Connecticut State Colleges & Universities

CSCU Connecticut State University System

# FINANCIAL STATEMENTS

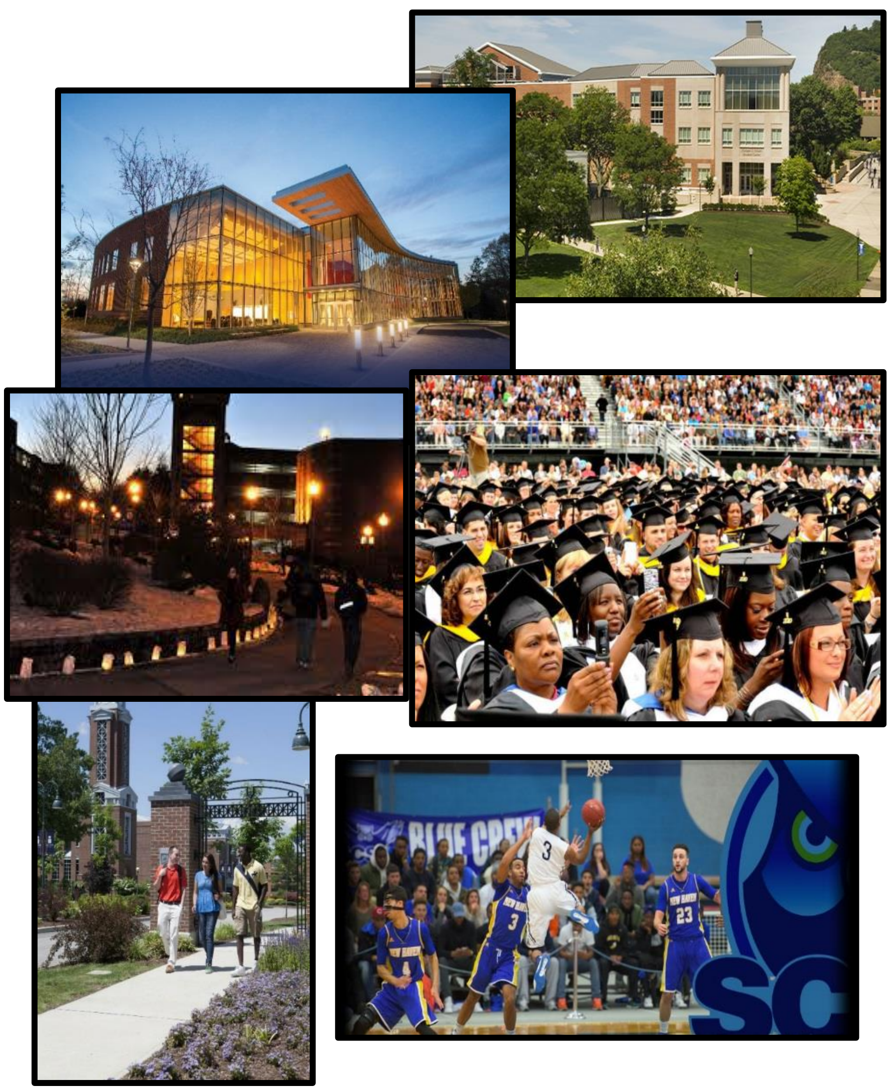
June 30, 2017 and 2016

including

Required Supplementary Information &
Additional Supplemental Information

# Connecticut State Universities Mission Statement

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



CSCU

**Members of the Board of Regents for Higher Education**
**(Between 7/1/15 – 6/30/17)**

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

**Regents as of 6/30/17 (1 vacancy)**

Matt Fleury, Chairman (appt to Chair 7/1/17)
Yvette Meléndez, Vice Chair
Richard J. Balducci
Aviva D. Budd (appointed 1/25/17)
Naomi K. Cohen
Lawrence J. DeNardis
Merle W. Harris
David R. Jimenez
William J. McGurk
JoAnn H. Price
Elease E. Wright
Holly Palmer (COSC Student; elected April 2016)
Joseph Young (CCC student; elected September 2016)

**Ex-Officio, Non-voting members**

Barbara E. Richards – Chair of the Faculty Advisory Committee (term began January 2016)
Stephen Adair – Vice Chair of the Faculty Advisory Committee
Raul Pino – Commissioner of the CT Department of Public Health (appointed December 2015)
Dianna R. Wentzell – Commissioner of the State Board of Education
Scott Jackson – Commissioner of the CT Department of Labor (appointed January 2016)
Catherine Smith – Commissioner of the CT Department of Economic and Community Development

**Former Board members (who served between 7/1/15 – 6/30/17)**

Nicholas M. Donofrio (term ended June 30, 2016)
Jewel Mullen – Commissioner of the CT Department of Public Health (resigned November, 2015)
Sharon Palmer – Commissioner of the CT Department of Labor (resigned December, 2015)
Sarah E. Greco, CSU Student (resigned March 2016)
Gordon Plouffe (CCC student; term ended September 2016)
Robert E. Brown – VC of FAC (term ended December 2015)

Connecticut State Universities

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

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

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

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

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

# Connecticut State University System
# Index to Financial Statements
## June 30, 2017 and 2016

**Introduction**

Management's Discussion and Analysis provides an overview of the comparative financial position and results of activities of the Connecticut State University System ("CSUS" or "System") and its component units for the fiscal year ended June 30, 2017 with comparative information for the fiscal year ended June 30, 2016. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

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

CSUS is a state-wide public university system of higher learning in the State of Connecticut with approximately 33,200 enrolled students. The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 147 subject areas and provide extensive opportunities for internships, community service and cultural engagement. In total, CSUS employed approximately 3,000 full time employees at June 30, 2017.

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

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

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

**Using the Financial Statements**

CSUS's financial report includes the following financial statements: the Statement of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board ("GASB"). GASB Statement No. 35 established standards for external financial reporting for public colleges and Universities, and requires that financial statements be presented on a basis to focus on the financial condition, results of operations, and cash flows of the System as a whole. As required by GASB Statements No. 34 and 35, a comparative analysis of fiscal year 2016 financial data with fiscal year 2015 is also presented, both for the CSUS *primary institution*, as well as for certain other organizations that have a significant related party relationship with CSUS (the "component units").

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

During fiscal year 2016, management identified certain errors in the fiscal year 2015 financial statements related to accounting and reporting for pensions, reporting Pell revenues and reporting bond premiums and discounts. As a result, amounts reported in fiscal year 2015 within the fiscal year 2016 management discussion and analysis have been restated to reflect the correction of these errors. Refer to footnote 1 of the financial statements for further details related to amounts adjusted in connection with the pension accounting. With respect to changes in reporting of Pell revenues, prior to fiscal year 2016, Pell revenues had been incorrectly reported as operating revenues rather than non-operating revenues. This change impacted operating results (vs. non-operating results), but had no impact on change in net position. With respect to changes in reporting of bond premiums and discounts, these amounts had previously been reported as deferred outflows or deferred inflows rather than as a liability associated with the bond principal outstanding. This change reduced deferred outflows and inflows, and increased total liabilities, but had no impact on the change in net position or beginning net position. All amounts presented in this MD&A have been restated to reflect the corrected amounts for fiscal year 2015.

## Financial Highlights

At June 30, 2017, total assets of the System were $1,741.0 million, a increase of $54.8 million or 3.2% more than the prior year amount of $1,686.2 million, primarily due to a increase in investments of $42.9 million.

**Condensed Statements of Net Position**
**June 30, 2017, 2016 and 2015**
**(in millions)**

| | 2017 | 2016 | 2015 (Restated*) | % Change FY 16 - 17 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets | $ 377.6 | $ 317.9 | $ 342.5 | 18.8% |
| Non-current assets: | | | | |
| Capital assets, net | 1,179.4 | 1,193.7 | 1,175.2 | -1.2% |
| Other | 184.0 | 174.6 | 178.3 | 5.4% |
| Total Assets | 1,741.0 | 1,686.2 | 1,696.0 | 3.2% |
| **DEFERRED OUTFLOWS OF RESOURCES** | 414.5 | 165.8 | 123.6 | 150.0% |
| **LIABILITIES** | | | | |
| Current liabilities | 138.8 | 142.8 | 161.0 | -2.8% |
| Non-current liabilities | 1,390.4 | 1,028.9 | 970.5 | 35.1% |
| Total liabilities | 1,529.2 | 1,171.7 | 1,131.5 | 30.5% |
| **DEFERRED INFLOWS OF RESOURCES** | 1.3 | 0.1 | 21.5 | 2400.0% |
| **NET POSITION** | | | | |
| Invested in capital assets - net of related debt | 1,015.1 | 1,023.0 | 1,016.7 | -0.8% |
| Restricted nonexpendable | 0.5 | 0.5 | 0.5 | 0.0% |
| Restricted expendable | 38.6 | 18.3 | 19.9 | 110.9% |
| Unrestricted | (429.2) | (361.6) | (370.5) | -18.7% |
| Total net position | 625.0 | 680.2 | 666.6 | -8.1% |
| Total liabilities and net position | $ 2,154.2 | $ 1,851.9 | $ 1,798.1 | 16.3% |

*FY 15 is restated to present student receivables for summer and fall classes of the following fiscal year net of deferred revenue. Additionally, FY 15 is restated for certain amounts previously reported for the adoption of GASB 68 in fiscal year 2015 which were incorrect. Finally, discounts on bond premiums was reclassified from deferred inflows to bonds payable. As a result the net position, and deferred ouflows of fiscal year 2015 have been restated.

Total liabilities at June 30, 2017 of $1,529.2 million increased by $357.5 million, primarily due to an increase in pension liability of $320.9 million resulting from an increase to CSUS's share of the State's net pension liability and an increase in bonds payable of $40.7 million. In fiscal 2017, the CSUS issued $55.0 million in revenue bonds and refunded an additional $19.5 million to take advantage of favorable interest rates.

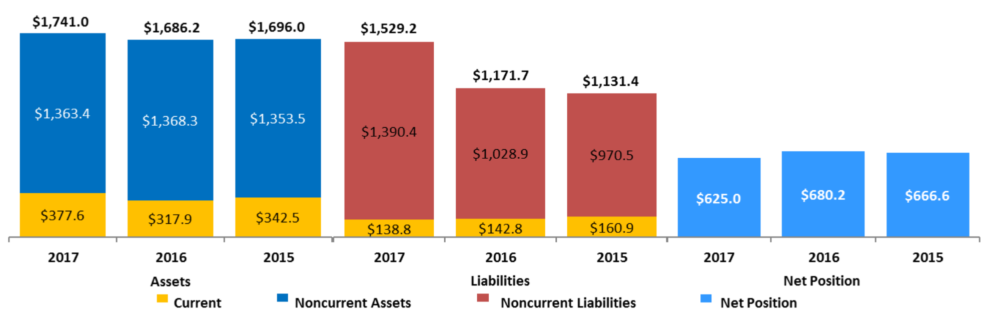
At June 30, 2017, total net position, which represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was $625.0 million, a decrease of $55.2 million or 8.1% over last fiscal year's net position of $680.2 million. This decrease was primarily due to an increase in the net pension liability that resulted in a net decrease of unrestricted net position of $67.6 million and a decrease in capital assets, net of related debt of $7.9 million primarily driven by depreciation in excess of new depreciable capital assets and disposals of assets.

**Statement of Net Position**

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

*Current assets* at June 30, 2017 of $377.6 million increased by $59.7 million or 18.8% primarily due to the increase in investments of $42.9 million. Total current assets represent coverage of current operating expenses excluding depreciation and amortization of approximately nine months. The System's current ratio of 2.7:1 at the end of fiscal year 2017 is an increase from a ratio of 2.2:1 from the prior fiscal year end.

THE CSUS FINANCIAL POSITION (in millions of dollars)




*Total non-current assets* at June 30, 2017, of $1,363.4 million decreased by $5.0 million or 0.4% from the fiscal year 2016 level of $1,368.3 million primarily due to decreases in net investment in plant of $14.4 million offset by an increase in cash and cash equivalents of $7.1 million.

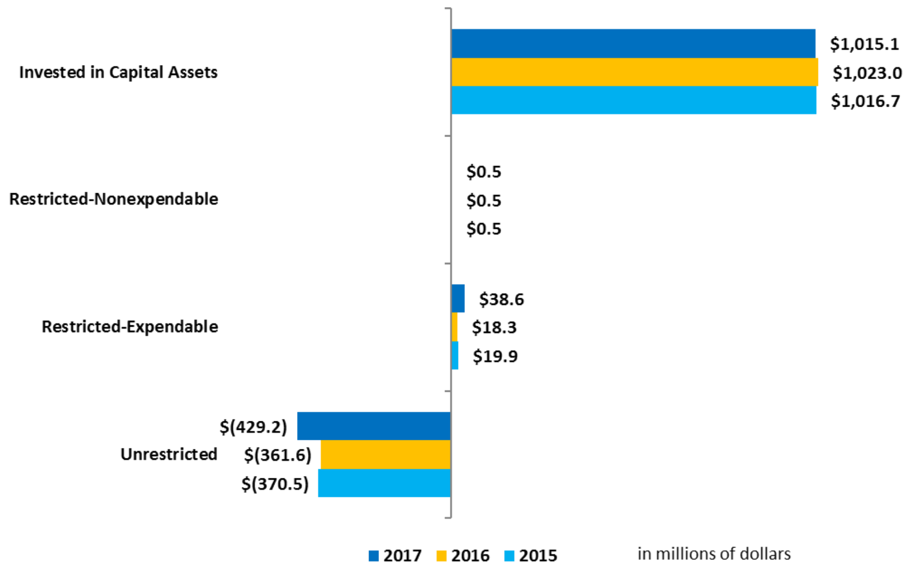
*Current liabilities* at June 30, 2017 of $138.8 million decreased by $4.0 million, mainly due to the decrease in unearned tuition, fees and grant revenue of $14.8 million, an increase in accrued salaries and benefits of $6.3 million and an increase in accounts payable of $2.5 million.

