plant	3.2%	3.3%	3.6%	3.5%	3.3%	3.9%	3.4%	3.4%	3.4%	3.5%
Depreciation and amortization	4.3%	4.5%	3.9%	3.8%	3.5%	3.8%	3.7%	3.7%	3.7%	3.7%
Student aid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Total operating expenses	99.2%	99.1%	99.0%	99.6%	99.9%	99.9%	99.9%	99.8%	99.7%	99.7%
Interest expense	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
Total nonoperating expenses	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses:										
Salaries and wages	$ 438,122	$ 444,948	$ 452,363	$ 430,988	$ 418,305	$ 403,159	$ 391,890	$ 377,149	$ 363,741	$ 374,301
Fringe benefits	369,185	331,533	264,911	239,288	223,850	180,323	128,613	162,684	151,534	143,393
Supplies and other expenses	333,986	291,166	282,218	286,170	258,778	237,013	266,778	229,952	217,425	215,290
Utilities	12,429	13,133	12,617	12,766	11,599	11,297	13,191	14,533	14,028	15,780
Depreciation and amortization	52,637	52,046	41,469	37,830	32,780	32,365	30,875	30,075	28,881	29,168
Total operating expenses	1,206,359	1,132,826	1,053,578	1,007,042	945,312	864,157	831,347	814,393	775,609	777,932
Interest on capital asset - related debt	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574
Total nonoperating expenses	9,909	10,214	10,487	3,820	1,007	1,072	1,095	1,570	2,364	2,574
Total Expenses	**$ 1,216,268**	**$ 1,143,040**	**$ 1,064,065**	**$ 1,010,862**	**$ 946,319**	**$ 865,229**	**$ 832,442**	**$ 815,963**	**$ 777,973**	**$ 780,506**

For the Year Ended June 30, (percent of total expenses)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses:										
Salaries and wages	36.0%	38.9%	42.5%	42.6%	44.2%	46.6%	47.1%	46.2%	46.8%	48.0%
Fringe benefits	30.4%	29.0%	24.9%	23.7%	23.7%	20.8%	15.5%	19.9%	19.5%	18.4%
Supplies and other expenses	27.5%	25.5%	26.5%	28.3%	27.3%	27.4%	32.0%	28.2%	27.9%	27.6%
Utilities	1.0%	1.1%	1.2%	1.3%	1.2%	1.3%	1.6%	1.8%	1.8%	2.0%
Depreciation and amortization	4.3%	4.6%	3.9%	3.7%	3.5%	3.8%	3.7%	3.7%	3.7%	3.7%
Total operating expenses	99.2%	99.1%	99.0%	99.6%	99.9%	99.9%	99.9%	99.8%	99.7%	99.7%
Interest expense	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
Total nonoperating expenses	0.8%	0.9%	1.0%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%	0.3%
Total Expenses	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

SCHEDULE OF NET POSITION AND CHANGES IN NET POSITION

For the Year Ended June 30,
(amounts in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total revenues (from Schedule of revenues by source)	$ 1,092,456	$ 1,041,111	$ 1,039,559	$ 1,009,164	$ 932,742	$ 857,815	$ 833,461	$ 810,044	$ 777,237	$ 780,485
Total expenses (from schedule of expenses by natural classification and function)	1,216,268	1,143,040	1,064,065	1,010,862	946,319	865,229	832,442	815,963	777,973	780,506
Loss before other changes in net position	(123,812)	(101,929)	(24,506)	(1,698)	(13,577)	(7,414)	1,019	(5,919)	(736)	(21)
Capital appropriations	88,806	43,479	175,000	159,810	193,214	5,000	62,500	170	35,610	40,276
Loss on disposal	(3,092)	(989)	(695)	(3,902)	(573)	(2,978)	(7)	(482)	(38)	(281)
Net other changes in net position	85,714	42,490	174,305	155,908	192,641	2,022	62,493	(312)	35,572	39,995
Total changes in net position	(38,098)	(59,439)	149,799	154,210	179,064	(5,392)	63,512	(6,231)	34,836	39,974
Net position-beginning of year (as previously stated)	126,332	185,771	35,972	576,794	397,730	403,122	339,610	345,841	311,005	271,031
Cumulative effect of implementing GASB 68 and 71 (see note 1)	-	-	-	(695,032)	-	-	-	-	-	-
Cumulative effect of implementing GASB 75 (see note 1)	(1,103,187)	-	-	-	-	-	-	-	-	-
Net position-beginning of year as restated	(976,855)	185,771	35,972	(118,238)	397,730	403,122	339,610	345,841	311,005	271,031
Net position, ending	**$ (1,014,953)**	**$ 126,332**	**$ 185,771**	**$ 35,972**	**$ 576,794**	**$ 397,730**	**$ 403,122**	**$ 339,610**	**$ 345,841**	**$ 311,005**
Net investment in capital assets	$ 867,913	$ 823,325	$ 734,480	$ 579,241	$ 405,672	$ 335,015	$ 301,969	$ 277,865	$ 243,088	$ 216,044
Restricted for										
Nonexpendable										
Scholarships	61	61	61	61	61	61	61	61	61	61
Expendable										
Research	(127)	(8)	(876)	(139)	547	1,982	3,436	4,047	4,359	4,251
Loans	523	31	953	1,348	104	794	1,081	875	1,864	2,401
Capital projects	37,660	37,061	117,466	104,082	152,707	30,829	51,287	5,758	30,649	32,802
Unrestricted	(1,920,983)	(734,138)	(666,313)	(648,621)	17,703	29,049	45,288	51,004	65,820	55,446
Total net position	**$ (1,014,953)**	**$ 126,332**	**$ 185,771**	**$ 35,972**	**$ 576,794**	**$ 397,730**	**$ 403,122**	**$ 339,610**	**$ 345,841**	**$ 311,005**

SCHEDULE OF LONG-TERM DEBT

For the Year Ended June 30,
(amounts in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Bonds Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans Payable	-	-	-	-	-	-	415	1,245	2,076	2,906
Capital Leases	1,701	2,187	-	-	-	-	472	1,087	2,318	4,302
Mortgage Agreement	198,823	204,914	210,700	216,198	168,024	62,889	17,281	18,097	29,630	30,712
Total long-term debt	**$ 200,524**	**$ 207,101**	**$ 210,700**	**$ 216,198**	**$ 168,024**	**$ 62,889**	**$ 18,168**	**$ 20,429**	**$ 34,024**	**$ 37,920**

FACULTY AND STAFF

For the Year Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
BARGAINING UNIT										
Faculty	539.6	529.4	517.6	507.8	512.8	508.0	505.7	486.8	-	-
University Health Professionals	2,526.6	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
All Other	1,299.0	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
Total FTE's	4,365.2	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
EXEMPT										
Faculty	55.2	56.2	56.8	60.6	61.5	60.5	60.1	57.8	545.5	563.7
Managerial	139.1	153.9	160.6	159.3	158.3	156.2	151.9	144.1	145.0	152.0
All Other	340.7	335.1	329.3	353.2	392.7	404.1	408.9	369.0	376.7	368.4
Total FTE's	535.0	545.2	546.7	573.1	612.5	620.8	620.9	570.9	1,067.2	1,084.1
TOTAL FTE's	4,900.2	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

Notes to required schedules

2018 - the FTE information includes CMHC

SCHEDULE OF CAPITAL ASSET INFORMATION
DETAIL FOR BUILDINGS ONLY - BY FUNCTION

	For the Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Academic										
Net assignable square feet (in thousands)	82	82	74	74	74	74	74	74	74	74
Number of buildings/major areas of Main Building*	2	2	1	1	1	1	1	1	1	1
Research buildings										
Net assignable square feet (in thousands)	456	456	456	435	435	435	442	442	442	442
Number of buildings/major areas of Main Building*	6	6	6	6	6	6	17	17	17	17
Patient care buildings										
Net assignable square feet (in thousands)	885	885	885	662	529	529	529	529	529	529
Number of buildings/major areas of Main Building*	6	6	6	6	8	8	8	8	8	8
Administrative and support buildings										
Net assignable square feet (in thousands)	865	865	873	769	769	698	179	179	179	179
Number of buildings/major areas of Main Building*	11	11	12	11	11	10	9	9	9	9
Total net assignable square feet (in thousands)	2288	2288	2288	1940	1807	1736	1224	1224	1224	1224
Number of buildings/major areas of Main Building*	25	25	25	24	26	25	35	35	35	35

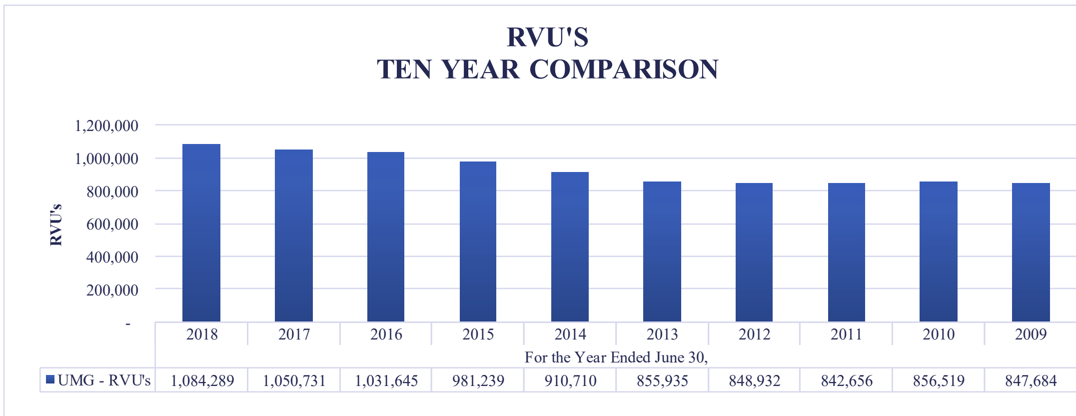
*** Notes**

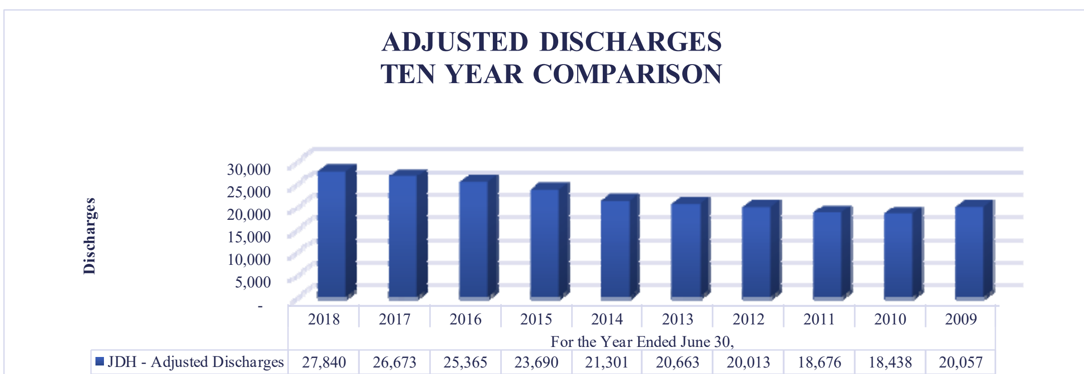
The Main Building at UConn Health has commonly been understood and tracked by major areas assigned separate names and alphanumeric identifiers. These areas are counted as buildings here.
Many buildings have more than one usage. For the purposes of this schedule, the buildings (or areas of the Main Building) 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,									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
UMG - RVU's	1,084,289	1,050,731	1,031,645	981,239	910,710	855,935	848,932	842,656	856,519	847,684

	For the Year Ended June 30,									
	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
JDH - Adjusted Discharges	27,840	26,673	25,365	23,690	21,301	20,663	20,013	18,676	18,438	20,057





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)
2018	$ 265,636,709,000	3,588,236	$ 74,030	4.5%
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%

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
TOP TEN NONGOVERNMENTAL EMPLOYERS
State of Connecticut
Current Year and Ten Years Ago

Name	2018 Employees in CT	2018 Percentage of Total CT Employment	2018 Rank	
United Technologies Corp. UTC	20,000	1.1%	1	(1)
Stop & Shop Co. LLC	13,574	0.7%	2	(2)
Yale University & Health Sys	11,530	0.6%	5	
Foxwoods Resort Casino	10,500	0.6%	3	
Aetna Inc.	10,001	0.5%	4	
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%		

Name	2009 Employees in CT	2009 Percentage of Total CT Employment	2009 Rank
United Technologies Corp. UTC	27,050	1.7%	1
Stop & Shop Co. LLC	13,574	0.8%	2
Yale University	12,795	0.8%	4
Hartford Financial Services	12,500	0.8%	3
Mohegan Sun Casino	9,800	0.6%	6
Foxwoods Resort Casino	9,276	0.6%	5
Walmart Stores, Inc.	9,204	0.6%	7
General Dynamics/Electric Boat	8,200	0.5%	8
Aetna Inc.	7,206	0.4%	9
AT&T Connecticut	7,000	0.4%	10
Total	116,605	7.2%	

Sources: 2009 - 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:

"2019 Refunding Series A Bonds" means the Bonds authorized by, and issued in one or more series, pursuant to Article II of the Twenty-fourth Supplemental Indenture.

"2019 Series A Bonds" means the Bonds authorized by, and issued in one or more series, pursuant to Article II of the Twenty-fifth 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.

"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.

"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.

“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.

"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 2019 Series A Bonds and the 2019 Refunding 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.

“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.

“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 the State of Connecticut.

"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.

"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-fourth Supplemental Indenture" means the Twenty-fourth Supplemental Indenture dated as of May 1, 2019, authorizing the 2019 Refunding Series A Bonds (secured by the State Debt Service Commitment).

"Twenty-fifth Supplemental Indenture" means the Twenty-fifth Supplemental Indenture dated as of May 1, 2019, authorizing the 2019 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.

"Underwriters" means the initial purchasers of the 2019 Series A Bonds and the 2019 Refunding 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-1

FORM OF OPINIONS OF BOND COUNSEL AND CO-BOND COUNSEL

Upon the delivery of the 2019 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:

May 8, 2019

University of Connecticut
352 Mansfield Road
Storrs, Connecticut 06269

Honorable Shawn T. Wooden, 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 $174,785,000 General Obligation Bonds, 2019 Series A (the "2019 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 2019 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 Twenty-fifth Supplemental Indenture (the "Twenty-fifth 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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.

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 2019 Series A Bonds in order that interest on the 2019 Series A Bonds not be 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 2019 Series A Bonds, restrictions on the investment of 2019 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 2019 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 2019 Series A 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 paragraph 7 below, 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.

7. Under existing law, interest on the 2019 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 on individuals or corporations. 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 2019 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 2019 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 2019 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 2019 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 2019 Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2019 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

FORM OF OPINIONS OF BOND COUNSEL AND CO-BOND COUNSEL

Upon the delivery of the 2019 Refunding 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:

May 8, 2019

University of Connecticut
352 Mansfield Road
Storrs, Connecticut 06269

Honorable Shawn T. Wooden, 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 $64,680,000 General Obligation Bonds, 2019 Refunding Series A (the "2019 Refunding 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 2019 Refunding 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 Twenty-fourth Supplemental Indenture (the "Twenty-fourth 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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.

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 2019 Refunding Series A Bonds in order that interest on the 2019 Refunding Series A Bonds not be 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 2019 Refunding Series A Bonds, restrictions on the investment of 2019 Refunding 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 2019 Refunding 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 2019 Refunding Series A 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 paragraph 7 below, 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.

7. Under existing law, interest on the 2019 Refunding 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 on individuals or corporations. 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding 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 2019 Refunding Series A Bonds.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2019 Refunding 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

In Connection With The Issuance and Sale of the University of Connecticut [$174,785,000 General Obligation Bonds, 2019 Series A] [$64,680,000 General Obligation Bonds, 2019 Refunding Series A]

This Continuing Disclosure Agreement (the "Disclosure Agreement") is dated as of May 8, 2019 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 [$174,785,000 University of Connecticut General Obligation Bonds, 2019 Series A] [$64,680,000 General Obligation Bonds, 2019 Refunding 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 25, 2019 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, 2019, 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;

(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;

(15) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the University, any of which reflect financial difficulties.

Note to clauses (15) and (16): For the purposes of the events identified in clauses (15) and (16), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(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), (14) or (15) 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) Piper Jaffray & Co., 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 ________, 2019

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 – _________, 2019]

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

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APPENDIX I-E-1

FORM OF 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, 2019 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $174,785,000 University of Connecticut General Obligation Bonds, 2019 Series A, dated May __, 2019 (the "Series A Bonds") and $64,680,000 University of Connecticut General Obligation Bonds, 2019 Refunding Series A, dated May __, 2019 (the "Refunding Series A Bonds", together with the Series A Bonds, collectively; 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 April 25, 2019 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, 2019) 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 (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 (Statutory) Basis vs. GAAP Basis (for most recent fiscal year) (See Table 3).

c. General Fund - Unreserved Fund Balance - Budgetary (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 (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:____
Shawn T. Wooden
Treasurer

U.S. BANK NATIONAL ASSOCIATION
as Dissemination Agent

By:____
Authorized Officer

INFORMATION STATEMENT OF THE
STATE OF CONNECTICUT

FEBRUARY 20, 2019

This Information Statement of the State of Connecticut (the "State") contains information through February 20, 2019. 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 20, 2019. 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) 702-3288.

Constitutional Elected Officers

Governor	**Edward ("Ned") Miner Lamont, Jr.**
Lieutenant Governor	**Susan Bysiewicz**
Secretary of the State	**Denise W. Merrill**
Treasurer	**Shawn T. Wooden**
Comptroller	**Kevin P. Lembo**
Attorney General	**William Tong**

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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) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the State; future energy costs; (iv) health care related matters including Medicaid reimbursements; (v) federal defense spending; (vi) financial services industry developments; (vii) litigation or arbitration; (viii) climate and weather related developments, natural disasters and other acts of God; (ix) changes in retirement rates, inflation rates, interest rates, increases in health care costs, longevity rates and other factors used in estimating future obligations of the State, among others; and (x) other factors 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 2019 refers to the fiscal year beginning July 1, 2018 and ending June 30, 2019.

References herein to "CGS" refer to the Connecticut General Statutes.

The Information Statement speaks only as of its date. For information about the State after February 20, 2019, 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 requires that total net appropriations for each fund shall not exceed estimated revenues 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. In addition, there are additional issuance limits imposed on the Treasurer.
Forecasting and Monitoring	***Regular Revenue Forecasting, Monitoring of Fiscal Progress and Multiple-Year Planning Tools***	Monthly reports are required 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, but not to exceed 3% of any fund and to make further reductions with legislative approval.
Budget Discipline	***Budget Reserve Fund***	There exists both a constitutional and a 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 Financial Procedures - Accounting Procedures – Financial Reporting.
Budget Discipline	***Bond Covenant***	The State has covenanted with bondholders to follow financial disciplines and controls.

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 such 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, there are also excluded 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 over six years from 99.5% to 98%) of the estimated revenues included in a 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 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. CGS Section 3-21 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. In addition, on and after July 1, 2018, the Treasurer may not issue general obligation bonds or notes pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate $1.9 billion in any fiscal year, subject to certain exclusions and inflationary adjustments commencing July 1, 2019 and the State Bond Commission may not authorize bond issuances or credit revenue bond issuances of more than $2.0 billion in any calendar year subject to certain exclusions and inflationary adjustments commencing January 1, 2018. 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 statute, 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 the 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.

Financial Controls

Expenditures. The financial control procedures utilized by the State are described below and may be generally summarized as follows: the legislature must appropriate 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. In addition, the Governor shall not approve allotment requisitions that would result in the issuance of general obligation bonds or notes pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate $1.9 billion in any fiscal year, subject to certain exclusions and inflationary adjustments commencing July 1, 2019. Not later than April first annually, the Governor shall provide the Treasurer with a list of general obligation bond and credit revenue bond expenditures that can be made July first commencing the next fiscal year totaling not more than $1.9 billion, subject to inflationary adjustments commencing July 1, 2019. See **STATE DEBT – State Direct General Obligation Debt – *Statutory Debt Limit***.

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 and the business entity tax is to be transferred by the Treasurer to the Budget Reserve Fund. Pursuant to the midterm budget adjustments enacted into law as Public Act No. 18-81, this amount is subject to annual adjustment by the compound annual growth rate of personal income in the State over the preceding five calendar years and further subject to amendment by a vote of at least three-fifths of the members of each house of the General Assembly due to changes in State or federal tax law or policy or significant adjustments to economic growth or tax collections. The State received approximately $3.164 billion in Fiscal Year 2017 and $4.621 billion in Fiscal Year 2018 from estimated and final payments of such personal income tax, which does not include withholding tax receipts. The large increase from Fiscal Year 2017 to Fiscal Year 2018 was largely due to some non-recurring factors: (i) hedge fund organizations were required to repatriate certain off-shore hedge fund profits back to the United States no later than December 31, 2017, (ii) federal tax legislation passed in 2017 resulted in taxpayer behavioral changes particularly in regards to the capping of the state and local tax deduction, and (iii) the strong stock market in 2017 resulted in additional capital gains. 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 of such fund. 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 or exceeds 5% 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, for 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 that there is a deficit with respect to the immediately preceding fiscal year, to the extent necessary, 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, 2018, as estimated by the Comptroller, is $1,185.3 million, which is 6.2% of the net General Fund appropriations for Fiscal Year 2019.

Bond Covenant. The Treasurer is required to include a covenant in general obligation bonds and credit revenue bonds issued on and after May 15, 2018 and prior to July 1, 2020 requiring the State to comply with various statutory provisions. See **STATE DEBT – State Direct General Obligation Debt – Bond Covenant** herein.

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 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, 2018 and the audited financial statements of the State prepared using the guidance of GAAP for the fiscal year ending June 30, 2018 appear in **Appendices 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. 17-51 was $679,628,154 as of June 30, 2018.

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 in a variety of investments allowed by statute; subject to certain conditions, including in certain circumstances the approval of the Investment Advisory Council.

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 2018 averaged $2.759 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 CGS Section 3-27d. 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 of Pension and Trust 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.

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.

STATE GENERAL FUND

The information in this section contains information through February 20, 2019 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 passed in 2011 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 2018 are included as **Appendix II-C**. Statutory basis audited financial statements for the General Fund for Fiscal Years 2014 through 2018 are included in **Appendix II-D**. The adopted budget and final financial statutory basis results for Fiscal Year 2018, and the adopted budget and estimated budget (as January 31, 2019) for Fiscal Year 2019, and the Governor's proposed budget for Fiscal Years 2020 and 2021 are included as **Appendix II-E**. 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

<u>Forecasted, Adopted and Historical Revenues</u>

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 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.

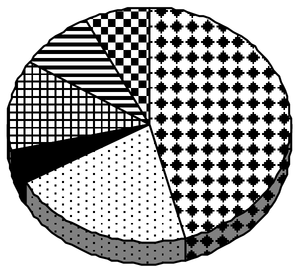
Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a 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**.

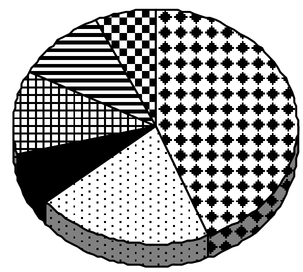
General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. The State, as of the forecast date, expected to derive approximately 85 percent and 84 percent of its General Fund revenues from taxes 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 $19,008.7 (a)



	Fiscal Year 2018			Fiscal Year 2019		
	Personal Income Tax	$ 9,182.5	45.8%	Personal Income Tax	$ 9,107.6	43.9%
	Sales and Use Tax	4,220.5	21.0%	Sales and Use Tax	4,153.6	20.0%
	Corporate Business Tax	933.3	4.7%	Corporate Business Tax	1,520.2	7.3%
	Other Taxes(b)	2,482.2	12.4%	Other Taxes(b)	2,420.7	11.7%
	Unrestricted Federal Grants	1,732.9	8.6%	Unrestricted Federal Grants	2,112.4	10.2%
	Other Non-Tax Revenues(c)	1,503.9	7.5%	Other Non-Tax Revenues(c)	1,455.9	7.0%

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 $20,770.4 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, transfers to other funds and volatility cap adjustments of $1,331.6 million for Fiscal Year 2018 and $1,761.7 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 health care providers, electric generation and other miscellaneous taxes. See **Appendix II-E**.

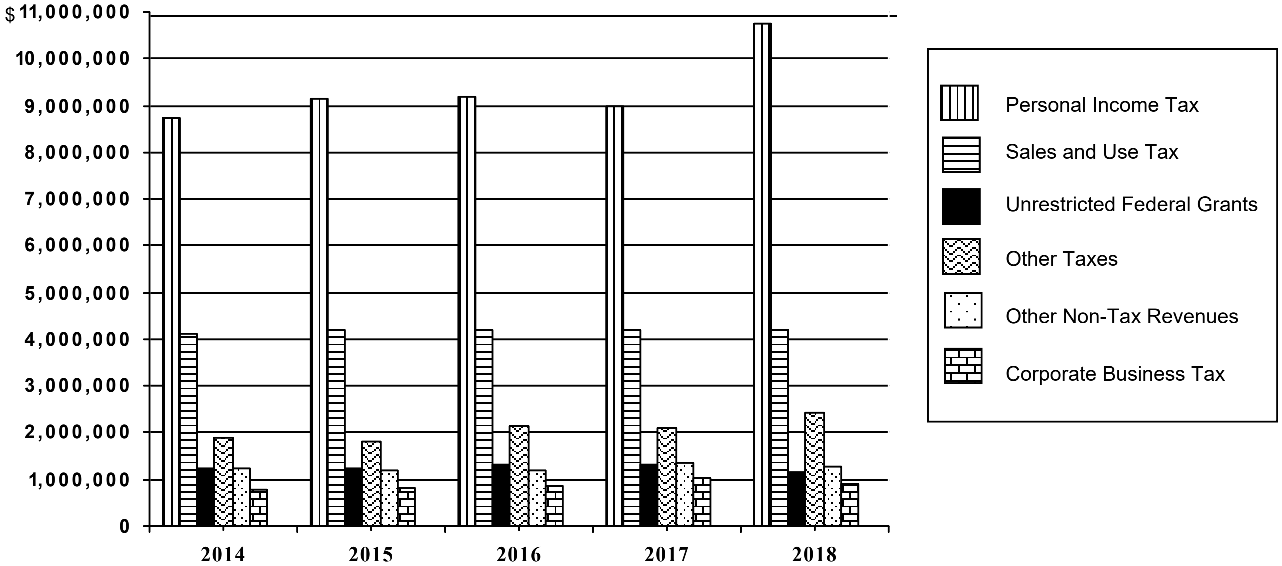
(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the 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 as amended by Public Act No. 18-81.

Historical General Fund Revenues

Actual General Fund revenues for Fiscal Years 2014 through 2018 are set forth in **Appendix II-D**. 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)



	2014	2015	2016	2017	2018
Taxes:					
Personal Income Tax................	$ 8,718,659	$ 9,151,037	$ 9,181,648	$ 8,988,667	$10,770,150
Sales Tax..................................	4,100,564	4,205,051	4,181,852	4,192,203	4,202,246
Corporate Business Tax	782,239	814,805	880,449	1,037,565	920,746
Other Taxes[(b)]...........................	1,909,126	1,792,973	2,142,039	2,106,400	2,447,461
Subtotal..............................	$15,510,588	$15,963,866	$16,385,988	$16,324,835	$18,340,603
R & D Credit Exchange……….	(5,055)	(7,878)	(7,623)	(5,485)	(5,664)
Refunds of Taxes......................	(1,182,397)	(1,163,639)	(1,223,198)	(1,263,824)	(1,269,667)
Total Net Taxes..................	$14,323,136	$14,792,349	$15,155,167	$15,055,526	$17,065,272
Other Revenue:					
Federal Grants					
(Unrestricted)	$ 1,243,861	$ 1,241,244	$ 1,301,532	$ 1,325,237	$ 1,143,075
Other Non-Tax Revenues[(c)].......	1,229,032	1,174,912	1,207,958	1,353,113	1,273,461
Transfers to Other Funds...........	(61,800)	(61,780)	(61,688)	(58,100)	(1,528,983)[(e)]
Transfers from Other Funds	873,828[(d)]	135,313	177,853	27,192	245,726
Total Other Revenues...........	$ 3,284,921	$ 2,489,689	$ 2,625,655	$ 2,647,442	$ 1,133,279
Total Revenues	$17,608,057	$17,282,038	$ 17,780,822	$17,702,968	$18,198,551

(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 health care 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, designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund less refunds of payments.

(d) 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.

(e) Includes transfer to the Budget Reserve Fund for the volatility adjustment and transfer to the Pequot/Mohegan Fund.

SOURCE: 2014, 2015, 2016, 2017 and 2018 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 available to certain filers 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 imposed 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 decreased to 10% for income year 2018 and is phased 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 health care providers, electric generation, 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. In 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. 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.

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.

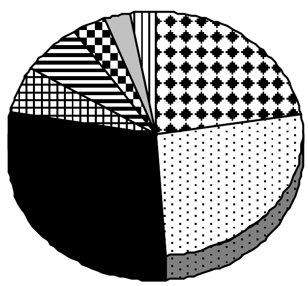
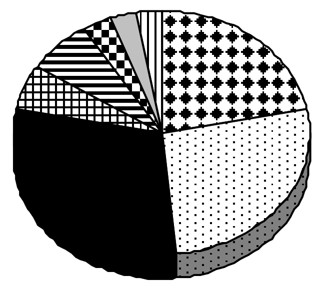
General Fund Expenditures

<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 Debt** herein.

The adopted budget and final financial statutory basis results for Fiscal Year 2018 and the adopted budget and estimated budget (as of January 31, 2019) for Fiscal Year 2019 are included as **Appendix II-E**. 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 $18,998.2 [(a)]
	

Human Services	$ 4,408.1	22.5%
Education, Libraries and Museums	5,185.4	26.5%
Non-Functional	5,609.8	28.7%
Health and Hospitals	1,196.8	6.1%
Corrections	1,386.1	7.1%
General Government	687.2	3.5%
Judicial	561.5	2.9%
Other Expenditures[(b)]	538.0	2.8%

Human Services	$ 4,332.6	22.8%
Education, Libraries and Museums	5,209.0	27.4%
Non-Functional	5,166.5	27.2%
Health and Hospitals	1,190.7	6.3%
Corrections	1,344.1	7.1%
General Government	694.5	3.7%
Judicial	565.1	3.0%
Other Expenditures(b)	517.0	2.7%

(a) The pie charts reflect the total listed expenditures of $19,572.9 million for Fiscal Year 2018 and $19,019.7 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 $21.5 million for Fiscal Year 2019. See **Appendix II-E** for anticipated adjustments to appropriated expenditures.

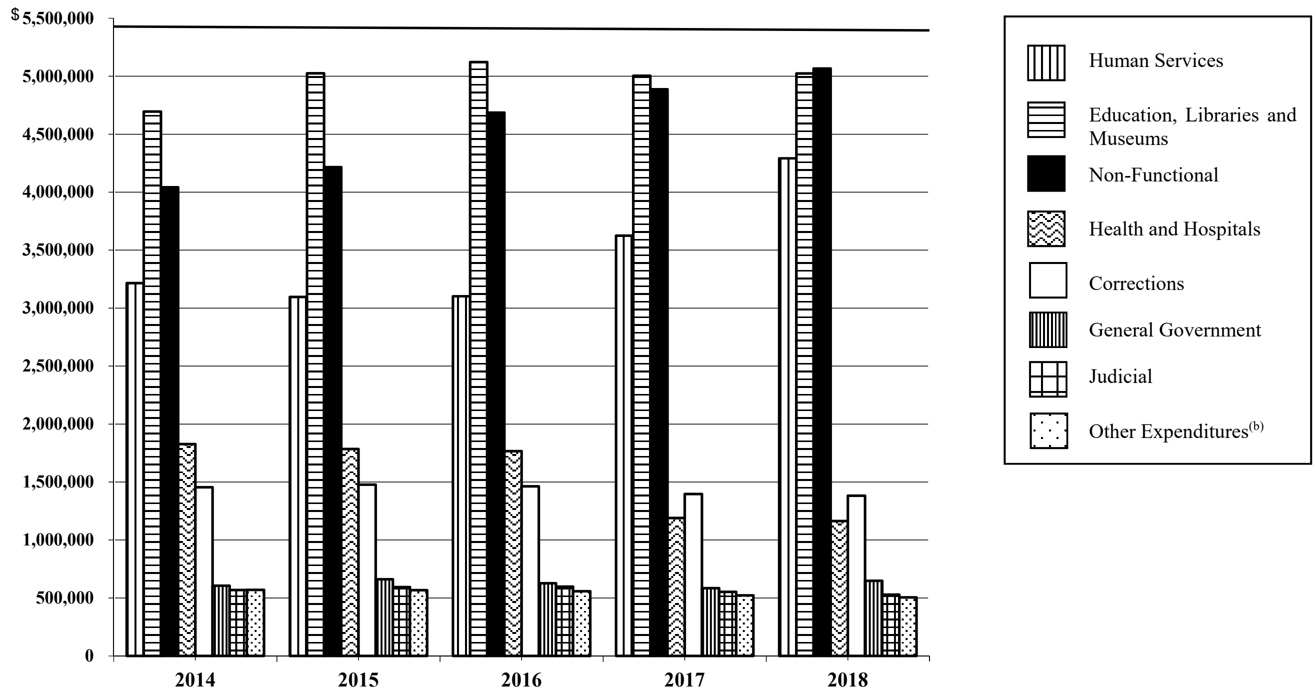
(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

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, as amended by Public Act No. 18-81.

Historical General Fund Expenditures

Actual General Fund expenditures for Fiscal Years 2014 through 2018 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)



	2014	2015	2016	2017	2018
Human Services	$ 3,215,827	$ 3,095,929	$ 3,102,021	$ 3,624,957[(c)]	$ 4,291,893
Education, Libraries and Museums	4,695,646	5,025,391	5,122,029	5,003,923	5,024,541
Non-Functional	4,042,481	4,215,341	4,686,059	4,888,164	5,066,694
Health and Hospitals	1,827,308	1,785,337	1,765,944	1,189,787[(c)]	1,163,451
Corrections	1,454,442	1,476,753	1,463,065	1,397,113	1,382,304
General Government	605,677	661,000	627,035	584,707	647,508
Judicial	569,056	593,314	597,584	552,369	528,902
Other Expenditures[(b)]	569,607	566,624	557,521	522,020	505,415
Totals	$16,980,044	$17,419,689	$17,921,258	$17,763,040	$18,610,708

(a) The bar graphs and amounts listed do not reflect the offsetting effect of restricted federal and other grants. Amounts shown do not exclude expenditures or appropriations carried over from the prior fiscal year and do not include expenditures of appropriations carried into the next fiscal year. See **Appendix II-D**.

(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

(c) 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: 2014, 2015, 2016, 2017 and 2018 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.

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 48.8% of total General Fund expenditures for Fiscal Year 2017, 49.2% of total General Fund expenditures for Fiscal Year 2018 and 49.3% of total General Fund estimated expenditures for Fiscal Year 2019. 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 2017 (Actual)	Fiscal Year 2018 (Actual)	Fiscal Year 2019 (Estimated)
Total Non-Fixed Costs	**$9,087.2**	**$9,445.3**	**$9,637.4**
Fixed Costs:			
Debt Service	2,058.2	2,301.5	2,219.1
Teachers' Pensions	1,012.2	1,271.0	1,292.3
State Employees Retirement System	1,124.7	1,051.7	1,165.6
Other State Pensions	16.2	12.7	29.1
State and Teachers' OPEB	726.4	720.3	706.8
Medicaid	2,407.1	2,513.0	2,608.4
All Other Entitlement Accounts[(b)]	1,331.0	1,294.9	1,339.5
Total Fixed Costs	**$8,675.8**	**$9,165.2**	**$9,360.8**
Fixed Cost Percent of Total Expenditures	48.8%	49.2%	49.3%

(a) Table 1 includes actual expenditures for Fiscal Years 2017, 2018 and estimated expenditures for Fiscal Year 2019 per OPM's February 20, 2019 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

Forecasted Operation

Consensus Revenue Estimates

SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019

The State expects to release updated consensus revenue estimates on April 30, 2019 pursuant to CGS Section 2-36c.

Pursuant to CGS Section 2-36c, on January 15, 2019, OPM and OFA issued their consensus revision to their November 13, 2018 consensus revenue estimates for the current biennium and the three ensuing fiscal years as follows:

General Fund Consensus Revenue Estimate
(in Millions)

	2019	2020	2021	2022
Revenue Estimate November 13, 2018	$19,269.4	$17,823.2	$18,038.0	$17,910.1
Revenue Estimate January 15, 2019	$19,473.0	$18,083.5	$18,276.9	$18,125.6
Amount Changed	$ 203.6	$ 260.3	$ 238.9	$ 215.5

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. Fiscal accountability reports were submitted by OPM and OFA on November 15, 2018. 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 that 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.

Both reports estimated revenue growth in the General Fund exceeding expenditures for Fiscal Year 2019 resulting in a projected surplus of $254.9 million by OPM and $278.6 million by OFA. Beyond Fiscal Year 2019, the OPM report projected year-over-year revenue growth vs. fixed cost growth as follows:

Year-Over-Year Revenue Growth vs. Fixed Cost Growth
(In Millions)

	Fiscal Year 2020 vs. Fiscal Year 2019	Fiscal Year 2021 vs. Fiscal Year 2020	Fiscal Year 2022 vs. Fiscal Year 2021
Revenue Growth	$ (1,446.2)	$ 214.8	$(127.9)
Total Fixed Cost Growth	$ 620.0	$ 568.5	$ 551.9
Difference	**$ (2,066.2)**	**$(353.7)**	**$(679.8)**

The OFA report projected Total Fixed Cost Growth in line with OPM's estimates and further indicated that non-fixed cost expenditures would require reductions of $1,560.6 million, $449.2 million and $724.6 million, respectively in Fiscal Years 2020, 2021 and 2022 in order to comply with CGS Section 2-36b that requires a balanced budget.

The OPM report indicated the State's expenditure cap would allow growth in capped expenditure of approximately 1.8% in Fiscal Year 2019 over Fiscal Year 2018, 3.1% in Fiscal Year 2020 over Fiscal Year 2019, 2.9% in Fiscal Year 2021 over Fiscal Year 2020 and 3.0% in Fiscal Year 2022 over Fiscal Year 2021.

The OPM report estimated the balance in the Budget Reserve Fund as follows:

Budget Reserve Fund Forecast
(In Millions)

Fiscal Year	Beginning Balance	Volatility Cap Transfer	Revenue Cap Transfer	Surplus	Fund Limit Transfer[a]	Balance[b]	% of Net General Fund Appropriations
2019	$1,185.3	$ 648.0	$ -0-	$254.9	$ -0-	$2,088.2	11.8%
2020	2,088.2	278.1	89.1	-0-	-0-	2,455.4	13.7%
2021	2,455.4	263.3	135.3	-0-	(194.4)	2,659.6	15.0%
2022	2,659.6	244.3	179.1	-0-	(350.5)	2,732.5	15.0%
Totals		**$1,433.7**	**$403.5**	**$254.9**	**$(544.9)**		

(a) Estimates the Budget Reserve Fund cap (15% of the net General Fund appropriations) will be reached in Fiscal Year 2021 resulting statutory transfer of excess to State Employees' Retirement System/Teachers' Retirement System.

(b) The OFA report estimated Budget Reserve Fund balances of $2,111.9 million, $2,390.0 million, $2,653.3 million and $2,897.6 million for Fiscal Years 2019, 2020, 2021 and 2022, respectively.

The OPM report further discussed the long-term liabilities facing the State that total approximately $81.1 billion, up 0.6% from Fiscal Year 2017's reported amount of $80.6 billion. The table below details the components of these long-term liabilities:

Long-Term Obligations
(In Billions)

Bonded Indebtedness – As of 8/31/18	$25.5
State Employee Pensions – Unfunded as of 6/30/18	21.2
Teachers' Pension – Unfunded as of 6/30/18	13.2
State Employee Post-Retirement Health and Life – Unfunded as of 6/30/17	17.4
Teachers' Post-Retirement Health and Life – Unfunded as of 6/30/16	3.0
Cumulative GAAP Deficit – As of 6/30/18	0.8
Total	**$81.1**

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 between $1.9 billion to $2.1 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.

Adopted Biennium Budget for Fiscal Years 2018 and 2019

The General Assembly ended the 2017 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.

In November 2017 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 million in Fiscal Year 2018 and $18,790.6 million in Fiscal Year 2019. 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, among other actions, which in the aggregate 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. The elimination of a $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

Pursuant to the Comptroller's audited statutory based financial report provided on November 30, 2018, as of June 30, 2018, General Fund revenues were $18,198.6 million, General Fund expenditures and net miscellaneous adjustments and reservations (including net appropriations continued and estimated lapses) were $18,681.5 million and the General Fund deficit for Fiscal Year 2018 was $482.9 million. A transfer from the Budget Reserve Fund to the General Fund eliminated the shortfall. After such transfer and other statutory transfers to and from the Budget Reserve Fund, the balance in the Budget Reserve Fund is $1,185.3 million, which is equal to approximately 6.2% of the net General Fund budgeted appropriations for Fiscal Year 2019.

Midterm Budget Revisions for Fiscal Year 2019

Per CGS Section 4-71, 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 projections of expenditures and revenues and proposed midterm budget revisions for Fiscal Year 2019. The Governor's Budget Proposal adjusted 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 and growth of 0.9% over Fiscal Year 2018 appropriations.