*Non-current liabilities* at June 30, 2017 of $1,390.4 million increased by $361.5 million. This is mainly due to an increase in net pension liability of $320.9 million resulting from an increase to CSUS's proportionate share of the State's pension liability and a increase in bonds payable of $40.7 million due to debt service payments.

*Pension liabilities* represent the System's proportionate share of the State Employee Retirement System's ("SERS") and the Teachers Retirement System's ("TRS") net pension liability. The System's total net pension liability was $985.0 million at June 30, 2017, an increase of $320.9 million from fiscal year 2016. This increase was consistent with the change in net pension liability for the entire SERS and TRS pension systems.

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

THE CSUS NET POSITION (in millions of dollars)




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

*Unrestricted net position* represents funds available to support CSUS activities and operations at the discretion of the Board of Regents, the President, and the University Presidents. Unrestricted net position is negative due to the System's share of the State's pension plan's net pension liability ("NPL"). Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the System's reserves are allocated for academic initiatives or programs and for capital and other purposes including University fee receipts and parking fee receipts that have been designated by Universities to meet debt service obligations.

Without reflecting the net pension liability, unrestricted net position increased $6.3 million from 2016 to 2017. This is primarily the result of increases in tuition and fee revenue totaling $14.8 million which are partially offset by increased operating expenses.

| | FY13 | FY14 | FY15 | FY16 | FY17 |
|---|---|---|---|---|---|
| | $985.5 | $1,090.8 | $115.1 | $136.8 | $143.1 |
| UNP Adjusted for Pension Liability | | | ($370.5) | ($361.6) | ($429.2) |

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

At fiscal year end June 30, 2017, the System had an investment in plant assets of $2,037.2 million, an increase of $23.9 million or 1.2% over the fiscal year end 2016 level of $2,013.3 million. This increase was primarily due to the increase in buildings and improvements placed in service. The increase in investment in plant assets reflects the System's continued commitment to provide its students with state-of-the-art buildings and equipment as more CSUS projects continue to be started and/or completed.

**Net Investment in Plant**
**June 30, 2017, 2016 and 2015**
**(in millions)**

| | 2017 | 2016 | 2015 | % Change 2017 - 2016 |
|---|---|---|---|---|
| Land | $ 19.9 | $ 19.9 | $ 19.7 | 0.0% |
| Buildings & improvements | 1,610.9 | 1,596.9 | 1,380.8 | 0.9% |
| Land improvements | 105.0 | 102.9 | 102.7 | 2.0% |
| Furniture, Fixtures & Equipment | 154.5 | 162.3 | 155.4 | -4.8% |
| Library books and materials | 72.8 | 72.5 | 71.0 | 0.4% |
| Construction in progress | 74.1 | 58.8 | 212.5 | 26.0% |
| Total investment in plant | 2,037.2 | 2,013.3 | 1,942.1 | 1.2% |
| Less accumulated depreciation | 857.8 | 819.6 | 766.9 | 4.7% |
| Investment in plant, net of depreciation | $ 1,179.4 | $ 1,193.7 | $ 1,175.2 | -1.2% |

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

Public Act 07-7 also established a $950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four Connecticut State Universities. Effective July 1, 2008, this program, known as "CSUS 2020", provided the CSU's with additional flexibility in the allocation of bond funds, through the one time allocation of $950 million, with allotments approved annually by the Governor. For fiscal year 15, CSUS 2020 was renamed "CSCU 2020" with total funding increased to $1,053.5 million that included some Community College fiscal year 2015 and fiscal year 2016 funding. The CSCU 2020 program was also extended to fiscal year 2020. In 2017, of the $95 million authorized, $40 million was received by the CSCU and $55 million was deferred to fiscal year 2018. To date, the System has received $785 million.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the nineteenth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Construction funds available from the Connecticut Health and Educational Facilities Authority ("CHEFA") revenue bond issues totaled $815.2 million, as of June 30, 2017. On September 13, 2016, CHEFA P series of bonds were issued totaling $74.6 million which includes $19.5million for a refunding of selected maturities from prior CHEFA bond issues.

## Statement of Revenues, Expenses and Changes in Net Position

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

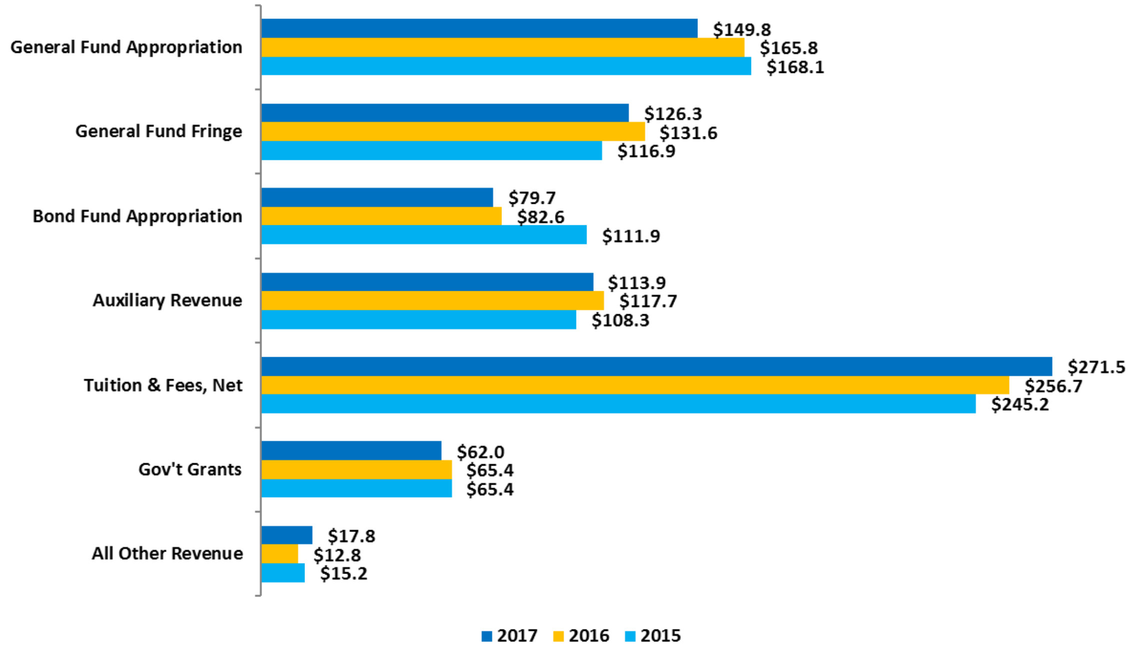
**Condensed Statements of Revenues, Expenses and Changes in Net Position**
**June 30, 2017, 2016 and 2015**
**(in millions)**

| | 2017 | 2016 | 2015 (Restated*) | % Change FY 16 - 17 |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Tuition and fees, net | $ 271.5 | $ 256.7 | $ 245.2 | 5.8% |
| Auxiliary revenues | 113.9 | 117.7 | 108.3 | -3.2% |
| Grants and indirect cost recoveries | 21.7 | 24.1 | 24.7 | -10.0% |
| Other | 22.1 | 20.0 | 22.9 | 10.5% |
| Total operating revenues | 429.2 | 418.5 | 401.1 | 2.6% |
| **OPERATING EXPENSES** | | | | |
| Expenses before depreciation and amortization | 811.2 | 754.8 | 714.4 | 7.5% |
| Depreciation | 64.9 | 64.1 | 60.2 | 1.2% |
| Amortization | 0.1 | 0.1 | 0.1 | 0.0% |
| Total operating expenses | 876.2 | 819.0 | 774.7 | 7.0% |
| Operating loss | (447.0) | (400.5) | (373.6) | -11.6% |
| **NON-OPERATING REVENUES (EXPENSES)** | | | | |
| State appropriations - general fund | 276.1 | 297.4 | 285.0 | -7.2% |
| State appropriations - bond fund | 79.7 | 82.6 | 111.9 | -3.5% |
| PELL grant revenue | 40.3 | 41.3 | 40.7 | -2.4% |
| Investment income | 3.2 | 1.7 | 1.1 | 88.2% |
| Other | (7.5) | (8.9) | (8.8) | 15.7% |
| Total non-operating revenues (expenses) | 391.8 | 414.1 | 429.9 | -5.4% |
| **NET POSITION** | | | | |
| Change in net position | (55.2) | 13.6 | 56.3 | -505.9% |
| Net position, beginning of year | 680.2 | 666.6 | 610.3 | 2.0% |
| Net position, end of year | $ 625.0 | $ 680.2 | $ 666.6 | -8.1% |

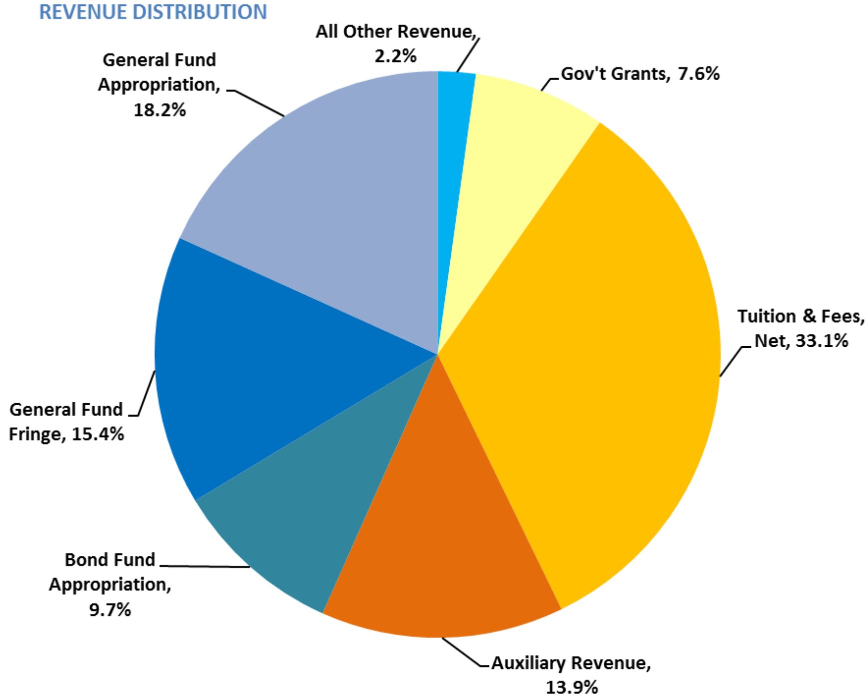
*Amounts previously reported for beginning net position for the adoption of GASB 68 in fiscal year 2015 have been restated. In addition, PELL grant revenues has been reclassified from operating revenues to non-operating revenues.

In fiscal year 2017, state appropriations of $355.8 million, representing 43.3% of the System's total net revenues, were $24.2 million or 6.4% below fiscal year 2016. State appropriations are received for both operating and capital purposes. In the current year the System was allotted $276.1 million for operating purposes, a decrease of 7.2% over the prior year, and $79.7 million for capital purposes a decrease of 3.5% from the prior year. The majority of the State appropriation dollars for operating purposes are used to fund salaries and fringe benefits. Approximately 54% of the System's fiscal year 2017 salary and fringe benefit costs were funded from State appropriations.

REVENUE SUMMARY (in millions of dollars)

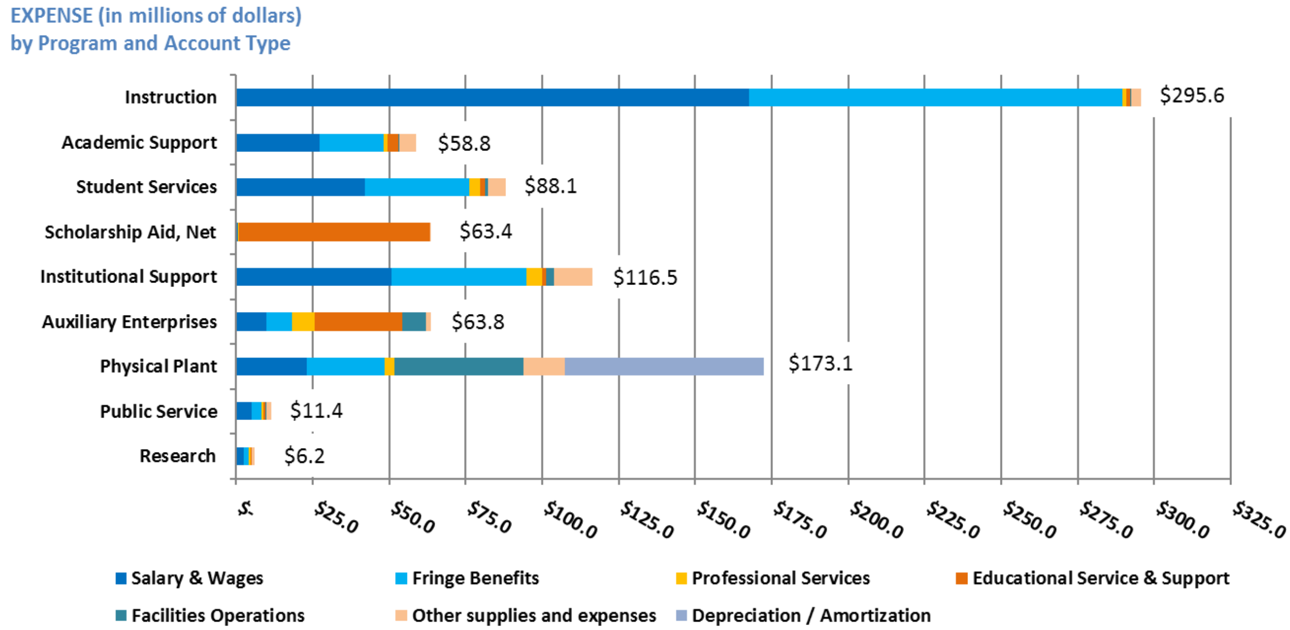


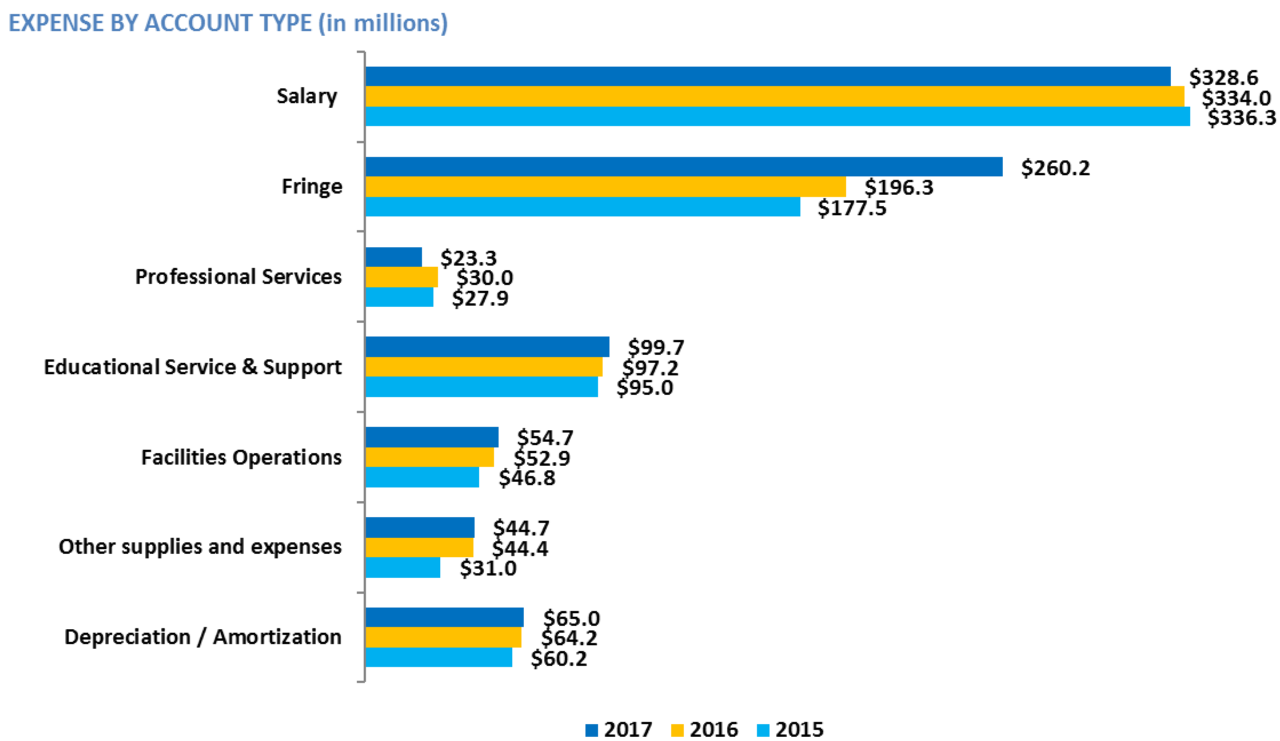

REVENUE DISTRIBUTION




In fiscal 2017, total operating expenses less depreciation and amortization of $811.3 million increased by $56.5 million or 7.5% from the prior fiscal year. The primary cause of the increase was related to pension expense associated with GASB 68 accounting of $73.9 million. This is CSU's proportionate share of the pension expense net of actual contributions made subsequent to the measurement date. Other changes included a decrease in professional services costs of $6.7 million and a decrease of salary and wages of $5.4 million achieved through budget reductions and holding certain positions vacant.

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



**Statement of Cash Flows**

The statement of cash flows presents the significant sources and uses of cash. The System's net change in cash and cash equivalents at June 30, 2017 increased $1.8 million or 16.8%. This was a result of a $23.0 million decrease in cash used in operating activities, a $14.1 million decrease in state appropriations, a $74.0 million increase in cash used in capital and related financing activities, offset by a reduction of $83.6 million in cash provided by investing activities.

**Condensed Statement of Cash Flows**
**June 30, 2017, 2016 and 2015**
**(in millions)**

| | 2017 | 2016 | 2015 (Restated*) | % Change |
|---|---|---|---|---|
| **NET CASH PROVIDED BY (USED IN)** | | | | |
| Operating activities | $ (297.0) | $ (320.0) | $ (282.7) | 7.2% |
| Non-Capital financing activities | 321.2 | 333.0 | 330.9 | -3.5% |
| Capital & related financing activities | 31.2 | (43.0) | (93.5) | 172.6% |
| Investing activities | (42.9) | 40.7 | 56.2 | -205.4% |
| Net change in cash and cash equivalents | 12.5 | 10.7 | 10.9 | 16.8% |
| **CASH AND CASH EQUIVALENTS** | | | | |
| Cash and cash equivalents, beginning of year | 341.4 | 330.7 | 319.8 | 3.2% |
| Cash and cash equivalents, end of year | $ 353.9 | $ 341.4 | $ 330.7 | 3.7% |

*FY 15 is restated to reflect PELL revenue as non-capital financing activities rather than operating activities.

**Economic Outlook**

The CSUS will confront significant challenges and be afforded certain opportunities in the years ahead. The factors that will have the greatest financial impact include the trend of flattening and declining enrollment and the current and expected near-term fiscal condition of the state of Connecticut.

*Enrollment*

The following table indicates historical enrollment of undergraduate and graduate students for the 2012-2013 through 2016-2017 academic years. Also indicated is full-time equivalent student enrollment.

| Fall Headcount Enrollment and Full Time Equivalent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year Ending June 30 | Undergraduate | % Change | Graduate | % Change | TOTAL | % Change | Full Time Equivalent | % Change |
| 2017 | 27,853 | -2.04% | 5,334 | 2.34% | 33,187 | -1.36% | 27,263 | -0.75% |
| 2016 | 28,434 | -0.53% | 5,212 | -5.51% | 33,646 | -1.33% | 27,470 | -0.95% |
| 2015 | 28,585 | -0.40% | 5,516 | 2.85% | 34,101 | 0.11% | 27,734 | -0.70% |
| 2014 | 28,699 | -2.08% | 5,363 | -2.77% | 34,062 | -2.19% | 27,930 | -1.98% |
| 2013 | 29,308 | -2.14% | 5,516 | -9.54% | 34,824 | -3.39% | 28,494 | -2.50% |

*Student Admissions*
The table below shows the total of new full-time freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of academic years 2013 through 2017.

| Fall Semester First-Time Full-Time Student Admissions | | | | | |
|---|---|---|---|---|---|
| Year Ending June 30 | Number of Applicants | Percent Accepted | Number Accepted | Percent Enrolled | Number Enrolled |
| 2017 | 27,691 | 62.18% | 17,219 | 26.00% | 4,477 |
| 2016 | 27,321 | 61.18% | 16,715 | 26.24% | 4,386 |
| 2015 | 21,233 | 62.96% | 13,369 | 31.96% | 4,273 |
| 2014 | 19,055 | 67.45% | 12,852 | 34.13% | 4,386 |
| 2013 | 18,979 | 66.75% | 12,668 | 35.64% | 4,515 |

Full time equivalent and total headcount enrollments for the fall of fiscal year 2017 are down from the prior year and have been declining for the past 5 years. The State demographics project a decreasing population of high school graduates over the next several years. A positive offsetting trend has been the successful recruitment of first-time freshmen which has increased slightly over the past two years. However, in the absence of heightened success in retention and increasing student attendance from non-traditional sources, this would cause a continued decline in enrollment. The CSUS are developing strategies to enhance enrollment, including both Connecticut residents and out-of-state students, in order to counteract the impact of declining Connecticut high school graduates.

The slight reduction in fiscal year 2017 enrollment was more than offset by an average increase in tuition and fee rates of of 4.0%, resulting in increased tuition and fee revenue compared to the prior year.

During fiscal year 2017, projects at the Universities in design include renovations and additions to Barnard Hall (CCSU), a new Engineering Building (CCSU), renovations to Shafer Hall (ECSU), a new Health and Human Service Facility (SCSU), a new business school (SCSU) and renovations to Higgins Hall (WCSU). In construction are renovations to Willard and Diloretto Halls (CCSU), Kaiser Sports Center Annex (CCSU), Goddard Hall/Communications Building (ECSU) and a new Public Safety Facility (WCSU). Construction that was completed includes renovations to Litchfield Hall (WCSU).

The economic climate in the State of Connecticut has resulted in lower levels of general fund appropriations year on year since fiscal year 2015. It is management's belief that the state will continue to experience fiscal pressures and therefore management has embarked on a bold plan for reorganization, targeted to significantly reduce system costs, and especially costs of operating the twelve community colleges.

Management has presented this plan, called "Students First" to its Board, to staff and faculty, to students, to legislators, and to the New England Association of Schools and Colleges ("NEASC"). NEASC is the accrediting body for all institutions of higher education in New England. On the most part, the plans have been met with great interest and support.

The plan consists of two areas of consolidation: (1) consolidation of administrative areas serving the colleges, universities, and Charter Oak State College, and (2) a consolidation of the twelve colleges into a singly accredited institution. The administrative consolidation is intended to produce cost savings to all CSCU institutions, including the CSUS. Management expects that it will take several years to realize savings due to constrictions posed by bargaining unit agreements, which include job protection for four years beginning in fiscal year 2016.

On October 31, 2017, the Governor signed a bipartisan budget passed by the General Assembly for the biennium ending June 30, 2019. The package included an $880 million shortfall, which the Governor closed on November 17, 2017. The CSCU portion of the holdbacks and lapses totaled $26 million when considering the impact of fringe benefits. Management continues to work on the implementation of the Students First strategic initiatives in order to cut costs and compensate for the continued cuts in state funding.

Detailed information concerning the consolidation of administrative areas and the singly accredited college is available on the CSCU website.

## Additional Information

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

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# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Regents of
**Connecticut State Colleges and Universities**

## Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Connecticut State University System (The System Office; Central Connecticut State University; Eastern Connecticut State University; Southern Connecticut State University; and Western Connecticut State University), an enterprise fund of the State of Connecticut (collectively, "CSUS" or the "System") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the aggregate discretely presented component units (the affiliated foundations ("Foundations")), which statements reflect total assets of $147.8 million and $130.8 million and total net assets of $146.6 million and $129.6 million as of June 30, 2017 and 2016, respectively and total revenues, capital gains and losses, and other support of $28.1 million and $13.5 million, respectively for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Connecticut State University System as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1, the financial statements present only the System, an enterprise fund of the State of Connecticut, and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2017 and 2016, the changes in its financial position or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Other matters

#### Required supplementary information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 1 through 11 and the Schedule of Net Pension Liability and Related Ratios and Schedule of Contributions on pages S-2 through S-5 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplemental Combining Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Combining Statement of Cash Flows included on pages S-7 through S-14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton LLP

Westborough, MA
December 20, 2017

# Connecticut State University System

## Statements of Net Position

As of June 30, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents (Notes 2 and 6) | $ 212,700,710 | $ 207,246,334 |
| Investments (Note 2) | 76,380,273 | 33,477,941 |
| Student receivables, net (Note 3) | 4,357,036 | 7,582,895 |
| Student loans receivable, net (Note 3) | 3,627,030 | 3,791,416 |
| Grants receivable, net (Note 3) | 2,654,307 | 2,166,687 |
| Miscellaneous receivables, net (Note 3) | 1,420,285 | 1,231,351 |
| Due from the State of Connecticut (Note 6) | 69,078,182 | 56,589,698 |
| Prepaid expenses and other current assets | 7,425,349 | 5,801,603 |
| Total current assets | 377,643,172 | 317,887,925 |
| Noncurrent assets | | |
| Cash and cash equivalents (Notes 2 and 6) | 141,185,476 | 134,139,202 |
| Investments (Note 2) | 34,456,043 | 31,303,100 |
| Student loans receivable, net (Note 3) | 7,837,525 | 7,945,577 |
| Other assets | 413,806 | 1,219,678 |
| Investment in plant, net of accumulated depreciation (Note 4) | 1,179,439,324 | 1,193,679,179 |
| Total noncurrent assets | 1,363,332,174 | 1,368,286,736 |
| Total assets | $ 1,740,975,346 | $ 1,686,174,661 |
| **Deferred outflows of resources** | | |
| Deferred outflows related to pension (Note 8) | $ 414,122,365 | $ 165,782,862 |
| Deferred loss on bond refunding | 396,167 | - |
| Total deferred outflows of resources | $ 414,518,532 | $ 165,782,862 |

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

| | 2017 | 2016 |
|---|---|---|
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable | $ 16,404,432 | $ 13,947,383 |
| Accrued salaries and benefits | 58,901,833 | 52,621,334 |
| Accrued compensated absences (Note 5) | 4,694,503 | 4,412,034 |
| Due to the State of Connecticut | 4,097,968 | 3,527,446 |
| Unearned tuition, fees and grant revenue (Note 9) | 24,791,679 | 39,648,854 |
| Bonds payable (Note 11) | 20,055,000 | 18,562,547 |
| Accrued bond interest payable | 2,396,761 | 2,192,515 |
| Other liabilities | 3,070,835 | 3,873,005 |
| Depository accounts | 4,371,198 | 4,038,489 |
| Total current liabilities | 138,784,209 | 142,823,607 |
| Noncurrent liabilities | | |
| Accrued compensated absences (Note 5) | 58,713,919 | 58,542,525 |
| Bonds payable (Note 11) | 336,653,241 | 296,006,239 |
| Federal loan program advances | 9,777,097 | 9,777,097 |
| Deferred compensation | 203,669 | 416,223 |
| Pension liability, net (Note 8) | 985,039,080 | 664,109,386 |
| Total noncurrent liabilities | 1,390,387,006 | 1,028,851,470 |
| Total liabilities | $ 1,529,171,215 | $ 1,171,675,077 |
| **Deferred inflows of resources** | | |
| Deferred inflows related to pension (Note 8) | $ 1,319,624 | $ 51,974 |
| Total deferred inflows of resources | $ 1,319,624 | $ 51,974 |
| **Net Position** | | |
| Invested in capital assets, net of related debt | $ 1,015,095,608 | $ 1,023,046,681 |
| Restricted | | |
| Nonexpendable | 467,116 | 467,116 |
| Expendable | 38,625,743 | 18,320,024 |
| Unrestricted | (429,185,428) | (361,603,349) |
| Total net position | $ 625,003,039 | $ 680,230,472 |