Instead of adopting the Governor's proposed midterm budget adjustments, the General Assembly passed and the Governor signed into law, Public Act No. 18-81, which made midterm budget revisions for Fiscal Year 2019, along with additional legislation to implement the budget and policy changes reflected in the budget. Based upon the most recent consensus revenue estimate at the time issued on April 30, 2018 by OPM and OFA and adjusted for policy changes contained in the budget, revenues were anticipated to be $19,008.7 million, expenditures were anticipated to be $18,998.2 million, and the revised budget was estimated to result in a General Fund surplus of $10.5 million for Fiscal Year 2019, which is approximately $0.5 million below the expenditure cap.

The revised Fiscal Year 2019 budget included policy changes that are projected to result in approximately $50.2 million in reduced revenue from the consensus revenue forecast. The more significant changes include:

- Accelerating the car sales tax diversion to the Special Transportation Fund
- Imposing a new revenue neutral pass through entity tax with a corresponding personal income tax credit
- Reducing the energy conservation and load management transfer to the General Fund
- Restoring eligibility for the Medicaid savings program

The revised budget represents an increase in appropriations of approximately $207.6 million compared to the originally adopted budget for Fiscal Year 2019. The more significant changes include:

- Restoring eligibility for Medicare Savings Program
- Funding cost of living adjustments for various private providers
- Increasing funding for municipal aid

The midterm budget adjustments related to bond authorizations passed by the General Assembly and signed by the Governor included an increase of $182.0 million in general obligation bond authorizations to take effect in Fiscal Year 2019 and cancelled $406.3 million in existing authorizations. The midterm budget adjustments are reflected in **Appendix II-E**.

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" that 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 any or all of the recommendations. As of February 20, 2019 no formal action has been taken on this. However, the Governor's budget proposal does address some elements of the commission's recommendations such as: increasing the minimum wage in steps; reforming the Teachers' Retirement System; and eliminating certain sales tax exemptions.

Fiscal Year 2019 Operations

By statute, the State's fiscal position is reported on or before the first day of each month by the Comptroller. Pursuant to CGS Section 4-66, 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 2019 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 25, 2019

OPM and Comptroller Estimates Fiscal Year 2019
(in Millions)

	OPM's Report			Comptroller's Report		
Period Ending[(a)]	**Revenues**	**Expenditures**[(b)]	**Surplus/ (deficit)**	**Revenues**[(c)]	**Expenditures**[(b)(c)]	**Surplus/ (deficit)** [(c)]
November 30, 2018	$19,275.9	$19,033.5	$242.4	$19,275.9	$19,033.5	$242.4
December 31, 2018	19,473.0	19,011.1	461.9	19,473.0	19,020.4	452.6
January 31, 2019	19,473.0	18,956.9	516.1	19,473.0	18,966.2	506.8
February 28, 2019	19,473.0	18,976.6	496.4	19,473.0	18,987.5	485.5
March 31, 2019	19,576.7	19,010.1	566.6	N/A[(d)]	N/A[(d)]	N/A[(d)]

(a) Estimates reflect projections for Fiscal Year 2019 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.
(d) Estimates are expected May 1, 2019 and not yet available.

In the April 22, 2019 letter of OPM, the Secretary of OPM indicated that OPM anticipates releasing an updated forecast on April 30, 2019, after the issuance of the consensus revenue estimates required under CGS Section 2-36c, which will contain more complete information regarding personal income tax collections and associated refunds. She further noted that the projected revenues were up $103.7 million from the prior month with the largest change being in the withholding component of the personal income tax, which was projected to be up $100.0 million from the prior month. Under current estimates, OPM is estimating a volatility transfer of $848 million, resulting in a Budget Reserve Fund balance of $2.6 billion. The Secretary of OPM further noted that the State's new pass-through entity tax also was performing beyond current estimates and was being revised upward by $400 million, partially offset by a $200 million reduction in the estimates and finals portion of the personal income tax as more revenue than originally budgeted is attributable to pass-through type entities. In the prior letter of OPM dated March 20, 2019, the Secretary of OPM indicated that while the projection of the estimates and finals portion of the personal income tax remained unchanged from the prior month, collections were lagging their targets and if taxpayer behavior shifted as a result of federal tax law changes, the impact may not be evident until the April 30, 2019 consensus estimate. In his April 1, 2019 letter, the Comptroller noted his revenue projection for the estimated payments portion of the income tax remains $100 million lower than the consensus revenue forecast and OPM's March 20th letter, which would reduce the anticipated volatility transfer to the Budget Reserve Fund. If the Comptroller's projections are realized, a $548.0 million volatility transfer would be made to the Budget Reserve Fund resulting in a Budget Reserve Fund balance of just over $2.2 billion, or approximately 11.7% of General Fund expenditures. In addition, the Comptroller noted that due to significant federal tax changes and state level changes in response thereto, this year's cycle is more difficult to predict and current projections could change dramatically when the next consensus revenue forecast is released on April 30th.

OPM's estimate for the Fiscal Year 2019 operations of the General Fund (as of the period ending January 31, 2019) has been outlined in **Appendix II-E**. It should be noted that the Governor's proposed budget for the 2020-2021 biennium includes an appropriation of $380.9 million of the Fiscal Year 2019 surplus to fund the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund (the "TRF Bonds SCRF"), a special capital reserve fund for the benefit of the holders of the State's $2,276.6 million pension obligation bonds and refunding bonds of such bonds (the "TRF Bonds") issued to fund a $2.0 billion deposit to the Teachers' Retirement Fund. The TRF Bonds SCRF is to be established to provide adequate provision by law for the protection of the holders of the TRF Bonds, permitting the State to re-amortize the unfunded liabilities of the Teachers' Retirement Fund and providing for the full funding of the actuarial determined employer contribution to the retirement fund in a manner consistent with the pledge to the holders of the TRF Bonds. In conjunction with the re-amortization, the Governor is also recommending lowering the investment return assumption from 8.0% to 6.9%.

On March 25, 2019, OFA projected a surplus in the General Fund of $513.7 million for Fiscal Year 2019.

The next monthly report of OPM is expected on May 20, 2019 and the next monthly report of the Comptroller is expected on May 1, 2019. 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 2019 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 2019 operations of the General Fund.

Governor's Recommended Budget for Fiscal Years 2020 and 2021

On February 20, 2019, the Governor presented to the General Assembly his proposed budget for Fiscal Years 2020 and 2021. General Fund available revenues are proposed to be $19,268.2 million for Fiscal Year 2020 and $19,887.0 million for Fiscal Year 2021. Proposed General Fund appropriations total $19,259.3 million for Fiscal Year 2020 and $19,866.9 million for Fiscal Year 2021, resulting in proposed surpluses of $8.9 million in the first year of the biennium and $20.2 million in the second year of the biennium. This represents a growth of 1.6% and 3.2% in each year of the biennium, respectively.

Revenues

The Governor's budget proposal includes $1,281.5 million in revenue enhancements in Fiscal Year 2020 and $1,760.4 million in Fiscal Year 2021. As a result of the revenue cap, only $1,275.1 million in Fiscal Year 2020 and $1,747.2 million in Fiscal Year 2021 is available for the budget appropriations. The significant revenue changes include:

- Expansion of the Sales and Use Tax to include various services and eliminate specific exemptions
- Maintenance of the hospital user fee and supplemental payments at Fiscal Year 2019 levels
- Elimination of the planned increases in exemptions for social security income, pension and annuity income, and elimination of the $500 STEM college credit and a permanent cap of the teachers' pension exemption at 25%
- Addition of a 10 cent fee on all disposable plastic bags and a 1.5 cent per ounce tax on sugar-sweetened beverages

Expenditures

The Governor's proposed budget assumes $269.2 million in expenditure reductions from the baseline (Fiscal Year 2019 appropriations plus growth in fixed costs and entitlements) in Fiscal Year 2020 and $481.1 million in expenditure reductions in Fiscal Year 2021 resulting from:

- Reduction of debt service by limiting debt issuance of general obligation bonds (excluding UCONN) at $1.6 billion per fiscal year

- Institution of new additional employee healthcare savings and modification of the cost of living adjustment formula for future retirees
- Reduction of teachers' pension costs by re-amortizing the unfunded liability over a new 30-year period. See **PENSION AND RETIREMENT SYSTEMS – PENSION VIABILITY AND SUSTAINABILITY PROPOSALS AND STUDIES – Governor's Proposed Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund**
- Sustaining non-educational municipal aid at Fiscal Year 2019 levels

The Governor's budget proposal would be $0.9 million below the expenditure cap for Fiscal Year 2020 and $73.2 million below the expenditure cap for Fiscal Year 2021.

Bond Authorizations

The Governor's proposed budget also includes several bonding authorizations, including:

- ***General Obligation*** **–** a net increase in general obligation bond authorizations totaling $944.1 million in Fiscal Year 2020 and $976.5 million in Fiscal Year 2021
- ***Clean Water Fund --*** $84.0 million in additional clean water revenue bond authorizations in Fiscal Year 2021
- ***Special Transportation Obligation --*** $776.6 million in new special transportation obligation bond authorizations in Fiscal Year 2020 and $782.4 million in Fiscal Year 2021
- ***University of Connecticut --*** $197.2 million in general obligation bond authorizations for the University of Connecticut in Fiscal Year 2020 and $260.0 million in Fiscal Year 2021
- ***Connecticut State Colleges and Universities --*** $80.0 million in general obligation bond authorizations for the Connecticut State Colleges and Universities in Fiscal Year 2020 and $46.0 million in Fiscal Year 2021
- ***Bioscience Collaboration and Innovation Funds --*** $35.6 million in general obligation bond authorizations for bioscience collaboration and innovation in Fiscal Year 2020 and $35.6 million in Fiscal Year 2021
- ***Strategic Defense Investment Act --*** $9.1 million in general obligation bonds in Fiscal Year 2020 and $9.4 million in Fiscal Year 2021

Deliberations on the Governor's budget recommendations are expected to continue throughout the legislative session with a scheduled adjournment date of June 5, 2019.

See **Appendix II-E** for more information regarding the Governor's Proposed Budget for Fiscal Years 2020 and 2021.

In addition to the proposed budget for the Fiscal Year 2020-2021 biennium, the Governor also presented a three year budget report for Fiscal Years 2022, 2023 and 2024. The report indicated out-year projected revenues, expenditures and balances in the General Fund as follows:

Three Year Budget Report
(In Millions)

Fiscal Year	2022	2023	2024
Available Revenues[a]	$ 20,192.5	$ 20,624.2	$ 20,970.7
Expenditures	20,576.7	21,378.3	21,961.2
Surplus / (Deficit) [b]	$ (384.2)	$ (754.1)	$ (990.5)

(a) Total revenues less the revenue cap deduction.

(b) Article 3 Section 18 of the State Constitution requires a balanced budget.

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 (statutory) basis for the Fiscal Years 2014 through 2018 are set forth in **Appendix II-D**.

TABLE 2

General Fund
Summary of Operating Results — Budgetary (Statutory) Basis[a]
(In Millions)

Fiscal Year	2014	2015	2016	2017	2018
Total General Fund Revenues[b]	$ 17,608.1	$17,282.0	$17,780.8	$17,703.0	$18,198.5
Net Appropriations/Expenditures[c]	17,359.6	17,395.2	17,951.2	17,725.7	18,681.4
Operating Surplus/(Deficit)	$ 248.5[d]	$ (113.2)[e]	$ (170.4)[f]	$ (22.7)[g]	$ (482.9)[h]

(a) Fiscal Years 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) In accordance with State statute and accounting procedures, this amount was transferred to the Budget Reserve Fund.

(e) The Fiscal Year 2015 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

(f) The Fiscal Year 2016 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

(g) The Fiscal Year 2017 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

(h) The Fiscal Year 2018 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 (statutory) basis to the GAAP basis of accounting for the last five fiscal years. Audited GAAP based financial statements for Fiscal Year 2018 are included in **Appendix II-C**.

TABLE 3

General Fund
Summary of Operating Results — Budgetary (Statutory) Basis[(a)] vs. GAAP Basis
(In Millions)

Fiscal Year	2014	2015	2016	2017	2018
Statutory Basis Operating Surplus/ (Deficit) [(a)]	$ 656.8	$ (113.2)	$ (170.4)	$ (22.7)	$ (482.9)
Volatility Deposit Budget Reserve Fund	--	--	--	--	1,471.3
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables..............................	(29.5)	147.7	(139.0)	(24.4)	515.5
Other Receivables	44.6	44.0	112.5	161.8	41.9
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	(110.2)	(213.7)	(275.5)	19.8	3.9
Salaries and Fringe Benefits Payable	12.0	8.7	16.6	22.8	22.0
Increase (decrease) in Continuing Appropriations..	(26.5)	(21.0)	31.6	(36.3)	74.1
GAAP Based Operating Surplus/(Deficit)	$ 547.2	$ (147.5)	$ (424.2)	$ 121.0	$1,645.8

(a) Fiscal Years 2014-2018 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 (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 (Statutory) Basis[(a)]
(In Millions)

Fiscal Year	2014	2015	2016	2017	2018
Operating Surplus/(Deficit)	$ 248.5	$ (113.2)	$(170.4)	$ (22.7)	$ (482.9)
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund...............................	248.5	0.0	0.0	0.0	0.0
Transfers from Budget Reserve Fund..........................	--	113.2	170.4	22.7	482.9
Reserve for Subsequent Fiscal Year Operations[(b)]........	--	--	--	--	--
Total Transfers/Reserves	$ 0.0[(c)]	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Unreserved Fund Balance Surplus/(deficit)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0

(a) Fiscal Years 2014-2018 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 (statutory) basis to the GAAP basis of accounting for the last five fiscal years.

TABLE 5

General Fund
Unreserved Fund Balance — Budgetary (Statutory) Basis[(a)] vs. GAAP Basis
(In Millions)

Fiscal Year	2014	2015	2016	2017	2018
Unreserved Fund Balance (Deficit)					
Statutory Basis[(a)]	$ 0.0	$ 0.0	$ 116.1	$ 116.1	$ 116.1
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(437.0)	(475.0)	(447.1)	(387.5)	(425.0)
Eliminate Corporation Accrual	(7.8)	(19.3)	(18.5)	(39.6)	(17.7)
Additional Taxes Receivable	4.4	1.9	4.3	5.1	2.8
Net Increase (Decrease) Taxes	(440.4)	(492.4)	(461.3)	(422.0)	(439.9)
Net Accounts Receivable	326.8	398.1	388.0	449.5	448.7
Federal and Other Grants Receivable[(b)]	37.5	185.6	46.2	21.9	537.3
Due From Other Funds	39.2	48.7	46.4	43.7	45.0
GAAP Conversion Bonds	598.5	--	--	--	--
Total Additional Assets	$ 561.6	$ 140.0	$ 19.3	$ 93.1	$ 591.1
Additional Liabilities					
Salaries and Fringe Payable	65.5	(74.2)	90.8	113.6	135.6
Accounts Payable—Department of Social Services	(1.9)[(c)]	(31.2)	(42.9)	(11.4)	(9.9)
Accounts Payable—Trade & Other	(538.5)	(432.3)	(728.6)	(681.1)	(706.2)
Payable to Federal Government	(202.9)	(304.7)	(360.8)	(357.7)	(288.7)
Due to Other Funds	(81.0)	(90.8)	(92.8)	(93.7)	(79.1)
Total Additional Liabilities	$ (758.8)	$ (933.2)	$(1,134.3)	$(1,030.3)	(948.3)
Statutory Requirement – Change in Accounting Method	(529.9)	--	--	--	--
Unreserved Fund Balance (Deficit)					
GAAP Basis	$ (727.1)	$ (793.2)	$ (998.9)	$ (821.1)	$ (241.1)

(a) Fiscal Years 2014-2018 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	**2014**	**2015**	**2016**	**2017**	**2018**
Reserved:					
Budget Reserve	$ 519.2	$ 406.0	$ 235.6	$ 212.9	$ 1,201.4
Future Budget Years	30.5	81.2	--	-	-
Loans & Advances to Other Funds	34.7	36.5	38.1	40.3	43.6
Inventories	15.7	14.6	14.4	13.3	12.8
Continuing Appropriations	85.9	65.0	96.6	60.2	134.3
Total	$ 686.0	$ 603.3	$ 384.7	$ 326.7	$ 1, 392.1
Unreserved:	(727.2)	(793.2)	(998.9)	(821.1)	(241.1)
Total Fund Balance	$ (41.2)	$ (189.9)	$ (614.2)	$ (494.4)	$ 1,151.0

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. Legislation was passed to expand the program to allow incentives to be bundled in this manner for up to 20 companies by June 30, 2019. Several companies including Cigna, ESPN, NBC Sports, Bridgewater Associates, Henkel Corporation, AQR Capital Management and Infosys have agreed to participate in this program, pledging to create over 5,600 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.

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 that in concert with the bioscience initiative above, will 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 that 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 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 100 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 $300,000 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 100 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 20, 2019 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019

The following information supplements information contained within this STATE DEBT section:

On April 11, 2019 the State issued $750,000,000 General Obligation Bonds (2019 Series A) maturing in varying amounts between April 15, 2020 and April 15, 2039 and bearing interest at rates ranging from 3.00% per annum to 5.00% per annum and $250,000,000 Taxable General Obligation Bonds (2019 Series A) maturing in the amount of $25,000,000 each year between April 15, 2020 and April 15, 2029 and bearing interest at rates ranging from 2.921% per annum to 3.50% per annum to finance various projects and purposes.

On May 8, 2019 the University of Connecticut expects to issue $174,785,000 General Obligation Bonds, 2019 Series A maturing in varying amounts between November 1, 2019 and November 1, 2038 and bearing interest at rates ranging from 3.00% per annum to 5.00% per annum and $64,680,000 General Obligation Bonds, 2019 Refunding Series A maturing in varying amounts between November 1, 2019 and November 1, 2028 and bearing interest at 5.00% per annum, which are secured by the State's debt service commitment.

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. Whenever any general statute or public or special act, authorizes special tax obligation bonds or general obligations bonds of the State to be used for any purpose, such general statute or public or special act shall be deemed to have authorized such bonds to be issued as either special tax obligation bonds or general obligation bonds; provided in no event shall the total of the principal amount of special tax obligation bonds and general obligation bonds issued pursuant to the authority of any general statute or public or special act exceed the amount authorized thereunder. For purposes of presentation of authorized amounts included in the various tables and discussion herein, they are being included in the category in which they were originally authorized. 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. CGS Section 3-21 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. Credit revenue bonds shall be considered as payable from General Fund tax receipts of the State for purposes of the debt limit. 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, (xi) any indebtedness issued for the purpose of covering emergency needs in times of natural disaster and (xii) any indebtedness authorized for transportation projects up to $500 million pursuant to Section 41 of Public Act No. 18-178. In addition, on and after July 1, 2018, the Treasurer may not issue general obligation bonds or notes pursuant to the Act or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate $1.9 billion in any fiscal year, excluding bonds issued for the Connecticut State Colleges and Universities 2020 Program (CSCU 2020) as defined in CGS Section 10a-91c (3) and UConn 2000 as defined in CGS Section 10a-109c (25), refunding bonds, revenue anticipation bonds, and up to $500 million in bonds for general obligation transportation projects. The $1.9 billion limit is subject to prescribed inflationary adjustments commencing July 1, 2019. Further, the Governor shall not approve allotment requisitions that would result in the issuance of general obligation bonds or notes pursuant to the Act or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate $1.9 billion in any fiscal year, subject to certain exclusions, 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 (see **Table 7**, footnote (a)). 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 under CGS Section 3-21. See ***Types of Direct General Obligation Debt — UConn 2000 Financing Program***.

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 2019 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 1, 2019, are described in the following table.

TABLE 7

Statutory Debt Limit
As of February 1, 2019

Total General Fund Tax Receipts	$15,862,300,000	
Multiplier	1.6	
Debt Limit		$25,379,680,000
Outstanding Debt[(a)]	$14,154,720,214	
Guaranteed Debt[(b)]	$ 2,151,795,000	
Authorized Debt[(c)]	$ 5,627,867,662	
Total Subject to Debt Limit		$21,934,382,876
Aggregate Net Debt		$21,934,382,876
Debt Incurring Margin		$ 3,445,297,124

(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) **Table 7** reflects only guarantees for certain outstanding debt of Southeastern Connecticut Water Authority, UConn 2000 Bonds, and Municipal Contract Assistance secured by the State's debt service commitment. See also **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt**.

(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 2019.

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 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 and the exclusion of up to $500 million for transportation projects authorized pursuant to Section 41 of Public Act No. 18-178.

Bond Covenant. Pursuant to subsection (aa) of CGS Section 3-20, 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 through June 20, 2023) that no public act or special act of the general assembly taking effect on or after May 15, 2018, and prior to July 1, 2023, shall alter the obligation of the State to comply with the provisions of (i) CGS Section 4-30a (funding of the Budget Reserve Fund and permissible expenditures therefrom), (ii) CGS Section 2-33c in effect on October 31, 2017 (the cap on General Fund and Special Transportation fund aggregate appropriations), (iii) CGS Section 2-33a (cap on spending), (iv) subsections (d) and (g) of Section 3-20 (limitation of $2.0 billion on the authorization of bonds by the State Bond Commission in any calendar year), and (v) CGS Section 3-21 (the debt limit, including the limitation on the issuance by the State of general obligation bonds pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j to $1.9 billion in each fiscal year subject to certain exclusions and inflation adjustments, and the requirement that the Governor control spending allotments to ensure compliance with such limitation). Alterations are permissible (i) if and when adequate provision is made by law for the protection of the holders of the 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.

During the 2018 Regular Session and prior to the issuance of any bonds containing the covenant, the General Assembly enacted three statutes amending the statutory provisions referenced above.

Section 7 of Public Act No. 18-49, effective May 31, 2018, amended CGS Section 4-30a by expanding the source of revenues that are to be deposited in the Budget Reserve Fund to include a new business entity tax. Section 8 of Public Act No. 18-49, effective May 15, 2018, amended subsection (aa) of CGS Section 3-20 to incorporate such change.

Section 20 of Public Act No. 18-81, effective May 15, 2018, provided that the amount to be deposited in the Budget Reserve Fund pursuant to CGS Section 4-30a shall be adjusted annually by the compound annual growth rate of personal income in the State over the preceding five calendar years, and that the threshold amount of the deposit to the Budget Reserve Fund may be amended by a super majority vote of each house of the General Assembly due to changes in state or federal tax law or policy, or significant adjustments to economic growth or tax collections.

Section 16 of Public Act No. 18-178, effective July 1, 2018, amended CGS Section 3-21(f)(1)(B) to provide that when calculating the $1.9 billion fiscal year limitation on the issuance of general obligation bonds pursuant to Section 3-20 or credit revenue bonds pursuant to Section 3-20j, there shall be excluded refunding bonds, revenue anticipation notes, and up to $500 million in bonds for transportation projects authorized during calendar years 2018 and 2019 in addition to bonds issued as part of the State's CSCU 2020 program and UConn 2000 program.

Because these amendments were in different acts with different effective dates, the Treasurer of the State requested guidance from the Attorney General of the State in the application and calculation of these provisions to the covenant. In the opinion of the Attorney General, all of the foregoing changes are given effect in the covenant. In reliance on this opinion, the Treasurer calculates the $1.9 billion general obligation and credit revenue bond issuance limit by applying the exclusions referred to above. The Attorney General further concluded that the legislature intended that the covenant requires that during the time the covenant is in effect, no further changes by the legislature are permitted. An opinion of the Attorney General is not binding upon a court and no assurance can be given that a court would come to the same conclusion in a case properly brought by a bondholder entitled to the benefit of the covenant.

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. 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 3 times. As of February 20, 2019, no credit revenue bonds have been issued and the State has no current plans to issue such bonds.

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. $2,367.5 million (reflecting the accreted value) of such bonds are outstanding as of February 1, 2019. 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 1, 2019, $3,634.6 million of such debt secured by the State's debt service commitment had been issued (including refunding bonds), of which $1,635.1 million remain outstanding, with a remaining authorization of $202.4 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**. The University issued a solicitation of interest seeking proposals for a public private partnership for John Dempsey Hospital and the UConn Medical Group. The response period closed on December 4, 2018 and the University presently is evaluating responses received.

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 1, 2019, $52.7 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 1, 2019, the entire $50 million had been issued, of which $36.0 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 is authorized from time to time to issue notes to fund budget deficits of the State. Currently, no such authorization is in place.

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 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 1, 2019

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 1, 2019
(In Thousands)

General Obligation Bonds	$14,007,964
Pension Obligation Bonds	2,367,505
UConn 2000 Bonds	1,635,125
Other [b]	256,706
Long Term General Obligation Debt Total	$18,267,300
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	$18,267,300
Net Direct General Obligation Debt	$18,267,300

(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 or Municipal Contract Assistance secured by the State's debt service commitment. 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	2014	2015	2016	2017	2018
Gross Direct Debt[a]	$15,819,826	$16,879,336	$17,704,949	$18,534,494	$18,576,070
Ratio of Debt to Personal Income[b]	6.59%	6.86%	7.10%	7.19%	7.21%
Ratio of Debt to Estimated Full Value of Equalized Grand List[c]	3.06%	3.17%	3.27%	3.42%	3.38%
Per Capita Debt[d]	$4,401	$4,704	$4,947	$5,186	$5,199

(a) In thousands. Includes gross direct general obligation bonded indebtedness outstanding 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: 2014 — $239.9 billion, 2015 — $246.0 billion; 2016 — 249.5 billion; and 2017 — 257.7 billion. The 2018 ratio uses 2017 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2012 – $517.2 billion; 2013 – $532.3 billion; 2014 – $541.1 billion; 2015 – $541.7 billion; and 2016 – $549.2 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2014 ratio uses 2012 data; 2015 ratio uses 2013 data; 2016 ratio uses 2014 data; 2017 ratio uses 2015 data; and 2018 ratio uses 2016 data.

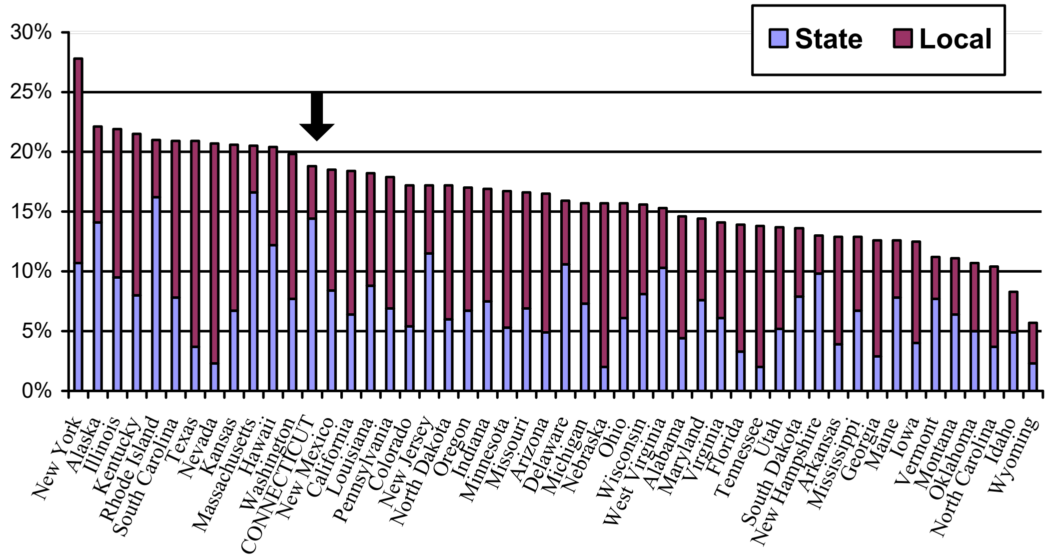
(d) See **Appendix II-B, Table B-1**. State population in thousands: 2014 — 3,595; 2015 — 3,588; 2016 — 3,579; 2017 — 3,574; and 2018 — 3,573.

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 38th 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 sixth lowest ratio of per capita local debt to per capita personal income and third 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, 2017 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, 2016 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 2017.

(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 1, 2019. 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 1, 2019

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b)(c)]	Total Debt Service
2019	$ 737,903,182	$ 383,628,105	$ 1,121,531,287
2020	1,431,970,614	786,943,388	2,218,914,002
2021	1,410,486,206	726,326,671	2,136,812,877
2022	1,372,959,111	715,522,945	2,088,482,056
2023	1,407,861,122	666,467,662	2,074,328,784
2024	1,302,574,066	631,272,267	1,933,846,333
2025	1,250,292,437	575,805,531	1,826,097,967
2026	1,221,420,000	434,389,381	1,655,809,381
2027	1,174,265,000	375,916,381	1,550,181,381
2028	1,123,900,000	318,213,701	1,442,113,701
2029	1,013,565,000	264,475,673	1,278,040,673
2030	974,790,000	212,913,251	1,187,703,251
2031-2038	3,685,875,000	480,134,420	4,166,009,420
Totals	$ 18,107,861,738	$ 6,572,009,376	$ 24,679,871,114

(a) Includes long-term general obligation debt as outlined in Table 8. The future principal payments ($18,107,861,738), plus accreted interest ($159,438,126), total the amount of such long-term debt ($18,267,299,864) 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 2022 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	75,000,000	25,000,000	2019	3.50
2012	212,400,000	70,800,000	2019-2020	3.50
2012	219,865,000	25,000,000	2019-2024	3.50
2013	244,570,000	144,570,000	2019-2025	3.50
2013	115,000,000	40,000,000	2019-2020	3.50
2014	47,000,000	36,000,000	2019-2023	3.50
2015	200,000,000	158,310,000	2019-2024	3.50
2015	180,745,000	64,525,000	2019-2022	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	$2,349,445,000	$1,329,070,000		

* 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 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
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
2018	18,576,070

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 1, 2019, 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.

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of February 1, 2019
(In Thousands)

	State Direct Debt[(a)]	Pension Obligation Bonds[(b)]	UCONN 2000[(c)]	Tax Increment[(d)]	Total
Bond Acts in Effect	$40,031,205	$2,276,578	$3,151,852	$74,750	$45,534,386
Amount Authorized[(e)]	37,987,071	2,276,578	3,151,852	74,750	43,490,252
Amount Issued	34,604,278	2,276,578	2,949,452	68,040	39,898,348
Authorized but Unissued	3,382,793	0	202,400	6,710	3,591,903
Available for Authorization	2,044,134	0	0	0	2,044,134

(a) Includes CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds and GAAP Deficit Bonds. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds 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 new money 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 Commission, since there is no statutory amount of authorization.

(e) The amount authorized reflects amounts allocated by the 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[b]
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	1,800.0
Reductions	(206.9)	0.0	(140.5)	(474.6)	(10.8)	(22.3)	(12.0)	(27.8)	(272.5)	(985.7)	(263.3)	(406.3)
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	1,393.7

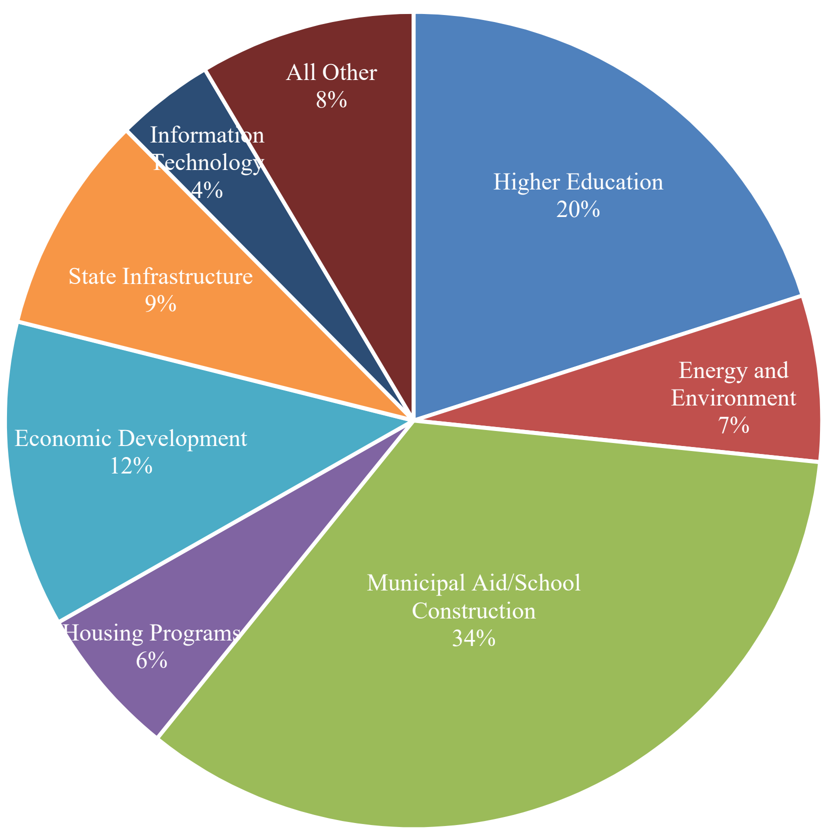
(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Does not include GAAP Deficit Bonds authorized in Fiscal Year 2014 in an aggregate principal amount sufficient to generate net proceeds of not more than $598.5 million. Includes 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**.

(b) Pursuant to Public Act No. 18-178 effective July 1, 2018.

SOURCE: State Treasurer's Office; Office of Policy and Management

TABLE 14

General Obligation Bond Allocations for Fiscal Years 2014 – 2018



SOURCE: Office of Policy and Management

OTHER FUNDS, DEBT AND LIABILITIES

The information in this section contains information through February 20, 2019 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019

The following information supplements information contained within this OTHER FUNDS, DEBT AND LIABILITIES section:

The Connecticut Health and Educational Facilities Authority expects to issue approximately $89,305,000 Connecticut State University System Revenue Bonds on or about May 10, 2019 which bonds will be secured by a State supported SCRF.

The Connecticut Higher Education Supplemental Loan Authority expects to issue approximately $30,760,000 of State Supported Revenue Bonds on or about May 22, 2019 which bonds will be secured by a State supported SCRF.

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 $41.2 billion. The State's share of such cost, estimated at $20.7 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 $0.9 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 $19.8 billion, of which approximately $14.7 billion has been financed through Fiscal Year 2018.

During Fiscal Years 1985-2019, $35.0 billion of the total transportation infrastructure program was approved by the appropriate governmental authorities. The remaining $6.2 billion of such infrastructure costs required for Fiscal Years 2020-2022 is anticipated to be funded with the proceeds of $4.1 billion of future special tax obligation bonds, $2.0 billion in anticipated federal funds, and $99.0 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 1, 2019
(In Millions)

	New Money	Refundings[a]	Total
Bond Acts in Effect	$17,650.6	N/A	$17,650.6
Amount Authorized[b]	16,141.2	N/A	16,141.2
Amount Issued	12,270.2	$4,327.0	16,597.2
Authorized but Unissued	3,871.0	N/A	3,871.0
Available for Authorization	1,509.4	N/A	1,509.4
Amount Outstanding	5,252.8	704.8	5,957.6

(a) Refunding Bonds do not require legislative approval.
(b) The Amount Authorized reflects amounts allocated by the Commission.

SOURCE: State Treasurer's Office

In 2015, then 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 such 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" that 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, at a referendum held November 6, 2018, the electors approved an amendment to the Constitution of the State "to ensure (1) that all moneys contained in the Special Transportation Fund shall be used solely for transportation purposes, including debts of the state incurred for transportation purposes, and (2) that sources of funds deposited in the Special Transportation Fund be deposited in said fund so long as such sources are authorized by statute to be collected or received by the state."

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 1, 2019, there were $102.1 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 1, 2019, $22.3 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 $3,884.1 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 1, 2019, $883.8 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 ("SCRF"). A SCRF, if established, provides additional security for certain 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 that 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 Capital Region Development Authority; the Connecticut Airport Authority; the Connecticut Green Bank; the Connecticut Health and Educational Facilities Authority; the Connecticut Higher Education Supplemental Loan Authority; the Connecticut Housing Finance Authority; Connecticut Innovations, Incorporated; the Connecticut Port Authority; and the Materials Innovation and Recycling Authority may borrow money or issue bonds or notes that are guaranteed or otherwise supported 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 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.

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.

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.

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, Incorporated ("CI"). CI is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 1, 2019, $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 $396,665.

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 1, 2019, 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.

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.

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.

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 1, 2019, the University has outstanding $233.4 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 deficits of such municipalities; 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. See, also discussion under **STATE DEBT – State Direct General Obligation Debt –** ***Municipal Contract Assistance***.

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 1, 2019
(In Millions)

Indebtedness Secured by SCRF	Authorized Debt	Outstanding Debt	Minimum SCRF Requirement
Capital Region Development Authority	$ (a)	$ 78.0[b]	$ N.A.
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Green Bank	100.0	12.06	1.23
Connecticut Health and Educational Facilities Authority			
Connecticut State University System	(a)	299.7	32.2
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	147.6	19.0
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	4,215.7	308.4
Special Needs Housing Mortgage Finance Program	(a)	65.5	5.2
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	15.0	0.76[b]	N.A.
University of Connecticut	(a)	0.0[b]	N.A.

(a) No statutory limit.
(b) Debt is secured by a non SCRF State guarantee.

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. The obligation by the State Treasurer to pay such debt service is subject to annual appropriation. As of February 1, 2019, CHEFA had approximately $48.6 million in Child Care Facilities Bonds outstanding under this program, with annual debt service of approximately $4.83 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 $61.7 million was outstanding as of February 1, 2019. In August 2018, CRDA issued $16.365 million in refunding bonds backed by the State's contract assistance agreement. The State's aggregate 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 portion of the costs of construction and alteration of school buildings. 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. The State pays 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 $149 million that take effect in Fiscal Year 2019. It is anticipated that in future years new authorizations will be approximately $300 million per year. As of June 30, 2018, the Commissioner of Administrative Services estimates that current grant obligations for school construction projects are approximately $2,300 million.

The legislature has authorized the issuance of State bonds for the school construction grant program 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, 2018 the current and long-term liabilities of the Corporation total $284 million.

PENSION AND RETIREMENT SYSTEMS

The information in this section contains information through February 20, 2019 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 $34.3 billion and the UAAL of the other major post-employment benefits systems aggregate approximately $20.8 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 each plan. Like other similar plans, each plan began with "pay-as-you-go" funding, whereby 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 determined 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, 2018, the remaining period as of that date to reach full funding would have been approximately 22.8 years for the State Employees' Retirement Fund and approximately 19.0 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.

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 that 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 exceptions. 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 that 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.

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 that 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 19.0 years (as of June 30, 2018) 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 22.8 years (as of June 30, 2018). 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 that, 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.

Pension Reporting Pursuant to GASB Statement Nos. 67 and 68

Beginning with Fiscal Year 2014, the State began reporting pensions in accordance with GASB Statement No. 67 ("GASB 67"), and GASB Statement No. 68 ("GASB 68"), which prescribe certain methods for comparability and other purposes. GASB 67 and GASB 68 supersede GASB Statement No. 25 and GASB Statement No. 27, respectively. 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.

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.

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.

OPEB Reporting Pursuant to GASB Statement Nos. 74 and 75

In June 2015, GASB released new accounting standards for public sector plans providing post-employment benefits other than pensions ("OPEB") and sponsoring employees, including GASB Statement No. 74 ("GASB 74"), effective for Fiscal Year 2017, and GASB Statement No. 75 ("GASB 75"), effective for Fiscal Year 2018. GASB 74 and GASB 75 supersede GASB Statement No. 43 and GASB Statement No. 45, respectively. Generally, the changes made by GASB 74 and GASB 75 to OPEB plan reporting substantially parallel the changes made by GASB 67 and GASB 68 to pension plan reporting. The State is in the process of preparing to implement the new GASB statements, and anticipates timely implementation.

GASB 74 requires a determination of the Total OPEB Liability ("TOL") for a plan using the Entry Age Normal actuarial funding method. The Net OPEB Liability ("NOL") is then set equal to the TOL 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 SEIR, which is determined in the same manner as provided by GASB 67 for pension plans.

GASB 75 requires, among other things, that OPEB Expense ("OE") be calculated and a proportionate share of NOL and OE be recognized in the employer's financial reporting. OE is calculated in a manner similar to the manner provided by GASB 68 for the calculation of TOL for pension plans. OE should not be considered a proxy for funding or contribution levels.

PENSION VIABILITY AND SUSTAINABILITY PROPOSALS AND STUDIES

Recently, various State officials have considered 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. Various proposals have been made and studies have been undertaken with regard to alternate funding models, some of which are described below.

Governor's Proposed Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund

The Governor's proposed budget for the 2020-2021 biennium includes the establishment of the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund ("TRF Bonds SCRF"), a special capital reserve fund for the benefit of the holders of the State's $2,276.6 million pension obligation bonds ("TRF Bonds") issued in April 2008 to fund a $2.0 billion deposit to the Teachers' Retirement Fund. The TRF Bonds SCRF is to be established to provide adequate provision by law for the protection of the holders of the TRF Bonds, permitting the State to reamortize of unfunded liabilities of the Teachers' Retirement Fund and provide for the full funding of the actuarial determined employer contribution to the Fund in a manner consistent with its pledge to the holders of the TRF Bonds, as that pledge is described below under ***Pension Obligation Bonds***. The Attorney General of the State has advised that the proposal satisfies the requirements of the applicable covenants contained in the TRF Bonds.

The TRF Bonds SCRF would be pledged to and used solely for the payment of the principal of and interest on, or the redemption or purchase of, the TRF Bonds. In the event the State has not otherwise timely made available moneys to pay principal or interest due on the TRF Bonds, the Treasurer shall direct the trustee of the TRF Bonds SCRF to transfer from the fund to the paying agent for the bonds the amount necessary to timely pay such principal or interest then due.