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

## Combined Statements of Financial Position – Component Units

As of June 30, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 7,176,351 | $ 5,523,839 |
| Investments | 127,948,590 | 109,271,002 |
| Contributions and other receivables | 7,959,344 | 9,834,471 |
| Prepaid expenses and other assets | 318,360 | 972,720 |
| Investment in plant, net | 4,425,222 | 5,178,986 |
| Total assets | $ 147,827,867 | $ 130,781,018 |
| **Liabilities** | | |
| Accounts payable | $ 258,508 | $ 301,587 |
| Custodial obligation payable | 60,473 | 58,200 |
| Other liabilities | 928,191 | 726,028 |
| Long-term debt | 14,563 | 57,019 |
| | 1,261,735 | 1,142,834 |
| **Net assets** | | |
| Unrestricted | 7,311,153 | 2,177,957 |
| Temporarily restricted | 49,339,538 | 41,006,906 |
| Permanently restricted | 89,915,441 | 86,453,321 |
| Total net assets | 146,566,132 | 129,638,184 |
| Total liabilities and net assets | $ 147,827,867 | $ 130,781,018 |

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

Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Operating revenues | | |
| Tuition and fees | | |
| Tuition and fees (Note 1) | $ 318,146,840 | $ 303,029,788 |
| Less | | |
| Scholarships allowance | (31,112,424) | (31,475,656) |
| Waivers | (15,558,083) | (14,890,945) |
| Tuition and fees, net of scholarship allowances and waivers | 271,476,333 | 256,663,187 |
| Federal grants and contracts | 4,574,806 | 4,727,211 |
| State and local grants and contracts | 11,626,763 | 14,846,852 |
| Nongovernment grants and contracts | 5,031,522 | 4,208,779 |
| Indirect cost recoveries | 473,855 | 283,120 |
| Auxiliary revenues (Note 1) | 113,869,301 | 117,737,368 |
| Other operating revenues | 22,147,241 | 20,027,902 |
| Total operating revenues | 429,199,821 | 418,494,419 |
| Operating expenses (Note 10) | | |
| Salaries and wages | 328,648,052 | 334,041,973 |
| Fringe benefits | 260,242,533 | 196,319,389 |
| Professional services and fees | 23,259,388 | 30,034,822 |
| Educational services and support | 99,737,639 | 97,230,627 |
| Travel expenses | 6,367,992 | 6,753,943 |
| Operation of facilities | 54,654,790 | 52,856,778 |
| Other operating supplies and expenses | 38,354,652 | 37,563,493 |
| Depreciation expense | 64,860,552 | 64,131,356 |
| Amortization expense | 90,584 | 100,059 |
| Total operating expenses | 876,216,182 | 819,032,440 |
| Operating loss | (447,016,361) | (400,538,021) |
| Nonoperating revenues (expenses) | | |
| State appropriations | 276,121,962 | 297,430,651 |
| Pell grant revenue | 40,259,215 | 41,340,475 |
| Gifts | 3,396,620 | 3,818,896 |
| Investment income | 3,229,811 | 1,691,647 |
| Interest expense | (11,178,780) | (10,147,405) |
| State financed plant facilities | - | 955,205 |
| Other nonoperating revenues, net | 1,407,256 | 2,322,347 |
| Transfers to the State of Connecticut (Note 6) | - | (4,100,000) |
| Net nonoperating revenues | 313,236,084 | 333,311,816 |
| Loss before other changes in net position | (133,780,277) | (67,226,205) |
| Other changes in net position | | |
| State appropriations restricted for capital purposes | 79,714,379 | 81,623,919 |
| Loss on disposal of capital assets | (1,161,535) | (783,908) |
| Net other changes in net position | 78,552,844 | 80,840,011 |
| Net change in net position | (55,227,433) | 13,613,806 |
| Net position | | |
| Net position - beginning of year | 680,230,472 | 666,616,666 |
| Net position - end of year | $ 625,003,039 | $ 680,230,472 |

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

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2017 | 2016 |
|---|---|---|---|---|---|
| **Revenues, gains and other support** | | | | | |
| Contributions | $ 5,096,815 | $ 4,964,130 | $ 3,410,690 | $ 13,471,635 | $ 13,067,868 |
| Program income | 177,149 | 403,407 | - | 580,556 | 408,488 |
| Investment income | 253,225 | 4,261,096 | 8,241 | 4,522,562 | 1,804,981 |
| Gain (loss) on investments | 241,909 | 9,534,556 | 4,674 | 9,781,139 | (2,116,425) |
| Other income | 372,542 | - | - | 372,542 | 336,648 |
| Disposal of assets gain (loss) | (605,649) | - | - | (605,649) | 17,632 |
| Net assets released from restrictions and reclassifications | 10,421,859 | (10,413,159) | (8,700) | - | - |
| Total revenues, gains and other support | 15,957,850 | 8,750,030 | 3,414,905 | 28,122,785 | 13,519,192 |
| **Operating expenses** | | | | | - |
| Scholarships and awards | 1,386,401 | - | - | 1,386,401 | 1,512,969 |
| University support | 5,472,396 | - | - | 5,472,396 | 5,844,311 |
| Auxiliary services | 1,101,744 | - | - | 1,101,744 | 1,033,041 |
| Academic enrichment | 516,452 | - | - | 516,452 | 574,881 |
| Fundraising | 1,521,521 | - | - | 1,521,521 | 1,608,123 |
| Management and general | 1,196,323 | - | - | 1,196,323 | 1,180,762 |
| Total operating expenses | 11,194,837 | - | - | 11,194,837 | 11,754,087 |
| Transfers between funds | 28,766 | (75,981) | 47,215 | - | - |
| Changes in net assets | 4,791,779 | 8,674,049 | 3,462,120 | 16,927,948 | 1,765,105 |
| Net assets | | | | | |
| Beginning of year | 2,177,957 | 41,006,906 | 86,453,321 | 129,638,184 | 127,873,079 |
| End of year | $ 6,969,736 | $ 49,680,955 | $ 89,915,441 | $ 146,566,132 | $129,638,184 |

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

| | 2017 | 2016 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Tuition and fees | $ 251,413,502 | $ 229,949,051 |
| Grants and contracts | 20,858,463 | 24,188,231 |
| Auxiliary revenues | 105,259,347 | 115,763,132 |
| Other operating revenues | 27,558,713 | 32,393,105 |
| Payments to employees for salaries and benefits | (507,940,412) | (511,559,867) |
| Payments to suppliers | (10,255,623) | (14,316,581) |
| Professional services and fees | (23,493,939) | (30,375,294) |
| Educational services and support | (99,737,639) | (97,230,628) |
| Travel expenses | (6,367,992) | (6,753,943) |
| Operation of facilities | (50,466,144) | (56,083,637) |
| Other operating supplies and expenses | (24,967,399) | (26,528,678) |
| University fee receipts | 21,167,791 | 20,526,003 |
| Net cash used in operating activities | (296,971,332) | (320,029,106) |
| **Cash flows from noncapital financing activities** | | |
| State appropriations | 275,494,619 | 289,638,794 |
| Gifts for other than capital purposes | 3,396,620 | 3,818,898 |
| Nonoperating grants and revenue other | 42,340,486 | 43,662,810 |
| Transfers to the State of Connecticut | - | (4,100,000) |
| Net cash provided by noncapital financing activities | 321,231,725 | 333,020,502 |
| **Cash flows from investing activities** | | |
| Proceeds from sales and maturities of investments | 78,299,680 | 74,993,158 |
| Purchases of investments | (124,354,954) | (35,963,347) |
| Interest and dividends received on investments | 3,086,054 | 1,626,636 |
| Net cash (used in) provided by investing activities | (42,969,220) | 40,656,447 |
| **Cash flows from capital and related financing activities** | | |
| Cash paid for capital assets | (54,704,099) | (98,388,896) |
| State capital appropriations received | 56,599,987 | 87,841,704 |
| Proceeds from new bond issuance | 61,854,803 | - |
| Proceeds from refunding bonds | 20,438,088 | - |
| Repayments of capital debt and leases | (7,492,547) | (20,247,455) |
| Interest paid on capital debt and leases | (13,467,221) | (12,157,834) |
| Payments to refunded bond escrow agent | (31,345,489) | - |
| Bond issuance payments | (674,045) | - |
| Net cash provided by (used in) capital and related financing activities | 31,209,477 | (42,952,481) |
| Net increase in cash and cash equivalents | 12,500,650 | 10,695,362 |
| Cash and cash equivalents, beginning of year | 341,385,536 | 330,690,174 |
| Cash and cash equivalents, end of year | $ 353,886,186 | $ 341,385,536 |

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

| | 2017 | 2016 |
|---|---|---|
| **Reconciliation of operating loss to net cash used in operating activities** | | |
| Operating loss | $ (447,016,361) | $ (400,538,021) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation expense | 64,860,552 | 64,131,356 |
| Amortization | 90,585 | 100,059 |
| Changes in assets and liabilities: | | |
| Receivables | 2,821,745 | 1,139,793 |
| Prepaid expenses and other | (873,050) | (1,269,656) |
| Accounts payable | 5,251,284 | (3,285,587) |
| Accrued salaries and benefits | 6,280,499 | 4,191,317 |
| Other liabilities | (621,611) | (1,436,921) |
| Due to/from the State of Connecticut | 570,522 | (603,840) |
| Unearned tuition, fees and grant revenues | (2,767,356) | 1,765,362 |
| Deferred compensation | (212,554) | (150,727) |
| Depository accounts | 332,709 | 563,014 |
| Accrued compensated absences | 453,863 | 2,537,281 |
| Pension Liability | 320,929,694 | 76,492,502 |
| Changes in deferred outflows and inflows of resources | | |
| Deferred pension contribution | (248,339,503) | (42,228,687) |
| Deferred pension asset gains | 1,267,650 | (21,436,351) |
| Net cash used in operating activities | $ (296,971,332) | $ (320,029,106) |
| **Noncash financing activity** | | |
| Fixed assets included in accounts payable | $ 4,117,230 | $ 5,252,684 |
| State financed plant facilities | $ - | $ 955,205 |
| **Reconciliation of cash and cash equivalents to the combined statements of net position** | | |
| Cash and cash equivalents classified as current assets | $ 212,700,710 | $ 207,246,334 |
| Cash and cash equivalents classified as noncurrent assets | 141,185,476 | 134,139,202 |
| | $ 353,886,186 | $ 341,385,536 |

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

## 1. Summary of Significant Accounting Policies

### Organization

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

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

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

### Basis of Presentation

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

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

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

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

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

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

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

**Net Position**

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

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

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

- **Restricted Nonexpendable**

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

- **Restricted Expendable**

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

- **Unrestricted**

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

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

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

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

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

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

| | |
|---|---|
| Land improvements | 20 years |
| Building and building improvements | 5 - 40 years |
| Furniture, fixtures and equipment | 5 - 15 years |
| Library materials | 10 - 20 years |

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Division of Construction Services of the State of Connecticut ("DCS"). The cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Colleges and Universities when eligibility requirements are met.

Connecticut State Colleges and Universities comprehensive long-term capital infrastructure investment plan ("CSCU 2020"), was developed consistent with master facilities plans established by the individual Colleges and Universities. In regards to CSCU 2020 projects, DCS administers the larger projects – generally those with a budget in excess of $2 million. For CSCU 2020 projects, the state general obligation bond proceeds are deposited into the CSCU 2020 Fund. For the previously mentioned projects, CSCU does not receive the appropriation, which is why the revenue and capital asset are not recorded until project completion. The revenue recognized for CSCU 2020 projects being administered by DCS is included in "State appropriations restricted for capital purposes".

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

**Interest Capitalization**

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of $12.0 million in each of the fiscal years ended June 30, 2017 and 2016. Interest capitalized for the fiscal years ended June 30, 2017 and 2016 totaled $1.5 million and $2.5 million, respectively. The cumulative capitalized interest was $25.3 million and $23.8 million as of June 30, 2017 and 2016, respectively, and is being amortized over 35 years. Amortization of capitalized interest for each of the years ended June 30, 2017 and 2016 was $0.7 million.

**Accrued Compensated Absences ("ACA")**

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

**Pension Obligations**

The System records pension obligation equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

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

**Unearned Tuition, Fees and Grant Revenues**

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

**Tuition and Fees Revenue**

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

**Auxiliary Revenues**

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

**Operating Activities**

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

**Income Taxes**

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

**Use of Estimates**

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

**Recent GASB Pronouncements**

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

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

In January 2016, GASB released Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This standard was adopted in fiscal year 2017 by CSUS and there was no impact as a result of the adoption.

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

In March 2016, GASB released Statement No. 82 *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. There was no significant impact as a result of the adoption.

In March 2017, GASB released Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is evaluating the impact this pronouncement will have.

In May 2017, GASB released Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is evaluating the impact this pronouncement will have.

In 2016 and 2017, GASB released Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities* and Statement No. 87 *Leases*. The requirements of these Statements are effective for future reporting periods and management is evaluating the impact these pronouncements will have.

**Subsequent Events**

In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2017 and 2016, through December 20, 2017, the date the financial statements were issued and no items needing to be reported were noted.

## 2. Cash, Cash Equivalents and Investments

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

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

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2017 and 2016 was 1.0% and 0.44%, respectively.

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Cost | Fair value | Cost | Fair value |
| Cash and cash equivalents | $ 353,886,186 | $ 353,886,186 | $ 341,385,536 | $ 341,385,536 |
| U.S. Mutual Funds - Governmental | 96,271,019 | 96,271,019 | 50,215,745 | 50,215,745 |
| Guaranteed Investment Contracts | 14,565,297 | 14,565,297 | 14,565,296 | 14,565,296 |
| | $ 464,722,502 | $ 464,722,502 | $ 406,166,577 | $ 406,166,577 |

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

*Credit Risk* – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CSCU is invested in U.S. Government obligations, which are not considered to have credit risk. The average credit quality rating of CSCU's guaranteed investment contracts was AA-, as rated by Standard & Poor's Ratings as of June 30, 2017 and 2016.

*Custodial Credit Risk* – At June 30, 2017 and 2016, the carrying amount of CSUS's bank deposits was $4.0 million and $2.2 million as compared to bank balances of $5.2 million and $3.7 million respectively. The difference between the carrying amount and bank balances was primarily caused by outstanding checks and deposits in transit. Of such bank balances, $4.4 million and $3.0 million was uninsured and uncollateralized and therefore subject to custodial credit risk as of June 30, 2017 and 2016 respectively.

*Concentration of Credit Risk* – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. 75% and 84% of CSUS total cash, cash equivalents and investments was invested in the STIF and the State's pooled, interest credit program accounts as of June 30, 2017 and 2016 respectively.

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

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

**2017**

| | | Investment Maturities (in years) | | | |
|---|---|---|---|---|---|
| Debt Securities | Fair Value | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| U.S. Government obligations | $ 96,271,019 | $ 96,271,019 | $ - | $ - | $ - |
| Guaranteed Investment Contracts | 14,565,297 | - | - | 14,565,289 | 8 |
| | $ 110,836,316 | $ 96,271,019 | $ - | $ 14,565,289 | $ 8 |

**2016**

| | | Investment Maturities (in years) | | | |
|---|---|---|---|---|---|
| Debt Securities | Fair Value | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| U.S. Government obligations | $ 50,215,745 | $ 50,215,745 | $ - | $ - | $ - |
| Guaranteed Investment Contracts | 14,565,294 | - | - | 14,565,287 | 7 |
| | $ 64,781,039 | $ 50,215,745 | $ - | $ 14,565,287 | $ 7 |

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

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

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

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

All of the investments held at June 30, 2017 and 2016 are Level 1. There are no liabilities subject to the fair value provisions of GASB No. 72.

## 3. Accounts Receivables

Receivables consisted of the following at June 30:

| | 2017 | 2016 |
|---|---|---|
| Student accounts receivable | $ 10,766,033 | $ 15,118,471 |
| Student loans receivable | 14,718,825 | 15,040,828 |
| Grants receivable | 2,769,357 | 2,281,737 |
| Miscellaneous receivables | 1,420,285 | 1,231,351 |
| | 29,674,500 | 33,672,387 |
| Less allowance for doubtful accounts | (9,778,317) | (10,954,461) |
| Net accounts receivable | $ 19,896,183 | $ 22,717,926 |

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2017 and 2016. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the CSUS for amounts canceled under these provisions.

CSUS has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans was $3.3 million and $3.3 million as of June 30, 2017 and 2016, respectively. As management determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education.

## 4. Capital Assets

The following are the components of investment in plant activity in fiscal year 2017 and 2016:

| | Year ended June 30, 2016 | | | | Year ended June 30, 2017 | | |
|---|---|---|---|---|---|---|---|
| | Balance June 30, 2015 | Additions | Retirements and Transfers | Balance June 30, 2016 | Additions | Retirements and Transfers | Balance June 30, 2017 |
| **Capital assets not being depreciated:** | | | | | | | |
| Land | $ 19,759,468 | $ 154,467 | $ - | $ 19,913,935 | $ (5,666) | $ - | $ 19,908,269 |
| Capitalized collections | 8,371,225 | 113,975 | (1,126) | 8,484,074 | 81,883 | (1,000) | 8,564,957 |
| Construction in progress | 212,525,339 | 56,684,730 | (210,401,001) | 58,809,068 | 35,707,653 | (20,461,820) | 74,054,901 |
| Total capital assets not being depreciated | $ 240,656,032 | $ 56,953,172 | $ (210,402,127) | $ 87,207,077 | $ 35,783,870 | $ (20,462,820) | $ 102,528,127 |
| **Other capital assets:** | | | | | | | |
| Land improvements | $ 102,693,459 | $ 2,533,070 | $ (2,307,265) | $ 102,919,264 | $ 2,116,081 | $ - | $ 105,035,345 |
| Buildings and building improvements | 1,380,771,116 | 218,724,378 | (2,578,618) | 1,596,916,876 | 24,099,770 | (10,098,689) | 1,610,917,957 |
| Furniture, fixtures and equipment | 155,373,329 | 17,873,524 | (10,956,091) | 162,290,762 | 10,146,803 | (17,921,239) | 154,516,326 |
| Library materials | 62,606,294 | 2,639,271 | (1,289,680) | 63,955,885 | 734,246 | (410,743) | 64,279,388 |
| Total other capital assets | 1,701,444,198 | 241,770,243 | (17,131,654) | 1,926,082,787 | 37,096,900 | (28,430,671) | 1,934,749,016 |
| Less accumulated depreciation for: | | | | | | | |
| Land improvements | (59,707,695) | (4,438,751) | 2,100,886 | (62,045,560) | (4,334,982) | 370 | (66,380,172) |
| Buildings and building improvements | (561,443,648) | (43,715,294) | 2,231,809 | (602,927,133) | (45,250,310) | 9,719,905 | (638,457,538) |
| Furniture, fixtures and equipment | (104,256,934) | (12,477,249) | 5,815,335 | (110,918,848) | (12,148,278) | 16,502,400 | (106,564,726) |
| Library materials | (41,508,762) | (3,500,062) | 1,289,680 | (43,719,144) | (3,126,982) | 410,743 | (46,435,383) |
| Total accumulated depreciation | (766,917,039) | (64,131,356) | 11,437,710 | (819,610,685) | (64,860,552) | 26,633,418 | (857,837,819) |
| Other capital assets, net | $ 934,527,159 | $177,638,887 | $ (5,693,944) | $ 1,106,472,102 | $ (27,763,652) | $ (1,797,253) | $ 1,076,911,197 |
| **Capital asset summary:** | | | | | | | |
| Capital assets not being depreciated | $ 240,656,032 | $ 56,953,172 | $ (210,402,127) | $ 87,207,077 | $ 35,783,870 | $ (20,462,820) | $ 102,528,127 |
| Other capital assets, at cost | 1,701,444,198 | 241,770,243 | (17,131,654) | 1,926,082,787 | 37,096,900 | (28,430,671) | 1,934,749,016 |
| Total cost of capital assets | 1,942,100,230 | 298,723,415 | (227,533,781) | 2,013,289,864 | 72,880,770 | (48,893,491) | 2,037,277,143 |
| Less accumulated depreciation | (766,917,039) | (64,131,356) | 11,437,710 | (819,610,685) | (64,860,552) | 26,633,418 | (857,837,819) |
| Capital assets, net | $1,175,183,191 | $234,592,059 | $ (216,096,071) | $ 1,193,679,179 | $ 8,020,218 | $ (22,260,073) | $ 1,179,439,324 |

## 5. Accrued Compensated Absences

Accrued compensated absences as of June 30 include:

| | 2017 | 2016 |
|---|---|---|
| Accrued vacation | $ 24,301,905 | $ 24,910,175 |
| Accrued sick leave | 25,317,487 | 24,691,852 |
| Other accrued fringe benefits | 13,789,030 | 13,352,532 |
| | 63,408,422 | 62,954,559 |
| Less: current portion | 4,694,503 | 4,412,034 |
| Noncurrent portion | $ 58,713,919 | $ 58,542,525 |

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

| | |
|---|---|
| **Balance as of June 30, 2015** | 60,417,275 |
| Additions in FY 2016 | 7,032,516 |
| Benefits paid to participants in FY 2016 | (4,495,232) |
| **Balance as of June 30, 2016** | $ 62,954,559 |
| Additions in FY 2017 | 5,365,394 |
| Benefits paid to participants in FY 2017 | (4,911,531) |
| **Balance as of June 30, 2017** | $ 63,408,422 |

These accruals represent estimated amounts earned by all eligible employees through June 30, 2017 and 2016. These accrued compensated absences will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of compensated absences is estimated based on recent past history and is presented in today's dollars.

## 6. Related Parties

Periodically, public acts may be signed into law by the Governor stating that the Secretary of the Office of Policy and Management may approve monies to be transferred from CSCU's operating reserves to the State of Connecticut's General Fund. Transfers totaling $0 million and $4.1 million from CSUS were made to the State of Connecticut during fiscal years 2017 and 2016, respectively.

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

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

| | 2017 | 2016 |
|---|---|---|
| Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund | $ 32,583,661 | $ 30,929,024 |
| State appropriations for capital projects | 36,494,521 | 25,660,674 |
| | $ 69,078,182 | $ 56,589,698 |

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

| | 2017 | 2016 |
|---|---|---|
| Cash balances held with the State of Connecticut on behalf of the CSUS | $ 252,670,692 | $ 246,166,558 |
| Amounts invested in the STIF | 97,174,800 | 93,048,106 |
| | $ 349,845,492 | $ 339,214,664 |

## 7. Commitments and Contingencies

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

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

CSCU had outstanding purchase orders and related commitments for materials, services and capital expenditures that had not been received as of June 30, 2017 and 2016. These commitments are not recorded as liabilities until materials or services are received. The commitments of total net position balances at June 30, 2017 were as follows:

| | |
|---|---|
| System Office | $13,077,792 |
| Central Connecticut State University | 3,722,900 |
| Eastern Connecticut State University | 2,013,011 |
| Southern Connecticut State University | 4,544,988 |
| Western Connecticut State University | 4,623,834 |
| | $27,982,525 |

## 8. Retirement and Other Post-Employment Benefits

### Plan Description

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

Tier III or the Hybrid Plan are the 2 primary SERS plan options available to CSCU employees first hired into state service on or after July 1, 2011 (some employees are eligible to elect the Teachers Retirement System – "TRS"). Employees hired before July 1, 2011 participate in Tier I, Tier II, Tier IIA, Tier III, or TRS depending on several factors. CSCU makes contributions on behalf of the employees in SERS plans through a fringe benefit charge assessed by the State of Connecticut. The Hybrid Plan, which became effective July 1, 2011 under the 2011 agreement between the State of Connecticut and the State Employee Bargaining Agent Coalition ("SEBAC"), provides a retirement plan option for employees hired on or after July 1, 2011 in a position statutorily defined as a state teacher or a professional staff member in higher education. The Hybrid Plan is a defined benefit plan that provides members with a life-time defined benefit the same as the benefit provided under SERS Tier III with the option at the time of retirement to elect to receive a lump sum payment of their contributions with a five percent employer match and four percent interest in lieu of a defined benefit.

Alternatively, employees may choose to participate in the Alternate Retirement Plan which is managed by Prudential. Under this arrangement, plan participants contribute 5% of their pay and the State contributes 8% to individual participants' investment accounts managed by Prudential. CSCU pays a fringe benefit charge to the State which includes the 8% employer contribution and an administrative charge. The aforementioned 2011 SEBAC agreement provides CSCU employees who were both hired before July 1, 2011 and participating in ARP with a one-time irrevocable option through a date not yet determined of electing to transfer their membership from ARP to the Hybrid Plan and purchasing credit in the Hybrid Plan for their prior services at full actuarial cost.

**Funding Policy**

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

Tier I Plan B regular and Plan B Hazardous Duty members are required to contribute 2% and 4%, respectively of their annual salary up to the Social Security Taxable Wage Base plus 5% above that level. Tier I Plan C and Hybrid Plan members are required to contribute 5% of their annual salary. Tier IIA Plan and Tier III Plan regular and Hazardous Duty members are required to contribute 2% and 5% of their annual salaries, respectively.

The State is required to contribute at an actuarially determined rate, which may be reduced or increased by an act of the State legislature. The rate was 44.31% and 43.42% for SERS and 30.35% and 30.35% for TRS for fiscal years ended June 30, 2017 and 2016, respectively. The State contributed $54.3 million and $1.5 million for SERS and TRS respectively for fiscal year ended June 30, 2016, equal to 99.5% of required contributions that year. The state contributed $54.2 million and $1.6 million, on behalf of the System, for SERS and TRS respectively for fiscal year 2017, equal to 99.2% and 148.9% of the required contributions that year. Administrative costs of the plan are funded by the State.

**Net Pension Liability**
The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2017 was measured and valued as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by the most current actuarial valuation as of that date (and the net pension liability recorded in the June 30, 2016 financial statements was measured and valued as of June 30, 2015). The System's proportion of the net pension liability was based on a projection of the CSUS System's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities and the State, actuarially determined. For the TRS plan, at June 30, 2017 and 2016 the System's proportion was 0.09% and 0.10%, respectively. For the SERS plan, at June 30, 2017 and 2016 the System's proportion was 4.23% and 3.96%, respectively.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to the CSU System is calculated separately. The net pension liability for the CSU System as of June 30, 2017 and 2016 for SERS and TRS was $972.1 million and $653.6 million and $13.0 million and $10.5 million, respectively.

**Actuarial Assumptions**

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

| Measurement Year | 2016 | 2015 |
|---|---|---|
| Inflation | 2.50% | 2.75% |
| Salary increases including inflation | 3.50% to 19.50% | 4.00% to 20.00% |
| Investment rate of return net of pension plan investment expense, including inflation | 6.90% | 8.00% |

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

The actuarial assumptions used in the June 30, 2016 valuation (which was the basis for recording the June 30, 2017 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2016.