The TRF Bonds SCRF would be funded at an amount not less than the maximum amount of principal and interest becoming due on the currently outstanding TRF Bonds, and any bonds refunding the TRF Bonds then outstanding, by reason of maturity or a required sinking fund installment in any succeeding fiscal year ("Required Minimum Capital Reserve"). The TRF Bonds SCRF would initially be funded by a deposit of $380.9 million of General Fund resources. When the amount on deposit in the TRF Bonds SCRF is less than the Required Minimum Capital Reserve, funds of the Connecticut Lottery Corporation that exceed the current needs of the Corporation for the payment of prizes, the payment of current operating expenses and funding of approved reserves of the Corporation are to be deposited in the TRF Bonds SCRF, rather than the General Fund, until the amount on deposit in the TRF Bonds SCRF equals the Required Minimum Capital Reserve.

If, following the adoption of a State budget for the 2020-2021 biennium, the Teacher's Retirement Board reduces the return assumption for the TRF from 8.0% to 6.9% and adopts a credited interest percentage for member accounts of not more than 4% per annum, the TRF Bonds SCRF will be funded as described above and various changes would be made to the funding of the Teachers' Retirement Fund, including:

- The method of amortization of unfunded liabilities of the Teachers' Retirement Fund would transition over a five year phase in period beginning in Fiscal Year 2020 from the current level per cent of expected member annual salaries method to a level dollar amortization method.
- The unfunded liability as of June 30, 2018 would be separately amortized over a closed period of thirty years and future actuarial gains and losses would be amortized over separate closed periods of twenty-five years, beginning the year each separate base is established. Currently the unfunded liability is being amortized over a period of forty years, that commenced in Fiscal Year 1993.

The State projects that the proposed changes to the funding of the Teachers' Retirement Fund could reduce its actuarially determined employer contributions by approximately $183.4 million and $189.4 million in Fiscal Year 2020 and Fiscal Year 2021, respectively.

The Governor's proposed budget is subject to the approval of the General Assembly and there is no assurance the General Assembly will adopt this proposal.

Connecticut Pension Sustainability Commission

The 2017 Budget Act for Fiscal Years 2018 and 2019 established a Connecticut Pension Sustainability Commission (the "CPS 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 CPS 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 CPS 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 CPS Commission shall submit a report on its findings and recommendations to the Finance, Revenue and Bonding Committee of the General Assembly. The CPS Commission shall terminate on the date that it submits its report or January 1, 2019, whichever is later. To date, the CPS Commission has not finalized its report and continues to meet periodically. The chair of the CPSC has requested a 2-month extension from legislative leadership so that a final report may be completed.

Teachers' Retirement System Viability Commission

The 2017 Budget Act for Fiscal Years 2018 and 2019 also established a Teachers' Retirement System Viability Commission (the "TRSV 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 TRSV 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 TRSV 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 TRSV Commission shall terminate not later than one year after the date it submits such report. In developing the plan, the TRSV 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 does not include the State's ability to raise revenue through new or increased taxes.

On March 19, 2018 the TRSV Commission released its report regarding the development and implementation of a plan to maintain the financial viability of the TRS. In the report the TRSV Commission, among other matters, analyzed the viability of three alternate models of funding the TRS (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 TRS 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, discussed below, 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 TRS 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 Teachers' Retirement Fund to at least 70.0% and would permit a change to the 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 TRSV 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 below.

The TRSV 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 TRSV Commission's report

The State has not made any determinations as to whether or not any of the scenarios are fiscally viable or are permitted by State statute or otherwise.

STATE EMPLOYEES' RETIREMENT FUND

SERS is one of the systems maintained by the State with approximately (i) 49,153 active members, consisting of 33,462 vested members and 15,691 non-vested members, (ii) 1,281 deferred vested members, and (iii) 50,441 retired members and beneficiaries as of June 30, 2018.

Payments into the State Employee's Retirement Fund ("SERF") 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.

By statute full actuarial valuations are required to be performed as of June 30th of each even-numbered year. The State intends to perform annual actuarial valuations commencing with the valuation as of June 30, 2019. 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 health care 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 health care plan design and premium cost sharing arrangement for current employees
- Conversion to a Medicare Advantage health care 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 health care 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 State Employees' Retirement Commission ("SER Commission") received on January 19, 2017 from Cavanaugh Macdonald Consulting, LLC, the actuaries for the SERF, an actuarial valuation as of June 30, 2016 that 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 that 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 that 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.

November 2018 Actuarial Valuation and Fiscal Year 2020 and Estimated Fiscal Year 2021 Employer Contribution Requirements

The SER Commission received on November 12, 2018 from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2018 which was approved by the SER Commission on November 15, 2018. The November 2018 actuarial valuation reported the following results as of June 30, 2018 with respect to the SERF:

November 2018 Actuarial Valuation as of June 30, 2018	
Market Value of Assets	$12,452.8 million
Actuarial Value of Assets	12,991.2 million
Actuarial Accrued Liability	34,214.2 million
UAAL	21,222.9 million
Funded Ratio (based on the actuarial value of assets)	38.0%
Funded Ratio (based on the market value of assets)	36.4%

The November 2018 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
- Level dollar amortization method being phased in over a five year period

- A 2.1% payroll growth assumption. The payroll growth assumption was originally set at 3.5% in the actuarial valuation as of June 30, 2016. In accordance with the phase in to a level dollar amortization method over a five year period, the payroll growth assumption will be reduced by 0.7% each year for the next three years until the phase in to the level dollar amortization method is complete in the actuarial valuation as of June 30, 2021
- Following Fiscal Year 2019, projected salary increases of 3.5% to 19.5% (including inflation at 3.50%)
- For Fiscal Years 2017 through 2019, 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 January 2017 actuarial valuation assumption
- COLA of 1.95% to 3.25%
- A COLA moratorium for employees retiring on or after July 1, 2022 for the first 30 months of retirement, and that the partial COLA available during the COLA moratorium period to take into account a potential environment where CPI is greater than 5.5% will result in the first COLA being 0.15% higher
- Social security wage base increase of 3.5%
- 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 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 22.8 years

The November 2018 actuarial valuation determined the ADEC requirement for Fiscal Year 2020, and the annual contribution rate as a percentage of payroll, based on a covered payroll as of June 30, 2018 of $3,428.1 million, as follows:

Annual Employer Contributions for:		
	Amount (in millions)	Percent of Payroll
Employer Normal Cost	$235.4	6.9%
Amortization of Net Unfunded Actuarial Accrued liabilities (amortized over 22.8 years)	1,538.0	44.9%
Total Employer Contribution Requirement	$1,773.4	51.7%[(a)]

(a) Does not total due to rounding.

The November 2018 actuarial valuation provides an estimate of the ADEC requirement, and breaks out the normal cost component and the UAAL amortization component, for Fiscal Year 2021 as follows. The estimate was generated using standard roll forward techniques from November 2018 actuarial valuation, assuming the market value of assets will earn 6.90%, payroll will increase as set forth in SEBAC 2017, and the active member population will remain static. The actual ADEC requirement for Fiscal Year 2021 will be determined in the actuarial valuation as of June 30, 2019.

Annual Employer Contributions for:		
	Amount (in millions)	Percent of Payroll
Employer Normal Cost	$218.2	6.4%
Amortization of Net Unfunded Actuarial Accrued liabilities	1,678.5	49.0%
Total Employer Contribution Requirement	$1,896.7	55.3%[(a)]

(a) Does not total due to rounding.

The State biennial budget for Fiscal Year 2020 and Fiscal Year 2021 has not yet been adopted.

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, June 30, 2016 and June 20, 2018, and interim "roll forward" valuations as of 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 SERF Fund as of the end of the interim year.

TABLE 17
State Employees' Retirement Fund
(In Millions)

	2014	2015	2016	2017	2018
General Fund Contributions	$ 916.0	$ 970.9	$ 1,096.8	$ 1,124.7	$ 1,051.3
Transportation Fund Contributions	108.3	130.1	122.1	129.2	116.4
Federal and other Reimbursements	244.5	270.6	282.8	288.4	275.3
Employee Contributions	144.8	187.3	134.9	132.6	194.0
Total Contributions	$ 1,413.6	$ 1,558.9	$ 1,636.6	$ 1,674.9	$ 1,637.0
Benefits Paid[(a)]	$ 1,563.0	$ 1,653.6	$ 1,729.1	$ 1,845.3	$ 1,952.4
Investment Income/Net Gains (Losses)	$ 1,447.1	$ 370.2[(b)]	$ (0.3)[(b)]	$ 1,509.7[(b)]	$ 875.6[(b)]
Actuarially Determined Employer Contribution	$ 1,268.9	$ 1,379.2	$ 1,514.5	$ 1,569.1	$ 1,443.1
Percentage of Actuarially Determined Employer Contribution Made	100.0%	99.5%	99.2%	98.3%	100.1%
Actuarial Accrued Liabilities	$25,505.6	$26,255.5	$32,310.3[(c)]	$33,077.6	$34,214.2
Actuarial Values of Assets	$10,584.8	$11,375.8	$11,923.0	$12,593.8	$12,991.2
Unfunded Accrued Liabilities	$14,920.8	$14,879.7	$20,387.4[(d)]	$20,483.9[(d)]	$21,222.9[(d)]
Market Value of Assets	$10,472.6[(e)]	$10,668.4[(f)]	$10,636.7[(g)]	$11,929.2[(h)]	$12,452.8[(i)]
Funded Ratio (actuarial value)	41.5%	43.3%	36.9%	38.1%	38.0%
Funded Ratio (market value)	41.1%	40.6%	32.9%	36.1%	36.4%
Ratio of Actuarial Value of Assets to Market Value of Assets	101.1%	106.6%	112.1%	105.6%	104.3%

(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 Actuarial Valuation. This amount includes $6,198,255 of receivables.

(f) As reported in Roll Forward Actuarial Valuation. This amount includes $6,158,929 of receivables.

(g) As reported in Actuarial Valuation. This amount includes $15,989,968 of receivables.

(h) As reported in Roll Forward Valuation. This amount includes $14,976,110 of receivables.

(i) As reported in Actuarial Valuation. This amount includes $11,401,980 of receivables.

The November 2018 actuarial valuation breaks out the normal cost component and the amortization component associated with the several tiers of employees as determined by the valuation for Fiscal Year 2020 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	4	58.8	16.8	$ 56,361	15.06%
Tier I-Plan B	691	61.5	35.3	5,860,453	8.42
Tier I-Plan C	36	61.3	31.3	82,367	2.39
Tier II-Hazardous	962	52.5	23.9	17,500,773	18.00
Tier II-Others	9,190	56.0	26.3	48,831,667	5.96
Tier IIA-Hazardous	5,903	45.6	14.5	69,123,154	14.17
Tier IIA-Others	15,049	50.1	13.9	51,201,949	4.79
Tier III-Hazardous	2,628	36.4	4.9	15,293,284	9.50
Tier III Hybrid	1,943	51.0	14.2	7,407,595	4.40
Tier III-Others	10,444	40.3	4.4	18,633,926	3.79
Tier IV-Hazardous	279	31.8	0.8	533,717	6.82
Tier IV Hybrid	298	42.6	1.0	198,843	2.10
Tier IV-Others	1,726	35.2	1.1	673,175	1.58
Total	49,153	47.4	13.7	$235,397,264	6.87%

(a) As of June 30, 2018.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2049

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 2049. 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 2018 actuarial valuation, including the phase-in to level dollar amortization by Fiscal Year 2023. 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 Millions)[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[b]	Total State and Employee Contribution
2020	2018	38.0%	$235.4	$1,538.0	$1,773.4	$152.4	$1,925.8
2021	2019	38.7	206.9	1,699.7	1,906.6	157.5	2,064.1
2022	2020	39.8	202.6	1,855.3	2,057.9	162.7	2,220.6
2023	2021	41.2	198.4	2,005.0	2,203.4	168.6	2,372.0
2024	2022	43.0	192.0	2,026.3	2,218.3	175.1	2,393.4
2025	2023	45.2	188.6	2,030.8	2,219.4	181.6	2,401.0
2026	2024	47.5	186.3	2,033.5	2,219.8	188.2	2,408.0
2027	2025	49.8	183.4	2,035.0	2,218.4	195.2	2,413.6
2028	2026	52.1	180.2	2,035.5	2,215.7	202.3	2,418.0
2029	2027	54.5	177.3	2,035.0	2,212.3	210.0	2,422.3
2030	2028	56.9	174.2	2,033.6	2,207.8	218.1	2,425.9
2031	2029	59.4	171.9	2,031.1	2,203.0	226.7	2,429.7
2032	2030	62.0	170.0	2,027.7	2,197.7	235.5	2,433.2
2033	2031	64.8	169.2	1,539.4	1,708.6	245.1	1,953.7
2034	2032	67.6	168.5	1,493.6	1,662.1	255.0	1,917.1
2035	2033	69.4	169.1	1,486.4	1,655.5	265.0	1,920.5
2036	2034	71.2	170.3	1,480.0	1,650.3	275.4	1,925.7
2037	2035	73.1	171.2	1,473.9	1,645.1	286.1	1,931.2
2038	2036	75.1	172.4	1,467.8	1,640.2	297.3	1,937.5
2039	2037	77.2	173.9	1,461.5	1,635.4	308.9	1,944.3
2040	2038	79.4	175.7	1,454.9	1,630.6	321.0	1,951.6
2041	2039	81.9	177.7	1,448.0	1,625.7	333.5	1,959.2
2042	2040	84.5	179.8	1,440.9	1,620.7	346.7	1,967.4
2043	2041	87.2	182.1	1,433.4	1,615.5	360.3	1,975.8
2044	2042	90.2	184.8	1,425.8	1,610.6	374.5	1,985.1
2045	2043	93.4	187.7	1,368.7	1,556.4	388.8	1,945.2
2046	2044	96.9	190.7	1,327.6	1,518.3	403.4	1,921.7
2047	2045	100.4	193.6	1,292.3	1,485.9	418.2	1,904.1
2048	2046	104.0	196.2	0.0	196.2	433.3	629.5
2049	2047	107.8	198.5	0.0	198.5	448.5	647.0

(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.

(b) Does not include any Alternate Retirement Plan transfers.

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the SERS, which requires employee contributions. As of July 1, 2018 approximately 1.5% 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, 2018, approximately 20.6% 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, 2018, approximately 42.6% 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 Tier III Hybrid Plan. As of July 1, 2018, approximately 26.6% of the total work force was covered under the Tier III Plan and approximately 4.0% of the total work force was covered under the Tier III 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. SEBAC 2017 provides for two new retirement plans for State employees first hired on and after July 1, 2017, Tier IV 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 Tier IV Hybrid Plan. As of July 1, 2018, approximately 4.1% of the total work force was covered under the Tier IV Plan and approximately 0.6% of the total work force was covered under the Tier IV Hybrid Plan. 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, Tier III Hybrid, or Tier III Plan member in fiscal year ending June 30, 2018 was approximately \$39,355, \$32,215, \$16,583, \$36,109 and \$24,655, respectively. As of June 30, 2018, there were no retired Tier IV or Tier IV Hybrid members. The SERS 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 6.5% 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 $833.34 per 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 6.5% 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
Tier III - 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)]
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
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
Tier IV-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
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

(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 SERS 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
On or after July 1, 2022	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	None	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

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2018 and dated December 24, 2018 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 November 2018 actuarial valuation. This report reported the following results as of June 30, 2018 with respect to the SERF in accordance with GASB 67:

December 2018 GASB 67 Report as of June 30, 2018	
Total Pension Liability	$34,214.2 million
Fiduciary Net Position	12,527.5 million
Net Pension Liability	21,686.6 million
Ratio of Fiduciary Net Position to Total Pension Liability	36.62%

The GASB 67 report used a discount rate of 6.90%, which was the rate used in the November 2018 actuarial valuation as of June 30, 2018, 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 $18,188.7 million or increase the NPL to $25,878.8 million, respectively.

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2018 and dated January 31, 2019 containing information to assist the SER Commission in meeting the requirements of GASB 68. This draft report indicates a Pension Expense of $2,689.7 million for the fiscal year ending June 30, 2018.

The audited financial statements for Fiscal Year 2018 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 November 15, 2017 GASB 67 and January 30, 2018 GASB 68 reports. As those reports were prepared as of June 30, 2017 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, the November 2017 Roll Forward actuarial valuation or the November 2018 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, 2018, there were 104,695 active and former employees and beneficiaries, consisting of (i) 50,692 active members, (ii) 2,147 inactive vested members, (iii) 12,591 inactive non-vested members, (iv) 1,704 annuity reserve members, (v) 37,260 retired members and beneficiaries, and (vi) 301 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.

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 2016 Actuarial Valuation and Fiscal Years 2018 and 2019 Employer Contribution Requirements

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC, the actuaries for the TRF, 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%

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 Teachers' Retirement Board as a result of the experience study dated October 29, 2015 prepared by Cavanaugh Macdonald Consulting, LLC for the five-year period ending June 30, 2015. Notable among the revised assumptions was the reduction of the earnings rate assumption from 8.5% to 8.0%.

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.

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 rate 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 Teachers’ Retirement Board 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 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.

November 2018 Actuarial Valuation and Fiscal Year 2020 and Estimated Fiscal Year 2021 Employer Contribution Requirements

The Teachers’ Retirement Board received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2018 dated November 7, 2018. The November 2018 actuarial valuation reported the following results as of June 30, 2018 with respect to the TRF:

November 2018 Actuarial Valuation as of June 30, 2018	
Market Value of Assets	$17,946.8 million
Actuarial Value of Assets	17,951.8 million
Actuarial Accrued Liability	31,110.9 million
UAAL	13,159.1 million
Funded Ratio (based on the actuarial value of assets)	57.7%
Funded Ratio (based on the market value of assets)	57.7%

The November 2018 actuarial valuation was based upon the following assumptions and methodologies, 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%)
- 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 2017 is 16.6 years

These November 2018 actuarial valuation assumptions and methodologies are unchanged from those used in the prior valuation.

The November 2018 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions: (i) $1,392.2 million for Fiscal Year 2020; and (ii) $1,437.4 million for Fiscal Year 2021, resulting in an annual employer contribution rate of 32.04% of payroll. As of the June 30, 2018 actuarial valuation, the employer contribution requirement is set as though TRS members only contributed 6% of pay rather than the 7% of pay required on and after January 1, 2018 under the plan.

The State biennial budget for Fiscal Year 2020 and Fiscal Year 2021 has not yet been adopted.

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, June 30, 2016 and June 30, 2018.

TABLE 22

Teachers' Retirement Fund[(a)]
(In Millions)

	2014	2015	2016	2017	2018
General Fund Contributions.................	$ 948.5	$ 984.1	$ 975.5	$ 1,012.2	$1,271.0
Employee Contributions[(b)]..............	275.5	279.0	290.5	297.3	313.4
Total Contributions	$ 1,224.0	$ 1,263.1	$ 1,266.0	$ 1,309.5	$1,584.4
Benefits Paid[(c)]	$ 1,714.4	$ 1,773.4	$ 1,842.9	$ 1,889.2	$1,994.1
Investment Income/Net Gains (Losses)............................	$ 2,250.8	$ 569.1[(d)]	$ (18.8)[(d)]	$2,199.6[(d)]	$1,224.0[(d)]
Actuarially Determined Employer Contribution...	$ 948.5	$ 984.1	$ 975.5	$ 1,012.2	$1,271.0
Percentage of Actuarially Determined Employer Contribution Made	100.0%	100.0%	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	$26,349.2	N/A	$29,860.3	N/A	$31,110.9
Actuarial Values of Assets	$15,546.5	N/A	$16,712.3	N/A	$17,951.8
Unfunded Accrued Liabilities	$10,802.7	N/A	$13,148.0	N/A	$13,159.1
Market Value of Assets.....	$16,220.9[(e)]	$16,110.4	$15,584.6[(e)]	$17,126.8[(e)]	$17,946.8 [(e)]
Funded Ratio (actuarial value).............	59.0%	N/A	55.97%	N/A	57.70%
Funded Ratio (market value)	61.6%	N/A	52.19%	N/A	57.70%
Ratio of Actuarial Value of Assets to Market Value of Assets	96.0%	N/A	107.2%	N/A	100.0%

(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 ($668,924 during Fiscal Year 2014, $668,924 during Fiscal Year 2015, $510,391 during Fiscal Year 2016, $495,853 during Fiscal Year 2017 and $938,426 during Fiscal Year 2018). 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 ($18,241,716 during Fiscal Year 2014, $50,328,762 during Fiscal Year 2015, $46,125,368 during Fiscal Year 2016, $73,284,402 during Fiscal Year 2017 and $57,061,929 during Fiscal Year 2018).

(d) Adjusted to comply with GASB 72.

(e) Figure derived from actuarial valuation.

Pension Obligation Bonds

In April 2008 the State issued $2,276.6 million general obligation bonds ("TRF Bonds") 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.

Section 8 of Public Act No. 07-186, which authorized the TRF Bonds, 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 CGS Section 4-85 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.

As more fully discussed above under the ***Governor's Proposed Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund***, the Governor's proposed budget for the 2020-2021 biennium includes the establishment of the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund to provide adequate provision by law for the protection of the holders of the TRF Bonds, permitting the State to reamortize of unfunded liabilities of the TRF and provide for the full funding of the actuarial determined employer contribution to the Fund in a manner consistent with its pledge to the holders of the TRF Bonds.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2049

The consulting actuary for the TRF prepared a baseline open group model of future funded ratios and annual contribution requirements for the TRF through Fiscal Year 2049. The modeling presented in Table 22a 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 2018 actuarial valuation. The modeling does not reflect the proposed changes to the funding period and assumptions for the TRF as discussed above under ***Governor's Proposed Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund***. 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 Millions)

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
2020	2018	$13,159.1	57.7%	$197.3	$1,194.9	$1,392.2	$4,075.9
2021	2019	13,168.6	58.7%	203.7	1,233.7	1,437.4	4,167.4
2022	2020	12,723.9	61.0%	205.2	1,273.7	1,478.9	4,267.6
2023	2021	12,436.0	62.8%	209.3	1,320.0	1,529.3	4,373.1
2024	2022	12,045.4	64.7%	213.7	1,609.0	1,822.7	4,483.6
2025	2023	11,573.9	66.9%	218,1	1,659.1	1,877.2	4,597.9
2026	2024	10,761.9	69.8%	223.3	1,756.3	1,979.6	4,717.0
2027	2025	9,745.3	73.3%	228.6	1,810.5	2,039.1	4,839.8
2028	2026	8,589.8	76.9%	233.5	1,856.6	2,090.0	4,966.1
2029	2027	7,292.5	80.8%	239.5	1,899.6	2,139.2	5,095.3
2030	2028	5,845.3	84.9%	2452	1,939.8	2,185.0	5,226.9
2031	2029	4,239.1	89.3%	251.5	1,970.5	2,222.0	5,361.6
2032	2030	2,471.0	93.9%	257.9	1,969.5	2,227.5	5,499.0
2033	2031	561.0	98.6%	264.5	128.2	392.7	5,639.0
2034	2032	410.2	99.0%	271.2	128.0	399.2	5,781.9
2035	2033	246.0	99.4%	278.7	127.6	406.2	5,928.2
2036	2034	67.5	99.8%	286.4	127.0	413.4	6,078.8
2037	2035	(126.4)	100.3%	294.4	126.3	420.7	6,233.2
2038	2036	(336.9)	100.7%	303.2	125.5	428.8	6,392.3
2039	2037	(565.1)	101.2%	311.8	(36.1)	275.8	6,558.4
2040	2038	(645.5)	101.3%	321.5	(42.4)	279.0	6,730.8
2041	2039	(727.7)	101.5%	331.6	(49.1)	282.4	6,911.5
2042	2040	(811.5)	101.6%	341.2	(56.2)	285.1	7,097.6
2043	2041	(896.8)	101.8%	352.0	(63.6)	288.4	7,289.1
2044	2042	(983.3)	101.9%	363.2	(71.4)	291.8	7,488.6
2045	2043	(1,070.9)	102.0%	374.1	(79.7)	294.4	7,694.7
2046	2044	(1,159.2)	102.1%	385.3	(88.3)	297.0	7,909.4
2047	2045	(1,248.0)	102.2%	397.2	(97.4)	299.7	8,134.2
2048	2046	(1,336.9)	102.3%	409.5	(107.0)	302.4	8,367.7
2049	2047	(1,425.6)	102.4%	421.3	(117.1)	304.2	8,610.0

(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 TRS 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 CGS Section 10-183z, 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, 2018 was approximately $53,451.

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 TRS 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

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2018 and dated February 4, 2019 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 2018 actuarial valuation as of June 30, 2018. This report reported the following results as of June 30, 2018 with respect to the TRF in accordance with GASB 67:

February 2019 GASB 67 Report as of June 30, 2018	
Total Pension Liability	$31,110.9 million
Fiduciary Net Position	17,946.8 million
Net Pension Liability	13,164.1 million
Ratio of Fiduciary Net Position to Total Pension Liability	57.7 %

The GASB 67 report used a discount rate of 8.00%, which was the rate used in the November 2018 actuarial valuation as of June 30, 2018, 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 $10,227.1 million or increase the NPL to $16,637.0 million, respectively.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2018 and dated February 7, 2019, containing supplemental information to assist the Teachers' Retirement Board in meeting the requirements of GASB 68. This report reported a collective Pension Expense of $1,477.4 million for the fiscal year ending June 30, 2019, respectively.

The audited financial statements for Fiscal Year 2018 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 and April 25, 2018 GASB 68 reports. As those reports were prepared as of June 30, 2017 based on data, assumptions and results of the November 2016 actuarial valuation, they do not reflect data, assumptions and results of the June 2017 revised actuarial valuation, the November 2017 revised actuarial valuation or the November 2018 actuarial valuation.

STATE EMPLOYEES' RETIREMENT FUND/TEACHERS' RETIREMENT FUND SENSITIVITY AND STRESS TEST ANALYSES

The 2017 Budget Act for Fiscal Years 2018 and 2019 requires the Secretary of the Office of Policy and Management to develop and annually report to the Appropriations Committee of the General Assembly sensitivity and stress test analyses for SERS and TRF. The report is to include projections of benefit levels, pension costs, liabilities, and debt reduction under various economic and investment scenarios. The Secretary received from The Pew Charitable Trusts a report, dated November 13, 2018, to meet the legislative reporting requirement (the "2018 Pew Report").

The 2018 Pew Report and the accompanying "Proposed Legislative Stress Report for Connecticut Public Pensions" providing sensitivity analyses of the liability and normal costs for SERS and TRF, are based on the valuation results for SERS and TRF as of June 30, 2016. Both systems have had sensitivity analyses performed in accordance with GASB 68 based on the results of subsequent actuarial valuations, as discussed above. The return of 7.43% is based on the average of the discount rates between the SERS (6.9%) and TRF (8.0%) plans weighted by respective 2017 plan liabilities. Projections are based on a roll-forward model using publicly available actuarial data and assumptions.

The report employs a stress test simulation model that forecasts pension balance sheet, contribution, and cash flow metrics over a 30-year period, using both deterministic and stochastic methods. The report focuses on investment risk (the risk that investments deviate from expected performance), and contribution risk (the risk that contributions fall below the rate required to meet funding objectives).

The report uses two economic scenarios to examine the impact of investment risk on SERS and TRF: (i) a fixed 5% return scenario, under which a fixed 5% return is applied to the model for each year in the forecast period, providing estimates of pension costs to the State should long-term target returns not be met, and (ii) an asset shock scenario, incorporating an initial decline in the stock market of approximately 25% followed by three years of recovery with average annual investment returns of 12% and subsequent years' returns of 5%, modeling the impact of a recession on asset levels and pension costs.

The report uses two behavioral assumptions to examine the impact of contribution risk on SERS and TRF: (i) the State policy assumption, under which the State increases funding to offset losses based on written State policy, and (ii) the revenue constrained assumption, under which contributions are set at a fixed percentage of State revenue, modeling a situation where the State chooses to avoid limiting other State spending to allow for increased pension contributions. The revenue constrained contribution policy scenario projects employer contributions growing at the same rate as own source revenue instead of following the current contribution policy. Own source revenue is projected based on long-term forecasts of the State's gross state product ("GSP") growth, as estimated by Moody's Analytics, and the historical relationship in each state between GSP growth and growth in own source revenue.

The 2018 Pew Report findings include:

- The State budget is exposed to significant spikes in required pension contributions in scenarios where investment returns fall short of expectations. In a 5% investment return scenario, for example, the report estimates that total employer contributions required under State policy would increase from 13% of revenue currently to over 19% by 2028, and potentially reach $10 billion in 2030. This result is driven primarily by the funding requirements of TRF.
- SERS has minimal exposure to solvency risk or fiscal distress under an adverse recession scenario; however, TRF's risk of insolvency is not insignificant if required contributions are not met, but instead are kept constant as a share of the State budget. Recent changes to SERS' assumptions, contribution policy, and plan design protect the plan from insolvency despite a low funded rate of 36%. In contrast, TRF would face declining assets and potential insolvency in an asset shock scenario in which contributions only increased at the same rate as State revenue.
- Recent reforms to SERS demonstrate positive results in managing financial market volatility and mitigating investment risk. The new funding policy for SERS translates into a relatively stable level of required contributions under a range of scenarios. In addition, placing new state employees in a hybrid plan is projected to significantly mitigate risk of higher costs, with estimated savings of $1.0 billion to $2.5 billion over 30 years depending on investment performance.
- Low funded levels of SERS and TRF may result in persistently high pension expense for decades if investments underperform. While the State's current level of contributions helps to diminish the likelihood of fiscal distress as described above, a realistic and achievable plan to reach full funding will still be needed to lower the impact of pension costs on the State budget over time.

INVESTMENT OF PENSION FUNDS

Eleven investment funds serve as the investment medium for both SERF and TRF, as listed below along with the percentage allocation of holdings for the SERF and the TRF as of June 30, 2018 in each of these funds. See also **FINANCIAL PROCEDURES** herein.

TABLE 24

Pension Fund Investment Allocations
As of June 30, 2018

	State Employees' Retirement Fund	Teachers' Retirement Fund
Mutual Equity Fund	22.8%	23.2%
Developed Markets International Stock Fund	20.4	20.4
Emerging Markets International Stock Fund	8.3	8.4
Real Estate Fund	6.3	6.5
Core Fixed Income Fund	9.0	8.0
Inflation Linked Bond Fund	4.9	3.3
Emerging Markets Debt Fund	4.8	5.8
High Yield Debt Fund	5.1	5.4
Liquidity Investment Fund	3.8	5.2
Private Investment Fund	8.1	6.7
Alternative Investment Fund	6.5	7.1
	100.0%	100.0%

SOURCE: Combined Investment Funds 2018 Comprehensive Annual Financial Report.

Investment Returns

Annualized Net Returns on Investment Assets in Retirement Funds
Periods Ending June 30, 2018

	5 Year	10 Year	15 Year	20 Year	25 Year
SERF	7.89%	6.13%	7.27%	6.09%	7.53%
TRF	7.85%	6.20%	7.31%	6.17%	7.62%

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, 2018, there were approximately 446 active members of these plans and approximately 316 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, 2018, approximately 55,861 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

Category	Covered
Teachers	No
State employees under the SERF	Yes
State employees under other retirement systems hired after 2/21/1958	No
State police hired after 2/21/58 and before 5/8/1984	No
State police hired after 5/8/1984	Yes
Employees under the Connecticut Alternate Retirement Program hired after 7/12/1990	Yes
Employees under the Connecticut Alternate Retirement Program hired before 7/12/1990	Could elect

The amount expended by the State for Social Security coverage for fiscal year ending June 30, 2018 was $298.3 million. Of this amount, $202.3 million was paid from the General Fund and $15.1 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 $214.8 million for Social Security coverage for fiscal year ending June 30, 2019. Of this amount, $199.1 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, 2018, the fair market value of the net assets within the trust totaled $845.6 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. In an effort to control health care costs, the State has established a Health Care Cost Containment Committee, and has implemented or is investigating various structural changes to the SERS health care benefits plans, including but not limited to value-based contracts with prescribers, e-prescribing tools, and contracts with surgical centers of excellence.

August 2016 OPEB Report

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 Expense	$1,435.6 million (Fiscal Year 2016)	The Annual OPEB Expense adjusts the annual required contribution and contribution in relation to the annual required contribution. The Annual OPEB Expense 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 Expense, 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

2017 OPEB Reports

The State received from The Segal Group reports prepared as of June 30, 2017 and dated December 6, 2017 and January 5, 2018 ("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:

2017 OPEB Reports 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 Expense (Fiscal Year 2017)	$1,034.2 million

SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019

In Fiscal Year 2017, the State contributed $667.4 million, 64.0% of the Actuarially Determined Employer Contribution and 64.5% of the Annual OPEB Expense.

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 (In Millions)			
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 (In Millions)			
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

2018 OPEB GASB 75 Report

The State received from The Segal Group a report prepared as of June 30, 2018 and dated October 15, 2018 ("2018 OPEB GASB 75 Report") containing supplemental information to assist the State in meeting the requirements GASB 75 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 2018 OPEB GASB 75 Report indicated the following as of June 30, 2017:

2018 OPEB GASB 75 Report as of June 30, 2017	
Total OPEB Liability	$17,904.9 million
Fiduciary Net Position	$542.3 million
Net OPEB Liability ("NOL")	$17,362.6 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 Expense (Fiscal Year 2018)	$1,223.7 million

The NOL as of June 30, 2017 as reported in the 2018 OPEB GASB 75 Report for GASB 75 purposes differs from that reported in the 2017 OPEB Reports for GASB 74 purpose as the 2018 OPEB GASB 75 Report was based on a valuation as of June 30, 2016, whereas the 2017 OPEB reports were based on a valuation as of June 30, 2015.

The 2018 OPEB GASB 75 Report were based upon the same assumptions, methodologies and plan provisions as used in the 2017 OPEB Reports, other than the following, the net effect of which was to decrease the Net OPEB Liability by $510.8 million:

- The discount rate was updated in accordance with GASB 75 to 3.68% as of June 30, 2017 and 2.96% as of June 30, 2016 (originally the prior actuarial valuation used a discount rate of 5.70% calculated in accordance with GASB Statement No. 45), decreasing the OPEB liability by $1,947.3 million
- Various of the salary scales, total payroll growth rates, mortality rates, disability rates, turnover rates, and actives' retirement rates for SERS, the Alternative Retirement Program, the Hybrid Defined Benefit/Defined Contribution Plan, the Judges, Family Support Magistrates and Compensation Commissioners Retirement System, and the Probate Judges and Employees Retirement System were updated to match the most recent valuations and experience studies completed by the respective plan actuary increasing the OPEB liability by $2,190.6 million
- Per capita health costs, administrative expenses and retiree contributions were updated for recent experience, and future trends on such costs and contributions were adjusted, decreasing the OPEB liability by $754.0 million

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, as set out in the 2018 OPEB GASB 75 Report:

Net OPEB Liability Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Decrease	Current (Medical: 6.5% graded to 4.5% over 4 years; Prescription Drug: 8% graded to 4.5% over 7 years; Dental and Plan B: 4.5% Administrative Expense: 3.0%)	1% Increase
Net OPEB Liability (in millions)	$14,921.0	$17,362.6	$20,455.8

Net OPEB Liability Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (2.68%)	Current (3.68%)	1% Increase (4.68%)
Net OPEB Liability (in millions)	$20,152.7	$17,362.6	$15,101.9

2018 OPEB GASB 74 Report

The State received from The Segal Group a report prepared as of June 30, 2018 and dated February 4, 2019 ("2018 OPEB GASB 74 Report") containing supplemental information to assist the State in meeting the requirements 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 2018 OPEB GASB 74 Report indicated the following as of June 30, 2018:

2018 OPEB GASB 74 Report as of June 30, 2018	
Total OPEB Liability	$18,114.3 million
Fiduciary Net Position	$849.9 million
Net OPEB Liability ("NOL")	$17,264.4 million
Ratio of Fiduciary Net Position to Total OPEB Liability	4.69%
Actuarially Determined Employer Contribution (Fiscal Year 2018)	$1,157.1 million

The NOL as of June 30, 2017 as reported in the 2018 OPEB GASB Report for GASB 74 purposes differs from that reported in the 2017 OPEB Reports for GASB 74 purpose as the 2018 OPEB GASB 74 Report was based on a valuation as of June 30, 2016, whereas the 2017 OPEB Reports were based on a valuation as of June 30, 2015.

The 2018 OPEB GASB 74 Report was based upon the same assumptions, methodologies and plan provisions as used in the 2017 OPEB Reports, other than the following, the net effect of which was to increase the Total OPEB Liability by $742.3 million:

- The discount rate was updated in accordance with GASB 74 to from 3.74 % to 3.95% as of June 30, 2018, decreasing the OPEB liability by $532.3 million
- Various of the salary scales, total payroll growth rates, mortality rates, disability rates, turnover rates, and actives' retirement rates for SERS, the Alternative Retirement Program, the Hybrid Defined Benefit/Defined Contribution Plan, the Judges, Family Support Magistrates and Compensation Commissioners Retirement System, and the Probate Judges and Employees Retirement System were updated to match the most recent valuations and experience studies completed by the respective plan actuary, increasing the OPEB liability by $1,967.2 million
- Per capita health costs, administrative expenses and retiree contributions were updated for recent experience, and future trends on such costs and contributions were adjusted, decreasing the OPEB liability by $692.6 million

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, 2018 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, as set out in the 2018 OPEB GASB 74 Report:

Net OPEB Liability Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Decrease	Current (Medical: 6.5% graded to 4.5% over 4 years; Prescription Drug: 8.0% graded to 4.5% over 7 years; Dental and Plan B: 4.5%; Administrative Expense: 3.0%)	1% Increase
Net OPEB Liability (in millions)	$14,705.3	$17,264.4	$20,507.2

Net OPEB Liability Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (2.95%)	Current (3.95%)	1% Increase (4.95%)
Net OPEB Liability (in millions)	$20,025.4	$17,264.4	$15,022.3

In Fiscal Year 2018, the State contributed $801.9 million to the Plan, 69.3% of the Actuarially Determined Employer Contribution and 65.5% of the Annual OPEB Expense.

For Fiscal Years 2014 through 2018, the State paid $548.7 million, $598.6 million, $646.0 million, $706.5 million and $701.1 million, respectively, for retirees' health care costs. While not a part of post-employment costs, for Fiscal Years 2014 through 2018, the State paid $614.3 million, $635.1 million, $662.9 million, $644.7 million and $608.5 million, respectively, for General Fund eligible employees' health care costs. For the Fiscal Year 2019, the projected General Fund expenditure for retirees' health care costs is $699.1 million. For Fiscal Years 2017 and 2018, General Fund expenditures on life insurance benefits were $7.7 million and $7.9 million, respectively. For the Fiscal Year 2019, the projected General Fund expenditure on life insurance benefits is $8.2 million.

SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019

The State received from The Segal Group a report prepared as of June 30, 2018 and dated March 13, 2019 ("2019 OPEB GASB 75 Report") containing supplemental information to assist the State in meeting the requirements GASB 75 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. Much of the material provided in the report is based on the data, assumptions and results of the 2018 OPEB GASB 74 Report. The 2019 OPEB GASB 75 Report indicates an Annual OPEB Expense of $1,187.3 million for the fiscal year ending June 30, 2019.

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)

	2014	2015	2016	2017	2018
Retirees Eligible to Receive Benefits	48,844	50,356	51,350	52,916	53,572
Retirees Receiving Health Care Benefits	46,037	47,556	48,089	49,596	50,562
Retirees Receiving Life Insurance Benefits	28,580	29,164	30,064	29,431	29,845
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions)	$557.5[(a)]	$598.6[(b)]	$653.7[(c)]	$649.4[(d)]	$616.4[(e)]

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) The $616.4 million appropriated for Fiscal Year 2018 includes a combined appropriation of $7.9 million for active employees and retiree life insurance benefits. Of the $616.4 million appropriation, $608.5 million was expended on retiree health care benefits and $4.8 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 plan available to active teachers. 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. In addition, pursuant to Section 22 of Public Act No. 18-81, effective May 31, 2018, in September 2018 the State made a one-time transfer of $16.1 million from General Fund balances 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 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 health care cost increases, the State's flat funding of its contributions to the Fund at a level less than one-third of the Board's health benefit plan's cost, 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.

To address this concern, the Board implemented an Anthem Blue Cross Medicare Advantage PPO plan as the base plan, effective July 1, 2018. The Anthem plan replaces the existing Stirling Benefits Medicare/supplemental benefits plan as the base benefit program for the purposes of determining retiree health care plan subsidies and/or cost sharing amounts, with the Stirling Benefits plan continuing as an optional benefit plan. Members opting to remain in the Stirling Benefits plan are required to pay the full excess cost of the plan. The Teachers' Retirement Board also introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the July 1, 2018 effective date. 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. During the period commencing July 1, 1994 and prior to the July 1, 2018 effective date of the changes to the Board's health care plan described above, retiree health benefits sponsored through the Teachers' Retirement Board were self-insured.