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

The best estimates of rates of return for each major asset class as of June 30, 2016 measurement year are summarized in the following table:

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

**TRS:**

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

| Measurement Year | 2016 | 2015 |
|---|---|---|
| Inflation | 2.75% | 3.00% |
| Salary increases including inflation | 3.25% to 6.50% | 3.75% to 7.00% |
| Investment rate of return net of pension plan investment expense, including inflation | 8.00% | 8.50% |

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

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

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

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

**Discount Rate**

**SERS:**
The discount rate used to measure the total pension liability was 6.9% and 8.0% in the 2016 and 2015 measurement years, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the States's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TRS:**
The discount rate used to measure the total pension liability was 8.00% and 8.5% in the 2016 and 2015 measurement year, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of Net Pension Liability to Changes in Discount Rate**

The following presents the current-period net pension liability of the CSUS System calculated using the current-period discount rate assumption of 6.9% for SERS and 8.0% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease (SERS -5.9%) (TRS - 7.0%) | Discount (SERS - 6.9%) (TRS - 8.0%) | 1% Increase (SERS - 7.9%) (TRS - 9.0%) |
|---|---|---|---|
| SERS | $ 1,153,534,798 | $ 972,052,721 | $ 821,018,097 |
| TRS | 15,996,911 | 12,986,359 | 10,420,602 |

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

For the years ended June 30, 2017 and 2016, the System recognized pension expense of $139.3 million and $77.0 million, respectively. Deferred outflows of resources and deferred inflows of resources for pensions attributed to the CSU System were related to the following sources for the years ended June 30, 2017 and 2016:

| As of June 30, 2017 | SERS | TRS | Total |
|---|---|---|---|
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Difference between expected and actual experience | $ 27,003,199 | $ - | $ 27,003,199 |
| Changes of assumptions or other inputs | 173,310,550 | 1,721,359 | 175,031,909 |
| Net difference between projected and actual earnings on pension plan investements | 30,482,376 | 1,099,823 | 31,582,199 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 114,394,771 | 1,429,334 | 115,824,105 |
| Employer contributions after measurement date | 64,121,072 | 559,881 | 64,680,953 |
| **Total** | **$ 409,311,968** | **$ 4,810,397** | **$ 414,122,365** |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Difference between expected and actual experience | $ - | $ 292,291 | $ 292,291 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 174,432 | 852,901 | 1,027,333 |
| **Total** | **$ 174,432** | **$ 1,145,192** | **$ 1,319,624** |

| As of June 30, 2016 | SERS | TRS | Total |
|---|---|---|---|
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Changes of assumptions or other inputs | $ - | $ - | $ - |
| Net difference between projected and actual earnings on pension plan investements | 102,918 | 75,665 | 178,583 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 100,619,481 | 847,071 | 101,466,552 |
| Employer contributions after measurement date | 62,778,348 | 1,359,379 | 64,137,727 |
| **Total** | **$ 163,500,747** | **$ 2,282,115** | **$ 165,782,862** |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 51,974 | 51,974 |
| **Total** | **$ -** | **$ 51,974** | **$ 51,974** |

The net amount of deferred outflows of resources and deferred inflows of resources related to the pensions attributed to the CSUS System that will be recognized in pension expense during the next five years and thereafter is as follows:

| | SERS | TRS | Total |
|---|---|---|---|
| 2016 | $ 80,379,807 | $ 600,014 | $ 80,979,821 |
| 2017 | 80,379,723 | 600,016 | 80,979,739 |
| 2018 | 82,585,953 | 795,259 | 83,381,212 |
| 2019 | 64,908,627 | 618,750 | 65,527,377 |
| 2020 | 36,762,353 | 301,934 | 37,064,287 |
| Thereafter | $ - | $ 189,350 | 189,350 |

### Other Post-Employment Benefits

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

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

## 9. Unearned Tuition, Fees and Grant Revenue

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

| | 2017 | 2016 |
|---|---|---|
| Unearned tuition and fees | $ 22,373,469 | $ 25,518,480 |
| Grants and contracts | 1,888,513 | 1,977,301 |
| Other | 529,697 | 12,153,073 |
| | $ 24,791,679 | $ 39,648,854 |

## 10. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

| | Year ended June 30, 2017 Natural Classification | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salaries and wages | Fringe benefits | Professional services and fees | Educational services and support | Travel expense | Operation of facilities | Other operating supplies and expenses | Depreciation expense | Amortization expense | Total |
| Academic support | $ 27,242,551 | $ 20,949,198 | $ 1,293,404 | $ 3,636,862 | $ 1,630,146 | $ 435,646 | $ 3,779,261 | $ - | $ - | $ 58,967,068 |
| Auxiliary enterprises | 9,965,540 | 8,251,364 | 7,510,364 | 28,631,540 | 58,975 | 7,658,661 | 1,721,017 | - | - | 63,797,461 |
| Institution support | 50,688,770 | 44,075,602 | 5,118,430 | 1,357,372 | 577,685 | 2,686,986 | 11,955,290 | - | - | 116,460,135 |
| Instruction | 167,543,226 | 122,102,455 | 1,355,303 | 1,130,054 | 685,777 | 340,278 | 2,477,767 | - | - | 295,634,860 |
| Physical plant | 23,030,473 | 25,600,673 | 3,105,126 | 56,995 | 14,734 | 41,982,090 | 13,619,927 | 64,859,717 | 90,584 | 172,360,319 |
| Public service | 4,991,207 | 3,442,093 | 750,096 | 518,324 | 921,481 | 354,590 | 491,999 | - | - | 11,469,790 |
| Research | 2,458,016 | 1,656,686 | 577,634 | 295,454 | 428,295 | 78,375 | 610,271 | - | - | 6,104,731 |
| Scholarships, loans and refunds | 544,886 | 79,449 | 180,003 | 62,536,807 | 485 | 1,371 | 81,168 | - | - | 63,424,169 |
| Student services | 42,183,383 | 34,085,013 | 3,369,028 | 1,574,231 | 2,050,414 | 1,116,793 | 3,617,952 | 835 | - | 87,997,649 |
| Total expenses | $ 328,648,052 | $ 260,242,533 | $ 23,259,388 | $ 99,737,639 | $ 6,367,992 | $ 54,654,790 | $ 38,354,652 | $ 64,860,552 | $ 90,584 | $ 876,216,182 |

| | Year ended June 30, 2016 Natural Classification | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Personnel service and fringe benefits | Fringe benefits | Professional services and fees | Educational services and support | Travel expense | Operation of facilities | Other operating supplies and expenses | Depreciation expense | Amortization expense | Total |
| Academic support | $ 28,773,164 | $ 16,360,133 | $ 1,401,943 | $ 2,605,247 | $ 1,570,514 | $ 596,981 | $ 3,869,473 | $ - | $ - | $ 55,177,455 |
| Auxiliary enterprises | 10,733,718 | 6,417,362 | 13,746,508 | 25,349,031 | 64,796 | 8,479,268 | 2,294,141 | - | - | 67,084,824 |
| Institution support | 52,510,819 | 34,540,541 | 4,990,774 | 827,992 | 619,176 | 3,362,748 | 8,961,215 | - | - | 105,813,265 |
| Instruction | 168,181,404 | 89,799,185 | 1,315,244 | 1,340,752 | 795,082 | 323,662 | 2,080,283 | - | - | 263,835,612 |
| Physical plant | 24,038,984 | 20,390,678 | 3,494,648 | 41,563 | 80,597 | 38,344,557 | 15,312,751 | 64,130,522 | 100,059 | 165,934,359 |
| Public service | 5,294,208 | 2,517,665 | 1,037,559 | 693,362 | 1,075,726 | 526,120 | 535,463 | - | - | 11,680,103 |
| Research | 2,604,903 | 1,336,313 | 534,989 | 432,267 | 499,627 | 61,543 | 439,519 | - | - | 5,909,161 |
| Scholarships, loans and refunds | 389,554 | 12,428 | 267,194 | 64,157,134 | 3,087 | 1,259 | 70,365 | - | - | 64,901,021 |
| Student services | 41,515,219 | 24,945,084 | 3,245,963 | 1,783,279 | 2,045,338 | 1,160,640 | 4,000,283 | 834 | - | 78,696,640 |
| Total expenses | $ 334,041,973 | $ 196,319,389 | $ 30,034,822 | $ 97,230,627 | $ 6,753,943 | $ 52,856,778 | $ 37,563,493 | $ 64,131,356 | $ 100,059 | $ 819,032,440 |

## 11. Bonds, Notes Payable and Capital Lease Obligations

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

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

Bonds issued by the State of Connecticut to finance auxiliary enterprise buildings and improvements require that principal and interest payments be remitted by CSUS to the State from revenues associated with the specific auxiliary activities. These bonds, which are considered self-liquidating, originally mature from 1993 to 2017 with interest rates varying from 2% to 6%. State statute requires these bonds to be repaid entirely by CSUS and, accordingly, these bonds are recorded as CSUS debt in the accompanying financial statements.

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

| | 2017 | 2016 |
|---|---|---|
| CHEFA Revenue Bonds Series G | $ - | $ 4,930,000 |
| CHEFA Revenue Bonds Series H | - | 25,775,000 |
| CHEFA Revenue Bonds Series I | 61,925,000 | 62,035,000 |
| CHEFA Revenue Bonds Series J | 21,700,000 | 22,805,000 |
| CHEFA Revenue Bonds Series K | 13,985,000 | 13,990,000 |
| CHEFA Revenue Bond Series L | 47,205,000 | 47,220,000 |
| CHEFA Revenue Bond Series M | 29,765,000 | 30,960,000 |
| CHEFA Revenue Bond Series N | 72,755,000 | 75,435,000 |
| CHEFA Revenue Bond Series O | 16,850,000 | 18,810,000 |
| CHEFA Revenue Bond Series P-1 | 55,030,000 | - |
| CHEFA Revenue Bond Series P-2 | 19,530,000 | - |
| | $ 338,745,000 | $ 301,960,000 |

CSUS's most restrictive covenant is the pledging of certain University fee receipts and parking fee receipts as collateral for its obligation to make payments.

On June 17, 2005, CHEFA issued $50.6 million of Series G Revenue Bonds on behalf of CSUS. The Bonds mature from 2006 to 2035 with interest rates varying from three percent (3%) to five percent (5%). These bonds were refunded in 2017 using proceeds from Series P-2.

On June 17, 2005, CHEFA issued $48.5 million of Series H Revenue Bonds on behalf of CSUS, to advance refund portions of Series B, C, D and E. The Bonds mature from 2005 to 2019 with interest rates varying from two and one-half percent (2.5%) to five percent (5%). These bonds were refunded in 2017 using proceeds from Series P-2.

On April 18, 2007, CHEFA issued $62.8 million of Series I Revenue Bonds on behalf of CSUS, to advance refund portions of Series D, E and G. The Bonds mature from 2008 to 2033 with interest rates varying from three percent (3.0%) to five and one quarter percent (5.25%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On June 22, 2011, CHEFA issued $27.0 million of Series J Revenue Bonds on behalf of CSUS. The Bonds mature from 2012 to 2031 with interest rates varying from two (2.0%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On June 22, 2011, CHEFA issued $14.0 million of Series K Revenue Bonds on behalf of CSUS, to advance refund portions of Series E. The Bonds mature from 2012 to 2020 with interest rates varying from three percent (3.0%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On April 4, 2012, CHEFA issued $49.0 million of Series L Revenue Bonds on behalf of CSUS to advance refund portions of Series Bond E and current refund portions of Series Bond B. The Bonds mature from 2012 to 2029 with interest rates varying from two and one-half percent (2.5%) to four percent (4.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On January 10, 2013, CHEFA issued $34.1 million of Series M Revenue Bonds on behalf of CSUS. The Bonds mature from 2014 to 2033 with interest rates varying from three percent (3.0%) to five percent (5.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On October 23, 2013, CHEFA issued $80.3 million of Series N Revenue Bonds on behalf of CSUS. The Bonds mature from 2015 to 2034 with interest rates varying from four percent (4.1%) to five percent (5.0%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On September 11, 2014, CHEFA issued $21.2 million of Series O Revenue Bonds on behalf of CSUS, to advance refund portions of Series F and G. The Bonds mature from 2015 to 2031 with interest rates varying from two percent (2.0%) to four (4.00%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On September 12, 2016, CHEFA issued $55.0 million of Series P-1 Revenue Bonds on behalf of CSUS. Additionally, CHEFA issued $19.5 million of Series P-2 Revenue Bonds on behalf of CSUS, to advance refund portions of Series G and H. The Bonds mature from 2016 to 2036 with interest rates varying from two and a half percent (2.5%) to five percent (5%). Payment of principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

In connection with the fiscal year 2017 refunding of portions of Series G and H, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position as of June 30, 2017. Assets held in the trust accounts had an aggregate fair value of $19.6 million at June 30, 2017. The outstanding amount of the refunded bonds totaled $19.6 million at June 30, 2017. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.6 million. The difference, which is recorded as a deferred loss on bond refunding, is being charged to interest expense over the remaining life of the Series H bond before refunding of 3.5 years using the straight-line method. As a result of the defeasance, CSUS reduced its aggregate debt service payments by $2.0 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $1.8 million.

In connection with the fiscal year 2015 refunding of portions of Series F and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $22.0 million at June 30, 2015. The outstanding amount of the refunded bonds totaled $17.8 million and $19.8 million at June 30, 2017 and 2016, respectively. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.8 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of the new bonds (Series O) using the straight-line method. As a result of the defeasance, CSUS reduced its aggregate debt service payments by $2.2 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $1.5 million.

In connection with the fiscal year 2012 refunding of portions of Series B and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $53.6 million at June 30, 2012. The outstanding amount of the refunded bonds totaled $47.8 million at both June 30, 2017 and 2016. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.5 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of defeasance, CSUS reduced its aggregate debt service payments by $8.6 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $4.2 million.

In connection with the fiscal year 2011 advance refunding of portions of Series E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds will be considered to be defeased and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair market value of $15.5 million at June 30, 2011. The outstanding amount of the refunded bonds totaled $14.7 million at both June 30, 2017 and 2016. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.5 million. The difference, which was recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of defeasance, CSUS reduced its aggregate debt service payments by $1.0 million and achieve an economic gain (the difference between the present value of the old and new debt service payments) of $0.9 million.

In connection with the fiscal year 2007 advance refunding of portions of Series D, E and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $63.8 million at June 30, 2007. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.4 million. The difference, which was recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled $60.1 million at both June 30, 2017 and 2016.

In connection with the fiscal year 2005 advance refunding of portions of Series B, C, D and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate fair value of $52.8 million at June 30, 2005. The refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3.1 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled $15.0 million and $26.4 million at June 30, 2017 and 2016, respectively.

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

| Maturity | Principal | Interest |
|---|---|---|
| 2018 | $ 20,055,000 | $ 13,943,238 |
| 2019 | 18,940,000 | 13,089,006 |
| 2020 | 19,520,000 | 12,244,431 |
| 2021 | 19,350,000 | 11,345,706 |
| 2022 | 20,115,000 | 10,424,631 |
| 2023-2027 | 91,870,000 | 39,048,525 |
| 2028-2032 | 96,910,000 | 19,276,738 |
| 2033-2037 | 51,985,000 | 2,563,897 |
| | $ 338,745,000 | $ 121,936,172 |

Long-term liabilities activity for the year ended June 30, 2017 and 2016 was as follows:

| | Balance June 30, 2016 | Additions | Retirements | Balance June 30, 2017 |
|---|---|---|---|---|
| Bonds payable | $ 302,382,547 | $ 74,560,000 | $ (38,197,547) | $ 338,745,000 |
| Premium on bonds payable | 15,107,442 | 7,732,891 | (2,382,764) | 20,457,569 |
| Discount on bonds payable | (2,921,203) | - | 426,875 | (2,494,328) |
| Total bonds payable | $ 314,568,786 | $ 82,292,891 | $ (40,153,436) | $ 356,708,241 |

| | Balance June 30, 2015 | Additions | Retirements | Balance June 30, 2016 |
|---|---|---|---|---|
| Bonds payable | $ 322,630,002 | $ - | $ (20,247,455) | $ 302,382,547 |
| Premium on bonds payable | 16,902,052 | - | (1,794,610) | 15,107,442 |
| Discount on bonds payable | (3,252,664) | - | 331,461 | (2,921,203) |
| Total bonds payable | $ 336,279,390 | $ - | $ (21,710,604) | $ 314,568,786 |

# Connecticut State University System

## Supplemental Financial Information

## Schedule of Net Pension Liability and Related Ratios

### State Employee Retirement System Plan

Last 10 Fiscal Years [1]

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

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

## Teachers Retirement System Plan

Last 10 Fiscal Years [1]

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

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

CSCU

## State Employee Retirement System Plan

Last 10 Fiscal Years [1]

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

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

## Teachers Retirement System Plan

Last 10 Fiscal Years [1]

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

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

**1. Changes in Benefit Terms**

For the June 30, 2015 and 2016 valuation, there were no changes in benefit terms.

For the June 30, 2016 valuation, there were two changes in assumptions:

- Rates of withdrawal, disability retirement, service retirement and mortality were adjusted to more closely reflect actual and anticipated experience. The analysis and basis for these changes are included in the latest Experience Investigation for the five-year period ended June 30, 2015.

- Economic assumptions (assumed rates of inflation and investment return), the actuarial cost method, and the UAAL amortization methodology were changed in accordance with Memorandum of Agreement (MOU) between the State and SEBAC effective December 8, 2016.

# Connecticut State University System

## Supplemental Information – Combining Statement of Net Position

June 30, 2017

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | $ 64,164,311 | $ 31,813,698 | $ 62,456,429 | $ 25,278,558 | $ 28,987,714 | $ - | $ 212,700,710 | $ 207,246,334 |
| Investments | - | - | - | - | 76,380,273 | - | 76,380,273 | 33,477,941 |
| Student receivables | 3,221,033 | 3,752,503 | 1,573,641 | 2,218,856 | - | - | 10,766,033 | 15,118,471 |
| Allowance-doubtful student receivables | (1,537,017) | (2,719,446) | (938,683) | (1,213,851) | - | - | (6,408,997) | (7,535,576) |
| Student receivables, net | 1,684,016 | 1,033,057 | 634,958 | 1,005,005 | - | - | 4,357,036 | 7,582,895 |
| Student loans receivable | 558,206 | 556,279 | 2,149,427 | 363,118 | - | - | 3,627,030 | 3,791,416 |
| Grant receivables, net | 518,269 | 413,921 | 973,406 | 748,711 | - | - | 2,654,307 | 2,166,687 |
| Miscellaneous receivables, net | 1,161,045 | 94,427 | 115,528 | 49,285 | - | - | 1,420,285 | 1,231,351 |
| Due from the State of Connecticut | 14,692,142 | 8,509,039 | 16,227,113 | 10,646,292 | 19,003,596 | - | 69,078,182 | 56,589,698 |
| Due from SO and Universities | 10,501 | 5,890 | 1,494,325 | 2,006,307 | - | (3,517,023) | - | - |
| Prepaid expenses and other current assets | 2,102,358 | 517,584 | 794,519 | 407,000 | 3,603,888 | - | 7,425,349 | 5,801,603 |
| Total current assets | 84,890,848 | 42,943,895 | 84,845,705 | 40,504,276 | 127,975,471 | (3,517,023) | 377,643,172 | 317,887,925 |
| Noncurrent assets: | | | | | | | | |
| Cash and cash equivalents | 16,972,759 | 15,097,241 | 25,387,906 | 6,356,263 | 77,371,307 | - | 141,185,476 | 134,139,202 |
| Investments | - | - | | | 34,456,043 | - | 34,456,043 | 31,303,100 |
| Student loans receivable | 3,594,782 | 1,459,188 | 3,885,309 | 2,152,516 | - | - | 11,091,795 | 11,249,412 |
| Allowance-doubtful loan receivables | (934,971) | (509,832) | (1,328,708) | (480,759) | - | - | (3,254,270) | (3,303,835) |
| Loans receivable, net | 2,659,811 | 949,356 | 2,556,601 | 1,671,757 | - | - | 7,837,525 | 7,945,577 |
| Other assets | - | - | 109,565 | 67,017 | 237,224 | - | 413,806 | 1,219,678 |
| Investment in plant | 540,498,462 | 460,965,318 | 594,596,929 | 402,570,958 | 38,645,476 | - | 2,037,277,143 | 2,013,289,864 |
| Accumulated depreciation | (246,834,951) | (167,769,076) | (261,846,129) | (165,514,954) | (15,872,709) | - | (857,837,819) | (819,610,685) |
| Investment in plant, net of accumulated depreciation | 293,663,511 | 293,196,242 | 332,750,800 | 237,056,004 | 22,772,767 | - | 1,179,439,324 | 1,193,679,179 |
| Total noncurrent assets | 313,296,081 | 309,242,839 | 360,804,872 | 245,151,041 | 134,837,341 | - | 1,363,332,174 | 1,368,286,736 |
| Total assets | $398,186,929 | $352,186,734 | $445,650,577 | $285,655,317 | $ 262,812,812 | $ (3,517,023) | $ 1,740,975,346 | $ 1,686,174,661 |
| **Deferred outflows of resources:** | | | | | | | | |
| Deferred outflows related to pension | $ - | $ - | $ - | $ - | $ 414,122,365 | $ - | $ 414,122,365 | $ 165,782,862 |
| Deferred loss on bond refunding | - | - | - | - | 396,167 | - | 396,167 | - |
| Total deferred outflows of resources | $ - | $ - | $ - | $ - | $ 414,518,532 | $ - | $ 414,518,532 | $ 165,782,862 |

CSCU

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | $ 4,216,138 | $ 863,276 | $ 5,745,972 | $ 3,124,102 | $ 2,454,944 | $ - | $ 16,404,432 | $ 13,947,383 |
| Accrued salaries and benefits | 23,523,496 | 8,855,453 | 17,606,713 | 8,469,492 | 446,679 | - | 58,901,833 | 52,621,334 |
| Accrued compensated absences | 1,441,888 | 533,881 | 1,556,910 | 1,021,696 | 140,128 | - | 4,694,503 | 4,412,034 |
| Due to the State of Connecticut | 35,570 | 2,204,148 | 3,573 | 1,854,677 | - | - | 4,097,968 | 3,527,446 |
| Due to SO and Universities | - | - | 100 | - | 3,516,923 | (3,517,023) | - | - |
| Unearned tuition,fees and grant revenue | 8,919,347 | 3,060,560 | 10,107,519 | 2,684,822 | 19,431 | - | 24,791,679 | 39,648,854 |
| Bonds payable | - | - | - | - | 20,055,000 | - | 20,055,000 | 18,562,547 |
| Accrued bond interest payable | - | - | - | - | 2,396,761 | - | 2,396,761 | 2,192,515 |
| Other liabilities | 727,681 | 235,995 | 1,258,395 | 615,796 | 232,968 | - | 3,070,835 | 3,873,005 |
| Depository accounts | 977,935 | 757,025 | 2,636,238 | - | - | - | 4,371,198 | 4,038,489 |
| Total current liabilities | 39,842,055 | 16,510,338 | 38,915,420 | 17,770,585 | 29,262,834 | (3,517,023) | 138,784,209 | 142,823,607 |
| Noncurrent liabilities: | | | | | | | | |
| Accrued compensated absences | 19,887,811 | 10,645,796 | 17,021,964 | 9,796,573 | 1,361,775 | - | 58,713,919 | 58,542,525 |
| Bonds payable | - | - | - | - | 336,653,241 | - | 336,653,241 | 296,006,239 |
| Federal loan program advances | 3,136,752 | 1,459,188 | 3,549,051 | 1,632,106 | - | - | 9,777,097 | 9,777,097 |
| Deferred compensation | - | - | - | - | 203,669 | - | 203,669 | 416,223 |
| Pension liability, net | - | | - | - | 985,039,080 | - | 985,039,080 | 664,109,386 |
| Total noncurrent liabilities | 23,024,563 | 12,104,984 | 20,571,015 | 11,428,679 | 1,323,257,765 | - | 1,390,387,006 | 1,028,851,470 |
| Total liabilities | $ 62,866,618 | $ 28,615,322 | $ 59,486,435 | $ 29,199,264 | $ 1,352,520,599 | $ (3,517,023) | $ 1,529,171,215 | $ 1,171,675,077 |
| **Deferred inflows of resources:** | | | | | | | | |
| Deferred inflows related to pension | $ - | $ - | $ - | $ - | $ 1,319,624 | $ - | $ 1,319,624 | $ 51,974 |
| Total deferred inflows of resources | $ - | $ - | $ - | $ - | $ 1,319,624 | $ - | $ 1,319,624 | $ 51,974 |
| **Net Position** | | | | | | | | |
| Invested in capital assets, net of related debt | $ 293,651,758 | $ 293,163,602 | $ 332,750,800 | $ 237,056,004 | $ (141,526,556) | $ - | $ 1,015,095,608 | $ 1,023,046,681 |
| Restricted: | | | | | | | | |
| Nonexpendable | - | 60,000 | - | 407,116 | - | - | 467,116 | 467,116 |
| Expendable | 6,342,538 | 2,965,584 | 7,797,333 | 4,830,155 | 16,690,133 | - | 38,625,743 | 18,320,024 |
| Unrestricted | 35,326,015 | 27,382,226 | 45,616,009 | 14,162,778 | (551,672,456) | - | (429,185,428) | (361,603,349) |
| Total net position | $ 335,320,311 | $ 323,571,412 | $ 386,164,142 | $ 256,456,053 | $ (676,508,879) | $ - | $ 625,003,039 | $ 680,230,472 |

# Connecticut State University System

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

Year Ended June 30, 2017

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | |
| Tuition and fees: | | | | | | | | |
| Tuition and fees, gross | $ 106,913,593 | $ 48,620,851 | $ 104,459,304 | $ 53,865,780 | $ 4,287,312 | $ - | $ 318,146,840 | $ 303,029,788 |
| Less: | | | | | | | | |
| Scholarships allowance | (9,293,236) | (8,526,815) | (7,906,783) | (5,385,590) | - | - | (31,112,424) | (31,475,656) |
| Waivers | (6,297,299) | (2,924,330) | (4,465,347) | (1,871,107) | - | - | (15,558,083) | (14,890,945) |
| Debt service fee | (7,143,958) | (3,768,892) | (6,876,173) | (3,749,522) | 21,167,791 | 370,754 | - | - |
| Tuition and fees, net of scholarship allowances and waivers | 84,179,100 | 33,400,814 | 85,211,001 | 42,859,561 | 25,455,103 | 370,754 | 271,476,333 | 256,663,187 |
| Federal grants and contracts | 1,521,510 | 515,590 | 1,811,900 | 725,806 | - | - | 4,574,806 | 4,727,211 |
| State and local grants and contracts | 4,289,288 | 1,260,537 | 4,033,775 | 2,015,390 | 27,773 | - | 11,626,763 | 14,846,852 |
| Nongovernment grants and contracts | 1,681,471 | 473,713 | 2,841,338 | 35,000 | - | - | 5,031,522 | 4,208,779 |
| Indirect cost recoveries | 148,921 | 14,298 | 310,396 | 240 | - | - | 473,855 | 283,120 |
| Auxiliary revenues | 33,149,079 | 30,076,568 | 31,041,936 | 19,601,718 | 211,741 | (211,741) | 113,869,301 | 117,737,368 |
| Other operating revenues | 6,638,345 | 2,606,195 | 6,494,953 | 12,584,702 | 13,827,478 | (20,004,432) | 22,147,241 | 20,027,902 |
| Total operating revenues | 131,607,714 | 68,347,715 | 131,745,299 | 77,822,417 | 39,522,095 | (19,845,419) | 429,199,821 | 418,494,419 |
| Operating expenses: | | | | | | | | |
| Salaries and wages | 103,510,957 | 58,753,984 | 102,576,546 | 59,475,731 | 4,330,834 | - | 328,648,052 | 334,041,973 |
| Fringe benefits | 58,566,008 | 35,203,380 | 57,635,429 | 32,700,494 | 76,137,222 | - | 260,242,533 | 196,319,389 |
| Professional services and fees | 5,918,194 | 3,007,538 | 7,306,463 | 3,653,538 | 3,373,655 | - | 23,259,388 | 30,034,822 |
| Educational services and support | 34,657,068 | 14,994,994 | 32,117,084 | 17,962,999 | 5,494 | - | 99,737,639 | 97,230,627 |
| Travel expenses | 2,733,289 | 841,385 | 1,798,018 | 855,391 | 139,909 | - | 6,367,992 | 6,753,943 |
| Operation of facilities | 25,301,681 | 7,792,547 | 10,719,984 | 10,184,681 | 20,872,070 | (20,216,173) | 54,654,790 | 52,856,778 |
| Other operating supplies and expenses | 5,152,260 | 4,336,781 | 7,858,003 | 6,765,638 | 13,871,216 | 370,754 | 38,354,652 | 37,563,493 |
| Depreciation expense | 18,262,833 | 13,868,993 | 20,009,655 | 12,239,585 | 479,486 | - | 64,860,552 | 64,131,356 |
| Amortization expense | - | - | 54,702 | 35,882 | - | - | 90,584 | 100,059 |
| Total operating expenses | 254,102,290 | 138,799,602 | 240,075,884 | 143,873,939 | 119,209,886 | (19,845,419) | 876,216,182 | 819,032,440 |
| Operating loss | $ (122,494,576) | $ (70,451,887) | $(108,330,585) | $ (66,051,522) | $ (79,687,791) | $ - | $ (447,016,361) | $ (400,538,021) |