November 2016 Actuarial Valuation

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC an actuarial report prepared as of June 30, 2016 and dated November 1, 2016 ("November 2016 TRHIF Report") 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 indicated the following as of June 30, 2016:

November 2016 Actuarial Valuation as of June 30, 2016	
Actuarial Accrued Liability	$2,997.5 million
Actuarial Value of Assets	$0.0 million
Unfunded Actuarial Liability	$2,997.5 million
Ratio of Actuarial Value of Assets to Unfunded Actuarial Liability	0.0%
Actuarially Determined Employer Contribution (Fiscal Year 2017)	$166.8 million
Annual Employer Contribution as a Percentage of Payroll	4.09%

The November 2016 TRHIF Report was based upon the following assumptions and methodologies, among others:

- An expected long-term rate of return on Plan assets of 4.25%
- Payroll growth rate of 3.25%
- An individual entry-age actuarial cost method
- Level percent-of-payroll contributions over a 30-year amortization period
- Projected salary increases of 3.25% to 6.5%

- Claims and contributions trend rates of 7.25% to 5.0%

November 2017 GASB 74 and GASB 75 Reports

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 TRHIF Report. This report reported the following results as of June 30, 2017 with respect to the TRHIF 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 (In Millions)			
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 (In Millions)			
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

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated November 27, 2018 containing supplemental information to assist the Board in meeting the requirements of GASB 75 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

TRHIF Report. The report indicates a collective OPEB Expense of $161.1 million for the fiscal year ending June 30, 2017.

February 2019 Valuation Report

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a, actuarial report prepared as of June 30, 2018 and dated February 15, 2019 ("February 2019 TRHIF Report") 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 also contained supplemental information to assist the Board in meeting the requirements of GASB 74 with respect to the Teachers' Retirement Health Insurance Fund. The report indicated the following as of June 30, 2018:

February 2019 Actuarial Valuation as of June 30, 2018	
Actuarial Accrued Liability	$3,093.8 million
Actuarial Value of Assets	$39.7 million
Unfunded Actuarial Liability	$3,054.1 million
Ratio of Actuarial Value of Assets to Unfunded Actuarial Liability	1.28%
Actuarially Determined Employer Contribution (Fiscal Year 2019)	$167.8 million
Actuarially Determined Employer Contribution (Fiscal Year 2020)	$173.3 million
Annual Employer Contribution as a Percentage of Payroll	4.187%
Total OPEB Liability	$2,671.3 million
Fiduciary Net Position	$39.7 million
Net OPEB Liability ("NOL")	$2,631.6 million
Ratio of Fiduciary Net Position to Total OPEB Liability	1.49 %

The February 2019 TRHIF Report was based upon the same assumptions, methodologies and plan provisions as used in the November 2016 TRHIF Report, other than the following, the aggregate effect of which changes included a reduction in the Plan's Total OPEB Liability and Service Cost (the normal cost under the Entry Age Normal actuarial cost method) measured as of June 30, 2018:

- The incorporation of the changes made to the Plan by the Teachers' Retirement Board, effective July 1, 2018
- A change in the expected long-term rate of return on Plan assets to from 4.25% as of June 30, 2017 to 3.0% as of June 30, 2018
- A change in the discount rate for Plan accounting purposes of 3.56% as of June 30, 2017 to 3.87% as of June 30, 2018
- Updates to the expected annual per capita claims costs to better reflect anticipated medical and prescription drug claim experience both before and after the Plan change that became effective on July 1, 2018
- Updates to the assumed age related annual percentage increases in expected annual per capita health care claim costs to better reflect the expected differences between the Medicare Supplement and Medicare Advantage Plan amounts as part of the plan change that became effective on July 1, 2018

- Updates to the long-term health care cost trend rates to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods
- Updates to the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a System-sponsored health care plan option in the future, to better reflect anticipated plan experience
- Updates to the percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options, as well as the portion who are expected to migrate to the Medicare Advantage Plan over the next several years, to better reflect anticipated plan experience after the plan change that became effective on July 1, 2018
- Updates to the post-disablement mortality table to extend the period of projected mortality improvements from 2017 to 2020 to better reflect anticipated post-disablement plan experience
- Updates to the percentages of deferred vested members who will become ineligible for future health care benefits because they are expected to withdraw their contributions from the System to better reflect anticipated plan experience

The February 2019 TRHIF Report also reported 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, 2018 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, as set forth in the following table:

Net OPEB Liability Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Decrease (4.95% / 4.00% Initial; 3.75% Ultimate)	Current (5.95% / 5.00% Initial; 4.75% Ultimate)	1% Increase (6.95% / 6.00% Initial; 5.75% Ultimate)
Net OPEB Liability (in millions)	$2,205.3	$2,631.6	$3,197.4

Net OPEB Liability Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (2.87%)	Current (3.87%)	1% Increase (4.87%)
Net OPEB Liability (in millions)	$3,124.8	$2,631.6	$2,237.9

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, the expenditures from the Fund, and the reported fund balance of the Fund as of June 30.

SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019

TABLE 26

Teachers' Retirement Health Insurance Fund
(In Thousands)

	Fiscal Year				
	2014	**2015**	**2016**	**2017**	**2018**
General Fund Contribution Attributable To Post Retirement Medicare Supplement Health Insurance	$ 20,793.6[(a)]	$ 19,698.1[(b)]	$ 14,566.8	$ 14,566.8	$ 14,554.5
General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy	5,198.9	5,447.3	5,392.8	5,355.1	4,644.7
Total General Fund Contributions	$ 25,992.5	$ 25,145.4	$ 19,959.6	$ 19,922.0	$ 19,199.2
Teacher Contributions (Active and Retired)	86,225.0	85,566.4	92,135.4	95,690.6	101,590.1
Investment Income	12,753.0	109.1	220.1	369.0	461.6
Total Receipts	$ 124,970.5	$ 110,820.9	$ 112,315.1	$ 115,981.6	$ 121,250.9
Fund Expenditures	($105,325.5)	($124,992.1)[(c)]	$(129,654.3)	$(133,159.6)	$(147,205.0)
Fund Balance as of June 30	$ 109,532.4[(c)]	$ 95,361.2	$ 78,022.0	$ 60,844.4	$ 34,890.3

(a) Includes correcting adjustment as to prior General Fund expenditures; does not reflect actual activity.
(b) A fifteen year audit of the fund 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.
(c) Includes correcting adjustment as to prior fund expenditures; does not reflect actual activity.

Additional Information

The audited financial statements for Fiscal Year 2018 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 information in this section contains information through February 20, 2019 except as may otherwise be set forth below.

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.

SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019

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. Discovery is on-going, and a hearing is anticipated sometime in early 2019.

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 OPM alleging that they were laid off in violation of their constitutional rights. The parties have reached a settlement that 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 the Department 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.

<u>SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019</u>

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 asked the Court to declare the Alternative Choice Statutes unconstitutional and to enjoin their enforcement. The State filed a motion to dismiss the action, which the court granted as to all claims; however, as of the date of this disclosure, the plaintiffs had not yet indicated whether they would appeal that dismissal.

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 measures 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.

Leticia Colon De Mejia, et al. v. Malloy, et. al. is a federal district court case in which the plaintiffs seek to declare unconstitutional and enjoin the General Assembly's transfer of $14 million from the State's Clean Energy Fund and $63.5 million from the State's Energy Conservation and Load Management Fund to the State General Fund in each of the fiscal years ending on June 30, 2018 and June 30, 2019, for a total of $155 million. Because the legislature restored $10 million of those transfers at the conclusion of the legislative session ending May 9, 2018, if the plaintiffs prevail, the total adverse revenue impact to the General Fund would be $145 million. The plaintiffs are appealing the grant of the State's motion for summary judgement.

OTHER MATTERS

The information in this section contains information through February 20, 2019 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF APRIL 25, 2019

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 issued a ruling that rejected the assertions of the petitioning hospitals. The petitioning hospitals subsequently appealed the Departments' ruling to the Superior Court. That administrative appeal is pending in the Superior Court. 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.

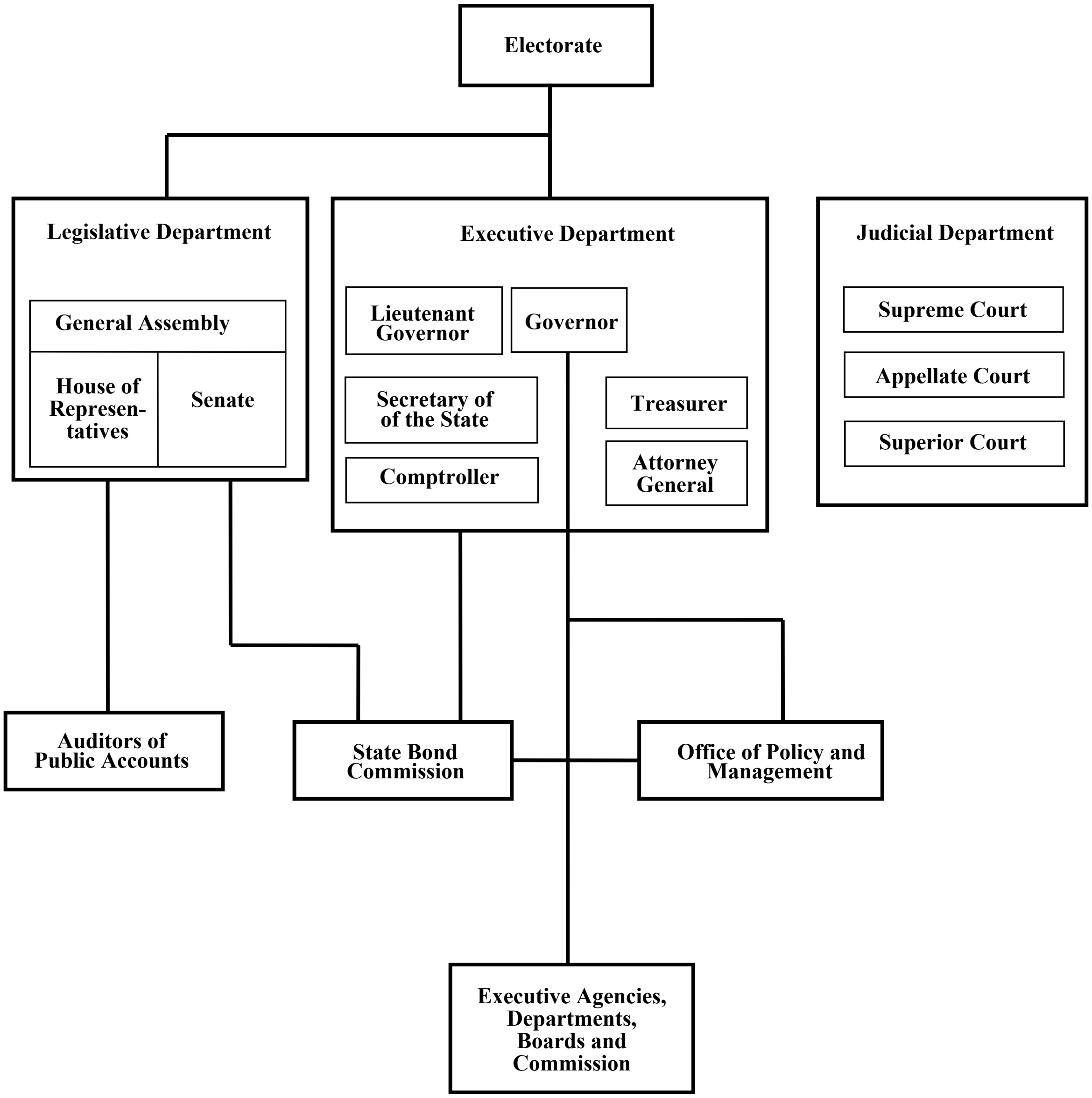
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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 2018, and the new members took office in January 2019.

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 quasi-public agency funds or any actual or contemplated breakdown in the safeguarding of any resources of the State or a quasi-public agency promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. The Auditors may give an agency a reasonable amount of time to conduct an investigation in certain circumstances prior the Auditors reporting the matter to such officials. 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 2018 for terms beginning in January 2019. 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 154 sitting judges as of January 1, 2019, 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)]	2014	2015	2016	2017	2018
Legislative	706	721	693	557	535
General Government	3,072	3,092	2,995	2,849	2,690
Regulation and Protection	4,349	4,345	4,201	4,075	3,793
Conservation and Development	1,381	1,397	1,365	1,491	1,289
Health and Hospitals	6,979	6,977	6,807	5,906	5,917
Transportation	3,885	4,008	4,258	4,638	4,380
Human Services	1,824	1,915	1,834	1,677	2,025
Education	16,689	17,272	17,311	17,232	16,445
Corrections	8,813	8,826	8,695	8,248	8,187
Judicial	4,555	4,543	4,490	4,068	3,862
Total	52,253	53,096	52,649	50,741	49,123

(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 July 1, 2018[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	535					535
General Government	2,438		6	107	139	2,690
Regulation and Protection	1,975	629	382	549	258	3,793
Conservation and Development	749	30	114	54	342	1,289
Health and Hospitals	5,531		20		366	5,917
Transportation		2,906		596	878	4,380
Human Services	1,709		6		310	2,025
Education	5,061			11,186	198	16,445
Corrections	8,088			81	18	8,187
Judicial	3,788		18	21	35	3,862
Total	29,874	3,565	546	12,594	2,544	49,123

(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)	5.71%	Contract in place through 6/30/2021
Administrative Clerical (NP-3)	5.71	Contract in place through 6/30/2021
American Federation of School Administrators	0.11	Contract in place through 6/30/2021
Assistant Attorneys General	0.39	Pending legislative approval
Board for State Academic Awards	0.12	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	0.02	Contract in place through 6/30/2021
Community College Faculty – AFT	0.36	Contract in place through 6/30/2021
Community College Faculty – CCCC	1.25	Contract in place through 6/30/2021
Connecticut Association of Prosecutors	0.44	Contract in place through 6/30/2021
Correctional Officers (NP-4)	8.89	Contract in place through 6/30/2021
Correctional Supervisor (NP-8)	1.09	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	0.33	Contract in place through 6/30/2021
DPDS Supervising Attorneys - AFSCME	0.04	Contract in place through 6/30/2021
Education Administrative (P-3A)	0.41	Contract in place through 6/30/2021
Education Technical (P-3B)	0.94	Contract in place through 6/30/2021
Engineering, Scientific and Technical (P-4)	4.78	Contract in place through 6/30/2021
Health Care Unit-Non-Professional (NP-6)	5.24	Contract in place through 6/30/2021
Health Care Unit-Professional (P-1)	5.88	Contract in place through 6/30/2021
Higher Education – Professional Employees	0.04	Contract in place through 6/30/2021
Judicial - Judicial Marshals	1.26	Contract in place through 6/30/2021
Judicial – Law Clerks	0.11	Contract in place through 6/30/2021
Judicial – Non-Professional	2.63	Contract in place through 6/30/2021
Judicial – Professional	2.86	Contract in place through 6/30/2021
Judicial - Supervising Judicial Marshals	0.11	Contract in place through 6/30/2021
Protective Services (NP-5)	1.63	Contract in place through 6/30/2021
Service/Maintenance (NP-2)	7.19	Contract in place through 6/30/2021
Social and Human Services (P-2)	7.88	Contract in place through 6/30/2021
State Vocational Federation of Teachers	2.35	Contract in place through 6/30/2021
State Police (NP-1)	1.89	Contract in negotiation
State Police Lieutenants and Captains (NP-9)	0.07	Contract in place through 6/30/2021
State University-Faculty	2.92	Contract in place through 6/30/2021
State University- Non-Faculty Professional	1.63	Contract in place through 6/30/2021
UCHC – Faculty	0.80	Contract in place through 6/30/2021
UCHC University Health Professionals	3.91	Contract in place through 6/30/2021
UConn – Faculty	3.58	Contract in place through 6/30/2021
UConn Graduate Employees	2.88	Contract in place through 6/30/2021
UConn – Law School Faculty	0.10	Contract in place through 6/30/2021
UConn - Non-Faculty	3 .69	Contract in place through 6/30/2021
Total Covered by Collective Bargaining	91.19%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.22%	Not Applicable
Other Employees	8.59%	Not Applicable
Total Not Covered by Collective Bargaining[c]	8.81%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 48,901 filled full-time positions as of February 1, 2019.

(b) With the exception of the State Police and Assistant Attorney General bargaining units, all collective bargaining contracts expire on June 30, 2021. Additional groups of employees have made application for certification and are in negotiation.

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)]

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

Corrections
Department of Corrections
Department of Children and Families

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

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

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

Human Services
Department of Social Services
Department of Rehabilitation Services

Judicial
Judicial Department
Public Defender Services Commission

Legislative
Legislative Management
Auditors of Public Accounts
Commission on Women, Children and Seniors
Commission on Equity and Opportunity

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

Transportation
Department of Transportation

(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, 2018.

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 Disaster Recovery Framework and the State Natural Hazard Mitigation Plan, which includes consideration of how climate change is and will continue to affect the frequency, intensity, and distribution of specific hazards. 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, including a State Cyber Security Strategy and Action Plan, Cyber Incident Response Plan, and Cyber Disruption Response Plan, which is an annex to the State Response Framework. DESPP also operates the State's fusion center – the Connecticut Intelligence Center – which is a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other groups as appropriate — as well as the CT State Police Cyber Crimes Investigative Unit. 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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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 0.3% from 2009 to 2018 versus 3.1% in New England and 6.6% for the nation. The mid-2018 population in Connecticut was estimated at 3,572,665, a 0.0% change from a year ago, compared to increases of 0.3% and 0.6% for New England and the United States, respectively. From 2009 to 2018, within New England, Massachusetts (5.9%), New Hampshire (3.1%) and Maine (0.7%) experienced growth higher than Connecticut (0.3%); while Rhode Island (0.3%) and Vermont (0.2%) all experienced lower 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
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….	3,588	0.4	14,530	0.6	311,580	0.9
2012….	3,594	0.2	14,590	0.4	313,874	0.7
2013….	3,595	0.0	14,645	0.4	316,058	0.7
2014….	3,595	(0.0)	14,704	0.4	318,386	0.7
2015….	3,588	(0.2)	14,730	0.2	320,743	0.7
2016….	3,579	(0.2)	14,759	0.2	323,071	0.7
2017….	3,574	(0.1)	14,803	0.3	325,147	0.6
2018….	3,573	(0.0)	14,853	0.3	327,167	0.6

Note: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2009-2018 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 2018 population density of 737 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.

Education. In 2017 Connecticut ranked 5th in the nation with 38.7% 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 2018 Fortune 500: United Technologies, Aetna, Cigna, Hartford Financial Services, Praxair, Stanley Black & Decker, Emcor Group, Charter Communications, Synchrony Financial, XPO Logistics, Booking Holdings, Xerox, Frontier, Eversource Energy, W.R. Berkley, Amphenol and United Rentals. 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 more than 100 commercial flights every day to 31 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. These flights serve nearly 6.7 million customers annually. It is accessible from all areas of the State and western Massachusetts via the highway network and public transportation system.

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), Shore Line East and Hartford Line serve approximately 42 million passengers each year. State-funded, contracted public bus and paratransit transportation programs provide approximately 42 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 in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 13 independent, locally-governed and operated 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 112 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 2016, the latest available data, ranking it the 2nd most efficient state among the 50 states and 45.0% less than the national average of 5.8 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 202 million BTU of energy per person in 2016, ranking it 47th among the 50 states and 33.0% 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 2017, per capita personal income in Connecticut equaled $72,109, 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 2016 indicates that if they were states, four 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 2008 to 2017 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

	Connecticut		Connecticut Per Capita as Percent of	
Calendar Year	Total (Millions of Dollars)	Per Capita (Dollars)	New England	United States
2008	$217,023	$61,177	120.0%	149.9%
2009	213,687	59,959	119.6	152.9
2010	222,632	62,195	119.3	153.7
2011	229,055	63,827	118.0	149.6
2012	233,699	65,023	116.5	146.0
2013	229,252	63,772	114.9	142.5
2014	239,857	66,749	115.2	142.1
2015	246,012	68,598	113.2	140.4
2016	249,513	69,729	112.5	140.1
2017	257,714	72,109	112.1	139.8

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)
2008	5.9%	4.2%	3.6%	2.8%	1.2%	0.6%
2009	(1.5)	(1.2)	(3.1)	(1.2)	(0.9)	(3.0)
2010	4.2	4.4	4.1	3.2	3.0	2.3
2011	2.9	4.2	6.2	0.8	1.9	3.6
2012	2.0	3.6	5.1	(0.1)	1.9	3.2
2013	(1.9)	(0.1)	1.2	(2.6)	(1.3)	(0.1)
2014	4.6	4.7	5.7	2.9	2.7	4.2
2015	2.6	4.8	4.9	2.3	4.6	4.6
2016	1.4	2.5	2.6	0.5	1.4	1.5
2017	3.3	4.0	4.4	1.6	2.2	2.6

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 2017.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2017
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$114,842	44.6%	$7,607,400	45.2%
Property Income (Div., Rents & Int.)	57,328	22.2	3,361,800	20.0
Wages in Manufacturing	14,695	5.7	846,400	5.0
Transfer Payments less Social Insurance Paid	13,982	5.4	1,561,100	9.3
Other Labor Income	28,901	11.2	1,953,300	11.6
Proprietor's Income	27,965	10.9	1,500,900	8.9
Personal Income — Total	$257,714	100.0%	$16,830,900	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 2017, the State produced $264.5 billion worth of goods and services and $238.9 billion worth of goods and services in 2012 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)

Calendar Year	Connecticut $	Connecticut Percent Growth	New England[a] $	New England[a] Percent Growth	United States[b] $	United States[b] Percent Growth
2008	240,911	1.4%	813,172	1.7%	14,712,845	1.8%
2009	236,393	(1.9)	813,921	0.1	14,448,933	(1.8)
2010	237,653	0.5	839,958	3.2	14,992,052	3.8
2011	236,524	(0.5)	857,725	2.1	15,542,582	3.7
2012	243,801	3.1	889,223	3.7	16,197,007	4.2
2013	246,632	1.2	907,187	2.0	16,784,851	3.6
2014	248,954	0.9	934,940	3.1	17,521,747	4.4
2015	259,776	4.3	983,518	5.2	18,219,297	4.0
2016	263,240	1.3	1,010,082	2.7	18,707,189	2.7
2017	264,510	0.5	1,042,692	3.2	19,485,394	4.2

(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 2012 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2012 Chained Dollars*)

Calendar Year	Connecticut $	Connecticut Percent Growth	New England $	New England Percent Growth	United States $	United States Percent Growth
2008	259,722	(0.5)%	869,100	0.2%	14,712,845	1.8%
2009	248,041	(4.5)	850,817	(2.1)	14,448,933	(1.8)
2010	247,461	(0.2)	871,834	2.5	14,992,052	3.8
2011	242,020	(2.2)	876,672	0.6	15,542,582	3.7
2012	243,801	0.7	889,223	1.4	16,197,007	4.2
2013	241,081	(1.1)	887,834	(0.2)	16,784,851	3.6
2014	237,558	(1.5)	894,624	0.8	17,521,747	4.4
2015	241,987	(1.9)	918,515	2.7	18,219,297	4.0
2016	241,682	(0.1)	928,768	1.1	18,707,189	2.7
2017	238,943	(1.1)	942,137	1.4	19,485,394	4.2

* 2012 chained dollar series are calculated as the product of the chain-type quantity index and the 2012 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 2017 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 76.9% of total production in Connecticut compared to 78.3% in 2010 and 74.1% for the nation in 2017. 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 12.2% in 2010 to 10.8% in 2017 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 increased to 60.8% of the total GSP in 2017 from 60.4% in 2010. The broadly defined services in the private sector increased by 12.1% from 2010 to 2017 compared to 13.6% 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	2010	2011	2012	2013	2014	2015	2016	2017
Sector								
Manufacturing	$ 29,112	$ 28,353	$ 28,980	$ 30,232	$ 29,205	$ 29,856	$ 27,676	$28,436
Construction[(a)]	6,641	6,520	6,786	6,809	7,051	7,637	8,109	8,244
Agriculture[(b)]	375	376	409	427	354	378	318	318
Utilities[(c)]	8,237	8,074	8,630	8,789	9,381	9,568	8,927	8,409
Wholesale Trade	14,374	14,848	16,060	16,506	16,858	17,738	17,496	17,627
Retail Trade	11,353	11,730	12,464	12,706	12,924	13,229	13,224	13,284
Information	10,527	10,414	10,056	11,576	11,542	13,053	13,622	13,197
Finance[(d)]	72,464	69,960	70,261	68,002	66,964	70,774	74,535	73,479
Services[(e)]	60,538	61,953	65,904	66,536	68,907	70,648	72,381	74,206
Government	24,033	24,297	24,250	25,049	25,768	26,894	26,951	27,309
Total GSP	$237,653	$236,524	$243,801	$246,632	$248,954	$259,776	$263,240	$264,510

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 2008 and 2017. Connecticut's nonagricultural employment reached a high in March 2008 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 1,705,500 by December 2018.

TABLE B-8

Non-agricultural Employment[a][b]
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Employment	Percent Growth	Employment	Percent Growth	Employment	Percent Growth
2008	1,699.1	0.0%	7,071.5	0.0%	137,241.7	(0.5)%
2009	1,626.3	(4.3)	6,817.1	(3.6)	131,305.8	(4.3)
2010	1,607.9	(1.1)	6,802.7	(0.2)	130,353.6	(0.7)
2011	1,624.3	1.0	6,866.5	0.9	131,938.8	1.2
2012	1,637.7	0.8	6,949.9	1.2	134,173.7	1.7
2013	1,650.1	0.8	7,033.9	1.2	136,373.7	1.6
2014	1,661.1	0.7	7,131.8	1.4	138,941.0	1.9
2015	1,673.9	0.8	7,236.4	1.5	141,826.3	2.1
2016	1,679.3	0.3	7,333.8	1.3	144,347.9	1.8
2017	1,681.6	0.1	7,398.0	0.9	146,610.8	1.6

(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 2017. 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 2017
(In Thousands)

	Connecticut		United States	
	Total	Percent	Total	Percent
Services[(a)]	773.3	46.0%	65,515.8	44.7%
Trade[(b)]	298.0	17.7	27,401.0	18.7
Manufacturing	159.4	9.5	12,439.1	8.5
Government	232.5	13.8	22,351.4	15.2
Finance[(c)]	128.0	7.6	8,450.0	5.8
Information[(d)]	31.5	1.9	2,812.4	1.9
Construction[(e)]	58.9	3.5	7,641.1	5.2
Total[(f)]	1,681.6	100.0%	146,610.8	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 2017, approximately 90.5% 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)]
2008	184.4	305.7	706.9	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	240.6	130.6	32.0	54.0	1,650.1
2014	157.2	295.7	751.3	240.1	128.8	32.0	56.0	1,661.1
2015	157.0	297.1	760.0	239.0	130.1	32.4	58.5	1,673.9
2016	156.6	298.3	766.8	236.1	129.5	32.3	59.8	1,679.3
2017	159.4	298.0	773.3	232.5	128.0	31.5	58.9	1,681.6

(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 20th in the nation for its dependency on manufacturing wages in calendar year 2017. 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 2017 approximately 9.5% of the State's workforce, versus 8.5% 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
2008	184.4	(1.8)%	687.8	(2.5)%	13,403.4	(3.4)%
2009	168.4	(8.7)	619.9	(9.9)	11,847.8	(11.6)
2010	162.8	(3.3)	602.4	(2.8)	11,528.7	(2.7)
2011	163.4	0.3	603.3	0.2	11,727.1	1.7
2012	161.8	(0.9)	601.2	(0.4)	11,927.0	1.7
2013	160.2	(1.0)	598.2	(0.5)	12,019.2	0.8
2014	157.2	(1.9)	594.9	(0.5)	12,184.6	1.4
2015	157.0	(0.2)	595.7	0.1	12,335.7	1.2
2016	156.6	(0.2)	591.7	(0.7)	12,352.7	0.1
2017	159.4	1.8	594.1	0.4	12,439.1	0.7

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 2017.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[(a)]	Total Manufacturing Employment [(b)]
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	157.0
2016	41.7	29.2	11.7	13.6	60.4	156.6
2017	44.0	29.4	11.4	13.4	61.2	159.4

(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 2008 at 184,400 workers. Since that year, employment in manufacturing continued on a downward trend until 2017. 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 156,600 in 2016, before rising again in 2017 to 159,400. The total number of manufacturing jobs dropped 25,000, or 13.5%, from its decade high in 2008.

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 $14.8 billion in 2017, accounting for 5.7% of Gross State Product. From 2013 to 2017, the State's export of goods fell at a compound annual rate of 2.6% versus 2.0% 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				Compound
	2013	2014	2015	2016	2017	Percent of 2017 Total	Annual Growth Rate 2013-2017
A. Manufacturing Products							
Transportation Equipment	8,004.8	7,318.6	7,012.6	6,217.3	6,062.8	41.0%	(6.7)%
Computer & Electronics	1,237.0	1,270.6	1,191.0	1,109.0	1,131.2	7.7	(2.2)
Machinery, Except Electronics	1,758.8	2,072.8	1,666.6	1,770.4	1,945.3	13.2	2.6
Fabricated Metal Production	720.2	733.6	706.7	789.0	828.9	5.6	3.6
Chemicals	992.6	971.0	1,039.5	864.7	955.0	6.5	(1.0)
Misc. Manufacturing	307.8	330.7	326.2	327.3	312.6	2.1	0.4
Electrical Equipment	900.1	1,002.9	1,032.9	958.7	982.0	6.6	2.2
Plastics & Rubber	239.8	233.5	230.3	224.9	269.8	1.8	3.0
Paper	141.1	142.7	131.2	137.0	152.3	1.0	1.9
Primary Metal Mfg.	648.2	637.8	675.6	505.1	410.4	2.8	(10.8)
Others	1,476.3	1,248.6	1,229.7	1,490.8	1,733.5	11.7	4.1
Total	16,426.7	15,962.8	15,242.4	14,394.2	14,783.7	100.0%	(2.6)%
% Growth	3.5%	(2.8)%	(4.5)%	(5.6)%	2.7%	-	-
B. Gross State Product[a]	246,632.0	248,954.0	259,776.0	263,240.0	264,510.0	-	1.8%
Mfg Exports as a % of GSP	6.7%	6.4%	5.9%	5.5%	5.6%		

(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 2017 Connecticut received $11.6 billion of prime contract awards. These total awards accounted for 3.9% of national total awards and ranked 7th in total defense dollars awarded and 2nd in per capita dollars awarded among the 50 states. In federal Fiscal Year 2017, Connecticut had $3,230 in per capita defense awards, compared to the national average of $922. 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 4.7% of Gross State Product in Fiscal Year 2017.

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.
2008	$12,225,659	9th	41.9%	18.8%
2009	11,851,941	9th	(3.1)	(6.7)
2010	11,238,753	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	13,207,950	4th	31.6	(3.0)
2015	12,147,321	5th	(8.0)	(2.8)
2016	14,131,754	4th	16.3	10.1
2017	11,591,211	7th	(18.0)	7.6

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 90.5% by 2017. This trend has diluted the State's dependence on manufacturing. From 2008 to 2017, Connecticut had a loss of 17,500 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 7,500, while manufacturing jobs declined by 25,000.

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)**

	Connecticut		New England		United States	
Calendar Year	**Number**	**Percent Growth**	**Number**	**Percent Growth**	**Number**	**Percent Growth**
2008	1,514.7	0.3%	6,383.7	0.3%	123,838.3	(0.2)%
2009	1,457.9	(3.7)	6,197.2	(2.9)	119,458.0	(3.5)
2010	1,445.1	(0.9)	6,200.3	0.0	118,824.9	(0.5)
2011	1,460.9	1.1	6,263.1	1.0	120,211.7	1.2
2012	1,475.9	1.0	6,348.7	1.4	122,246.7	1.7
2013	1,489.9	1.0	6,435.8	1.4	124,354.5	1.7
2014	1,503.9	0.9	6,536.8	1.6	126,756.4	1.9
2015	1,517.0	0.9	6,640.7	1.6	129,490.6	2.2
2016	1,522.7	0.4	6,742.0	1.5	131,995.3	1.9
2017	1,522.1	(0.0)	6,803.9	0.9	134,171.8	1.6

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 92.9% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2008, 2015, 2016 and 2017 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 2008 and 2017, employment in the service industry expanded by 66,400 workers driving an increase of 7,500 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 2008	Calendar Year 2015	Calendar Year 2016	Calendar Year 2017	Percent Change 2015-17	Percent Change 2007-17
Construction[a]	66.1	58.5	59.8	58.9	0.7%	(10.9)%
Information	37.8	32.4	32.3	31.5	(2.9)	(16.7)
Trade[b]	305.7	297.1	298.3	298.0	0.3	(2.5)
Finance, Insurance & Real Estate	143.4	130.1	129.5	128.0	(1.6)	(10.8)
Services[c]	706.9	760.0	766.8	773.3	1.8	9.4
Federal Government	19.5	17.7	17.8	18.0	1.9	(7.5)
State and Local Government	235.3	221.3	218.3	214.4	(3.1)	(8.9)
Total Non-manufacturing Employment[d]	1,514.7	1,517.0	1,522.7	1,522.1	0.3%	0.5%

(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 2018 totaled $56,860.5 million, an increase of 1.5% from Fiscal Year 2017. 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 2018. 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 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	Fiscal Year 2018	Percent of Fiscal Year 2018 Total	Compound Annual Growth Rate 2014-2018
441	Motor Vehicle and Parts Dealers	$9,098.9	17.0%	$9,585.4	17.6%	$9,898.6	17.9%	$10,072.3	18.0%	$10,140.8	17.8%	2.7%
442	Furniture and Home Furnishings Stores	1,706.5	3.2	1,768.2	3.2	1,897.6	3.4	2,009.3	3.6	2,003.9	3.5	4.1
443	Electronics and Appliance Stores	1,641.0	3.1	1,653.1	3.0	1,643.8	3.0	1,656.5	3.0	1,633.7	2.9	(0.1)
444	Building Material and Garden Supply Stores	2,715.1	5.1	2,836.0	5.2	3,034.6	5.5	3,020.9	5.4	3,187.3	5.6	4.1
445	Food and Beverage Stores[b]	11,183.5	20.9	10,742.8	19.7	10,964.2	19.8	11,045.6	19.7	10,588.4	18.6	(1.4)
446	Health and Personal Care Stores	4,714.6	8.8	4,847.5	8.9	5,074.7	9.2	5,274.6	9.4	4,291.3	7.5	(2.3)
447	Gasoline Stations	3,774.4	7.0	3,329.8	6.1	3,196.1	5.8	3,297.8	5.9	3,729.1	6.6	(0.3)
448	Clothing and Clothing Accessories Stores	2,945.6	5.5	2,992.7	5.5	3,083.1	5.6	3,035.6	5.4	3,084.0	5.4	1.2
451	Sporting Goods, Hobby, Book and Music Stores	1,055.0	2.0	1,054.6	1.9	1,084.9	2.0	1,125.1	2.0	1,047.9	1.8	(0.2)
452	General Merchandise Stores	5,380.8	10.0	5,508.7	10.1	5,503.2	9.9	5,419.0	9.7	5,523.3	9.7	0.7
453	Miscellaneous Store Retailers	5,052.6	9.4	5,739.5	10.5	5,773.9	10.4	5,978.1	10.7	6,989.2	12.3	8.4
454	Nonstore Retailers	4,332.5	8.1	4,496	8.2	4,204.1	7.6	4,095.5	7.3	4,641.6	8.2	1.7
	Total[a]	$53,600.6	100.0%	$54,554.4	100.0%	$55,358.8	100.0%	$56,030.3	100.0%	$56,860.5	100.0%	1.5%
Durables (NAICS 441, 442, 443, 444)		$15,162.0	28.3%	$15,843.0	29.0%	$16,475.0	29.8%	$16,759.0	29.9%	$16,966.0	29.8%	2.8%
Non Durables (all other NAICS)		$38,439.0	71.7%	$38,712.0	71.0%	$38,884.0	70.2%	$39,271.0	70.1%	$39,895.0	70.2%	0.9%

(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 4.5% in 2018 (average of the first six months) compared to the New England average of 3.6% and the national average of 4.0% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2009 through 2018.

TABLE B-18

Unemployment Rate

Calendar Year	**Unemployment Rate**		
	Connecticut	**New England**	**United States**
2009	7.9%	8.0%	9.3%
2010	9.1	8.4	9.6
2011	8.8	7.7	8.9
2012	8.4	7.2	8.1
2013	7.8	6.9	7.4
2014	6.6	5.9	6.2
2015	5.7	4.9	5.3
2016	5.2	4.2	4.9
2017	4.7	3.8	4.4
2018[a]	4.4	3.6	4.0

(a) Reflects average for the first six months.
(b) On a preliminary basis, Connecticut's unemployment rate was estimated at 4.0% for December 2018 compared to the national average of 3.9%. 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

January 15, 2019

The Honorable Shawn T. Wooden
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Mr. Wooden:

I have reviewed the accompanying general purpose financial statements of the State of Connecticut for the Fiscal Year ended June 30, 2018. 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

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

ROBERT J. KANE

INDEPENDENT AUDITORS' REPORT

Governor Ned Lamont
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, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- 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 6% of the assets, 2% of the net position and 8% 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 54% of the assets, 42% of the net position and 35% of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units.

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 98% of the assets and 98% of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100% of the assets and 100% 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 54% of the assets, 42% of the net position and 35% 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 solely 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, Clean Water Fund, Drinking Water Fund, Connecticut Housing Finance Authority, Connecticut Airport Authority, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Capital Region Development Authority, Connecticut Innovations Incorporated, Connecticut Green Bank, Connecticut Lottery Corporation and Connecticut Health Insurance Exchange 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 opinion.

Opinion

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 of the State of Connecticut, as of June 30, 2018, 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 described in Note 13 to the financial statements, the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which resulted in the State of Connecticut restating net position for the recognition of other postemployment benefit activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, pension plan schedules and information, and the other postemployment 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 January 15, 2019, 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, 2018, 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
State Auditor

Robert J. Kane
State Auditor

January 15, 2019
State Capitol
Hartford, Connecticut

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, 2018. 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) decreased $11.1 billion (or 18.9 percent) as a result of this year's operations. Net position (deficit) of governmental activities decreased by $10.7 billion (or 16.4 percent) and net position of business-type activities increased by $327.9 million (or 4.9 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative $54.6 billion and $7.0 billion, respectively.

Component units reported net position of $2.3 billion, an increase of $74.6 million or 3.3 percent from the previous year. The majority of the net position is attributable to the Connecticut Housing Finance Authority, a major component unit.

As a result of implementing GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* the State adjusted the beginning unrestricted net position by recording $677.8 million deferred outflows of resources for subsequent contributions and $20.7 billion net OPEB liability for the primary government. As explained in Note 22, this was the primary reason for a $20.0 billion adjustment to the beginning unrestricted net position in fiscal year 2017.

Fund Financial Statements
The governmental funds reported combined ending fund balance of $4.8 billion, an increase of $2.0 billion in comparison with the prior year. Of this total fund balance, $195.3 million represents nonspendable fund balance, $3.5 billion represents restricted fund balance, $1.4 billion represents committed fund balance, and $10.9 million represents assigned fund balance. A negative $241.8 million unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund which decreased by $587.9 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Fund (Rainy Day Fund) ended the fiscal year with a balance of $1.2 billion compared to the prior year's balance of $212.9 million. The primary reason for the increase was a new revenue volatility provision, contained in Public Act 17-2, of the June Special Session, required that any estimated and final income tax payments above a threshold of $3.15 billion be transferred to the Budget Reserve Fund. Estimated and final income tax collections totaled $4.6 billion, which resulted in a revenue volatility deposit of $1.5 billion to the Budget Reserve Fund. After a transfer was made to close the fiscal year end deficit in the General Fund, the budget Reserve Fund had a balance of $1.2 billion.

Tax revenues in the governmental funds increased $2.2 billion or 13.5 percent. General fund tax revenues increased $2.0 billion or 12.9 percent.

The Enterprise funds reported net position of $7.0 billion at year-end, an increase of $327.9 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 $83.4 billion for governmental activities at year-end, of which $24.3 billion was bonded debt.

Total long-term debt was $2.2 billion for business-type activities at year-end, of which $1.5 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-27 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 them 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 2018. 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-32 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. Data from the other eighteen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements immediately following the required supplementary information.

- **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. Individual fund data for all nonmajor proprietary funds is provided in the combining statements immediately following the required supplementary information.

- **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. Individual fund data for all other nonmajor component units is provided in the combining statements immediately following the required supplementary information.

Reconciliation between Government-wide and Fund Statements
The financial statements include schedules on pages II-C-33 and II-C-35 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 Liability 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 employer contributions for pension and other postemployment benefits, change in employers' net pension liability and OPEB liability, and investment return for the State's pension and OPEB plans.

Supplementary Information
The combining financial statements for the State's nonmajor governmental, nonmajor enterprise, nonmajor fiduciary funds, and nonmajor discretely presented component units.

Statistical Section
This section provides up to ten years of financial, economic, and demographic information.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position

The combined net position deficit of the State decreased $11.1 billion or 18.9 percent. In comparison, last year the combined net position deficit increased $802 million or 2.1 percent. The net position deficit of the State's governmental activities decreased $10.7 billion (16.4 percent) to $54.6 billion during the current fiscal year.

State Of Connecticut's Net Position
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017*	2018	2017	2018	2017*
ASSETS						
Current and Other Assets	$ 5,818	$ 4,074	$ 2,659	$ 2,477	$ 8,477	$ 6,551
Noncurrent Assets	17,417	16,653	7,112	6,888	24,529	23,541
Total Assets	23,235	20,727	9,771	9,365	33,006	30,092
Deferred Outflows of Resources	9,084	11,183	12	14	9,096	11,197
LIABILITIES						
Current Liabilities	4,967	4,716	673	691	5,640	5,407
Long-term Liabilities	80,877	92,031	2,066	1,976	82,943	94,007
Total Liabilities	85,844	96,747	2,739	2,667	88,583	99,414
Deferred Inflows of Resources	1,076	328	7	3	1,083	331
NET POSITION						
Net Investment in Capital Assets	4,321	4,568	4,287	4,126	8,608	8,694
Restricted	3,027	2,888	1,099	1,018	4,126	3,906
Unrestricted	(61,949)	(72,803)	1,651	1,565	(60,298)	(71,238)
Total Net Position (Deficit)	$ (54,601)	$ (65,347)	$ 7,037	$ 6,709	$ (47,564)	$ (58,638)

* Restated for implementation of GASB 75

Total investment in capital assets net of related debt was $4.3 billion (buildings, roads, bridges, etc.); and $3.0 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $62.0 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 $18.8 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 $57.2 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB liabilities and compensated absences).

Net position of the State's business-type activities increased $327.9 million (4.9 percent) to $7.0 billion during the current fiscal year. Of this amount, $4.3 billion was invested in capital assets and $1.1 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, 2018 and 2017 were as follows:

State of Connecticut's Changes in Net Position
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		% change
	2018	2017*	2018	2017	2018	2017*	18-17
REVENUES							
Program Revenues							
Charges for Services	$ 2,642	$ 3,038	$ 2,947	$ 2,887	$ 5,589	$ 5,925	-5.7%
Operating Grants and Contributions	7,563	7,368	350	367	7,913	7,735	2.3%
Capital Grants and Contributions	651	863	5	1	656	864	-24.1%
General Revenues							
Taxes	18,309	16,141	-	-	18,309	16,141	13.4%
Casino Gaming Payments	273	270	-	-	273	270	1.1%
Lottery Tickets	336	326	-	-	336	326	3.1%
Other	166	153	29	16	195	169	15.4%
Total Revenues	29,940	28,159	3,331	3,271	33,271	31,430	5.9%
EXPENSES							
Legislative	72	225	-	-	72	225	-68.0%
General Government	1,518	3,978	-	-	1,518	3,978	-61.8%
Regulation and Protection	542	1,704	-	-	542	1,704	-68.2%
Conservation and Development	636	2,129	-	-	636	2,129	-70.1%
Health and Hospital	1,612	4,733	-	-	1,612	4,733	-65.9%
Transportation	1,284	2,780	-	-	1,284	2,780	-53.8%
Human Services	5,950	16,513	-	-	5,950	16,513	-64.0%
Education, Libraries, and Museums	3,189	9,042	-	-	3,189	9,042	-64.7%
Corrections	1,335	3,856	-	-	1,335	3,856	-65.4%
Judicial	605	1,873	-	-	605	1,873	-67.7%
Interest and Fiscal Charges	889	878	-	-	889	878	1.3%
University of Connecticut & Health Center	-	-	2,402	2,310	2,402	2,310	4.0%
Board of Regents	-	-	1,365	1,360	1,365	1,360	0.4%
Employment Security	-	-	696	726	696	726	-4.1%
Clean Water	-	-	44	36	44	36	22.2%
Other	-	-	58	66	58	66	-12.1%
Total Expenses	17,632	47,711	4,565	4,498	22,197	52,209	-57.5%
Excess (Deficiency) Before Transfers	12,308	(19,552)	(1,234)	(1,227)	11,074	(20,779)	
Transfers	(1,562)	(1,667)	1,562	1,667	-	-	
Increase (Decrease) in Net Position	10,746	(21,219)	328	440	11,074	(20,779)	
Net Position (Deficit) - Beginning (as restated)	(65,347)	(44,128)	6,709	6,269	(58,638)	(37,859)	
Net Position (Deficit) - Ending	(54,601)	(65,347)	7,037	6,709	(47,564)	(58,638)	-18.9%

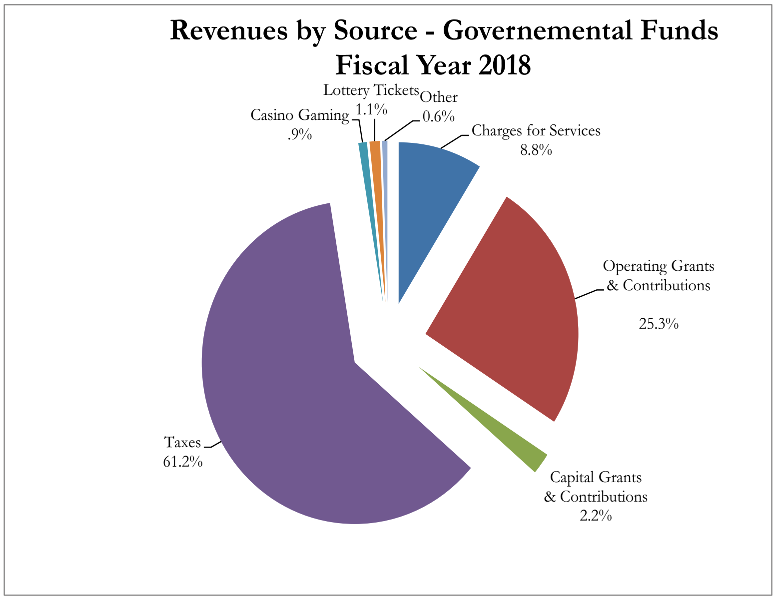
*Restated for implementation of GASB 75

Changes in Net Position

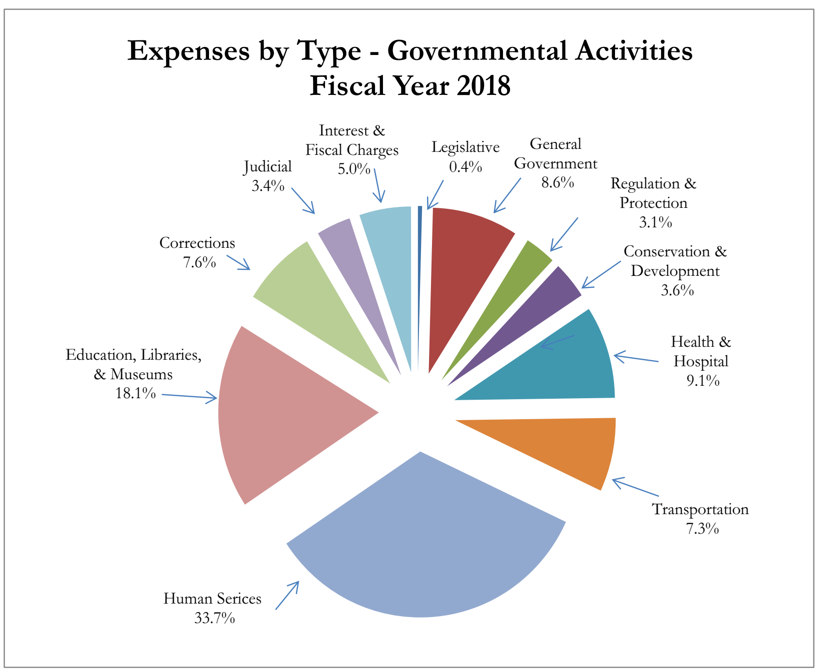
This year the State's governmental activities received 61.2 percent of its revenue from taxes and 27.4 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 57.3 percent and grants and contributions were 29.3 percent of total revenues. Charges for services such as licenses, permits and fees, rents and fines, and other miscellaneous collections comprised 8.9 percent of total revenue in fiscal year 2018, compared to 10.8 percent in fiscal year 2017.

Governmental Activities

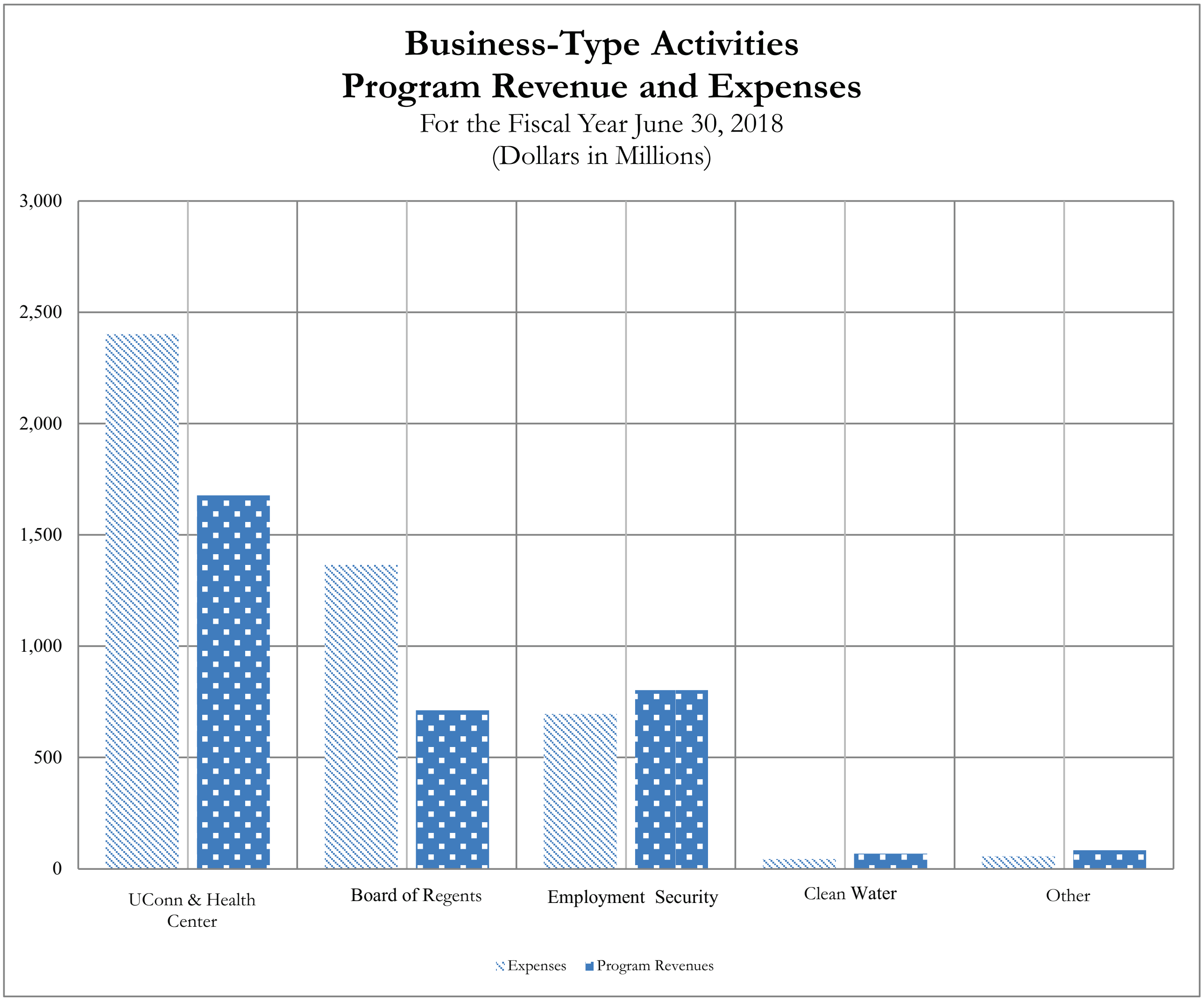
The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.8 billion, or 6.4 percent. This increase is primarily due to an increase of $2.2 billion in taxes.



The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by $30.1 billion, or 63.0 percent. The decrease is mainly attributable to the restatement of the prior year expenditures by $20.0 million because of the implementation of GASB 75.



Business-Type Activities
Net position of business-type activities increased by $327.9 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 increased 1.8 percent to $3.3 billion, while total expenses increased 1.5 percent to $4.6 billion. In comparison, last year total revenues decreased 4.7 percent, while total expenses increased 2.0 percent. The increase in total expenses of $67 million was due mainly to an increase in University of Connecticut and Health Center expenses of $92 million or 4.0 percent. Although total expenses exceeded total revenues by $1.3 billion, this deficiency was reduced by transfers of $1.6 billion, resulting in an increase in net position of $327.9 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 $4.8 billion, an increase of $2.0 billion over the prior year ending fund balances. Of the total governmental fund balances, $3.5 billion represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $195.3 million represents fund balance that is non-spendable and $1.4 billion represents fund balance that is committed or assigned for specific purposes. A negative $241.8 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 of $1.2 billion, an increase of $1.6 billion in comparison with the prior year. Of this total fund balance, $1.4 billion represents non-spendable fund balance or committed for specific purposes, leaving a deficit of $241.1 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Nonspendable fund balance increased by $2.8 million or 5.3 percent.
- Committed fund balance increased by $1.1 million or 38.9 percent. The primary reason for the increase was a new revenue volatility provision that required any estimated and final income tax payments above a threshold of $3.15 billion be transferred to the Budget Reserve Fund. Estimated and final income tax collections totaled $4.6 billion, which resulted in a revenue volatility deposit of $1.5 billion to the Budget Reserve Fund.
- Unassigned fund balance deficit decreased by $580.1 million. This was primarily associated to a delay in Federal approval for Medicaid reimbursements related to supplemental hospital payments.

At the end of fiscal year 2018, General Fund revenues were 11.7 percent, or $2.2 billion, higher than fiscal year 2017 revenues. This change in revenue results from increases of $2.3 billion primarily attributable to taxes ($2.0 billion), licenses, permits, and fees ($29.5 million), federal grants ($304.3 million), lottery tickets ($9.8 million), and casino gaming payments ($3.1 million). These increases were offset by decreases of $137.4 million primarily attributable to fines, forfeits, and rents ($83.7 million), charges for services ($5.9 million), and other revenue ($47.8 million).

At the end of fiscal year 2018, General Fund expenditures were 5.5 percent, or $939.2 million, higher than fiscal year 2017. This was primarily attributable to increases in human services ($550.1 million), general government ($210.8 million), and education, libraries, and museums ($91.9 million).

Debt Service Fund

At the end of fiscal year 2018, the Debt Service Fund had a fund balance of $901.9 million, all of which was restricted, an increase of $74.8 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of $321.5 million at the end of fiscal 2018. Of this amount, $23.3 million was in nonspendable form and $298.2 million was restricted or committed for specific purposes. Fund balance increased by $139.4 million during the current fiscal year.

At the end of fiscal year 2018, Transportation Fund revenues increased by $227.2 million, or 15.8 percent, and expenditures increased by $33.6 million, or 3.6 percent. The growth in revenue was primarily due to an increase in tax receipts.

Restricted Grants and Accounts Fund

At the end of fiscal year 2018, the Restricted Grants and Accounts Fund had a fund balance of $278.2 million, all of which was restricted for specific purposes, a decrease of $149.8 million in comparison with the prior year.

Total revenues were 6.5 percent, or $496.4 million, lower than in fiscal year 2017. Overall, total expenditures were 2.7 percent, or $205.3 million, lower than fiscal year 2017.

Grant and Loan Programs
As of June 30, 2018, the Grant and Loan Programs Fund had a fund balance of $887.3 million, all of which was restricted or committed for specific purposes, an increase of $44.0 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 $35.9 billion, an increase of $1.7 billion when compared to the prior year ending net position.

Budget Highlights - General and Transportation Funds
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 results 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 2018 with a deficit of $482,860,543 on the statutory basis of accounting. A transfer from the Budget Reserve Fund eliminated the shortfall. The Transportation Fund had an operating surplus of $148,105,872, which left a positive fund balance of $245,720,926 at the close of Fiscal Year 2018.

Despite the deficit in the General Fund, there was a vast improvement in the balance of the Budget Reserve Fund at year-end. The reserves at the beginning of Fiscal Year 2018 were $212,886,689. However, a new revenue volatility provision, contained in Public Act 17-2, June Special Session, required that any estimated and final income tax payments above a threshold of $3.15 billion be transferred to the Budget Reserve Fund (BRF). For a number of reasons discussed below, estimated and final income tax collections totaled $4,621,333,283 in FY 2018, which resulted in a revenue volatility deposit of $1,471,333,283 to the BRF. After the transfer to the General Fund was made to close the FY 2018 deficit, the BRF had a balance of $1,201,359,429 as of June 30, 2018.

An additional transfer of $16.1 million from the BRF to the Retired Teachers' Health Service Fund, as required by Public Act 18-81, brought the BRF balance to $1,185,259,429, or approximately 6.2 percent of FY 2019 General Fund budgeted appropriations.

Fiscal Year 2018 began with considerable uncertainty as the state entered the year without an approved budget. The first four months of operations were conducted under an interim spending plan issued the Governor's Office under Executive Order 58. In addition, during the fiscal year, an agreement was ratified with the state employee labor unions (known as the State Employees Bargaining Agent Coalition or SEBAC) to lower wage and benefit costs in FY 2018 and in subsequent years.

In late October 2017, the 2018-2019 biennial budget was passed by the Connecticut General Assembly and signed into law. The budget plan for FY 2018 had net General Fund appropriations of $18.690 billion, which represented growth of 4.6 percent over FY 2017 appropriation levels. Other statutory revisions during the fiscal year later brought FY 2018 net General Fund appropriations to $18.674 billion.

In the end General Fund FY 2018, expenditures totaled $18.611 billion on the statutory basis of accounting. This represented growth of 4.8 percent over actual FY 2017 spending levels, a net increase of $847.7 million. Further analysis indicates that spending growth was concentrated in specific areas for FY 2018. For example, a significant portion of the net increase was related to higher Supplemental Hospital Payments ($562 million above FY 2017 levels) that were part of the FY 2018 budget plan. It should be noted that the increases in these supplemental payments will be offset in part by higher Federal Medicaid reimbursements. Other significant areas of expenditure growth included several fixed cost categories such as higher contributions for teachers' retirement (+$258.9 million or 25.6 percent more than FY 2017); increased debt service payments (+$182.3 million or 10.3 percent above the prior year); higher Medicaid spending (+$105.9 million or growth of 4.4 percent); and $91.2 million in new other post-employment benefit (OPEB) contributions, which are set aside for future state employee retirement health costs.

In part due to SEBAC 2017, there were reductions in a number of areas that helped mitigate spending growth in FY 2018. For example, General Fund salaries were $119.4 million lower in FY 2018 than in FY 2017, a reduction of 4.4 percent. The General Fund's pension contribution to the State Employee Retirement System (SERS) was approximately $73 million lower than the prior year, a decline of 6.5 percent. Spending was reduced for other employee benefit categories including active employee medical insurance (-$36.2 million, down 5.6 percent) and employer Social Security payments (-$11.2 million, down 5.2 percent). Continuing a trend from the previous year, General Fund block grant support for the higher education units fell by $64.0 million or 10.4 percent compared with FY 2017.

Overall, factoring in the $1.47 billion revenue volatility transfer out to the Budget Reserve Fund, General Fund revenue collections fell below the budget plan for FY 2018 by $558.5 million, or approximately 3.0 percent. Without the new volatility transfer, General Fund revenues would have exceeded the budget plan by $912.8 or 4.9 percent.

The most notable revenue category in FY 2018 was the Personal Income Tax, which came in nearly $1.59 billion above its budget target. It should be noted, however, the components of the income tax out-performed the budget plan at different growth rates. The withholding portion of the income tax came in about 1.8 percent above the budget plan while the estimated and finals portion ended the year approximately 47.2 percent over the budget target. Over the course of the fiscal year, several Federal tax provisions had a significant impact on collections in this latter category.

The change in the Personal Income Tax related to the Federal tax changes that took effect at the beginning of calendar 2018. Some analysts noted that higher income taxpayers may have been holding off selling investments in recent years in anticipation of lower Federal tax rates. However, after the Federal tax changes became effective on January 1, 2018, more investors began selling assets held during the stock market run up, which increased estimated quarterly or final payments made during the second half of FY 2018.

Another key factor for FY 2018 revenue was related to an October 2008 Federal law that eliminated a common mechanism used by hedge fund managers that enabled them to defer receipt of incentive or management fees earned by charging them to an offshore fund. Under the new rules (Internal Revenue Code Section 475A) hedge fund managers had to recognize these profits, earned prior to January 1, 2009, as income before December 31, 2017. As a result, a significant amount of the estimated payments collected during FY 2018 were related to hedge fund managers bringing these profits back to the United States from overseas. As the Office of the State Comptroller noted at the time, these revenue windfalls should be considered one-time in nature and not used to expand ongoing program expenditures that may not be sustainable.

The positive performance in the Personal Income Tax was offset in part by weakness in other tax categories that came in below their FY 2018 budget targets. These tax categories included Sales and Use (-$18.3 million), Corporations (-$12.5 million), Public Service Corporations (-$34.3 million), Cigarettes and Tobacco (-$17.8 million), Real Estate Conveyance (-$13.1 million), Admissions, Dues and Cabaret (-$1.2 million) and Miscellaneous taxes (-$12.8 million). In contrast, the Inheritance and Estate Tax over-performed budget expectations by $43.7 million or 24.3 percent. Finally, General Fund Federal grant revenue came in $623.2 million below the budget plan, partly due to a delay in Federal approval for Medicaid reimbursements related to the supplemental hospital payments. These reimbursements are expected to be received in FY 2019.

The Transportation Fund had revenue of $1,630.1 million in FY 2018, which exceeded the budget plan by $37.5 million. The strongest performing revenue category was the Oil Companies tax, which benefitted from higher oil prices and finished the year $40.7 million above target. Transportation Fund spending of $1,483.7 million grew by $51.9 million or 3.6 percent from the prior fiscal year. The largest programmatic spending increases were for public transportation initiatives including rail operations, which grew $36.9 million or 23.1 percent, and bus operations, which increased $13.5 million or 8.9 percent. In addition, debt service costs rose by $31.8 million or 5.9 percent over FY 2017 levels. These increases were offset in part by lower salary costs, which declined by $7.3 million or 3.3 percent and lower spending on employee benefits, which decreased by a net $8.9 million or 4.6 percent.

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, 2018 totaled $20.5 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 $779.6 million.

Major capital asset events for governmental activities during the fiscal year include additions to buildings, land, and infrastructure of $821.2 million and depreciation expense of $731.7 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	
	2018	2017	2018	2017	2018	2017
Land	$ 1,833	$ 1,788	$ 69	$ 69	$ 1,902	1,857
Buildings	2,744	2,836	3,697	3,385	6,441	6,221
Improvements Other Than Buildings	106	127	201	197	307	324
Equipment	45	49	410	344	455	393
Infrastructure	5,652	5,096	-	-	5,652	5,096
Construction in Progress	5,053	4,988	723	877	5,776	5,865
Total	$ 15,433	$ 14,884	$ 5,100	$ 4,872	$ 20,533	$ 19,756

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 $27.9 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	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 18,763	$ 18,399	$ -	$ -	$ 18,763	$ 18,399
Transportation Related Bonds	5,541	5,042	-	-	5,541	5,042
Revenue Bonds	-	-	1,494	1,443	1,494	1,443
Long-Term Notes	-	177	-	-	-	177
Premiums and Deferred Amounts	1,919	1,887	178	175	2,097	2,062
Total	$ 26,223	$ 25,505	$ 1,672	$ 1,618	$ 27,895	$ 27,123

The State's total bonded debt increased by $772.7 million (2.8 percent) during the current fiscal year. This increase resulted mainly from an increase in Transportation related bonds of $498.7 million.

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 2018, the State had a debt incurring margin of $2.7 billion.

Other Long-Term Debt
State of Connecticut Other Long - Term Debt (in Millions)

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2018	2017*	2018	2017	2018	2017*
Net Pension Liability	$ 34,566	$ 37,192	$ -	$ -	$ 34,566	$ 37,192
Net OPEB Liability	20,591	20,655	-	-	20,591	20,655
Compensated Absences	498	513	197	193	695	706
Workers Compensation	747	718	-	-	747	718
Nonexchange Financial Guarantee	532	-	-	-	532	-
Other	260	120	355	327	615	447
Total	$ 57,194	$ 59,198	$ 552	$ 520	$ 57,746	$ 59,718

* Restated for implementation of GASB 75

The State's other long-term obligations decreased by $2.0 billion (3.3 percent) during the fiscal year. This decrease was due mainly to a decrease in the net pension liability (Governmental activities) of $2.6 billion or 7.1 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

During FY 2018 Connecticut's economy experienced moderate growth, with some notable improvements toward the end of the year. Nevertheless, Connecticut continues to lag behind the nation's economic recovery in several key areas. A decade after its onset and despite progress on a number of fronts, Connecticut has yet to recover fully from the effects of the Great Recession.

According to state Department of Labor (DOL) statistics, Connecticut gained 14,100 nonfarm seasonally adjusted payroll jobs over the course of FY 2018 and had a total of 1,698,000 employed residents as of June 2018. As the fiscal year closed, unemployment stood at 4.4 percent, down three-tenths of a point from a year earlier when it was 4.7 percent. Connecticut had recovered 86.1 percent (102,600 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. Looking at year-over-year job growth, construction and manufacturing were the fastest growing sectors of the state labor market on a percentage basis.

The Connecticut housing market's results were mixed for FY 2018. Berkshire Hathaway Home Services reported results for the Connecticut housing market for June 2018 compared with June 2017. Sales of single-family homes fell 7.99 percent, while the median sale price rose 4.69 percent. New listings decreased by 5.57 percent in Connecticut and the median list price increased by 6.82 percent to $299,000. Average days on the market grew 20.29 percent in June 2018 compared to the same month in the previous year (83 days on average, up from 69 days).

The Federal Housing Finance Agency (FHFA) reported housing price appreciation statistics by state for the period ending June 30, 2018. FHFA's Housing Price Index (HPI) tracks changes in home values for individual properties owned or guaranteed by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). Over the past year, Connecticut home prices continued to grow more slowly than most of the nation. Connecticut homes appreciated only 2.38 percent for the year, which ranked 48th in the nation overall. The U.S. average appreciation for the period was 6.49 percent. A comparison of five-year housing prices showed similar results: Single-family houses in Connecticut appreciated 6.69 percent for the period versus a 33.09 percent increase for the nation as a whole.

In November 2018, the Bureau of Economic Analysis (BEA) released Real Gross Domestic Product (GDP) results by state for the second quarter of 2018. Connecticut experienced a seasonally adjusted annual growth rate of 3.1 percent, which ranked 43rd in the nation overall. This growth rate was slower than both the national average of 4.2 percent and the New England regional average of 3.7 percent.

According to BEA, Connecticut's personal income grew by a 4.2 percent annual rate between the first and second quarters of 2018. Based on this result, Connecticut ranked 22nd in the nation for second quarter income growth. While this growth rate was equal to the national average, it represented the strongest performance in the New England region for the period.

Despite the deep recession of 2008 and the relatively moderate pace of recovery, Connecticut continues to be a wealthy state. The Bureau of Economic Analysis reports that in 2017, Connecticut had a per capita personal income (PCPI) of $71,823. This PCPI ranked first in the United States and was 139 percent of the national average of $51,640. The 2017 PCPI reflected an increase of 3.3 percent from 2016. The 2016-2017 national change was 3.6 percent. In 2007, the PCPI of Connecticut was $58,122 and ranked first in the United States. The 2007-2017 compound annual growth rate of PCPI was 2.1 percent in Connecticut. The compound annual growth rate for the nation was 2.6 percent.

Connecticut's high income is partially explained by the high level of educational achievement attained by its residents. According to the U.S. Census Bureau, 38.4 percent of Connecticut's population age 25 and over has a Bachelor's degree or higher, which was fourth in the nation among U.S. states.

Connecticut has a long history of technological innovation dating back centuries and innovation will continue to be a key factor for Connecticut's economic growth moving forward. In recent years, Connecticut has remained near the top on a number of science, technology and innovation-related categories. According to a report by the Connecticut Economic

Resource Center (CERC), Connecticut ranked third in the country for the percentage of employees with advanced degrees. In addition, the State's workforce is extremely industrious, ranking fifth among U.S. states in productivity. Connecticut was fourth in the nation for private research and development per capita and seventh in patents issued per capita. The Milken Institute ranked Connecticut sixth in the nation on its State Technology and Science Index, with high marks for human capital investment and research and development. Connecticut also had a top ten finish on the 2017 State New Economy Index published by the Information and Technology Foundation.

As in many other states, Connecticut's traditional core sectors have been reshaped by national trends and global competition. Manufacturing's contribution to the state economy, while still vitally important, has been significantly reduced in recent decades. In January 1991, manufacturing payroll employment in Connecticut totaled over 290,000 jobs. By the end of FY 2018, that job total was 163,700, a decline of 44 percent for the period. In the July 2018 Connecticut Economic Digest, the Connecticut Department of Labor (DOL) reported that manufacturing's contribution to the change in Connecticut's Real Gross State Product (GSP) was an increase of $16.2 billion from 1997 to 2007, representing about a quarter of the growth for the period. However, from 2007 to 2016, Connecticut's manufacturing sector was responsible for an $18.6 billion reduction in Real GSP. DOL pointed to a decline in chemical manufacturing as a key component in this drop in Connecticut, largely due to the downsizing or the departure of several large pharmaceutical firms.

Despite this trend, Connecticut continues to be a leader in the field of high tech manufacturing, producing jet engines and parts, submarines, helicopters, electronics, computer equipment and electronic machinery. Much of Connecticut's manufacturing is for the military. According the state's Office of Military Affairs, Connecticut ranked fourth in the nation in 2018 estimated U.S. defense spending per capita and second in the nation for defense procurement purchases (not including military pay).

Finance, insurance and real estate (FIRE) is an important industry grouping that represents over a quarter of the State's Real Gross Domestic Product (GDP). Connecticut's FIRE sector has lost more than 10 percent of the jobs held at the pre-recession peak in March of 2008, a reduction of 14,800 jobs. These are some of the highest paying jobs within the state. Over the past decade, the strongest job gains continue to be in fields with below average wages, including educational & health services and leisure & hospitality.

Economic improvements seen at the end of FY 2018 have continued into the first half of FY 2019. As of this writing, Connecticut has gained additional jobs and seen the unemployment rate reduced further. The State's General Fund is currently on track to end the year with a modest surplus, and if projections hold, the Budget Reserve Fund (BRF) balance will increase for the second year in a row. It should be noted, however, that April is the most significant month for revenue collections, especially for final income tax payments. Therefore, this information represents the best available at this time. The Office of the State Comptroller will continue to provide updated monthly budget projections for the remainder the fiscal year.

Looking forward to the next biennium, Connecticut faces a number of challenges as fixed costs related to entitlements, state pensions, retirement health costs, and debt service represent a growing share of the state budget. Future budget stability will continue to be dependent on economic growth coupled with spending restraint. Due to its highly educated, productive workforce and its capacity for innovation, Connecticut is well positioned to create a strong economy moving into the future.

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, 2018

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 2,369,102	$ 852,178	$ 3,221,280	$ 261,108
Deposits with U.S. Treasury	-	576,874	576,874	-
Investments	116,676	66,044	182,720	520,168
Receivables, (Net of Allowances)	3,440,876	601,359	4,042,235	91,797
Due from Primary Government	-	-	-	4,068
Inventories	40,311	11,531	51,842	6,203
Restricted Assets	-	357,914	357,914	1,182,760
Internal Balances	(157,508)	157,508	-	-
Other Current Assets	8,083	35,977	44,060	16,286
Total Current Assets	5,817,540	2,659,385	8,476,925	2,082,390
Noncurrent Assets:				
Cash and Cash Equivalents	-	577,883	577,883	-
Due From Component Units	57,471	-	57,471	-
Investments	-	55,255	55,255	222,631
Receivables, (Net of Allowances)	1,024,664	1,113,123	2,137,787	117,564
Restricted Assets	901,920	260,013	1,161,933	5,242,463
Capital Assets, (Net of Accumulated Depreciation)	15,432,608	5,100,741	20,533,349	776,166
Other Noncurrent Assets	145	4,525	4,670	67,496
Total Noncurrent Assets	17,416,808	7,111,540	24,528,348	6,426,320
Total Assets	$ 23,234,348	$ 9,770,925	$ 33,005,273	$ 8,508,710
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 440	$ -	$ 440	$ 10,999
Unamortized Losses on Bond Refundings	69,139	12,222	81,361	93,418
Related to Pensions	9,014,590	-	9,014,590	94,049
Other Deferred Outflows	-	238	238	38
Total Deferred Outflows of Resources	$ 9,084,169	$ 12,460	$ 9,096,629	$ 198,504
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 959,168	$ 396,246	$ 1,355,414	$ 121,797
Due to Component Units	4,068	-	4,068	-
Due to Primary Government	-	-	-	57,471
Due to Other Governments	291,118	2,243	293,361	-
Current Portion of Long-Term Obligations	2,539,841	158,122	2,697,963	310,190
Amount Held for Institutions	-	-	-	227,870
Unearned Revenue	19,484	36,530	56,014	-
Medicaid Liability	663,706	-	663,706	-
Liability for Escheated Property	412,037	-	412,037	-
Other Current Liabilities	77,737	79,410	157,147	46,291
Total Current Liabilities	4,967,159	672,551	5,639,710	763,619
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	80,877,252	2,066,898	82,944,150	5,595,415
Total Noncurrent Liabilities	80,877,252	2,066,898	82,944,150	5,595,415
Total Liabilities	$ 85,844,411	$ 2,739,449	$ 88,583,860	$ 6,359,034
Deferred Inflows of Resources				
Related to Pensions	$ 1,075,511	$ -	$ 1,075,511	$ 41,150
Other Deferred Inflows	-	6,881	6,881	679
Total Deferred Inflows of Resources	$ 1,075,511	$ 6,881	$ 1,082,392	$ 41,829
Net Position				
Net Investment in Capital Assets	$ 4,321,358	$ 4,287,451	$ 8,608,809	$ 466,064
Restricted For:				
Transportation	225,262	-	225,262	-
Debt Service	831,585	4,508	836,093	6,521
Federal Grants and Other Accounts	281,165	-	281,165	-
Capital Projects	573,991	172,113	746,104	124,330
Grant and Loan Programs	890,304	-	890,304	-
Clean Water and Drinking Water Projects	-	758,542	758,542	-
Bond Indenture Requirements	-	-	-	879,623
Loans	-	2,962	2,962	-
Permanent Investments or Endowments:				
Expendable	-	63,733	63,733	124,058
Nonexpendable	118,673	16,275	134,948	476,949
Other Purposes	105,274	80,414	185,688	34,204
Unrestricted (Deficit)	(61,949,017)	1,651,057	(60,297,960)	194,602
Total Net Position (Deficit)	$ (54,601,405)	$ 7,037,055	$ (47,564,350)	$ 2,306,351

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services, Fees, Fines, and Other**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activities:				
Legislative	$ 71,859	$ 1,738	$ -	$ -
General Government	1,518,254	905,635	71,702	-
Regulation and Protection	541,574	637,229	152,611	-
Conservation and Development	635,923	198,643	239,478	-
Health and Hospitals	1,611,855	616,659	184,817	-
Transportation	1,283,529	49,778	-	650,615
Human Services	5,950,282	83,541	6,159,243	-
Education, Libraries, and Museums	3,188,852	17,817	594,324	-
Corrections	1,335,350	8,495	141,491	-
Judicial	605,361	122,305	19,168	-
Interest and Fiscal Charges	888,410	-	-	-
Total Governmental Activities	17,631,249	2,641,840	7,562,834	650,615
Business-Type Activities:				
University of Connecticut & Health Center	2,402,077	1,441,195	224,473	5,099
Board of Regents	1,365,312	644,082	56,317	-
Employment Security	696,456	773,609	30,235	-
Clean Water	44,267	30,072	27,995	-
Other	57,810	58,280	11,189	-
Total Business-Type Activities	4,565,922	2,947,238	350,209	5,099
Total Primary Government	$ 22,197,171	$ 5,589,078	$ 7,913,043	$ 655,714
Component Units				
Connecticut Housing Finance Authority (12/31/17)	$ 193,459	$ 165,984	$ -	$ -
Connecticut Lottery Corporation	1,280,217	1,267,638	-	-
Connecticut Airport Authority	83,922	99,630	-	9,799
Other Component Units	296,625	292,103	6,384	4,738
Total Component Units	$ 1,854,223	$ 1,825,355	$ 6,384	$ 14,537

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
$ (70,121)	$ -	$ (70,121)	$ -
(540,917)	-	(540,917)	-
248,266	-	248,266	-
(197,802)	-	(197,802)	-
(810,379)	-	(810,379)	-
(583,136)	-	(583,136)	-
292,502	-	292,502	-
(2,576,711)	-	(2,576,711)	-
(1,185,364)	-	(1,185,364)	-
(463,888)	-	(463,888)	-
(888,410)	-	(888,410)	-
(6,775,960)	-	(6,775,960)	-
-	(731,310)	(731,310)	-
-	(664,913)	(664,913)	-
-	107,388	107,388	-
-	13,800	13,800	-
-	11,659	11,659	-
-	(1,263,376)	(1,263,376)	-
(6,775,960)	(1,263,376)	(8,039,336)	-
-	-	-	(27,475)
-	-	-	(12,579)
-	-	-	25,507
-	-	-	6,600
-	-	-	(7,947)
9,729,298	-	9,729,298	-
791,301	-	791,301	-
4,219,398	-	4,219,398	-
2,352,951	-	2,352,951	-
1,135,660	-	1,135,660	-
80,163	-	80,163	-
272,957	-	272,957	-
116,850	-	116,850	-
336,239	-	336,239	-
48,663	29,014	77,677	82,563
(1,562,226)	1,562,226	-	-
17,521,254	1,591,240	19,112,494	82,563
10,745,294	327,864	11,073,158	74,616
(65,346,699)	6,709,191	(58,637,508)	2,231,735
$ (54,601,405)	$ 7,037,055	$ (47,564,350)	$ 2,306,351

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FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ 481,013	$ -	$ 127,540	$ 406,366	$ 312,752	$ 1,032,717	$ 2,360,388
Investments	-	-	-	-	-	116,676	116,676
Securities Lending Collateral	-	-	-	-	-	7,917	7,917
Receivables:							
Taxes, Net of Allowances	1,800,947	-	190,610	-	-	-	1,991,557
Accounts, Net of Allowances	387,855	-	25,358	26,928	3,804	35,853	479,798
Loans, Net of Allowances	3,419	-	-	70,489	591,745	359,011	1,024,664
From Other Governments	537,320	-	-	423,796	-	4,657	965,773
Interest	-	2,646	641	-	-	-	3,287
Other	-	-	-	-	-	2	2
Due from Other Funds	44,962	-	2,646	628	4	10,451	58,691
Due from Component Units	54,149	-	-	3,322	-	-	57,471
Inventories	12,873	-	23,270	-	-	-	36,143
Restricted Assets	-	901,920	-	-	-	-	901,920
Total Assets	$ 3,322,538	$ 904,566	$ 370,065	$ 931,529	$ 908,305	$ 1,567,284	$ 8,004,287
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 372,777	$ -	$ 29,045	$ 203,360	$ 17,672	$ 94,602	$ 717,456
Due to Other Funds	84,386	2,646	-	3,744	35	121,508	212,319
Due to Component Units	-	-	-	3,455	-	613	4,068
Due to Other Governments	288,738	-	-	2,380	-	-	291,118
Unearned Revenue	10,474	-	-	-	-	9,010	19,484
Medicaid Liability	267,049	-	-	396,657	-	-	663,706
Liability For Escheated Property	412,037	-	-	-	-	-	412,037
Securities Lending Obligation	-	-	-	-	-	7,917	7,917
Other Liabilities	51,210	-	-	18,610	-	-	69,820
Total Liabilities	1,486,671	2,646	29,045	628,206	17,707	233,650	2,397,925
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	684,824	-	19,512	25,076	3,311	33,122	765,845
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	56,441	-	23,270	-	-	-	79,711
Permanent Fund Principal	-	-	-	-	-	115,545	115,545
Restricted For:							
Debt Service	-	901,920	-	-	-	-	901,920
Transportation Programs	-	-	269,594	-	-	-	269,594
Federal Grant and State Programs	-	-	-	278,247	-	-	278,247
Grants and Loans	-	-	-	-	886,157	-	886,157
Other	-	-	-	-	-	1,175,933	1,175,933
Committed For:							
Continuing Appropriations	134,315	-	28,644	-	-	-	162,959
Budget Reserve Fund	1,201,359	-	-	-	-	-	1,201,359
Assigned To:							
Grants and Loans	-	-	-	-	1,130	-	1,130
Other	-	-	-	-	-	9,759	9,759
Unassigned	(241,072)	-	-	-	-	(725)	(241,797)
Total Fund Balances	1,151,043	901,920	321,508	278,247	887,287	1,300,512	4,840,517
Total Liabilities, Deferred Inflows, and Fund Balances	$ 3,322,538	$ 904,566	$ 370,065	$ 931,529	$ 908,305	$ 1,567,284	$ 8,004,287

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, 2018
(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 4,840,517
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)	31,062,297	
Less: Accumulated depreciation (excluding internal service funds)	(15,674,663)	
Net capital assets		15,387,634
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.		765,845
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.		69,139
Deferred outflows for pensions and OPEB are reported in the Statement of Net Position but are not reported in the funds (see Note 10 & 13).		9,014,590
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	(18,763,228)	
Transportation bonds payable	(5,540,495)	
Unamortized premiums	(1,919,483)	
Accrued interest payable	(239,523)	
Net long-term debt		(26,462,729)
Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 16).		
Net pension liability	(34,566,488)	
Net OPEB liability	(20,590,998)	
Obligations for worker's compensation	(747,234)	
Capital leases payable	(27,576)	
Compensated absences (excluding internal service funds)	(496,891)	
Claims and judgments payable	(195,543)	
Landfill postclosure care	(35,065)	
Nonexchange Financial guarantee	(531,560)	
Total other liabilities		(57,191,355)
Deferred inflows for pensions and OPEB are reported in the Statement of Net Position but are not reported in the funds (see Note 10 & 13).		
Pension and OPEB related		(1,075,511)
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.		50,465
Total Net Position - Governmental Activities		$ (54,601,405)