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| Nonoperating revenues (expenses) | | | | | | | | |
| State appropriations | $ 84,487,949 | $ 53,044,355 | $ 79,959,053 | $ 51,367,159 | $ 7,263,446 | $ - | $ 276,121,962 | $ 297,430,651 |
| Pell Grant Revenue | 13,490,588 | 6,291,149 | 13,006,135 | 7,471,343 | - | - | 40,259,215 | 41,340,475 |
| Gifts | 2,416,368 | 522,928 | 330,405 | 126,919 | - | - | 3,396,620 | 3,818,896 |
| Investment income | 568,350 | 310,489 | 583,698 | 233,474 | 1,533,800 | - | 3,229,811 | 1,691,647 |
| Interest expense | (28) | - | - | - | (11,178,752) | - | (11,178,780) | (10,147,405) |
| State financed plant facilities | - | - | - | - | - | - | - | 955,205 |
| Other nonoperating revenues (expenses), net | 388,069 | 306,975 | 690,492 | 695,761 | (674,041) | - | 1,407,256 | 2,322,347 |
| Transfers to the State of Connecticut | - | - | - | - | - | - | - | (4,100,000) |
| Net nonoperating revenues (expenses) | 101,351,296 | 60,475,896 | 94,569,783 | 59,894,656 | (3,055,547) | - | 313,236,084 | 333,311,816 |
| Income (loss) before other changes in net position | (21,143,280) | (9,975,991) | (13,760,802) | (6,156,866) | (82,743,338) | - | (133,780,277) | (67,226,205) |
| Other changes in net position | | | | | | | | |
| State appropriations restricted for capital purposes | 13,752,537 | 7,193,713 | 11,146,970 | 13,493,097 | 34,128,062 | - | 79,714,379 | 81,623,919 |
| Loss on disposal of capital assets | (160,207) | (321,027) | (150,332) | (234,227) | (295,742) | - | (1,161,535) | (783,908) |
| Interagency transfers | 1,045,571 | 775,920 | 775,920 | 775,921 | (3,373,332) | - | - | - |
| Net other changes in net position | 14,637,901 | 7,648,606 | 11,772,558 | 14,034,791 | 30,458,988 | - | 78,552,844 | 80,840,011 |
| Net increase in net position | (6,505,379) | (2,327,385) | (1,988,244) | 7,877,925 | (52,284,350) | - | (55,227,433) | 13,613,806 |
| Net Position: | | | | | | | | |
| Net Position - beginning of year | 341,825,690 | 325,898,797 | 388,152,386 | 248,578,128 | (624,224,529) | - | 680,230,472 | 666,616,666 |
| Net Position - end of year | $335,320,311 | $323,571,412 | $386,164,142 | $256,456,053 | $(676,508,879) | $ - | $ 625,003,039 | $ 680,230,472 |

# Connecticut State University System

## Supplemental Information – Combining Statement of Cash Flows

Year Ended June 30, 2017

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | | | |
| Tuition and fees | $ 83,585,926 | $ 34,886,162 | $ 85,523,062 | $ 42,760,286 | $ 4,287,312 | $ 370,754 | $ 251,413,502 | $ 229,949,051 |
| Grants and contracts | 7,546,444 | 2,039,097 | 8,687,328 | 2,585,594 | - | - | 20,858,463 | 24,188,231 |
| Auxiliary revenues | 29,131,826 | 28,644,482 | 29,984,124 | 17,498,915 | 211,741 | (211,741) | 105,259,347 | 115,763,132 |
| Other operating revenues | 10,549,079 | 3,495,435 | 6,921,247 | 12,766,444 | 13,830,940 | (20,004,432) | 27,558,713 | 32,393,105 |
| Payments to employees for salaries and benefits | (157,736,272) | (92,285,593) | (160,353,735) | (90,778,179) | (6,786,633) | - | (507,940,412) | (511,559,867) |
| Payments to suppliers | (1,830,347) | (1,987,906) | (3,412,911) | (2,943,560) | (80,899) | - | (10,255,623) | (14,316,581) |
| Professional services and fees | (6,043,714) | (3,042,095) | (7,420,310) | (3,767,529) | (3,220,291) | - | (23,493,939) | (30,375,294) |
| Educational services and support | (34,657,068) | (14,994,994) | (32,117,084) | (17,962,999) | (5,494) | - | (99,737,639) | (97,230,628) |
| Travel expenses | (2,733,289) | (841,385) | (1,798,018) | (855,391) | (139,909) | - | (6,367,992) | (6,753,943) |
| Operation of facilities | (25,301,683) | (7,792,547) | (10,719,985) | (10,184,681) | (16,683,421) | 20,216,173 | (50,466,144) | (56,083,637) |
| Other operating supplies and expenses | (3,225,493) | (1,803,096) | (4,230,584) | (1,901,010) | (13,436,462) | (370,754) | (24,967,399) | (26,528,678) |
| University fee receipts | - | - | - | - | 21,167,791 | - | 21,167,791 | 20,526,003 |
| Net cash used in operating activities | (100,714,591) | (53,682,440) | (88,936,866) | (52,782,110) | (855,325) | - | (296,971,332) | (320,029,106) |
| Cash flows from noncapital financing activities: | | | | | | | | |
| State appropriations | 84,794,691 | 53,136,219 | 80,471,097 | 49,927,352 | 7,165,260 | - | 275,494,619 | 289,638,794 |
| Gifts for other than capital purposes | 2,416,368 | 522,928 | 330,405 | 126,919 | - | - | 3,396,620 | 3,818,898 |
| Nonoperating grants and revenue other | 13,878,629 | 6,598,125 | 13,696,628 | 8,167,104 | - | - | 42,340,486 | 43,662,810 |
| Transfers to the State of Connecticut | - | - | - | - | - | - | - | (4,100,000) |
| Interagency Transfers | 1,045,571 | 775,920 | 775,920 | 775,921 | (3,373,332) | - | - | - |
| Net cash provided by noncapital financing activities | $ 102,135,259 | $ 61,033,192 | $ 95,274,050 | $ 58,997,296 | $ 3,791,928 | $ - | $ 321,231,725 | $333,020,502 |

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| Cash flows from investing activities: | | | | | | | | |
| Proceeds from sales and maturities of investments | $ - | $ - | $ - | $ - | $ 78,299,680 | $ - | $ 78,299,680 | $ 74,993,158 |
| Purchases of investments | - | - | - | - | (124,354,954) | - | (124,354,954) | (35,963,347) |
| Interest and dividends received on investments | 568,349 | 310,489 | 467,116 | 233,474 | 1,506,626 | - | 3,086,054 | 1,626,636 |
| Net cash (used) provided by investing activities | 568,349 | 310,489 | 467,116 | 233,474 | (44,548,648) | - | (42,969,220) | 40,656,447 |
| Cash flows from capital and related financing activities: | | | | | | | | |
| Cash paid for capital assets | (15,650,882) | (10,018,296) | (9,747,344) | (18,567,923) | (719,654) | - | (54,704,099) | (98,388,896) |
| State capital appropriations received | 13,752,537 | 7,193,713 | 8,014,587 | 13,493,097 | 14,146,053 | - | 56,599,987 | 87,841,704 |
| Proceeds from new bond issuance | - | - | - | - | 61,854,803 | - | 61,854,803 | - |
| Proceeds from refunding bonds | - | - | - | - | 20,438,088 | - | 20,438,088 | - |
| Repayments of capital debt and leases | - | - | - | - | (7,492,547) | - | (7,492,547) | (20,247,455) |
| Interest paid on capital debt and leases | - | - | - | - | (13,467,221) | - | (13,467,221) | (12,157,834) |
| Payments to refunded bond escrow agent | - | - | - | - | (31,345,489) | - | (31,345,489) | - |
| Bond Issuance Payments | - | - | - | - | (674,045) | - | (674,045) | - |
| Net cash provided by (used in) capital and related financing activities | (1,898,345) | (2,824,583) | (1,732,757) | (5,074,826) | 42,739,988 | - | 31,209,477 | (42,952,481) |
| Net increase in cash and cash equivalents | 90,672 | 4,836,658 | 5,071,543 | 1,373,834 | 1,127,943 | - | 12,500,650 | 10,695,362 |
| Cash and cash equivalents, beginning of year | 81,046,398 | 42,074,281 | 82,772,792 | 30,260,987 | 105,231,074 | - | 341,385,536 | 330,690,174 |
| Cash and cash equivalents, end of year | $ 81,137,070 | $ 46,910,939 | $ 87,844,335 | $ 31,634,821 | $ 106,359,017 | $ - | $ 353,886,186 | $ 341,385,536 |

| | CCSU | ECSU | SCSU | WCSU | SO | Combining Adjustments | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | |
| Operating loss | $ (122,494,576) | $ (70,451,887) | $ (108,330,585) | $ (66,051,522) | $ (79,687,791) | $ - | $ (447,016,361) | $ (400,538,021) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation expense | 18,262,833 | 13,868,993 | 20,009,655 | 12,239,585 | 479,486 | - | 64,860,552 | 64,131,356 |
| Amortization | - | - | 54,702 | 35,883 | - | - | 90,585 | 100,059 |
| Changes in assets and liabilities: | | | | | | | | |
| Receivables | 7,645 | 1,495,015 | 833,989 | 485,096 | - | - | 2,821,745 | 1,139,793 |
| Prepaid expenses and other | (82,910) | (127,028) | 70,397 | (80,283) | (653,226) | - | (873,050) | (1,269,656) |
| Accounts payable | 126,237 | 642,860 | 498,213 | 2,221,203 | 1,762,771 | - | 5,251,284 | (3,285,587) |
| Accrued salaries and benefits | 3,935,062 | 1,072,619 | 325,054 | 941,771 | 5,993 | - | 6,280,499 | 4,191,317 |
| Other liabilities | 123,311 | 29,949 | (354,103) | (219,852) | (200,916) | - | (621,611) | (1,436,921) |
| Due to/from State of Connecticut | (7,503) | 569,086 | (302,095) | 311,034 | - | - | 570,522 | (603,840) |
| Due to/from Universities | (124,766) | (40,447) | (1,529,755) | (2,095,735) | 3,790,703 | - | - | - |
| Unearned tuition, fees and grant revenues | (802,838) | (858,184) | (364,028) | (714,531) | (27,775) | - | (2,767,356) | 1,765,362 |
| Deferred compensation | - | - | - | - | (212,554) | - | (212,554) | (150,727) |
| Depository accounts | (70,219) | 86,519 | 316,409 | - | - | - | 332,709 | 563,014 |
| Accrued compensated absences | 413,133 | 30,065 | (164,719) | 145,241 | 30,143 | - | 453,863 | 2,537,281 |
| Pension Liability | - | - | - | - | 320,929,694 | - | 320,929,694 | 76,492,502 |
| Changes in deferred outflows and inflows of resources: | | | | | | | | |
| Deferred pension contribution | - | - | - | - | (248,339,503) | - | (248,339,503) | (42,228,687) |
| Deferred penson asset gains | - | - | - | - | 1,267,650 | - | 1,267,650 | (21,436,351) |
| Net cash used in operating activities | $ (100,714,591) | $ (53,682,440) | $ (88,936,866) | $ (52,782,110) | $ (855,325) | $ - | $ (296,971,332) | $ (320,029,106) |
| Noncash investing, noncapital financing and capital and related financing transactions: | | | | | | | | |
| Fixed assets included in accounts payable | $ 1,297,523 | $ 158,542 | $ 2,631,998 | $ 18,388 | $ 10,779 | $ - | $ 4,117,230 | $ 5,252,684 |
| State financed plant facilities | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 955,205 |
| Reconciliation of cash and cash equivalents to the combined statements of net assets: | | | | | | | | |
| Cash and cash equivalents classified as current assets | $ 64,164,311 | $ 31,813,698 | $ 62,456,429 | $ 25,278,558 | $ 28,987,714 | $ - | $ 212,700,710 | $ 207,246,334 |
| Cash and cash equivalents classified as noncurrent assets | 16,972,759 | 15,097,241 | 25,387,906 | 6,356,263 | 77,371,307 | - | 141,185,476 | 134,139,202 |
| | $ 81,137,070 | $ 46,910,939 | $ 87,844,335 | $ 31,634,821 | $ 106,359,021 | $ - | $ 353,886,186 | $ 341,385,536 |

**1. Basis of Presentation of Supplemental Information**

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