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, 2018

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 17,033,551	$ -	$ 1,215,570	$ -	$ -	$ -	$ 18,249,121
Licenses, Permits, and Fees	302,383	-	339,681	8,128	-	96,937	747,129
Tobacco Settlement	-	-	-	-	-	116,850	116,850
Federal Grants and Aid	2,295,760	-	12,196	5,840,700	-	64,792	8,213,448
State Grants and Aid	619	-	-	-	-	-	619
Lottery Tickets	336,239	-	-	-	-	-	336,239
Charges for Services	33,223	-	65,530	-	-	1,042	99,795
Fines, Forfeits, and Rents	104,460	-	19,359	-	-	957	124,776
Casino Gaming Payments	272,957	-	-	-	-	-	272,957
Investment Earnings	15,911	7,757	4,910	2,682	10,446	6,937	48,643
Interest on Loans	-	-	-	-	-	20	20
Miscellaneous	267,590	-	6,699	1,263,010	51,264	132,301	1,720,864
Total Revenues	20,662,693	7,757	1,663,945	7,114,520	61,710	419,836	29,930,461
Expenditures							
Current:							
Legislative	105,600	-	-	1,657	-	-	107,257
General Government	1,258,744	-	5,949	432,781	542,708	96,840	2,337,022
Regulation and Protection	429,654	-	102,911	106,784	14,492	163,576	817,417
Conservation and Development	235,851	-	4,413	326,221	236,905	170,732	974,122
Health and Hospitals	1,652,242	-	-	755,784	18,453	57,481	2,483,960
Transportation	-	-	840,798	708,817	32,947	-	1,582,562
Human Services	4,952,257	-	-	4,234,825	1,255	3,064	9,191,401
Education, Libraries, and Museums	4,286,782	-	-	579,995	23,164	4,595	4,894,536
Corrections	2,012,224	-	-	25,081	3,130	1,747	2,042,182
Judicial	843,397	-	-	28,598	-	50,395	922,390
Capital Projects	-	-	-	-	-	879,431	879,431
Debt Service:							
Principal Retirement	1,580,587	301,345	525	-	-	-	1,882,457
Interest and Fiscal Charges	719,437	243,106	633	93,814	2,982	6,211	1,066,183
Total Expenditures	18,076,775	544,451	955,229	7,294,357	876,036	1,434,072	29,180,920
Excess (Deficiency) of Revenues Over Expenditures	2,585,918	(536,694)	708,716	(179,837)	(814,326)	(1,014,236)	749,541
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	855,437	1,720,639	2,576,076
Premiums on Bonds Issued	-	35,834	-	-	50,655	156,537	243,026
Transfers In	1,643,536	623,888	13,614	68,884	-	72,948	2,422,870
Transfers Out	(2,587,385)	(14,057)	(579,337)	(38,864)	(47,734)	(712,719)	(3,980,096)
Refunding Bonds Issued	-	368,545	-	-	-	123	368,668
Payment to Refunded Bond Escrow Agent	-	(402,721)	-	-	-	-	(402,721)
Capital Lease Obligations	3,774	-	-	-	-	-	3,774
Total Other Financing Sources (Uses)	(940,075)	611,489	(565,723)	30,020	858,358	1,237,528	1,231,597
Net Change in Fund Balances	1,645,843	74,795	142,993	(149,817)	44,032	223,292	1,981,138
Fund Balances (Deficit) - Beginning	(494,418)	827,125	182,151	428,064	843,255	1,077,220	2,863,397
Change in Reserve for Inventories	(382)	-	(3,636)	-	-	-	(4,018)
Fund Balances (Deficit) - Ending	$ 1,151,043	$ 901,920	$ 321,508	$ 278,247	$ 887,287	$ 1,300,512	$ 4,840,517

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, 2018

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 1,981,138
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	(2,575,952)	
Refunding bonds issued	(368,668)	
Premium on bonds issued	(243,026)	
Principal repayment:		
Principal Retirement	1,881,932	
Payments to refunded bond escrow agent	402,721	
Capital lease payments	6,562	
Net debt adjustments		(896,431)
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		(3,238)
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)	1,275,829	
Depreciation expense (excluding internal service funds)	(723,438)	
Retirements	(273)	
Net capital outlay adjustments		552,118
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.		(4,018)
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:		
Decrease in accrued interest	394	
Increase in interest accreted on capital appreciation debt	(18,021)	
Amortization of bond premium	210,627	
Amortization of loss on debt refundings	(18,205)	
Increase in Net OPEB Liability	63,681	
Decrease in Net OPEB obligation	10,450,183	
Increase in net deferred inflows related to other post employment benefits {OPEB}	(754,414)	
Increase in employer contributions subsequent to the OPEB measurement date	133,771	
Increase in net deferred outflows related to other post employment benefits {OPEB}	1,210	
Decrease in compensated absences	14,495	
Increase in workers compensation	(29,218)	
Increase in claims and judgments	(144,380)	
Decrease in landfill postclosure cost	1,232	
Increase in non-exchange financial guarantees	(531,560)	
Decrease in pension liability	2,625,583	
Decrease in net deferred inflows related to pensions	6,576	
Decrease in net deferred outflows related to pensions	(3,066,585)	
Increase in employer contributions subsequent to the NPL measurement date	165,008	
Net expense accruals		9,110,377
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.		8,307
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.		(2,959)
Change in net position - governmental activities		$ 10,745,294

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

(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	$ 466,106	$ 324,355	$ 1,298	$ 5,061	$ 55,358	$ 852,178	$ 8,714
Deposits with U.S. Treasury	-	-	576,874	-	-	576,874	-
Investments	640	65,404	-	-	-	66,044	-
Receivables:							
Accounts, Net of Allowances	142,783	24,511	189,970	-	6,309	363,573	80
Loans, Net of Allowances	2,326	1,633	-	200,004	22,898	226,861	-
Interest	-	-	-	3,787	195	3,982	-
From Other Governments	-	2,414	4,529	-	-	6,943	-
Due from Other Funds	54,088	133,347	672	-	-	188,107	4,500
Inventories	11,531	-	-	-	-	11,531	4,168
Restricted Assets	357,914	-	-	-	-	357,914	-
Other Current Assets	28,595	7,345	-	-	37	35,977	166
Total Current Assets	1,063,983	559,009	773,343	208,852	84,797	2,689,984	17,628
Noncurrent Assets:							
Cash and Cash Equivalents	-	148,471	-	337,361	92,051	577,883	-
Investments	15,833	32,471	-	6,951	-	55,255	-
Receivables:							
Loans, Net of Allowances	8,924	7,494	-	954,061	142,644	1,113,123	-
Restricted Assets	472	-	-	189,749	69,792	260,013	-
Capital Assets, Net of Accumulated Depreciation	3,167,754	1,908,704	-	-	24,283	5,100,741	44,974
Other Noncurrent Assets	3,733	568	-	-	224	4,525	145
Total Noncurrent Assets	3,196,716	2,097,708	-	1,488,122	328,994	7,111,540	45,119
Total Assets	$ 4,260,699	$ 2,656,717	$ 773,343	$ 1,696,974	$ 413,791	$ 9,801,524	$ 62,747
Deferred Outflows of Resources							
Unamortized Losses on Bond Refundings	$ 4,046	$ -	$ -	$ 7,995	$ 181	$ 12,222	$ -
Other Deferred Outflows	-	238	-	-	-	238	-
Total Deferred Outflows of Resources	$ 4,046	$ 238	$ -	$ 7,995	$ 181	$ 12,460	$ -
Liabilities							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	$ 255,870	$ 117,615	$ 694	$ 10,224	$ 11,843	$ 396,246	$ 1,500
Due to Other Funds	24,365	5,824	410	-	-	30,599	8,690
Due to Other Governments	2,199	-	44	-	-	2,243	-
Current Portion of Long-Term Obligations	66,963	26,720	-	53,831	10,608	158,122	84
Unearned Revenue	-	36,530	-	-	-	36,530	-
Other Current Liabilities	70,563	8,847	-	-	-	79,410	-
Total Current Liabilities	419,960	195,536	1,148	64,055	22,451	703,150	10,274
Noncurrent Liabilities:							
Noncurrent Portion of Long-Term Obligations	616,870	421,765	-	857,194	171,069	2,066,898	2,008
Total Noncurrent Liabilities	616,870	421,765	-	857,194	171,069	2,066,898	2,008
Total Liabilities	$ 1,036,830	$ 617,301	$ 1,148	$ 921,249	$ 193,520	$ 2,770,048	$ 12,282
Deferred Inflows of Resources							
Other Deferred Inflows	$ 6,856	$ -	$ -	$ -	$ 25	$ 6,881	$ -
Total Deferred Inflows of Resources	$ 6,856	$ -	$ -	$ -	$ 25	$ 6,881	$ -
Net Position (Deficit)							
Net Investment in Capital Assets	$ 2,550,230	$ 1,738,204	$ -	$ -	$ (983)	$ 4,287,451	$ 45,119
Restricted For:							
Debt Service	-	-	-	-	4,508	4,508	-
Clean and Drinking Water Projects	-	-	-	600,095	158,447	758,542	-
Capital Projects	172,113	-	-	-	-	172,113	-
Nonexpendable Purposes	15,044	1,231	-	-	-	16,275	-
Expendable Endowment	-	63,733	-	-	-	63,733	-
Loans	2,962	-	-	-	-	2,962	-
Other Purposes	32,334	48,080	-	-	-	80,414	-
Unrestricted (Deficit)	448,376	188,406	772,195	183,625	58,455	1,651,057	5,346
Total Net Position	$ 3,221,059	$ 2,039,654	$ 772,195	$ 783,720	$ 220,427	$ 7,037,055	$ 50,465

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, 2018
(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	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 $290,024)	$ 1,220,928	$ 497,350	$ -	$ -	$ 30,019	$ 1,748,297	$ 52,729
Assessments	-	-	744,376	-	35,617	779,993	-
Federal Grants, Contracts, and Other Aid	157,309	22,387	15,509	-	-	195,205	-
State Grants, Contracts, and Other Aid	19,441	24,420	14,726	-	-	58,587	-
Private Gifts and Grants	47,723	9,510	-	-	-	57,233	-
Interest on Loans	-	-	-	20,647	3,165	23,812	-
Other	117,272	24,797	29,233	-	1,146	172,448	185
Total Operating Revenues	1,562,673	578,464	803,844	20,647	69,947	3,035,575	52,914
Operating Expenses							
Salaries, Wages, and Administrative	2,178,192	1,220,661	-	1,242	20,897	3,420,992	33,074
Unemployment Compensation	-	-	696,456	-	-	696,456	-
Claims Paid	-	-	-	-	26,164	26,164	-
Depreciation and Amortization	160,822	97,692	-	-	1,123	259,637	17,949
Other	53,155	35,696	-	3,761	2,548	95,160	-
Total Operating Expenses	2,392,169	1,354,049	696,456	5,003	50,732	4,498,409	51,023
Operating Income (Loss)	(829,496)	(775,585)	107,388	15,644	19,215	(1,462,834)	1,891
Nonoperating Revenue (Expenses)							
Interest and Investment Income	6,692	7,933	-	11,271	3,118	29,014	450
Interest and Fiscal Charges	(9,908)	(11,263)	-	(39,264)	(7,078)	(67,513)	-
Other - Net	102,995	121,935	-	9,425	(11,667)	222,688	(299)
Total Nonoperating Revenues (Expenses)	99,779	118,605	-	(18,568)	(15,627)	184,189	151
Income (Loss) Before Capital Contributions, Grants, and Transfers	(729,717)	(656,980)	107,388	(2,924)	3,588	(1,278,645)	2,042
Capital Contributions	5,099	-	-	-	-	5,099	-
Federal Capitalization Grants	-	-	-	27,995	11,189	39,184	-
Transfers In	918,180	652,931	-	590	225	1,571,926	-
Transfers Out	-	-	(9,700)	-	-	(9,700)	(5,000)
Change in Net Position	193,562	(4,049)	97,688	25,661	15,002	327,864	(2,958)
Total Net Position (Deficit) - Beginning	3,027,497	2,043,703	674,507	758,059	205,425	6,709,191	53,423
Total Net Position (Deficit) - Ending	$ 3,221,059	$ 2,039,654	$ 772,195	$ 783,720	$ 220,427	$ 7,037,055	$ 50,465

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, 2018

(Expressed in Thousands)

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	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	$ 1,210,454	$ 485,334	$ 741,922	$108,551	$81,592	$ 2,627,853	$ 53,236
Payments to Suppliers	(702,248)	(308,260)	-	(3,761)	(9,824)	(1,024,093)	(28,022)
Payments to Employees	(1,415,503)	(900,629)	-	(1,170)	(11,476)	(2,328,778)	(9,881)
Other Receipts (Payments)	365,597	60,097	(734,024)	(156,134)	(56,960)	(521,424)	189
Net Cash Provided by (Used in) Operating Activities	(541,700)	(663,458)	7,898	(52,514)	3,332	(1,246,442)	15,522
Cash Flows from Noncapital Financing Activities							
Proceeds from Sale of Bonds	88,806	-	-	-		88,806	-
Retirement of Bonds and Annuities Payable	-	-	-	(53,891)	(9,529)	(63,420)	-
Interest on Bonds and Annuities Payable	-	-	-	(38,327)	(8,028)	(46,355)	-
Transfers In	467,843	541,675	-	590	225	1,010,333	-
Transfers Out	-	-	(9,700)	-		(9,700)	(5,000)
Other Receipts (Payments)	49,034	131,489	(9,615)	-	(12,843)	158,065	(299)
Net Cash Flows from Noncapital Financing Activities	605,683	673,164	(19,315)	(91,628)	(30,175)	1,137,729	(5,299)
Cash Flows from Capital and Related Financing Activities							
Additions to Property, Plant, and Equipment	(361,918)	(87,459)	-	-	(593)	(449,970)	(14,007)
Proceeds from Capital Debt	369,630	-	-	-	-	369,630	-
Principal Paid on Capital Debt	(101,963)	(20,055)	-	-	-	(122,018)	-
Interest Paid on Capital Debt	(63,197)	(13,943)	-	-	-	(77,140)	-
Transfer In	216,731	190,634	-	-	-	407,365	-
Federal Grant	-	-	-	27,995	11,817	39,812	-
Other Receipts (Payments)	79,060	(72,438)	-	-	-	6,622	-
Net Cash Flows from Capital and Related Financing Activities	138,343	(3,261)	-	27,995	11,224	174,301	(14,007)
Cash Flows from Investing Activities							
Proceeds from Sales and Maturities of Investments	-	45,231	-	-	-	45,231	-
Purchase of Investment Securities	(609)	(32,270)	-	-	-	(32,879)	-
Interest on Investments	6,169	6,719	10,515	11,304	3,147	37,854	450
(Increase) Decrease in Restricted Assets	-	-	-	139,942	-	139,942	-
Other Receipts (Payments)	-	(12,346)	-	(34,689)	19,522	(27,513)	-
Net Cash Flows from Investing Activities	5,560	7,334	10,515	116,557	22,669	162,635	450
Net Increase (Decrease) in Cash and Cash Equivalents	207,886	13,779	(902)	410	7,050	228,223	(3,334)
Cash and Cash Equivalents - Beginning of Year	616,606	459,047	2,200	4,651	48,308	1,130,812	12,048
Cash and Cash Equivalents - End of Year	$ 824,492	$ 472,826	$ 1,298	$ 5,061	$55,358	$ 1,359,035	$ 8,714
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities							
Operating Income (Loss)	$ (829,496)	$(775,585)	$ 107,388	$ 15,644	$19,215	$(1,462,834)	$ 1,891
Adjustments not Affecting Cash:							
Depreciation and Amortization	160,822	96,651	-	-	1,123	258,596	17,949
Other	148,036	(7,300)	-	-	295	141,031	-
Change in Assets and Liabilities:					-		
(Increase) Decrease in Receivables, Net	(4,267)	10	(97,181)	(68,158)	1,680	(167,916)	26
(Increase) Decrease in Due from Other Funds	-	1,726	184	-	-	1,910	479
(Increase) Decrease in Inventories and Other Assets	1,517	810	-	-	(16,621)	(14,294)	4
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(18,312)	20,230	(1,738)	-	(2,360)	(2,180)	(4,827)
Increase (Decrease) in Due to Other Funds	-	-	(755)	-	-	(755)	-
Total Adjustments	287,796	112,127	(99,490)	(68,158)	(15,883)	216,392	13,631
Net Cash Provided by (Used In) Operating Activities	$ (541,700)	$(663,458)	$ 7,898	$ (52,514)	$ 3,332	$(1,246,442)	$ 15,522

Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	University of Connecticut & Health Center	Board of Regents
Cash and Cash Equivalents - Current	$ 466,106	$ 324,355
Cash and Cash Equivalents - Noncurrent	-	148,471
Cash and Cash Equivalents - Restricted	358,386	-
	$ 824,492	$ 472,826

Noncash Investing, Capital, and Financing Activities:	
Amortization of Premiums, Discounts, and net loss on debt refunding's	$ 14,666
Loss on disposal of capital assets	(5,075)
Acquisition of software license under long term purchase contract	2,380
Accruals of expenses related to construction in progress	75
Unrealized gain on investment	179
	$ 12,225

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2018

(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	$ 88,480	$ -	$ -	$ 138,515	$ 226,995
Receivables:					
Accounts, Net of Allowances	41,225	-	-	10,903	52,128
From Other Governments	885	-	-	-	885
From Other Funds	2,523	-	-	-	2,523
Interest	1,372	2,363	-	101	3,836
Inventories				11	11
Investments (See Note 3)	34,275,872	1,497,585	-	-	35,773,457
Securities Lending Collateral	2,597,918	-	-	-	2,597,918
Other Assets	-	47	3,259	330,323	333,629
Noncurrent:					
Due From Employers	19,113	-	-	-	19,113
Total Assets	$ 37,027,388	$ 1,499,995	$ 3,259	$ 479,853	39,010,495
Liabilities					
Accounts Payable and Accrued Liabilities	$ 54,067	$ 2,358	$ -	$ 47,078	103,503
Securities Lending Obligation	2,597,918	-	-	-	2,597,918
Due to Other Funds	1,834	-	-	379	2,213
Funds Held for Others	-	-	-	432,396	432,396
Total Liabilities	$ 2,653,819	$ 2,358	$ -	$ 479,853	$ 3,136,030
Net Position					
Restricted for:					
Pension Benefits	$ 33,465,407	$ -	$ -		$ 33,465,407
Other Postemployment Benefits	908,162	-	-		908,162
Pool Participants	-	1,497,637	-		1,497,637
Individuals, Organizations, and Other Governments	-	-	3,259		3,259
Total Net Position	$ 34,373,569	$ 1,497,637	$ 3,259		$ 35,874,465

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, 2018

(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	$ 744,525	$ -	$ -	$ 744,525
State	3,560,636	-	-	3,560,636
Municipalities	200,361	-	-	200,361
Total Contributions	4,505,522	-	-	4,505,522
Investment Income	2,441,624	26,046	-	2,467,670
Less: Investment Expense	(132,092)	(501)	-	(132,593)
Net Investment Income	2,309,532	25,545	-	2,335,077
Escheat Securities Received	-	-	46,617	46,617
Pool's Share Transactions	-	115,526	-	115,526
Other	4,461	-	-	4,461
Total Additions	6,819,515	141,071	46,617	7,007,203
Deductions				
Administrative Expense	8,045	-	-	8,045
Benefit Payments and Refunds	4,953,503	-	-	4,953,503
Escheat Securities Returned or Sold	-	-	44,035	44,035
Distributions to Pool Participants	-	25,544	-	25,544
Other	279,862	-	1,152	281,014
Total Deductions	5,241,410	25,544	45,187	5,312,141
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	1,578,105	-	-	1,578,105
Individuals, Organizations, and Other Governments	-	115,527	1,430	116,957
Net Position - Beginning	32,795,464	1,382,110	1,829	34,179,403
Net Position - Ending	$ 34,373,569	$ 1,497,637	$ 3,259	$ 35,874,465

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2018
(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-17)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	$ -	$ 21,998	$ 103,337	$ 135,773	$ 261,108
Investments	-	6,175	-	513,993	520,168
Receivables:					
Accounts, Net of Allowances	-	27,183	10,349	33,572	71,104
Loans, Net of Allowances	-	-	-	11,734	11,734
Other	-	1,325	-	559	1,884
Due From Other Governments	-	-	7,075	-	7,075
Due From Primary Government	-	-	2,970	1,098	4,068
Restricted Assets	858,364	-	3,331	321,065	1,182,760
Inventories	-	-	-	6,203	6,203
Other Current Assets	-	5,916	116	10,254	16,286
Total Current Assets	858,364	62,597	127,178	1,034,251	2,082,390
Noncurrent Assets:					
Investments	-	119,045	-	103,586	222,631
Accounts, Net of Allowances	-	-	-	39,671	39,671
Loans, Net of Allowances	-	-	-	77,893	77,893
Restricted Assets	4,743,563	-	129,624	369,276	5,242,463
Capital Assets, Net of Accumulated Depreciation	3,465	819	325,731	446,151	776,166
Other Noncurrent Assets	-	8,112	-	59,384	67,496
Total Noncurrent Assets	4,747,028	127,976	455,355	1,095,961	6,426,320
Total Assets	$ 5,605,392	$ 190,573	$ 582,533	$ 2,130,212	$ 8,508,710
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ 10,999	$ -	$ 10,999
Unamortized Losses on Bond Refundings	91,788	-	1,630	-	93,418
Related to Pensions & Other Postemployment Benefits	22,050	18,516	21,718	31,765	94,049
Other	-	-	-	38	38
Total Deferred Outflows of Resources	$ 113,838	$ 18,516	$ 34,347	$ 31,803	$ 198,504
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	$ 23,071	$ 9,492	$ 20,713	$ 68,521	$ 121,797
Current Portion of Long-Term Obligations	277,831	6,663	7,225	18,471	310,190
Due To Primary Government	-	-	3,321	54,150	57,471
Amount Held for Institutions	-	-	-	227,870	227,870
Other Liabilities	-	40,490	5,801	-	46,291
Total Current Liabilities	300,902	56,645	37,060	369,012	763,619
Noncurrent Liabilities:					
Pension Liability	67,070	108,239	140,265	96,480	412,054
Noncurrent Portion of Long-Term Obligations	4,449,350	119,472	113,104	501,435	5,183,361
Total Noncurrent Liabilities	4,516,420	227,711	253,369	597,915	5,595,415
Total Liabilities	$ 4,817,322	$ 284,356	$ 290,429	$ 966,927	$ 6,359,034
Other Deferred Inflows					
Unamortized Investment Earnings	$ -	$ -	$ -	$ 672	$ 672
Related to Pensions & Other Postemployment Benefits	20,925	4,412	5,445	10,368	41,150
Other Deferred Inflows	-	-	-	7	7
Total Deferred Inflows of Resources	$ 20,925	$ 4,412	$ 5,445	$ 11,047	$ 41,829
Net Position					
Net Investment in Capital Assets	$ 3,465	$ 819	$ 218,031	$ 243,749	$ 466,064
Restricted:					
Debt Service	-	-	6,521	-	6,521
Bond Indentures	877,518	-	2,105	-	879,623
Expendable Endowments	-	-	-	124,058	124,058
Nonexpendable Endowments	-	-	-	476,949	476,949
Capital Projects	-	-	124,330	-	124,330
Other Purposes	-	(80,498)	-	114,702	34,204
Unrestricted (Deficit)	-	-	(29,981)	224,583	194,602
Total Net Position	$ 880,983	$ (79,679)	$ 321,006	$ 1,184,041	$ 2,306,351

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, 2018
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/17)	$ 193,459	$ 165,984	$ -	$ -
Connecticut Lottery Corporation	1,280,217	1,267,638	-	-
Connecticut Airport Authority	83,922	99,630	-	9,799
Other Component Units	296,625	292,103	6,384	4,738
Total Component Units	$ 1,854,223	$ 1,825,355	$ 6,384	$ 14,537

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 (12-31-17)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
$ (27,475)	$ -	$ -	$ -	$ (27,475)
-	(12,579)	-	-	(12,579)
-	-	25,507	-	25,507
-	-	-	6,600	6,600
(27,475)	(12,579)	25,507	6,600	(7,947)
41,796	6,287	1,582	32,898	82,563
41,796	6,287	1,582	32,898	82,563
14,321	(6,292)	27,089	39,498	74,616
866,662	(73,387)	293,917	1,144,543	2,231,735
$ 880,983	$ (79,679)	$ 321,006	$ 1,184,041	$ 2,306,351

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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 portion of 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 ended on December 31, 2017.

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. CHESLA is 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, formerly the Capital City Economic Development Authority markets major sports, convention, and exhibition venues in the region.

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 as a quasi-public agency to supersede the 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 State'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 grants and 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 Postemployment Benefit (OPEB) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the state's other postemployment 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 or in the case of gifts at acquisition value.

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 and 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 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, 2019. The State is currently evaluating the impact this standard will have on its financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for fiscal years beginning after December 15, 2019. The State is currently evaluating the impact this standard will have on its financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in April 2018. The purpose of this Statement is to improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. Also, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. This Statement is effective for reporting periods beginning after June 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statements objective are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for reporting periods beginning after December 15, 2019. 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, 2018, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects		
Transportation	$	718
Special Revenue		
Consumer Counsel & Public Utility Control	$	266
Insurance	$	1,782
Regional Market	$	90
Enterprise		
Bradley Parking Garage	$	13,589

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 Consumer Counsel and Public Utility Control, Insurance and Regional Market funds deficit were because of additional expenditures this fiscal year and lower revenue collections. These deficits should be eliminated in the future.

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, 2018, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund		
		Investment Maturities (in years)
Investment Type	Amortized Cost	Less Than 1
Federal Agency Securities	$ 1,395,827	$ 1,395,827
Bank Commercial Paper	1,618,964	1,618,964
Repurchase Agreements	650,000	650,000
Total Investments	$ 3,664,791	$ 3,664,791

Interest Rate Risk

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, 2018, the weighted average maturity of 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, 2018, the amount of STIF's investments in variable-rate securities was $1,680 million.

Credit Risk

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, 2018, 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	$ 1,395,827	$ -	$ 1,395,827	$ -
Corporate & Bank Commercial Paper	1,618,964	-	1,370,320	248,644
Repurchase Agreements	650,000	-	450,000	200,000
Total Investments	$ 3,664,791	$ -	$ 3,216,147	$ 448,644

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, 2018, 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	$ 632,327
Federal Farm Credit Bank	$ 649,101
Commercial Paper & Corporate Securities	$ 1,618,964
Merrill Lynch	$ 200,000
RBC Capital Markets	$ 450,000

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):

STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificates of deposit 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, 2018, $3,130,127 of the bank balance of STIF's deposits of $3,131,627 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$	2,488,402
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		641,725
Total	$	3,130,127

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	$ 115,546	$ 640	$ 34,275,872
Other Investments	1,130	65,404	1,497,585
Total Investments-Current	$ 116,676	$ 66,044	$ 35,773,457

The CIFS measure and record their 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 tiered 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, 2018, 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	$ 848,350	$ 47	$ 848,303	$ -
Asset Backed Securities	260,196	-	260,196	-
Government Securities	3,661,834	1,264,152	2,397,682	-
Government Agency Securities	645,396	-	645,396	-
Mortgage Backed Securities	333,200	-	333,200	-
Corporate Debt	4,284,257	-	4,158,574	125,683
Convertible Securities	31,232	-	31,232	-
Common Stock	15,183,973	15,183,229	-	744
Preferred Stock	47,299	28,738	18,561	-
Real Estate Investment Trust	327,950	266,670	61,280	-
Mutual Fund	1,529,260	1,529,260	-	-
Limited Partnerships	1,948	1,948	-	-
Total	$ 27,154,895	$ 18,274,044	$ 8,754,424	$ 126,427
Investments Measured by Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Limited Liability Corporation	1,156	$ -	Illiquid	N/A
Limited Partnerships	7,212,625	2,346,469	Illiquid	N/A
Total	7,213,781	$ 2,346,469		
Total Investments in Securities at Fair Value	$ 34,368,676			

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 CIFS' investments. The investments include short-term cash equivalents including certificates of deposit 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	$ 848,350	$ 848,350	$ -	$ -	$ -
Asset Backed Securities	260,196	(20)	90,406	80,632	89,178
Government Securities	3,661,834	182,298	1,502,443	813,202	1,163,891
Government Agency Securities	645,396	34,992	43,568	29,318	537,518
Mortgage Backed Securities	333,200	3,546	56,110	30,389	243,155
Corporate Debt	4,284,257	1,366,686	1,540,615	1,015,630	361,326
Convertible Debt	31,232	559	7,393	10,342	12,938
	$ 10,064,465	$ 2,436,411	$ 3,240,535	$ 1,979,513	$ 2,408,006

Credit Risk

The CIFS minimize 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, 2018, 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	$ 2,476,345	$ -	$ 184,538	$ 1,505,804	$ 503,975	$ 212,661	$ 69,367	$ -
Aa	683,693	5,809	1,953	419,447	-	2,305	254,179	-
A	822,926	5,170	3,352	483,844	-	3,013	327,547	-
Baa	844,884	-	3,376	426,795	-	303	414,410	-
Ba	842,978	-	978	250,481	-	-	580,648	10,871
B	950,296	-	-	178,461	-	-	771,276	559
Caa	444,618	-	-	32,051	-	63	412,016	488
Ca	3,980	-	-	-	-	-	3,980	-
C	30,106	-	-	23,463	-	-	6,643	-
Prime 1	698,276	98,893	-	-	-	-	599,383	-
Prime 2	70,027	-	-	-	-	-	70,027	-
Prime 3	20,681	-	-	-	-	-	20,681	-
Government fixed not rated	159,772	-	-	18,351	141,421	-	-	-
Non Government fixed not rated	323,137	-	-	323,137	-	-	-	-
Not Rated	1,692,746	738,478	65,999	-	-	114,855	754,100	19,314
	$ 10,064,465	$ 848,350	$ 260,196	$ 3,661,834	$ 645,396	$ 333,200	$ 4,284,257	$ 31,232

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, 2018, 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	$ 8,484	$ 128	$ -	$ 7,676	$ 680	$ -	$ -	$ -	$ -	$ -
Australian Dollar	413,205	902	-	74,622	7,449	-	-	313,811	-	16,421
Brazilian Real	144,229	6	-	92,493	-	61	-	51,150	519	-
Canadian Dollar	146,323	2,395	10,979	27,528	-	(24)	-	104,690	-	755
Chilean Peso	17,905	-	-	13,085	-	-	-	4,820	-	-
Colombian Peso	63,859	909	-	61,342	1,510	-	-	98	-	-
Czech Koruna	11,588	-	-	11,588	-	-	-	-	-	-
Danish Krone	114,298	201	-	1,064	-	-	-	113,033	-	-
Dominican Rep Peso	4,452	-		4,452	-			-		
Egyptian Pound	23,882	17,405	-	4,591	-	-	-	1,886	-	-
Euro Currency	2,263,544	9,333	-	230,051	19,917	(133)	-	1,974,339	18,875	11,162
Ghanaian Cedi	1,427	-	-	-	1,427	-	-	-	-	-
Hong Kong Dollar	671,898	(151)	-	-	-	-	-	668,241	-	3,808
Hungarian Forint	63,076	811	-	24,459	-	-	-	37,806	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	5,949	-	-	270	5,679	-	-	-	-	-
Indonesian Rupiah	91,768	1,760	-	41,373	45,931	-	-	2,704	-	-
Israeli Shekel	42,265	17	-	-	-	-	-	42,248	-	-
Japanese Yen	1,370,815	5,610	-	50,966	-	120	-	1,307,199	-	6,920
Kazakhstan Tenge	6,026	-	-	-	6,026	-	-	-	-	-
Georgian Lari	1,848	-	-	-	1,848	-	-	-	-	-
Malaysian Ringgit	87,957	607	-	87,085	-	9	-	256	-	-
Mexican Peso	183,022	1,066	-	176,104	5,929	(150)	-	73	-	-
New Zealand Dollar	110,392	499	-	94,018	694	(95)	-	15,276	-	-
Nigerian Naira	8,842	3,109	-	-	5,562	-	-	171	-	-
Norwegian Krone	49,242	85	-	-	237	-	-	48,920	-	-
Peruvian Nouveau Sol	30,029	22	-	23,590	6,417	-	-	-	-	-
Philippine Peso	1,447	-	-	1,447	-	-	-	-	-	-
Polish Zloty	162,453	259	-	90,007	-	1	-	72,186	-	-
Pound Sterling	1,223,684	2,351	106	258,745	4,875	(71)	985	939,362	-	17,331
Romanian Leu	14,263	-	-	14,263	-	-	-	-	-	-
Russian Ruble	71,739	122	-	71,617	-	-	-	-	-	-
Singapore Dollar	131,883	80	-	25,129	-	-	-	103,890	-	2,784
South African Rand	184,298	530	-	85,516	2,985	-	-	95,267	-	-
South Korean Won	358,179	69	-	-	-	-	-	351,268	6,842	-
Sri Lanka Rupee	3,899	-	-	-	3,899	-	-	-	-	-
Swedish Krona	160,132	198	-	4,212	-	-	-	155,722	-	-
Swiss Franc	436,611	507	-	-	-	-	-	436,104	-	-
Thailand Baht	84,763	310	-	36,892	-	-	-	47,561	-	-
Turkish Lira	51,194	-	-	35,943	-	-	-	15,251	-	-
Ukarine Hryvana	8,827	-	-	-	8,827	-	-	-	-	-
Uruguayan Peso	3,493	-	-	3,493	-	-	-	-	-	-
	$ 8,833,192	$ 49,142	$ 11,085	$ 1,653,621	$ 129,892	$ (282)	$ 985	$ 6,903,332	$ 26,236	$ 59,181

Derivatives

As of June 30, 2018, the CIFS held the following derivative investments (amounts in thousands):

	2018 Fair Value	2017 Fair Value
Adjustable Rate Securities	$ 724,765	$ 652,183
Asset Backed Securities	257,317	255,114
Mortgage Backed Securities	269,910	215,946
Collateralized Mortgage Obligations	63,289	64,633
Forward Mortgage Backed Securities (TBA's)	140,844	118,185
Interest Only	341	470
Options	(179)	775
Total	$ 1,456,287	$ 1,307,306

The Inflation Linked Bond Fund held futures with a notional cost of $6,800. Also, the Core Fixed Income held futures with a notional cost of $109,624. The High Yield Debt Fund held futures with a negative notional cost of ($3,212), the Developed Market International Stock held futures with a notional cost of $61,021. The Emerging Market Debt also held futures with a negative notional cost of ($29,221).

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, 2018, the fair value of contracts to buy and contracts to sell was $9.5 billion and $9.4 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, 2018, the CIFS had deposits with a bank balance of $106.0 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, 2018, 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	$ 834	$ 834	$ -	$ -
Fixed Income Securities	1,719	1,719	-	-
Equity Securities	10,929	10,176	753	-
Total	$ 13,482	$ 12,729	$ 753	$ -
Investments Measured by Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Private Capital Partnerships	$ 1,164	$ 219	N/A	N/A
Private Real Estate Partnerships	66	39	N/A	N/A
Natural Resource Partnerships	526	86	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	878	-	N/A	N/A
Other	469	-	N/A	N/A
Total	3,104	$ 344		
Total Investments in Securities at Fair Value	$ 16,586			

As of June 30, 2018, 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	$	54,397	$	-	$	4,160	$	50,237
U.S. Government and Agency Securities		341,872		83,827		4,847		253,198
Guaranteed Investment Contracts		62,798		-		43,882		18,916
Money Market Funds		13,734		13,734		-		-
Total Debt Investments		472,801	$	97,561	$	52,889	$	322,351
Endowment Pool		15,044						
Corporate Stock		1,073						
Other Investments		469						
Total Investments	$	489,387						

Credit Risk

As of June 30, 2018, 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	$	54,397	$	3,030	$	51,367	$	-	$	-
U.S. Government and Agency Securities		258,562		258,562		-		-		-
Guaranteed Investment Contracts		62,798		14,565		17,221		12,960		18,052
Money Market Funds		13,734		-		-		-		13,734
Total	$	389,491	$	276,157	$	68,588	$	12,960	$	31,786

Connecticut State Universities reported $84 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, 2018, $165,522 of the bank balance of the Primary Government of $168,898 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$	88,879
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		76,643
Total	$	165,522

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of December 31, 2017 and June 30, 2018, 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	$	474	$	-	$	-	$	474	$	-
GNMA & FNMA Program Assets		1,603,090		-		-		1,099		1,601,991
Mortgage Backed Securities		509		-		-		69		440
Money Market		9,045		9,045		-		-		-
Municipal Bonds		58,479		316		1,867		2,457		53,839
STIF		631,881		631,881		-		-		-
Structured Securities		279		-		-		-		279
U.S. Government Agency Securities		878		-		-		-		878
Total Debt Investments		2,304,635	$	641,242	$	1,867	$	4,099	$	1,657,427
Annuity Contracts		125,220								
Total Investments	$	2,429,855								

The CHFA and the CLC own 94.8 percent and 5.2 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 December 31, 2017 as follows (amounts in thousands):

Component Units					
	Fair		Quality Ratings		
Investment Type	Value	AAA	CCC	D	Unrated
Collateralized Mortgage Obligations	$ 474	$ -	$ 474	$ -	$ -
Municipal Bonds	58,479	-	-	-	58,479
Money Market	9,045	-	-	-	9,045
STIF	631,881	631,881	-	-	-
Structured Securities	279	-	-	279	-
Total	$ 700,158	$ 631,881	$ 474	$ 279	$ 67,524

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, 2017, 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 CIFS are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The CIFS' 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 $2,605.1 million and $2,556.6 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 21.06 days and an average weighted maturity of 47.26 days.

Note 4
Receivables-Current

As of June 30, 2018, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 2,227,247	$ -	$ -
Accounts	1,162,781	453,576	77,125
Loans-Current Portion	-	226,861	11,734
Other Governments	968,599	6,943	7,075
Interest	3,287	2,030	1,344
Other (1)	381	1,952	540
Total Receivables	4,362,295	691,362	97,818
Allowance for Uncollectibles	(921,419)	(90,003)	(6,021)
Receivables, Net	$ 3,440,876	$ 601,359	$ 91,797

(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, 2018 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 818,446	$ -	$ 818,446
Income Taxes	662,502	-	662,502
Corporations	24,469	-	24,469
Gasoline and Special Fuel	-	190,705	190,705
Various Other	531,125	-	531,125
Total Taxes Receivable	2,036,542	190,705	2,227,247
Allowance for Uncollectibles	(235,595)	(95)	(235,690)
Taxes Receivable, Net	$ 1,800,947	$ 190,610	$ 1,991,557

Note 6
Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2018, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 39,671
Loans	1,047,102	1,113,123	91,581
Total Receivables	1,047,102	1,113,123	131,252
Allowance for Uncollectibles	(22,438)	-	(13,688)
Receivables, Net	$ 1,024,664	$ 1,113,123	$ 117,564

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 $104.4 million.

Note 7
Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2018, 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	$ 901,920	$ -	$ -	$ -	$ 901,920
Total-Governmental Activities	$ 901,920	$ -	$ -	$ -	$ 901,920
Business-Type Activities:					
UConn/Health Center	$ 358,386	$ -	$ -	$ -	$ 358,386
Clean Water	82,850	106,899	-	-	189,749
Other Proprietary	61,973	7,819	-	-	69,792
Total-Business-Type Activities	$ 503,209	$ 114,718	$ -	$ -	$ 617,927
Component Units:					
CHFA	$ 533	$ 2,304,635	$ 3,193,257	$ 103,502	$ 5,601,927
CAA	-	129,802	-	3,153	132,955
Other Component Units	56,845	296,569	332,017	4,910	690,341
Total-Component Units	$ 57,378	$ 2,731,006	$ 3,525,274	$ 111,565	$ 6,425,223

Note 8
Current Liabilities

Accounts Payable and Accrued Liabilities

As of June 30, 2018, 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	$ 148,895	$ 223,882	$ -	$ -	$ 372,777
Transportation	14,771	14,274	-	-	29,045
Restricted Accounts	191,917	11,443	-	-	203,360
Grants and Loans	8,896	115	-	8,661	17,672
Other Governmental	88,119	6,483	-	-	94,602
Internal Service	618	882	-	-	1,500
Reconciling amount from fund financial statements to government-wide financial statements	-	-	239,523	689	240,212
Total-Governmental Activities	$ 453,216	$ 257,079	$ 239,523	$ 9,350	$ 959,168
Business-Type Activities:					
UConn/Health Center	$ 110,590	$ 96,053	$ -	$ 49,227	$ 255,870
Board of Regents	21,159	92,225	2,251	1,980	117,615
Other Proprietary	8,371	-	12,430	1,960	22,761
Total-Business-Type Activities	$ 140,120	$ 188,278	$ 14,681	$ 53,167	$ 396,246
Component Units:					
CHFA	$ -	$ -	$ 16,105	$ 6,966	$ 23,071
Connecticut Lottery Corporation	8,167	-	1,325	-	9,492
Connecticut Airport Authority	7,407	5,332	1,074	6,900	20,713
Other Component Units	1,476	-	858	66,187	68,521
Total-Component Units	$ 17,050	$ 5,332	$ 19,362	$ 80,053	$ 121,797

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	$ 1,788,392	$ 45,138	$ 273	$ 1,833,257
Construction in Progress	4,988,440	1,187,319	1,122,491	5,053,268
Total Capital Assets not being Depreciated	6,776,832	1,232,457	1,122,764	6,886,525
Capital Assets being Depreciated:				
Buildings	4,620,423	23,541	10,577	4,633,387
Improvements Other than Buildings	472,649	2,847	2,229	473,267
Equipment	2,621,857	134,130	142,890	2,613,097
Infrastructure	15,597,928	1,009,680	-	16,607,608
Total Other Capital Assets at Historical Cost	23,312,857	1,170,198	155,696	24,327,359
Less: Accumulated Depreciation For:				
Buildings	1,784,824	115,835	10,577	1,890,082
Improvements Other than Buildings	345,558	23,849	2,229	367,178
Equipment	2,572,935	138,074	142,890	2,568,119
Infrastructure	10,501,941	453,956	-	10,955,897
Total Accumulated Depreciation	15,205,258	731,714	155,696	15,781,276
Other Capital Assets, Net	8,107,599	438,484	-	8,546,083
Governmental Activities, Capital Assets, Net	$ 14,884,431	$ 1,670,941	$ 1,122,764	$ 15,432,608

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 4,930
General Government	21,275
Regulation and Protection	24,420
Conservation and Development	10,869
Health and Hospitals	9,784
Transportation	576,786
Human Services	959
Education, Libraries and Museums	30,396
Corrections	27,211
Judicial	16,807
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	8,277
Total Depreciation Expense	$ 731,714

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 68,625	$ 18	$ -	$ 68,643
Construction in Progress	877,344	243,818	397,622	723,540
Total Capital Assets not being Depreciated	945,969	243,836	397,622	792,183
Capital Assets being Depreciated:				
Buildings	5,596,311	486,213	9,397	6,073,127
Improvements Other Than Buildings	430,629	18,936	-	449,565
Equipment	1,057,388	152,921	104,990	1,105,319
Total Other Capital Assets at Historical Cost	7,084,328	658,070	114,387	7,628,011
Less: Accumulated Depreciation For:				
Buildings	2,211,146	171,160	6,601	2,375,705
Improvements Other Than Buildings	233,564	14,990	-	248,554
Equipment	713,231	73,405	91,442	695,194
Total Accumulated Depreciation	3,157,941	259,555	98,043	3,319,453
Other Capital Assets, Net	3,926,387	398,515	16,344	4,308,558
Business-Type Activities, Capital Assets, Net	$ 4,872,356	$ 642,351	$ 413,966	$ 5,100,741

Component Units
Capital assets of the component units consisted of the following as of June 30, 2018 (amounts in thousands):

Land	$ 59,409
Buildings	705,677
Improvements other than Buildings	324,894
Machinery and Equipment	605,759
Construction in Progress	39,724
Total Capital Assets	1,735,463
Accumulated Depreciation	959,297
Capital Assets, Net	$ 776,166

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 these financial statements.

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 are elected by teacher membership and five public members are 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, to be 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 6/30/2018	TRS 6/30/2018	JRS 6/30/2018
Inactive Members or their Beneficiaries receiving benefits	50,441	37,446	284
Inactive Members Entitled to but not yet Receiving Benefits	1,281	2,194	3
Active Members	49,153	50,594	209

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, 2017.

	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%	21.0%	5.8%	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	18.0%	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%	7.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	11.0%	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%	7.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	5.0%	3.9%	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%	5.0%	3.7%	4.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	3.0%	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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 7.30 percent, 7.04 percent, and 6.14 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, 2017 were as follows (amounts in millions):

	SERS	TRS	JRS
Total Pension Liability	$ 33,053	$ 30,637	$ 448
Fiduciary Net Position	11,982	17,134	210
Net Pension Liability	$ 21,071	$ 13,503	$ 238
Ratio of Fiduciary Net Position to Total Pension Liability	36.25%	55.93%	46.91%

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, 2018 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 rates 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	$ 24,368	$ 21,071	$ 16,963
TRS Net Pension Liability	$ 16,901	$ 13,502	$ 10,629
JRS Net Pension Liability	$ 269	$ 238	$ 183

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 reporting date June 30, 2018 (amounts in thousands):

	SERS	TRS	JRS	Total
Primary Government	$ 1,425,153	$ 1,271,033	$ 25,458	$ 2,721,644
Component Units	17,900	-	-	17,900
Total Employer Contributions	$ 1,443,053	$ 1,271,033	$ 25,458	$ 2,739,544

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

As of the measurement 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	$ 20,826,368	$ 244,547
Net Pension Liability		
Teachers' Retirement System	13,502,320	-
Judicial Retirement System	237,800	-
Total Net Pension Liability	$ 34,566,488	$ 244,547

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, 2017 as follows:

	Primary Government	Component Units
State Employees' Retirement System		
Proportion-June 30, 2016	98.84%	1.16%

For the measurement 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	$ 1,397,929	$ 13,113
Teachers' Retirement System	1,561,824	-
Judicial Retirement System	38,814	-
	$ 2,998,567	$ 13,113

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2018, 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	$ -	$ 39,767	$ -	$ 467
Difference Between Expected and Actual Experience	497,200	-	5,838	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	-	12,010	23,418
Change in Assumptions	3,191,098	-	37,471	-
Employer Contributions Subsequent to Measurement Date	1,425,153	-	17,900	-
Total	$ 5,113,451	$ 39,767	$ 73,219	$ 23,885
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ 265,437		
Difference Between Expected and Actual Experience	183,836	-		
Change in Assumptions	1,563,208	-		
Employer Contributions Subsequent to Measurement Date	1,271,033	-		
Total	$ 3,018,077	$ 265,437		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 12,252	$ 11,169		
Difference Between Expected and Actual Experience	-	4,724		
Change in Assumptions	32,542			
Employer Contributions Subsequent to Measurement Date	25,458	-		
Total	$ 70,252	$ 15,893		

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
2019	$ 971,619	$ 8,107
2020	1,112,945	9,767
2021	1,006,326	8,497
2022	569,633	4,479
2023	-	584
	$ 3,660,523	$ 31,434

Teachers' Retirement System

Year Ending June 30	Primary Government
2019	$ 313,672
2020	527,839
2021	347,489
2022	74,064
2023-2024	218,543
	$ 1,481,607

Judges' Retirement System

Year Ending June 30	Primary Government
2019	$ 14,193
2020	16,162
2021	846
2022	(2,300)
2023	-
	$ 28,901

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/2018	6/30/2018	6/30/2018
Inflation	3.50%	2.75%	2.3% - 4.75%
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, 2018 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, 2018 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, 2017 (amounts in thousands):

Total Pension Liability	SERS	TRS	JRS
Service Cost	$ 480,350	$ 450,563	$ 10,159
Interest	2,255,533	2,308,693	29,062
Benefit Changes	(1,444,220)	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments	(1,847,715)	(1,962,533)	(24,899)
Refunds of Contributions	(7,972)	-	-
Net change in total pension liability	(564,024)	796,723	14,322
Total pension liability - beginning (a)	33,616,716	29,839,923	433,603
Total pension liability - ending (c)	**$ 33,052,692**	**$ 30,636,646**	**$ 447,925**
Plan fiduciary net position			
Contributions - employer	$ 1,542,298	$ 1,012,162	$ 19,164
Contributions - member	132,557	288,251	1,689
Net investment income	1,509,862	2,199,895	24,452
Benefit payments	(1,847,715)	(1,962,533)	(24,899)
Other	(9,017)	1,679	(39)
Net change in plan fiduciary net position	1,327,985	1,539,454	20,367
Plan net position - beginning (b)	10,653,792	15,594,872	189,758
Plan net position - ending (d)	**$ 11,981,777**	**$ 17,134,326**	**$ 210,125**
Net pension liability - beginning (a)-(b)	**$ 22,962,924**	**$ 14,245,051**	**$ 243,845**
Net pension liability - ending (c)-(d)	**$ 21,070,915**	**$ 13,502,320**	**$ 237,800**

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 $33.7 million and $49.1 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 to date of the latest actuarial information:

	MERS	CPJERS
Retirees and beneficiaries receiving benefits	7,448	372
Terminated plan members entitled to but not receiving benefits	1,165	132
Active plan members	10,096	365
Total	18,709	869
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, 2017 were as follows (amounts in millions):

	MERS
Total Pension Liability	$ 2,982
Fiduciary Net Position	2,734
Net Pension Liability	$ 248
Ratio of Fiduciary Net Position to Total Pension Liability	91.68%

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	$ 612	$ 248	$ (58)

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	Deferred Inflows of Resources
Municipal Employees Retirement System		
Difference Between Expected and Actual Experience	$ 29,743	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	36,564	-
Employer Contributions Subsequent to Measurement Date	198,494	-
	$ 264,801	$ -

Amounts recognized in subsequent fiscal years:

Year Ending June 30	MERS
2019	$ 23,232
2020	44,669
2021	19,935
2022	(21,529)

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, 2017 is as follows (amounts in thousands):

Service Cost	$ 76,056
Interest on the total pension liability	221,010
Expensed portion of current-period difference between expected and actual experience in the total pension liability	-
Member Contributions	(27,377)
Projected earnings on plan investments	(176,182)
Expensed portion of current period differences between projected and actual earnings on plan investments	(21,529)
Other	(524)
Recognition of beginning deferred outflows of resources as pension expense	44,762
Collective Pension Expense	$ 116,216

Actuarial Assumptions

The total pension liability was determined by the most recent actuarial information available, using the following actuarial assumptions, applied to all periods included in the measurement date:

Inflation	2.50%
Salary increase	3.5-10.0%, including inflation
Investment rate of return	7.00%, net of investment related expenses

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, 2018 the Fiduciary Fund financial statements were as follows (amounts in thousands):

	Statement of Fiduciary Net Position (thousands)						
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	$ 8,348	$ 6,397	$ 50	$ 1,760	$ 11	$ 375	$ 16,941
Receivables:							
Accounts, Net of Allowances	11,402	12,108	8	17,703	4	-	41,225
From Other Governments	-	885	-	-	-	-	885
From Other Funds	538	25	-	36	-	2	601
Interest	334	1,008	3	24	2	-	1,371
Investments	12,506,984	17,936,760	222,747	2,627,389	99,881	1,932	33,395,693
Securities Lending Collateral	953,550	1,302,278	21,076	247,526	9,654	181	2,534,265
Noncurrent:							
Due From Employers	-	-	-	19,113	-	-	19,113
Total Assets	$ 13,481,156	$ 19,259,461	$ 243,884	$ 2,913,551	$ 109,552	$ 2,490	$ 36,010,094
Liabilities							
Accounts Payable and Accrued Liabilities	$ 64	$ 8,510	$ -	$ -	$ 14	$ -	$ 8,588
Securities Lending Obligation	953,550	1,302,278	21,076	247,526	9,654	181	2,534,265
Due to Other Funds	-	1,834	-	-	-	-	1,834
Total Liabilities	$ 953,614	$ 1,312,622	$ 21,076	$ 247,526	$ 9,668	$ 181	$ 2,544,687
Net Position							
Held in Trust For Employee Pension Benefits	$ 12,527,542	$ 17,946,839	$ 222,808	$ 2,666,025	$ 99,884	$ 2,309	$ 33,465,407
Total Net Assets	$ 12,527,542	$ 17,946,839	$ 222,808	$ 2,666,025	$ 99,884	$ 2,309	$ 33,465,407

	Statement of Changes in Fiduciary Net Position (thousands)						
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 193,942	$ 312,150	$ 1,663	$ 24,995	$ 233	$ 44	$ 533,027
State	1,443,053	1,271,033	25,458	-	-	-	2,739,544
Municipalities	-	1,244	-	198,484	-	-	199,728
Total Contributions	1,636,995	1,584,427	27,121	223,479	233	44	3,472,299
Investment Income	926,057	1,295,010	13,932	158,307	6,130	115	2,399,551
Less: Investment Expenses	(50,113)	(70,079)	(754)	(8,567)	(332)	(6)	(129,851)
Net Investment Income	875,944	1,224,931	13,178	149,740	5,798	109	2,269,700
Other	-	-	-	50	4,220	5	4,275
Total Additions	2,512,939	2,809,358	40,299	373,269	10,251	158	5,746,274
Deductions							
Administrative Expense	391	-	-	-	-	-	391
Benefit Payments and Refunds	1,963,644	1,994,092	27,580	167,153	5,438	-	4,157,907
Other	3,139	2,753	36	273,875	-	-	279,803
Total Deductions	1,967,174	1,996,845	27,616	441,028	5,438	-	4,438,101
Changes in Net Assets	545,765	812,513	12,683	(67,759)	4,813	158	1,308,173
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year (as restated)	11,981,777	17,134,326	210,125	2,733,784	95,071	2,151	32,157,234
End of Year	$ 12,527,542	$ 17,946,839	$ 222,808	$ 2,666,025	$ 99,884	$ 2,309	$ 33,465,407

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. 75 – *Accounting* and *Financial Reporting for Postemployment Benefit Plans Other than Pensions.*

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 to date of the latest actuarial information:

	SEOPEBP	RTHP
Inactive Members or their		
Beneficiaries receiving benefits	74,579	40,633
Inactive Members Entitled to but		
not yet Receiving Benefits	256	10,684
Active Members	49,538	50,594

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, the measurement date.

	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.

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	$ 17,904,922	$ 3,538,772
Fiduciary Net Position	542,342	63,428
Net OPEB Liability	$ 17,362,580	$ 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 the most recent actuarial information available, using the following actuarial assumptions, applied to all periods included in the measurement:

	SEOPEBP	RTHP
Payroll growth rate	3.50%	2.75%
Salary increase	3.25% to 19.5% varying by years of service & retirement system	3.25%-6.5%
Discount Rate	3.68%	
Investment rate of return		3.00%, net of OPEB plan investment expense including price inflation
Healthcare cost trend rates	8% for drug cost graded to 4.5% over 7 years 6% for medical graded to 4.5% over 4 years 4.5% for dental 3.0% for adminstrative expense	5.95% decreasing to 4.75% by year 2022

Mortality rates for the State Employees OPEB Plan were based on the RP-2014 White Collar Mortality Table projected by Scale BB at 100% for males and 95% for females.

Mortality rates for the State Teachers Retirement System were based on Headcount-Weighted RP-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. State Employees OPEB disabled participants mortality rates were based on the RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females. State Teachers Retirement System disabled participants mortality rates were based on Headcount-Weighted RP-2014 Disabled Retiree Mortality Table projected to 2017 with Scale BB.

Discount Rate

The discount rate used to measure the total OPEB liability for SEOPEBP and RTHP respectively, was 3.68 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):

		SEOPEBP	
	1% Decrease in Discount Rate 2.68%	Current Discount Rate 3.68%	1% Increase in Discount Rate 4.68%
SEOPEBP:			
Primary Government Net OPEB Liability	$ 19,866,141	$ 17,115,654	$ 14,887,173
Component Units Net OPEB Liability	286,607	246,926	214,776
		RTHP	
	1% Decrease in Discount Rate 2.56%	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 in Trend Rates	Current Discount Rate (3.68%)	1% Increase in Trend Rates
SEOPEBP:			
Primary Government Net OPEB Liablity	$ 14,708,789	$ 17,115,654	$ 20,164,835
Component Untis Net OPEB Liability	212,202	246,926	290,916
		RTHP	
	1% Decrease	Current	1% Increase
RTHP Net OPEB Liability	$ 2,861,462	$ 3,475,344	$ 4,301,861

c. GASB Statement 75 Employer Reporting

Employer Contributions

The following table presents the primary government's and component units' contributions recognized by the OPEB plans at the reporting date June 30, 2018 (amounts in thousands):

	SEOPEBP	RTHP	Total
Primary Government	$ 792,401	$ 19,199	$ 811,600
Component Units	9,492	-	9,492
Total Employer Contributions	$ 801,893	$ 19,199	$ 821,092

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employees Benefits

As of the measurement date June 30, 2017, the primary government and component units reported net OPEB liabilities for the following plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Proportionate Share of the Net OPEB Liability		
State Employees' OPEB Plan	$ 17,115,654	$ 246,926
Net OPEB Liability		
Retired Teachers' Health Plan	3,475,344	-
Total Net OPEB Liability	$ 20,590,998	$ 246,926

The primary government's and component units' proportions of the collective net OPEB liability for the State Employees' OPEB Plan as of the measurement date June 30, 2017 as follows (amounts in thousands):

	Primary Government	Component Units
State Employees' OPEB Plan		
Proportion-June 30, 2017	98.58%	1.42%

For the measurement date June 30, 2017, the primary government and component units' recognized OPEB expense for the following OPEB plan administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
OPEB Expense		
State Employees' OPEB Plan	$ 1,206,289	$ 17,460
Retired Teachers' Health Plan	161,065	-
	$ 1,367,354	$ 17,460

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to the OPEB plans 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' OPEB Plan				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	$ -	$ 19,375	$ -	$ 279
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	250	3,280	3,030
Change in Assumptions	-	410,617	-	5,924
Employer Contributions Subsequent to Measurement Date	792,401	-	9,492	-
Total	$ 792,401	$ 430,242	$ 12,772	$ 9,233
Retired Teachers' Health Plan				
Difference Between Expected and Actual Experience	$ 1,210	$ -		
Change in Assumptions	-	324,172		
Employer Contributions Subsequent to Measurement Date	19,199	-		
Total	$ 20,409	$ 324,172		

The amount reported as deferred outflows of resources related to OPEB resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability reported in the following fiscal year. The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (amounts in thousands):

State Employees' OPEB Plan

Year Ending June 30	Primary Government	Component Units
2019	$ (97,799)	$ (1,354)
2020	(97,799)	(1,354)
2021	(97,799)	(1,353)
2022	(97,802)	(1,353)
2023	(39,043)	(539)
	$ (430,242)	$ (5,953)

Retired Teachers' Health Plan

Year Ending June 30	Primary Government
2018	$ (46,075)
2019	(46,075)
2020	(46,074)
2021	(46,074)
2022	(46,377)
Thereafter	(92,287)
	$ (322,962)

Changes in Net OPEB Liability

The following schedule presents changes in the State's OPEB 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	$ 960,992	$ 148,220
Interest	511,133	111,129
Benefit Changes	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	(510,781)	(370,549)
Benefit payments	(639,467)	(84,071)
Net change in total OPEB liability	321,877	(195,271)
Total OPEB liability - beginning	17,583,045	3,734,043
Total OPEB liability - ending (a)	**$ 17,904,922**	**$ 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)	**$ 17,362,580**	**$ 3,475,344**

The SEOPEBP Net OPEB Liability (NOL) as of June 30, 2017 reported for GASB 75 purposes in the table above differs from that reported as of June 30, 2017 last year for GASB 74 purposes. The GASB 74 NOL of $17,385,688 million was based on a valuation as of June 30, 2015, as the 2017 valuation had not been completed at that time. Under GASB 75, the June 30, 2015 valuation would not be acceptable for June 30, 2018 reporting, because the 36 months between the valuation date and the measurement date exceeds the maximum allowed under the standard.

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, 2018 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 (thousands)			
	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefits	Total
Assets				
Cash and Cash Equivalents	$ 36,596	$ 34,927	$ 16	$ 71,539
Receivables:				
Accounts, Net of Allowances	-	-	-	-
From Other Funds	124	1,798	-	1,922
Interest	-	-	1	1
Investments	845,559	-	34,620	880,179
Securities Lending Collateral	60,645	-	3,008	63,653
Total Assets	$ 942,924	$ 36,725	$ 37,645	$ 1,017,294
Liabilities				
Accounts Payable and Accrued Liabilities	$ 32,390	$ 13,089	$ -	$ 45,479
Securities Lending Obligation	60,645	-	3,008	63,653
Due To Other Funds	-	-	-	-
Total Liabilities	$ 93,035	$ 13,089	$ 3,008	$ 109,132
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	$ 849,889	$ 23,636	$ 34,637	$ 908,162
Total Net Assets	$ 849,889	$ 23,636	$ 34,637	$ 908,162

	Statement of Changes in Fiduciary Net Position (thousands)			
	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 116,814	$ 94,107	$ 577	$ 211,498
State	801,893	19,199	-	821,092
Municipalities	-	-	633	633
Total Contributions	918,707	113,306	1,210	1,033,223
Investment Income	39,118	669	2,286	42,073
Less: Investment Expenses	(2,117)	-	(124)	(2,241)
Net Investment Income	37,001	669	2,162	39,832
Other	186	-	-	186
Total Additions	955,894	113,975	3,372	1,073,241
Deductions				
Administrative Expense	-	7,654	-	7,654
Benefit Payments and Refunds	648,347	146,061	1,188	795,596
Other	-	52	7	59
Total Deductions	648,347	153,767	1,195	803,309
Changes in Net Assets	307,547	(39,792)	2,177	269,932
Net Position Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year (as restated)	542,342	63,428	32,460	638,230
End of Year	$ 849,889	$ 23,636	$ 34,637	$ 908,162

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):

2019	$	45,668
2020		46,064
2021		32,284
2022		31,030
2023		22,650
Thereafter		79,448
Total	$	257,144

Contingent revenues for the year ended June 30, 2018, were $675 thousand. The contingent revenue amount represents rental revenue which was paid in addition to the minimum lease revenues.

State as Lessee
Obligations under capital and operating leases as of June 30, 2018, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2019	$ 37,370	$ 8,098
2020	25,850	7,123
2021	19,848	3,217
2022	24,936	2,905
2023	5,070	2,015
2024-2028	26,983	6,118
2029-2033	8,267	3,650
2034-2038	1,502	-
Total minimum lease payments	$ 149,826	33,126
Less: Amount representing interest costs		5,550
Present value of minimum lease payments		$ 27,576

Minimum capital lease payments were discounted using interest rates changing from 3.84 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2018, were $37.4 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, 2018 (amounts in thousands):

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Bonds:					
General Obligation	$ 18,398,554	$ 2,144,620	$ 1,779,946	$ 18,763,228	$ 1,841,031
Transportation	5,041,840	800,000	301,345	5,540,495	323,470
	23,440,394	2,944,620	2,081,291	24,303,723	2,164,501
Plus (Less) Premiums	1,887,084	243,026	210,627	1,919,483	190,620
Total Bonds	25,327,478	3,187,646	2,291,918	26,223,206	2,355,121
Long-Term Notes	177,120	-	177,120	-	-
Other L/T Liabilities: [1]					
Net Pension Liability (Note 10)	37,192,071	2,056,125	4,681,708	34,566,488	-
Net OPEB Liability (Note 13) [2]	20,654,679	2,471,045	2,534,726	20,590,998	-
Net OPEB Obligation	10,450,182		10,450,182	-	-
Compensated Absences	512,836	24,098	38,656	498,278	37,671
Workers' Compensation	718,016	127,630	98,412	747,234	100,681
Capital Leases	30,900	3,238	6,562	27,576	7,352
Claims and Judgments	51,163	154,041	9,661	195,543	16,499
Landfill Post Closure Care	36,297	-	1,232	35,065	1,232
Liability on Interest Rate Swaps	826	-	386	440	-
Contracts Payable & Other	705	-	-	705	-
Non-exchange Financial Guarantees	-	540,080	8,520	531,560	21,285
Total Other Liabilities	69,647,675	5,376,257	17,830,045	57,193,887	184,720
Governmental Activities Long-Term Liabilities	$ 95,152,273	$ 8,563,903	$ 20,299,083	$ 83,417,093	$ 2,539,841

1. In prior years, the General and Transportation funds have been used to liquidate other liabilities.

2. The beginning total is restated by the effect of the State's reporting the net Other Post Employment Benefits liability on its financial statements following the guidance of Statement number 75 of the Governmental Accounting Standards Board (GASB)

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Revenue Bonds	$ 1,442,805	$ 141,725	$ 90,175	$ 1,494,355	$ 90,360
Plus/(Less) Premiums and Discounts	175,617	16,711	14,137	178,191	2,050
Total Revenue Bonds	1,618,422	158,436	104,312	1,672,546	92,410
Compensated Absences	192,747	48,855	44,028	197,574	49,881
Other	327,419	55,364	27,883	354,900	15,831
Total Other Liabilities	520,166	104,219	71,911	552,474	65,712
Business-Type Long-Term Liabilities	$ 2,138,588	$ 262,655	$ 176,223	$ 2,225,020	$ 158,122

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $39.0 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, 2018, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2018	Amounts due within year
Bonds Payable (includes premiums/discounts)	$ 5,006,898	$ 259,069
Escrow Deposits	184,662	43,821
Annuities Payable	125,708	6,663
Rate Swap Liability	121,829	-
Net Pension Liability	238,727	-
Net Post Employment Liability	173,327	-
Other	54,454	637
Total	$ 5,905,605	$ 310,190

Not all component units report net pension liabilities and OPEB liabilities; therefore the notes show a higher liability for the net pension liability of $5,820 and a higher net OPEB liability of $73,599 than 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 $1,232,307 in FY2018.

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. Bond Anticipation Notes

In December 2017, the State issued $400,000,000 of General Obligation 2017 Series A Bond Anticipation Notes that matured on September 14, 2018 at which time General Obligation 2018 Series E Bonds were issued that mature in 2028. The State has elected to disclose these notes with its 2018 long-term debt because of it demonstrated ability to convert such debt to long-term debt rather than including the debt as fund liabilities. The issuance of the bonds was delayed due to the late passage of the State budget while the bans were issued to gain timely access to favorable pricing opportunities.

	Beginning Balance	Issued	Redeemed	Ending Balance
Bond Anticipation Notes	$ -	$ 400,000	$ -	$ 400,000

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 are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued at June 30, 2018, were as follows (amounts in thousands):

Purpose of Bonds	Final Dates	Original Rates	Outstanding	Authorized But Unissued
Capital Improvements	2018-2038	2.00-5.75%	$ 4,430,793	$ 622,453
School Construction	2018-2038	1.70-5.750%	4,522,314	109,677
Municipal & Other Grants & Loans	2018-2037	1.10-5.632%	2,570,284	1,248,399
Housing Assistance	2018-2035	1.97-5.350%	511,949	190,619
Elimination of Water Pollution	2018-2035	2.00-5.09%	470,154	34
General Obligation Refunding	2018-2038	2.00-5.25%	3,388,130	-
GAAP Conversion	2018-2027	2.25-5.00%	459,690	-
Pension Obligation	2018-2032	5.69-6.27%	2,197,477	-
Miscellaneous	2018-2034	3.50-5.100%	64,654	75,085
			18,615,445	$ 2,246,267
Accretion-Various Capital Appreciation Bonds			147,783	
		Total	$ 18,763,228	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,841,031	$ 834,706	$ 2,675,737
2020	1,384,816	762,098	2,146,914
2021	1,363,371	703,186	2,066,557
2022	1,326,109	694,335	2,020,444
2023	1,361,291	647,182	2,008,473
2024-2028	5,868,247	2,264,748	8,132,995
2029-2033	4,247,485	805,110	5,052,595
2034-2038	1,222,020	107,576	1,329,596
2039-2043	1,075	22	1,097
Total	$ 18,615,445	$ 6,818,963	$ 25,434,408

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, 2018, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2019-2038	2.00-5.740%	$ 4,823,040	$ 3,387,280
STO Refunding	2019-2038	2.00-5.740%	717,455	-
			$ 5,540,495	$ 3,387,280
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 5,540,495	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	$ 323,470	$ 263,714	$ 587,184
2020	319,155	252,578	571,733
2021	335,515	237,201	572,716
2022	317,240	221,127	538,367
2023	329,170	205,312	534,482
2024 - 2028	1,636,400	781,669	2,418,069
2029 - 2033	1,486,025	373,196	1,859,221
2034 - 2038	793,520	79,257	872,777
	$ 5,540,495	$ 2,414,054	$ 7,954,549

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, 2018, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
UConn	2019-2047	1.5-5.25%	$ 240,980
Board of Regents	2019-2037	2.0-5.25%	318,690
Clean Water	2019-2037	1.0-5.0%	798,255
Drinking Water	2019-2037	1.0-5.0.%	111,165
Bradley Parking Garage	2019-2024	6.5-6.6%	25,265
Total Revenue Bonds			1,494,355
Plus/(Less) premiums and discounts:			
UConn			32,935
Board of Regents			15,907
Clean Water			129,349
Revenue Bonds, net			$ 1,672,546

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, 2018, $25.3 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, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	$ 33,595	$ 29,699	$ 63,294
2020	93,918	67,268	161,186
2021	98,449	62,962	161,411
2022	88,470	58,329	146,799
2023	128,448	66,407	194,855
2024-2028	421,063	201,259	622,322
2029-2033	372,222	103,583	475,805
2034-2038	186,715	39,452	226,167
2039-2043	31,245	14,492	45,737
2043-2047	40,230	5,492	45,722
Total	$ 1,494,355	$ 648,943	$ 2,143,298

d. Component Units

Component Units' revenue bonds outstanding at June 30, 2018, 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%	$ 4,397,094
CT Student Loan Foundation	2034-2046	2.476-3.564%	199,600
CT Higher Education Supplemental Loan Authority	2018-2035	.40-5.25%	147,810
CT Airport Authority	2018-2032	%/1 mth libor	109,330
CT Regional Development Authority	2018-2034	1.00-7.00%	79,315
UConn Foundation	2018-2024	2.30-2.92%	16,772
CT Green Bank	2018-2037	4.19%-6.02%	15,714
CT Innovations Inc.	2018-2020	2.37-5.25%	1,765
Total Revenue Bonds			4,967,400
Plus/(Less) premiums and discounts:			
CHFA			36,809
CSLF			(419)
CHESLA			4,155
UConn Foundation			(176)
CT Innovations Inc.			(585)
CRDA			(286)
Revenue Bonds, net			$ 5,006,898

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 $1.8 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, 2017, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $4,052.8 million, $64.8 million, and $316.3 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 $298.6 million per the resolution and $5.0 million per the indenture at 12/31/17. As of December 31, 2017, the Authority has entered into interest rate swap agreements for $805.5 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.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	$ 175,084	$ 136,631	$ 311,715
2020	177,460	136,416	313,876
2021	173,359	131,822	305,181
2022	197,746	128,128	325,874
2023	183,947	123,320	307,267
2024-2028	906,975	542,660	1,449,635
2029-2033	986,872	404,759	1,391,631
2034-2038	849,908	266,283	1,116,191
2039-2043	621,330	158,956	780,286
2044-2048	613,295	100,072	713,367
2049-2052	61,749	11,020	72,769
2053-2057	19,675	4,884	24,559
	$ 4,967,400	$ 2,144,951	$ 7,112,351

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, 2018 were $324.8 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, 2018, were $8,349.7 million, of which $318.7 million was secured by special capital reserve funds.

e. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of $468.3 million at an average coupon interest rate of 5.86 percent to refund $507.6 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 5.88 percent. Although the refunding resulted in a $366 thousand accounting loss, the State in effect reduced its aggregate fund level debt service payments by $44.1 million over the next 6 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 $34.1 million.

Once the refunding bond proceeds were delivered, the State entered into escrow agreements with escrow holders, to provide for the redemption of the refunded bonds. The refunding proceeds were deposited in an escrow holder's account of the State's Short-Term Investment Fund until needed for redemption of the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

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, 2018, the outstanding balance of bonds defeased in prior years was approximately $193.7 million.

f. Nonexchange Financial Guarantee

In March 2018, the State entered into a Contract for Financial Assistance with the City of Hartford, according to Section 376 of Public Act 17-2 of the June Special Session guaranteeing $540,080,000 of outstanding general obligation bonds of the City of Hartford, with maturity dates ranging from July1, 2028 through July 15, 2035, and semiannual interest payments. The contract assistance is limited to an amount equal to (1) the annual debt service on the outstanding amount of (A) refunding bonds to be issued by the City of Harford pursuant to section 7-370c of the general statues, or (B) any other bonds or notes issued by the City of Hartford, provided such refunding bonds or other bonds or notes are for payment, funding, refunding, redemption, replacement or substitutions of bonds, notes or other obligations previously issued by the City of Hartford, and (2) cost of issuance on any such refunding bonds and any other expenses that result directly from the refunding of debt. The Act also establishes that the City of Hartford must be under the supervision of the Municipal Accountability Review Board of the State and that the City may not issue any new debt without the board's approval. The State Representatives, defined by the contract as the Secretary of the Office of Policy and Management and the State Treasurer, may agree to provide credit support to the City of Hartford, including, but not limited to, assuming all or part of any bonds, notes, or other obligations of the City or issuance of new State obligations in replacement of such bonds, notes, or other obligations, provided such credit support does not exceed the amount of contract assistance that could otherwise be provided by the State to the City.

In April 2018, because of the possibility that the City of Hartford would declare bankruptcy, the State of Connecticut began making contract assistance payments for the City of Hartford's outstanding $540 million general obligation debt. During fiscal year 2018, the State of Connecticut has paid $8,520,000 in principal and $8,291,744 in interest on the guarantee.

The liability recognized for nonexchange financial guarantees by the State of Connecticut at June 30, 2018 is as follows (amounts in thousands):

Beginning of Year	Increases	Decreases	End of Year
$ -	$ 540,080	$ 8,520	$ 531,560

Note 18
Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2018, 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	$ 386	Deferred outflow of Resources	$ (440)	$ 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, 2018, 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%	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, 2018, 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, 2018, 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
2019	$ -	$ 804	$ 236	$ 1,040
2020	20,000	806	234	21,040
	$ 20,000	$ 1,610	$ 470	$ 22,080

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 6-30-16	$ 684,401	$ 31,592
Incurred claims	133,780	-
Paid claims	(100,165)	(6,735)
Balance 6-30-17	718,016	24,857
Incurred claims	127,630	-
Paid claims	(98,412)	(9,876)
Balance 6-30-18	$ 747,234	$ 14,981

Note 20
Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2018, 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	$ -	$ -	$ 628	$ 4	$ 1,049	$ 32,553	$ 44,291	$ 672	$ 4,500	$ 689	$ -	$ 84,386
Debt Service	-	2,646	-	-	-	-	-	-	-	-	-	2,646
Restricted Grants & Accounts	3,744	-	-	-	-	-	-	-	-	-	3,455	7,199
Grant & Loan Programs	35	-	-	-	-	-	-	-	-	-	-	35
Other Governmental	2,304	-	-	-	8,613	21,535	89,056	-	-	-	613	122,121
UConn	24,365	-	-	-	-	-	-	-	-	-	-	24,365
Board of Regents	5,824	-	-	-	-	-	-	-	-	-	-	5,824
Employment Security	-	-	-	-	410	-	-	-	-	-	-	410
Internal Services	8,690	-	-	-	-	-	-	-	-	-	-	8,690
Fiduciary	-	-	-	-	379	-	-	-	-	1,834	-	2,213
Component Units	54,149	-	3,322	-	-	-	-	-	-	-	-	57,471
Total	$ 99,111	$ 2,646	$ 3,950	$ 4	$ 10,451	$ 54,088	$ 133,347	$ 672	$ 4,500	$ 2,523	$ 4,068	$ 315,360

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, 2018, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)								
Amount transferred from fund(s)	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	Board of Regents	Clean Water & Drinking Water	Total
General	$ 1,529,350	$ -	$ -	$ -	$ -	529,374	$ 527,846	$ 815	$ 2,587,385
Debt Service	-	-	13,614	443	-	-	-	-	14,057
Transportation	-	579,337	-	-	-	-	-	-	579,337
Restricted Grants & Accounts	38,864	-	-	-	-	-	-	-	38,864
Grants and Loans	-	-	-	-	47,734	-	-	-	47,734
Other Governmental	70,322	44,551		68,441	15,514	388,806	125,085	-	712,719
Internal Service	5,000	-	-	-	-	-	-	-	5,000
Employment Security	-	-	-	-	9,700	-	-	-	9,700
Total	$ 1,643,536	$ 623,888	$ 13,614	$ 68,884	$ 72,948	$ 918,180	$ 652,931	$ 815	$ 3,994,796

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
Restatement of Net Position, Fund Balance Classifications, and Restricted Net Position

Restatement of Net Position

During the fiscal year 2018, the State implemented the following new accounting standard issued by the Governmental Accounting Standards Board (GASB).

GASB Statement 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement 75 – This Statement creates standards for measuring and recognizing liabilities, assets, deferred outflows of resources, deferred inflows of resources, and expenditures for OPEB provided to employees of the primary government and its component units.

Governmental activities beginning net deficit was $45.4 billion. Beginning net position of governmental activities was reduced by $20.0 billion on the Statement of Activities as a result of implementing this Statement. See note 13 for further information on OPEB reporting.

For fiscal year 2018, Component Units beginning net position was $2.4 billion. As a result of implementing GASB Statement 75, the beginning net position for the Component Units was reduced by $167.0 million on the Statement of Activities resulting in a restated beginning net position of $2.2 billion. This reduction is reported on the Combining Statement of Activities – Component Units as well. The following component units implemented GASB 75 which resulted in a decrease net position to Connecticut Lottery Corporation of $48.9 million, Connecticut Airport Authority of $70.3 million, Connecticut Innovations, Incorporated of $25.9 million, and Connecticut Green Bank of $21.9 million. The Connecticut Housing Finance Authority (major Component Unit), did not implement GASB 75 in fiscal year 2018 because it has a fiscal year ending December 31.

Fund Balance – Restricted and Assigned
As of June 30, 2018 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 575,611	$ -
Environmental Programs	97,645	-
Housing Programs	410,518	-
Employment Security Administration	14,002	-
Banking	2,328	-
Other	75,829	9,759
Total	$ 1,175,933	$ 9,759

Restricted Net Position
As of June 30, 2018, the government-wide statement of net position reported $4,125 million of restricted net position, of which $260.8 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.

The Connecticut Neighborhood Assistance Act Credit Program (Conn. Gen. Stat. §§12-631 through 12-638)

The Neighborhood Assistance Act tax credit may be earned by businesses that make cash investments of at least $250 to certain community programs. The cash investments must be made in a community program that is proposed and conducted by a tax exempt or municipal agency and must be approved both by the municipality in which the program is conducted and the Department of Revenue Services.

This tax credit may be applied against the taxes imposed under:
Chapter 207 (Insurance Companies and Health Care Centers Taxes);
Chapter 208 (Corporation Business Tax);
Chapter 209 (Air Carriers Tax);
Chapter 210 (Railroad Companies Tax);
Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and
Chapter 212 (Utility Companies Tax).

A tax credit equal to one hundred percent of the cash invested is available to businesses that invest in energy conservation projects and comprehensive college access loan forgiveness programs. A tax credit equal to sixty percent of the cash invested is available to businesses that invest in programs that provide: community-based alcoholism prevention or treatment programs; neighborhood assistance; job training; education; community services; crime prevention; construction or rehabilitation of dwelling units for families of low and moderate income in the state; funding for open space acquisitions; investment in child day care facilities; child care services;

and any other program which serves persons at least seventy five percent of whom are at an income level not exceeding one hundred fifty percent of the poverty level for the preceding year.

Under the Connecticut Neighborhood Assistance Act there are several statutory limits which must be observed, including the following: (1) the total tax credits under the Neighborhood Assistance Act tax credit program are limited to $150,000 annually for each business. The tax credit for investments in child day care facilities may not exceed $50,000 per income year for each business; (2) the minimum contribution on which a tax credit can be granted is $250; (3) any organization conducting a program or programs eligible to receive contributions under the Neighborhood Assistance Act tax credit program is limited to receiving a total of $150,000 of funding for any program or programs for any fiscal year; (4) the cap on the total amount of credits that may be allowed annually is $5 million. If the proposals submitted to the Department of Revenue Services claim credits in excess of the cap, such credits will be prorated among the approved organizations; (5) no business shall receive both the Neighborhood Assistance tax credit and the Housing Program Contribution tax credit for the same cash contribution; (6) no business can claim the tax credit for investments in child care facilities in an income year that the business claims the Human Capital Investment tax credit; (7) carryforward and carryback limitations, no carryforward is allowed any tax credit that is not taken in the income year in which the investment was made may be carried back to the two immediately preceding income years.

Research and Development Expenditures

This credit is based on the incremental increase in expenditures for research and experiments conducted in Connecticut. "Research and development expenses" refers to research or experimental expenditures deductible under Section 174 of the Internal Revenue Code of 1986, as of May 28, 1993, determined without regard to Section 280C(c) elections made by a taxpayer to amortize such expenses on its federal income tax return that were otherwise deductible, and basic research payments as defined under Section 41 of the Internal Revenue Code to the extent not deducted under said Section 174, provided: such expenditures and payments are paid or incurred for such research and experimentation and basic research conducted in the State of Connecticut; and such expenditures and payments are not funded, within the meaning of Section 41(d)(4)(H) of the Internal Revenue Code, by any grant, contract, or otherwise by a person or governmental entity other than the taxpayer unless such other person is included in a combined return with the person paying or incurring such expenses.

In accordance with Sec. 12-217n a tax credit may be applied against the Corporation Business Tax for research and development expenses conducted in Connecticut. A small business qualifies for the credit if it has gross income for the previous income year that does not exceed $100 million, and has not, in the determination of the Commissioner of Economic and Community Development, met the gross income test through transactions with a related person. The amount of the credit increases ratably from one percent of the annual research and development expenses paid or incurred, where these expenses equal $50 million or less, to six percent when expense exceed $200 million.

Qualified small business may exchange unused amounts of this credit with the state for a cash payment of sixty-five percent of the value of the credit or carry forward the full value until fully taken. Credits are limited to $1.5 million in any one income year.

Historic Structures Rehabilitation (Conn. Gen. Stat. §10-416a)

Beginning, July 1, 2014, no applications have been accepted for this program, no credits will be reserved under this program. Projects that previously would have been eligible for a credit under this program may be eligible for a credit under the Historic Rehabilitation Tax Credit program.

A tax credit administered by the Connecticut Department of Economic and Community Development is available to an owner rehabilitating a certified historic structure for residential use or to a taxpayer named by the owner as contributing to the rehabilitation. No credit may be claimed before the Department of Economic and Community Development issues a tax credit voucher.

The tax credit may be applied against the taxes imposed under:
Chapter 207 (Insurance Companies and Health Care Centers Taxes)
Chapter 208 (Corporation Business Tax)
Chapter 209 (Air Carriers Tax)
Chapter 210 (Railroad Companies Tax)
Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and
Chapter 212 (Utility Companies Tax).

This tax credit is equal to the lesser of the tax credit reserved upon certification of the rehabilitation plan or 25% of the actual qualified rehabilitation expenditures not exceeding $2.7 million. The amount of the tax credit that may be claimed will be entered on the tax credit voucher issued by the Department of Economic and Community Development.

The tax credit may be carried forward for five years following the year in which the rehabilitated structure was placed in service. No carryback is allowed.

Historic Preservation (Conn. Gen. Stat. §10-416b)
Beginning, July 1, 2014, no applications have been accepted for this program, no credits will be reserved under this program. Projects that previously would have been eligible for a credit under this program may be eligible for a credit under the Historic Rehabilitation Tax Credit program.

A tax credit administered by the Connecticut Department of Economic and Community Development is available to an owner rehabilitating a qualified historic structure for nonresidential use or mixed residential and nonresidential use or a taxpayer named by the owner as contributing to the rehabilitation. No credit may be claimed before the Department of Economic and Community Development issues a tax credit voucher.

This tax credit may be applied against the taxes imposed under:
Chapter 207 (Insurance Companies and Health Care Centers Taxes)
Chapter 208 (Corporation Business Tax)
Chapter 209 (Air Carriers Tax)
Chapter 210 (Railroad Companies Tax)
Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and
Chapter 212 (Utility Companies Tax)

This tax credit is equal to the lesser of twenty-five percent of the projected certified rehabilitation expenditures or twenty-five percent of the actual certified rehabilitation expenditures. If the project creates affordable housing units and the owner provides the Department of Economic and Community Development and the Department of Housing information to show that the owner is compliant with the affordable housing certificate then the tax credit is equal to the lesser of thirty percent of the projected certified rehabilitation expenditures of thirty percent of the actual qualified rehabilitation expenditures.

The maximum tax credit allowed for any project shall not exceed $5 million for any fiscal three-year period.

Historic Rehabilitation (Conn. Gen. Stat. §10-416c)
A tax credit administered by the Connecticut Department of Economic and Community Development is available for the qualified rehabilitation expenditures associated with the certified rehabilitation of a certified historic structure. No credit may be claimed until the Department of Economic and Community Development issues a tax credit voucher.

This tax credit can be used to offset the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes.

The tax credit is equal to twenty-five percent of the total qualified rehabilitation expenditures. The tax credit increases to thirty percent of the total qualified rehabilitation expenditures if the project includes a component with at least twenty percent of the rental units or ten percent of for-sale units qualify as affordable housing under Conn. Gen. Stat. §8-39a. The tax credit allowed for any project shall not exceed $4.5 million.

The tax credit may be carried forward for five succeeding income years following the year in which the substantially rehabilitated structure was placed in service. No carryback is allowed.

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 6/30/2018)	$80,197,846
The Urban and Industrial Sites Reinvestment Tax Program	
Corporate Income Tax (as of 6/30/18)	43,919,908
The Insurance Reinvestment Fund Program	
Corporate Income Tax (as of 6/30/2018)	19,955,940
The Connecticut Neighborhood Assistance Act Credit Program	
Corporate Income Tax (as of 6/30/2018)	3,463,307
Historic Structures Rehabilitation	
Corporate Income Tax (as of 6/30/2018)	15,502,482
Historic Preservation	
Corporate Income Tax (as of 6/30/2018)	4,228,078
Historic Rehabilitaion	
Corporate Income Tax (as of 6/30/2018)	28,380,188
Research and Development Expenditures	
Corporate Income Tax (as of 6/30/2018)	6,463,375
Enterprise Zone Property Tax Reimbursement Program	
Property Tax (6/30/2018)	N/A

In addition, the State has other various tax credit incentives that are not defined as tax abatements under generally accepted accounting principles and therefore are not described and included here.

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 2018, The State implemented the following statement issued by the Governmental Accounting Standards Board ("GASB").

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Statement No. 75) - GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. As a result of implementing this Statement, presentation and terminology changes were made to the fund financial statements and government-wide statements as necessary in addition to the immediate recognition of certain elements.

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, 2018 the State had contractual commitments as follows (amounts in millions):

Infrastructure & Other Trransportation Programs	$	1,181
Construction Programs		322
School Construction and Alteration Grant Program		2,336
Clean and Drinking Water Loan Programs		247
Various Programs and Services		3,786

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units
As of December 31, 2017, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $209.5 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, 2018, the State reported an escheat liability of 412.0 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 $432.3 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.

Note 27
Subsequent Events

In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in its financial statement footnotes. The effect of this evaluation led the State to report the following events which took place after the date of the State's fiscal year end through to the date these financial statements were issued. The subsequent information regarding the Connecticut Housing Finance Authority includes events which took place after their fiscal year end of December 31, 2017.

In September 2018, the State issued $250.0 million of Taxable General Obligation bonds. The bonds were issued for various State purposes. The taxable 2018 Series-A bonds mature in 2028 and bear interest rates ranging from 3.471 to 4.0 percent. At the same time, the State issued $400.0 million of 2018 series E nontaxable General Obligation Bonds. The bonds were issued to retire bond anticipation notes outstanding as of the prior fiscal year. The 2018 Series-E Bonds bear interest rates ranging from 4.0 to 5.0 percent.

Also, in September 2018, the State issued $239.2 million of 2018 series F General Obligation refunding bonds maturing in 2028 and bearing interest rates between 4.0 and 5.0 percent.

At the end of October 2018, the State issued $750 million of 2018 series B Special Transportation Obligation (STO) bonds maturing in 2038 and bearing interest rates of 5.0 percent. On November 6, 2018 Connecticut voters passed an amendment to the Connecticut Constitution to ensure that all monies contained in the Special Transportation fund shall be used solely for transportation purposes including the payment of debts of the State incurred for transportation purposes and that the sources of funds deposited in the Special Transportation fund be deposited in said fund so long as such sources are authorized by statute to be collected or received by the State. Subsequently, on November 15, 2018 S&P Global Ratings revised its rating on the 2018 series B and C STO bonds to A+ designating them as Priority-Lien Tax Revenue debt.

Also, at the end of October 2018, the state issued $100.1 million series C Special Transportation Obligation refunding bonds maturing in 2026 and bearing interest rates of between 3.0 and 5.0 percent.

The Connecticut Housing Finance Authority (CHFA), whose financial statements are published as of December 31, 2017, incurred numerous financial events between January 1 and the State's fiscal year-end of June 30, 2018 including the following; $336.7 million of various unscheduled redemption payments on outstanding debt were made including $90.0 million for purposes of remarketing debt obligations having demand features. On March 1, 2018 the Authority issued $165.6 million of its 2018 Series A bonds. On the same date, CHFA entered into a Stand-by Bond Purchase Agreement with Bank of America, N.A. and a Remarketing Agreement with Merrill Lynch Pierce, Fenner & Smith Inc. to secure liquidity for $47.5 million of Series A bonds having demand features. On April 16, 2018 the Authority entered into a three year standby bond purchase agreement, with Wells Fargo bank, national association (the "Bank"), to remarket its 2016 subseries B-4 bonds. The bonds will bear interest from their date of reoffering based on a Daily, Weekly, Monthly, Quarterly, Semiannual, Flexible, Term or Auction Mode Period at a rate not to exceed 14 percent per annum, unless such bonds are converted, in which case the bonds shall bear interest at a Long-Term Fixed Rate until their maturity or prior redemption. On May 10, 2018 the authority issued $165.0 million of its 2018 Series B bonds. On the same date, CHFA entered into a Stand-by Bond Purchase Agreement with the Royal Bank of Canada Capital Markets, LLC and a Remarketing Agreement with TD Bank, N.A. to secure liquidity for $46.7 million of Series B bonds having demand features. In addition effective May 15, 2018 a new accreting swap agreement was established with the Bank of New York Mellon where the State pays 2.2475 percent fixed and receives 70 percent of 3-month Libor. More information concerning these transactions can be obtained from separately issued financial statements published by CHFA having a fiscal year end of December 31, 2017.

On November 5, 2018, the Materials, Innovations, and Recycling Authority (MIRA a Component Unit of the State) solid waste system experienced a significant mechanical failure to one of its generators. This failure occurred at a time when another generator was already off line for major repair and maintenance activity. This left the solid waste system with no waste processing capacity as of November 5, 2018. In response to this situation, the Authority has not accepted delivery of waste from non-participating municipalities. The Authority continued to receive waste and serve its participating municipalities. The Authority is diverting a portion of participating municipality waste to alternate disposal sites, and is storing waste, refuse derived fuel and process residue on site pending further processing and resource recovery once the Connecticut Solid Waste System resumes operations in the third week of January, 2019.

The Authority has incurred additional expense related to these events including the cost to divert waste and repair the generators presently estimated at $14.9 million. These costs are and will be funded through reserve funds, savings in other budget line items, property damage, business interruption and other claim proceeds, and assessment of additional charges under the Authority's municipal service agreements with Connecticut Solid Waste System participating towns.

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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, 2018

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 14,593,800	$ 16,984,000	$ 17,065,271	$ 81,271
Casino Gaming Payments	267,300	273,000	272,957	(43)
Licenses, Permits, and Fees	298,700	306,300	306,165	(135)
Other	372,300	413,300	415,885	2,585
Federal Grants	1,255,500	1,143,100	1,143,075	(25)
Refunds of Payments	(62,500)	(61,100)	(61,058)	42
Operating Transfers In	432,000	449,200	449,213	13
Operating Transfers Out	-	-	(57,650)	(57,650)
Transfer to BRF - Volatility Adjustment	-	(1,460,000)	(1,471,333)	(11,333)
Transfer to/from the Resources of the General Fund	2,900	83,500	136,026	52,526
Total Revenues	17,160,000	18,131,300	18,198,551	67,251
Expenditures				
Budgeted:				
Legislative	63,146	70,049	64,433	5,616
General Government	338,060	692,626	647,508	45,118
Regulation and Protection	279,765	290,136	259,835	30,301
Conservation and Development	165,349	191,691	181,147	10,544
Health and Hospitals	1,155,114	1,204,425	1,163,451	40,974
Transportation	-	-	-	-
Human Services	3,690,345	4,415,054	4,291,893	123,161
Education, Libraries, and Museums	4,633,661	5,188,028	5,024,541	163,487
Corrections	1,402,150	1,400,439	1,382,304	18,135
Judicial	534,504	561,478	528,902	32,576
Non Functional	5,060,039	5,657,055	5,066,695	590,360
Total Expenditures	17,322,133	19,670,981	18,610,709	1,060,272
Appropriations Lapsed	6,900	972,356	-	(972,356)
Excess (Deficiency) of Revenues Over Expenditures	(155,233)	(567,325)	(412,158)	155,167
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	60,237	60,237	60,237	-
Appropriations Continued to Fiscal Year 2019	-	-	(134,315)	(134,315)
Miscellaneous Adjustments	1,989	3,375	3,375	-
Total Other Financing Sources (Uses)	62,226	63,612	(70,703)	(134,315)
Net Change in Fund Balance	$ (93,007)	$ (503,713)	(482,861)	$ 20,852
Budgetary Fund Balances - July 1			157,856	
Changes in Reserves			96,764	
Budgetary Fund Balances - June 30			$ (228,241)	

The information about budgetary reporting is an integral part of this schedule.

Transportation Fund

Budget Original	Budget Final	Actual	Variance with Final Budget positive (negative)
$ 1,187,300	$ 1,205,200	$ 1,215,653	$ 10,453
-	-	-	-
395,200	394,100	394,940	840
9,500	16,000	17,673	1,673
12,100	12,200	12,196	(4)
(4,100)	(4,900)	(4,891)	9
-	-	-	-
(6,500)	(5,500)	(5,500)	-
-	-	-	-
-	-	-	-
1,593,500	1,617,100	1,630,071	12,971
-	-	-	-
9,138	8,354	8,353	1
77,381	74,556	64,148	10,408
2,620	2,762	2,692	70
-	-	-	-
631,875	658,848	651,051	7,797
2,371	2,371	-	2,371
-	-	-	-
-	-	-	-
-	-	-	-
839,030	806,405	757,468	48,937
1,562,415	1,553,296	1,483,712	69,584
-	32,242	-	(32,242)
	-		
31,085	96,046	146,359	50,313
30,389	30,389	30,389	-
-	-	(28,643)	(28,643)
-	-	-	-
30,389	30,389	1,746	(28,643)
$ 61,474	$ 126,435	148,105	$ 21,670
		128,004	
		(1,746)	
		$ 274,363	

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. Beginning in Fiscal Year 2016, based on changes enacted in the biennial budget (Public Act 15-244) the GAAP expense accrual appropriations were consolidated into a single appropriation at the fund-level for the General Fund, Transportation Fund and all other budgeted special revenue funds 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 2018 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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).

- 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, 2018. Amounts are expressed in thousands.

		General Fund		Transportation Fund
Net change in fund balances (statutory basis)	$	(482,861)	$	148,106
Volatility Deposit Budget Reserve Fund		1,471,333		-
Adjustments:				
Increases (decreases) in revenue accruals:				
Receivables and Other Assets		577,086		6,932
(Increases) decreases in expenditure accruals:				
Accounts Payable and Other Liabilities		(15,781)		(13,169)
Salaries and Fringe Benefits Payable		21,988		2,412
Increase (Decrease) in Continuing Appropriations		74,078		(1,746)
Fund Reclassification-Bus Operations		-		458
Net change in fund balances (GAAP basis)	$	1,645,843	$	142,993

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 2019 a withdrawal of $482.9 million will be made to cover the budgetary shortfall in fiscal year 2018.

Despite the deficit in the General Fund, there was a vast improvement in the balance of the Budget Reserve Fund at year-end. A new revenue volatility provision, contained in Public Act 17-2, requires 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 to the budget reserve fund. This year estimated and final income tax collections totaled $4,621.3 million, which resulted in a revenue volatility deposit of $1,471.3 million to the Budget Reserve Fund. The bill also increases the Budget Reserve Fund maximum balance from 10 percent to 15 percent of net General Fund appropriation for the current fiscal year, no further transfers shall be made and the amount of the budget reserve funds in excess of that transferred shall be deemed to be appropriated, in the best interests of the State.

After the transfer was made to cover the shortfall and the deposit made for the revenue volatility provision in fiscal year 2018 the Budget Reserve Fund will have a balance of $1,201.4 million.

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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 Four Fiscal Years*

(Expressed in Thousands)

SERS

Total Pension Liability	2017	2016	2015	2014
Service Cost	$ 480,350	$ 322,114	$ 310,472	$ 287,473
Interest	2,255,533	2,105,947	2,052,651	1,998,736
Benefit Changes	(1,444,220)	-	-	-
Difference between expected and actual experience	-	772,762	-	-
Changes of assumptions	-	4,959,705	-	-
Benefit payments	(1,847,715)	(1,729,181)	(1,650,465)	(1,563,029)
Refunds of contributions	(7,972)	(7,098)	(7,124)	(3,935)
Net change in total pension liability	(564,024)	6,424,249	705,534	719,245
Total pension liability - beginning	33,616,716	27,192,467	26,486,933	25,767,688
Total pension liability - ending (a)	**$ 33,052,692**	**$ 33,616,716**	**$ 27,192,467**	**$ 26,486,933**
Plan net position				
Contributions - employer	$ 1,542,298	$ 1,501,805	$ 1,371,651	$ 1,268,890
Contributions - member	132,557	135,029	187,339	144,807
Net investment income	1,509,862	(100)	294,412	1,443,391
Benefit payments	(1,847,715)	(1,729,181)	(1,650,465)	(1,563,029)
Administrative expense	(674)	(651)	-	-
Refunds of contributions	(7,972)	(7,098)	(7,124)	(3,935)
Other	(371)	85,608	-	-
Net change in plan net position	1,327,985	(14,588)	195,813	1,290,124
Plan net position - beginning	10,653,792	10,668,380	10,472,567	9,182,443
Plan net position - ending (b)	**$ 11,981,777**	**$ 10,653,792**	**$ 10,668,380**	**$ 10,472,567**
Ratio of plan net position to total pension liability	36.25%	31.69%	39.23%	39.54%
Net pension liability - ending (a) -(b)	**$ 21,070,915**	**$ 22,962,924**	**$ 16,524,087**	**$ 16,014,366**
Covered-employee payroll	$ 3,850,978	$ 3,720,751	$ 3,618,361	$ 3,487,577
Net pension liability as a percentage of covered-employee payroll	547.16%	617.16%	456.67%	459.18%

TRS	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 450,563	$ 419,616	$ 404,449	$ 347,198
Interest	2,308,693	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	(1,962,533)	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	-	(50,329)	-
Net change in total pension liability	796,723	2,747,828	742,886	700,537
Total pension liability - beginning	29,839,923	27,092,095	26,349,209	25,648,672
Total pension liability - ending (a)	**$ 30,636,646**	**$ 29,839,923**	**$ 27,092,095**	**$ 26,349,209**
Plan net position				
Contributions - employer	$ 1,012,162	$ 975,578	$ 984,110	$ 948,540
Contributions - member	288,251	293,493	228,100	261,213
Net investment income	2,199,895	(18,473)	452,942	2,277,550
Benefit payments	(1,962,533)	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	-	(50,329)	-
Other	1,679	(37,648)	57,749	(5,307)
Net change in plan net position	1,539,454	(525,181)	(100,836)	1,744,852
Plan net position - beginning	15,594,872	16,120,053	16,220,889	14,462,903
Plan net position - ending (b)	**$ 17,134,326**	**$ 15,594,872**	**$ 16,120,053**	**$ 16,207,755**
Ratio of plan net position to total pension liability	55.93%	52.26%	59.50%	61.51%
Net pension liability - ending (a) -(b)	**$ 13,502,320**	**$ 14,245,051**	**$ 10,972,042**	**$ 10,141,454**
Covered-employee payroll	$ 4,279,755	$ 4,125,066	$ 4,078,367	$ 3,831,624
Net pension liability as a percentage of covered-employee payroll	315.49%	345.33%	269.03%	264.68%

REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION

Last Four Fiscal Years*

(Expressed in Thousands)

JRS	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 10,159	$ 8,508	$ 8,142	$ 7,539
Interest	29,062	28,251	27,240	26,301
Difference between expected and actual experience	-	(9,380)	-	-
Changes of assumptions	-	64,604	-	-
Benefit payments	(24,899)	(22,994)	(22,541)	(21,668)
Net change in total pension liability	14,322	68,989	12,841	12,172
Total pension liability - beginning	433,603	364,614	351,773	339,601
Total pension liability - ending (a)	**$ 447,925**	**$ 433,603**	**$ 364,614**	**$ 351,773**
Plan net position				
Contributions - employer	$ 19,164	$ 18,259	$ 17,731	$ 16,298
Contributions - member	1,689	1,831	1,791	1,641
Net investment income	24,452	1,440	4,781	23,156
Benefit payments	(24,899)	(22,994)	(22,541)	(21,668)
Other	(39)	1,680	-	-
Net change in plan net position	20,367	216	1,762	19,427
Plan net position - beginning	189,758	189,542	187,780	168,353
Plan net position - ending (b)	**$ 210,125**	**$ 189,758**	**$ 189,542**	**$ 187,780**
Ratio of plan net position to total pension liability	46.91%	43.76%	51.98%	53.38%
Net pension liability - ending (a) -(b)	**$ 237,800**	**$ 243,845**	**$ 175,072**	**$ 163,993**
Covered-employee payroll	$ 36,467	$ 34,897	$ 34,972	$ 33,386
Net pension liability as a percentage of covered-employee payroll	652.10%	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	2017	2016	2015	2014
Actuarially determined employer contribution	$ 1,569,142	$ 1,514,467	$ 1,379,189	$ 1,268,935
Actual employer contributions	1,542,298	1,501,805	1,371,651	1,268,890
Annual contributions deficiency excess	$ 26,844	$ 12,662	$ 7,538	$ 45
Covered Payroll	$ 3,850,978	$ 3,720,751	$ 3,618,361	$ 3,355,077
Actual contributions as a percentage of covered-employee payroll	40.05%	40.36%	37.91%	37.82%

TRS	2017	2016	2015	2014
Actuarially determined employer contribution	$ 1,012,162	$ 975,578	$ 984,110	$ 948,540
Actual employer contributions	1,012,162	975,578	984,110	948,540
Annual contributions deficiency excess	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,279,755	$ 4,125,066	$ 4,078,367	$ 3,930,957
Actual contributions as a percentage of covered-employee payroll	23.65%	23.65%	24.13%	24.13%

JRS	2017	2016	2015	2014
Actuarially determined employer contribution	$ 19,164	$ 18,259	$ 17,731	$ 16,298
Actual employer contributions	19,164	18,259	17,731	16,298
Annual contributions deficiency excess	$ -	$ -	$ -	$ -
Covered Payroll	$ 36,467	$ 34,897	$ 34,972	$ 33,386
Actual contributions as a percentage of covered-employee payroll	52.55%	52.32%	50.70%	48.82%

Valuation Date:
Actuarially determined contribution amounts are calculated as of June 30, 2018.

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%

2013	2012	2011	2010	2009	2008
$ 1,059,652	$ 926,372	$ 944,077	$ 897,428	$ 753,698	$ 716,944
1,058,113	926,343	825,801	720,527	699,770	711,555
$ 1,539	$ 29	$ 118,276	$ 176,901	$ 53,928	$ 5,389
$ 3,304,538	$ 3,209,782	$ 3,308,498	$ 2,920,661	$ 3,497,400	$ 3,497,400
32.02%	28.86%	24.96%	24.67%	20.01%	20.35%

$ 787,536	$ 757,246	$ 581,593	$ 559,224	$ 539,303	$ 518,560
787,536	757,246	581,593	559,224	539,303	518,560
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,101,750	$ 3,943,990	$ 3,823,754	$ 3,676,686	$ 3,529,470	$ 3,393,717
19.20%	19.20%	15.21%	15.21%	15.28%	15.28%

$ 16,006	$ 15,095	$ 16,208	$ 15,399	$ 14,172	$ 13,434
16,006	15,095	-	-	14,173	13,434
$ -	$ -	$ 16,208	$ 15,399	$ (1)	$ -
$ 31,748	$ 30,308	$ 33,102	$ 31,602	$ 34,000	$ 33,982
50.42%	49.81%	0.00%	0.00%	41.69%	39.53%

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS

Last Five Fiscal Years*

Annual money-weighted rates of return net of investment expense	2018	2017	2016	2015	2014
State Employees' Retirement Fund	7.30%	14.32%	0.23%	2.83%	15.62%
Teachers' Retirement Fund	7.04%	14.37%	0.17%	2.82%	15.67%
State Judges' Retirement Fund	6.24%	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 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	$	960,992
Interest		511,133
Difference between expected and actual experience		-
Changes of assumptions		(510,781)
Change in benefit terms		-
Benefit payments		(639,467)
Net change in total OPEB liability		321,877
Total OPEB liability - beginning		17,583,045
Total OPEB liability - ending (a)	**$**	**17,904,922**
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)	**$**	**542,342**
Plan fiduciary net position as a percentage of the total OPEB liability		3.03%
Net OPEB liability - ending (a) -(b)	**$**	**17,362,580**
Covered-employee payroll	$	3,743,995
Net OPEB liability as a percentage of covered-employee payroll		463.74%

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%

* Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits, 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
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	$ 3,743,995	$ 3,895,100	$ 3,539,800	$ 3,539,728	$ 3,539,728
Actual contributions as a percentage of covered-employee payroll	17.83%	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%

Note:

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, 2018 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%

REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS

Last Five Fiscal Years*

Annual money-weighted rates of return net of investment expense	**2018**	**2017**	**2016**	**2015**	**2014**
OPEB Fund	5.85%	11.83%	2.44%	3.44%	11.80%

* Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is ccomplied, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of this measurement date (one year before the most recent fiscal year end).

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

January 15, 2019

The Honorable Shawn T. Wooden
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Mr. Wooden:

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2014-2018. 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, 2014-2018.

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 2018, 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

JOHN C. GERAGOSIAN

ROBERT J. KANE

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, 2014, 2015, 2016, 2017 and 2018 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.

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.

Auditors' 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 years ended June 30, 2014, 2015, 2016, 2017 and 2018, 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, 2014, 2015, 2016, 2017 and 2018, 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, 2014, 2015, 2016, 2017 and 2018.

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, 2017 and 2018, 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
State Auditor

Robert J. Kane
State Auditor

February 15, 2019
State Capitol
Hartford, Connecticut

GENERAL FUND[(a)]

Balance Sheet
As of June 30
(In Thousands)

	2014	2015	2016	2017	2018
Assets					
Cash and Short-Term Investments	$ --	$ --	$ --	$ --	$ --
Accrued Taxes Receivable	1,389,703	1,371,458	1,348,096	1,307,027	1,689,255
Accrued Accounts Receivable	108,907	21,852	20,348	22,269	22,394
Loans Receivable	3,419	3,419	3,419	3,419	3,419
Total Assets	$ 1,502,029	$ 1,396,729	$ 1,371,863	$ 1,332,715	$ 1,715,068
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 550,180	$ 797,930	$ 765,570	$ 544,287	$ 1,271,699
Accounts Payable Nonfunctional Change to Accruals	(16,152)	561,217	558,835	627,905	666,339
Due to Other Funds	367	336	999	2,667	5,271
Total Liabilities	$ 534,395	$ 1,359,483	$1,325,404	$ 1,174,859	$ 1,943,309
Reserves					
Petty Cash Funds	$ 815	$ 810	$ 798	$ 795	$ 785
Statutory Surplus Reserves	248,480	(31,947)	(54,316)	93,405	(366,760)
Reserve for GAAP Conversion Bonds	598,500	--	--	--	
Reserve for Future Fiscal Years	30,500	--	--	--	
Appropriations Continued to Following Year	85,920	64,964	96,559	60,237	134,315
Reserve for Receivables	3,419	3,419	3,418	3,419	3,419
Total Reserves	$ 967,634	$ 37,246	$ 46,459	$ 157,856	$ (228,241)
Unappropriated Surplus (Deficit)	$ 0	$ 0	$ 0	$ 0	$ 0
Total Liabilities, Reserves and Surplus	$ 1,502,029	$ 1,396,729	$1,371,863	$ 1,332,715	$ 1,715,068

(a) For Fiscal Years 2014-2018, 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 CGS Sections 3-114b through 3-114r.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	2014	2015	2016	2017	2018
Unappropriated Surplus (Deficit), July 1	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Total Revenues (per Appendix II-D-6)	17,608,056	17,282,038	17,780,822	17,702,968	18,198,551
Total Expenditures (per Appendix II-D-7)	16,980,044[(a)]	17,419,689[(c)]	17,921,258[(d)]	17,763,040[(e)]	18,610,709[(f)]
Operating Balance	628,012	(137,651)	(140,436)	(60,072)	(412,158)
Reserved for Prior Year Appropriations					
Less Appropriations Carried Forward	26,482	20,956	(31,595)	36,322	(74,078)
Transferred (Out) or Reserved for:					
Budget Reserve Fund	(248,480)	-0-	-0-	-0-	-0-
Reserve for Debt Retirement/Avoidance					
or Reserve for Future Fiscal Year	(599,000)[(b)]	-0-	-0-	-0-	-0-
Other Adjustments	2,186	3,527	1,612	1,054	3,375
Reserved from Prior Year	190,800	-0-	-0-	-0-	-0-
Subtotal	$ -0-	$ (113,168)	$ (170,419)	$ (22,696)	$ (482,861)
Transferred from Budget Reserve Fund	--	113,168	170,419	22,696	482,861
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 $26.482 million.

(b) In Fiscal Year 2014 this amount includes GAAP Conversion Bonds totaling $598.5 million.

(c) Total Expenditures include prior year appropriations less appropriations carried forward to the next year in the amount of $20.956 million.

(d) Total Expenditures include prior year appropriations less appropriations carried forward to the next year in the amount of $(31.595) million.

(e) Total Expenditures include prior year appropriations less appropriations carried forward to the next year in the amount of $36.322 million.

(f) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(74.078) million.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2014	2015	2016	2017	2018
Taxes:					
Personal Income	$ 8,718,659	$ 9,151,037	$ 9,181,649	$ 8,988,667	$10,770,150
Sales and Use	4,100,564	4,205,051	4,181,852	4,192,203	4,202,246
Corporations	782,239	814,805	880,449	1,037,565	920,746
Insurance Companies	240,666	220,629	238,843	222,804	230,605
Inheritance and Estate	168,075	176,750	221,821	218,660	223,839
Alcoholic Beverages	60,644	61,651	63,113	63,155	63,211
Cigarettes	376,835	358,703	373,518	381,455	376,448
Admissions, Dues, Cabaret	39,935	38,436	39,331	39,509	40,272
Oil Companies	35,580	0	170	0	0
Electric Generation	15,315	7	0	0	0
Public Service Corporations	293,303	276,833	289,894	271,504	250,632
Real Estate Conveyance	180,511	185,955	196,498	209,982	202,526
Miscellaneous	498,260	474,009	718,850	699,331	1,059,928
Refunds of Taxes	(1,182,397)	(1,163,639)	(1,223,198)	(1,263,824)	(1,269,667)
R&D Credit Exchange	(5,055)	(7,878)	(7,623)	(5,485)	(5,664)
Other Revenue:					
Licenses, Permits, Fees	314,721	257,444	296,502	275,386	306,165
Sales of Commodities and Services	40,523	35,813	43,454	39,143	33,238
Transfer – Special Revenue	323,219	323,315	339,961	328,716	339,512
Investment Income	(335)	943	909	2,371	15,911
Transfers — To Other Funds[(a)]	(61,800)	(61,780)	(61,688)	(58,100)	(57,650)
Fines, Escheats and Rents	130,875	168,679	141,741	151,402	189,428
Miscellaneous	206,782	185,014	179,820	330,388	177,307
Refunds of Payments	(66,625)	(64,281)	(60,336)	(44,199)	(61,058)
Federal Grants	1,243,861	1,241,243	1,301,532	1,325,237	1,143,075
Indian Gaming Payments	279,873	267,986	265,906	269,906	272,957
Statutory Transfer to Resources of the General Fund	0	0	0	0	0
Statutory Transfer to Budget Reserve Fund for Volatility Adjustment	--	--	--	--	245,726
Statutory Transfers From Other Funds	873,828	135,313	177,854	27,192	(1,471,333)
Total Revenues[(b)]	$ 17,608,056[(c)]	$ 17,282,038	$ 17,780,822	$ 17,702,968	$18,198,550

(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.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2014	2015	2016	2017	2018
Legislative	$ 70,813	$ 73,563	$ 74,089	$ 66,545	$ 64,433
General Government					
Executive	12,223	12,701	12,731	11,964	10,931
Financial Administration	513,051	563,830	530,539	492,358	560,927
Legal	80,402	84,469	83,765	80,385	75,650
Total General Government	605,676	661,000	627,035	584,707	647,508
Regulation and Protection of Persons and Property					
Public Safety	191,075	193,996	191,125	181,452	178,481
Regulative	86,798	93,256	97,429	92,962	81,354
Total Regulation and Protection	277,873	287,252	288,554	274,414	259,835
Conservation and Development					
Agriculture	12,024	12,723	12,306	11,372	10,940
Environment	71,365	71,018	67,900	60,836	56,279
Historical Sites, Commerce and Industry	137,532	122,070	114,672	108,853	113,928
Total Conservation and Development	220,921	205,811	194,878	181,060	181,147
Health and Hospitals					
Public Health	114,086	83,853	69,875	63,572	64,087
Developmental Services	1,054,597	1,097,586	1,059,216	522,175	505,027
Mental Health	658,625	603,897	636,852	604,040	594,337
Total Health and Hospitals	1,827,308	1,785,336	1,765,943	1,189,787[b]	1,163,451
Human Services	3,215,827	3,095,928	3,102,021	3,624,957[b]	4,291,893
Education, Libraries and Museums					
Department of Education	3,039,608	3,277,044	3,331,589	3,247,743	3,083,629
University of Connecticut	329,889	354,433	383,538	349,506	308,922
Higher Education and the Arts	43,580	46,103	47,113	39,080	36,904
Libraries	12,419	12,205	11,519	8,797	8,399
Teachers Retirement	966,983	1,004,973	997,604	1,034,143	1,292,213
Community—Technical Colleges	151,973	177,968	164,626	159,786	146,025
State University	151,193	152,665	186,039	164,867	148,450
Total Education, Libraries and Museums	4,695,645	5,025,391	5,122,028	5,003,922	5,024,542
Corrections	1,454,442	1,476,753	1,463,065	1,397,113	1,382,304
Judicial	569,056	593,314	597,584	552,369	528,902
Non-Functional					
Debt Service	1,646,149	1,691,526	1,967,729	2,058,197	2,284,706
Miscellaneous	2,396,332	2,523,815	2,718,331	2,829,967	2,781,988
Total Non-Functional	4,042,481	4,215,341	4,686,060	4,888,164	5,066,694
Totals	16,980,042	17,419,689	17,921,257	17,763,040	18,610,709
Total Expenditures[a]	$16,980,042	$17,419,689	$17,921,257	$17,763,040	$18,610,709

(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 AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2018
ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2019
GOVERNOR'S PROPOSED BUDGET FOR FISCAL YEARS 2020 AND 2021
(In Millions)

	Adopted Budget Fiscal Year 2018[g]	Financial Results Fiscal Year 2018[h]	Revised Adopted Budget Fiscal Year 2019[i]	Estimated Budget Fiscal Year 2019[j]	Governor's Proposed Budget Fiscal Year 2020[k]	Governor's Proposed Budget Fiscal Year 2021[k]
Revenues						
Taxes						
Personal Income Tax	$ 9,182.5	$10,770.1	$ 9,107.6	$ 9,722.9	$ 9,666.7	$ 9,872.2
Sales & Use	4,220.5	4,202.2	4,153.6	4,290.9	4,670.1	4,972.2
Corporation	933.3	920.7	1,520.2	1,009.6	1,051.2	1,048.3
Pass-through Entity Tax[a]	--	--	--	600.0	600.0	600.0
Public Service	284.9	250.6	243.8	230.8	243.3	250.3
Inheritance & Estate	180.1	223.8	176.2	196.2	113.2	125.2
Insurance Companies	230.6	230.6	234.3	223.7	226.9	229.7
Cigarettes	394.2	376.4	381.0	375.5	357.3	343.0
Real Estate Conveyance	215.6	202.5	209.4	209.4	225.2	232.3
Alcoholic Beverages	62.6	63.2	63.0	64.0	64.3	64.7
Admissions and Dues	41.5	40.3	41.8	42.3	42.9	43.4
Health Provider Tax	1,045.0	--	1,049.2	1,049.2	1,049.1	1,050.6
Miscellaneous	27.7	1,059.9	22.0	20.2	50.9	211.1
Total Taxes	$16,818.5	$18,340.6	$17,202.1	$18,034.7	$18,361.1	$19,043.0
Less Refunds of Taxes	(1,146.8)	(1,269.7)	(1,215.1)	(1,327.3)	(1,412.3)	(1,481.9)
Less Earned Income Tax	(115.0)	--	(118.3)	(94.2)	(97.3)	(100.6)
Less R&D Credit Exchange	(7.3)	(5.7)	(6.4)	(5.4)	(5.6)	(5.7)
Net Taxes	$15,549.4	$17,065.3	$15,862.3	$16,607.8	$16,845.9	$17,454.8
Other Revenues						
Transfers- Special Revenues	$ 339.3	$ 339.5	$ 352.7	$ 352.7	$ 360.2	$ 368.2
Indian Gaming Payments	267.3	273.0	203.6	248.6	223.7	223.1
Licenses, Permits, Fees	309.6	306.2	322.6	292.6	357.4	335.5
Sales of Commodities & Services	43.8	33.2	37.7	29.1	30.2	31.0
Rents, Fines & Escheats	143.0	189.4	147.2	151.1	158.3	162.3
Investment Income	5.9	15.9	14.5	44.8	40.1	40.7
Miscellaneous	207.4	177.3	189.1	174.1	201.9	230.9
Less Refunds of Payments	(62.5)	(61.1)	(58.8)	(67.1)	(68.4)	(69.8)
Total Other Revenue	$ 1,253.8	$ 1,273.5	$ 1,208.6	$ 1,225.9	$ 1,303.4	$ 1,321.9
Other Sources						
Federal Grants	$ 1,732.9	$ 1,143.1	$ 2,112.4	$ 2,098.8	$ 1,464.9	$ 1,500.4
Transfers from Tobacco Settlement Funds	109.7	109.7	110.2	110.2	110.0	108.6
Transfers to/from Other Funds[b]	77.9	136.0	78.3	78.3	(79.0)	(79.3)
Transfers to BRF – Volatility Adjustment[c]	--	(1,471.3)	(363.1)	(648.0)	(280.2)	(269.1)
Total Other Sources	$ 1,920.5	$ (57.6)	$ 1,937.8	$ 1,639.3	$ 1,215.7	$ 1,260.6
Total Budgeted Revenue[d]	$18,723.7	$18,198.6	$19,008.7	$19,473.0	$19,365.0	$20,037.3
Revenue Cap Deduction	--	--	--	--	(96.8)	(150.3)
Total Available Revenue	$18,723.7	$18,198.6	$19,008.7	$19,473.0	$19,268.2	$19,887.0

	Adopted Budget Fiscal Year 2018[g]	Financial Results Fiscal Year 2018[h]	Revised Adopted Budget Fiscal Year 2019[i]	Estimated Budget Fiscal Year 2019[j]	Governor's Proposed Budget Fiscal Year 2020[k]	Governor's Proposed Budget Fiscal Year 2021[k]
Appropriations/ Expenditures						
Legislative	$ 70.1	$ 64.4	$ 66.7	$ 66.7	$ 69.9	$ 73.6
General Government	687.2	657.2	694.5	689.4	657.4	678.4
Regulation & Protection	278.0	261.3	276.1	277.5	280.3	280.8
Conservation & Development	189.9	181.2	174.2	172.6	193.0	201.4
Health & Hospitals	1,196.8	1,163.5	1,190.7	1,196.1	1,238.6	1,281.0
Human Services	4,408.1	4,306.0	4,332.6	4,231.6	4,444.8	4,546.9
Education, Libraries & Museums	5,185.4	5,036.1	5,209.0	5,208.6	5,149.6	5,266.6
Corrections	1,386.1	1,382.4	1,344.1	1,381.1	1,405.3	1,447.1
Judicial	561.5	528.9	565.1	565.1	583.0	599.2
Non- Functional						
Debt Service	2,311.1[f]	2,304.0[f]	2,213.6	2,216.8	2,292.7	2,412.3
Miscellaneous	3,298.7	2,799.1	2,952.9	2,969.7	3,148.4	3,377.9
Subtotal	$19,572.9	$18,635.9	$19,019.7	$18,975.3	$19,462.7	$20,165.2
Other Reductions and Lapses	(898.9)	--	(21.5)	(18.4)	(203.4)	(298.3)
Net Appropriations/ Expenditures	$18,673.9	$18,684.8	$18,998.2	$18,956.9	$19,259.3	$19,866.9
Surplus (or Deficit) from Operations	49.8	(486.2)	10.5	516.1	8.9	20.2
Miscellaneous Adjustments	--	3.3	--	--	--	--
Balance[e]	$ 49.8	$ (482.9)	$ 10.5	$ 516.1	$ 8.9	$ 20.2

NOTE: Columns may not add due to rounding.

(a) Public Act No. 18-81 created a new Pass Through Entity Tax starting in Fiscal Year 2019. As a result of the new tax, a new credit on Estimates and Finals taxes was included to offset the cost to the taxpayer.

(b) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amount for Fiscal Year 2018 includes a transfer of $57.6 million to the Mashantucket Pequot Fund for grants to towns and in Fiscal Year 2019 $49.9 million for such purpose.

(c) 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 in Fiscal year 2019, $3,292.5 million in Fiscal year 2020 and $3,382.7 million in Fiscal Year 2021 shall be transferred to the Budget Reserve Fund.

(d) 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.

(e) Per CGS 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 or deficit 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 or deficit shall be transferred by the State Treasurer to/from the Budget Reserve Fund.

(f) Sections 90 and 91 of Public Act No. 13-184 extended the maturity of the 2009 Economic Recovery Notes from Fiscal Year 2016 to Fiscal Year 2018.

(g) 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.

(h) Per the Comptroller's audited financial results dated November 30, 2018 for Fiscal Year 2018 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.

(i) Per Public Act No. 18-81.

(j) Estimates reflect the February 20, 2019 Office of Policy and Management's letter to the State Comptroller as of the period ending January 31, 2019.

(k) Per the Governor's Budget Proposal for the Fiscal year 2020-2021 biennium as presented on February 20, 2019. For a description of highlighted proposed revenue and expenditure changes **see STATE GENERAL FUND – Governor's Recommended Budget for Fiscal Years 2020 and 2021**.

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.

UNIVERSITY OF CONNECTICUT • GENERAL OBLIGATION BONDS, 2019 SERIES A AND 2019 REFUNDING SERIES A

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