2018

CSCU Connecticut State Universities

Financial Statements

including

Required Supplementary Information

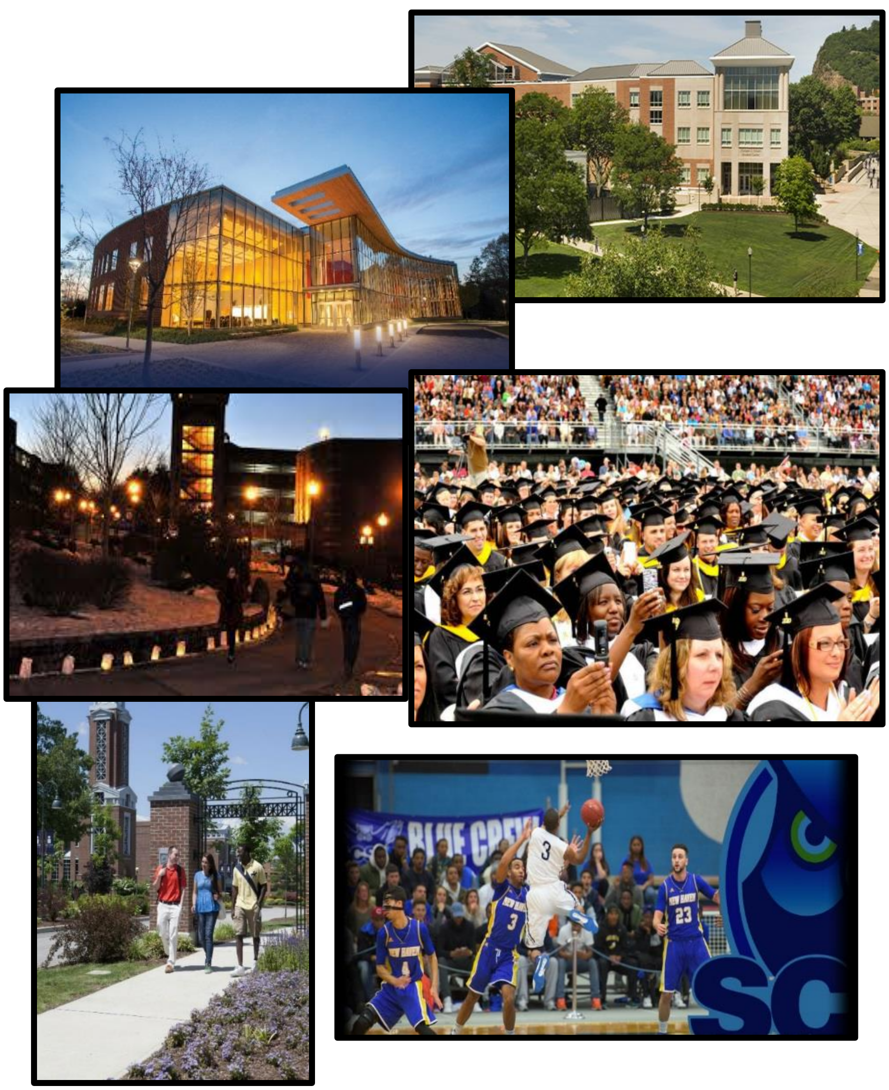
Additional Supplemental Information

June 30, 2018

Connecticut State Colleges & Universities

Connecticut State Universities Mission Statement

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



CSCU

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

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

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

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

Ex-Officio, Non-voting members

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

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

CSCU

Connecticut State Universities

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

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

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

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

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

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

Management's Discussion and Analysis (Unaudited)	**Page**
Introduction	1
Using the Financial Statements	1
Financial Highlights	2
Condensed Statements of Net Position	3
Condensed Statements of Revenues, Expenses and Changes in Net Position	6
Condensed Statements of Cash Flows	9
Economic Outlook	9
Report of Independent Certified Public Accountants	11
Financial Statements	
Statements of Net Position	14
Statements of Financial Position – Component Units	16
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Activities – Component Units	18
Statements of Cash Flows	19
Notes to Financial Statements	21
Required Supplementary Information (Unaudited)	
Schedule of Net Pension Liability and Related Ratios	S-2
Schedule of Contributions	S-4
Notes to Required Supplemental Information	S-6
Supplementary Schedules	
Combining Statement of Net Position	S-7
Combining Statement of Revenues, Expenses and Changes in Net Position	S-9
Combining Statement of Cash Flows	S-11
Notes to the Supplemental Schedules	S-14

Introduction

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

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

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

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

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

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

Using the Financial Statements

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

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

Financial Highlights

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

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

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

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

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

At June 30, 2018, total net position, which represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was ($383.6) million, a decrease of $25.9 million or 7.2% over fiscal year 2017's net position of ($357.7) million. This decrease was primarily due to a decrease in deferred outflows related to the pension that resulted in a net decrease of unrestricted net position of ($50.8) million.

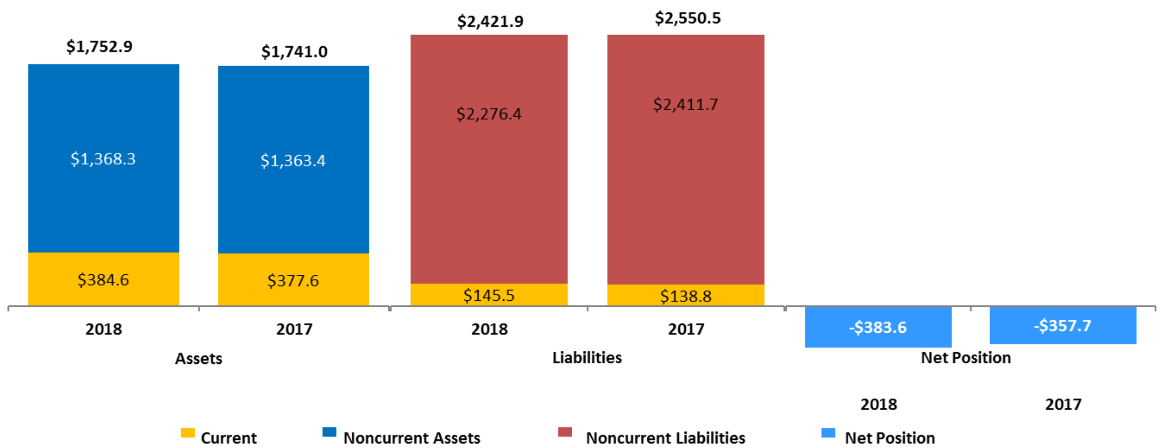
The large negative balance in unrestricted net position was a result of the adoption of GASB 68 in fiscal year 2015 and GASB 75, *Other Post-Employment Benefits*, in fiscal year 2018. Adoption of GASB 68 required the System to recognize a liability for pension plans, which was previously disclosed only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

Statement of Net Position

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

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

THE CSUS FINANCIAL POSITION (in millions of dollars)



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

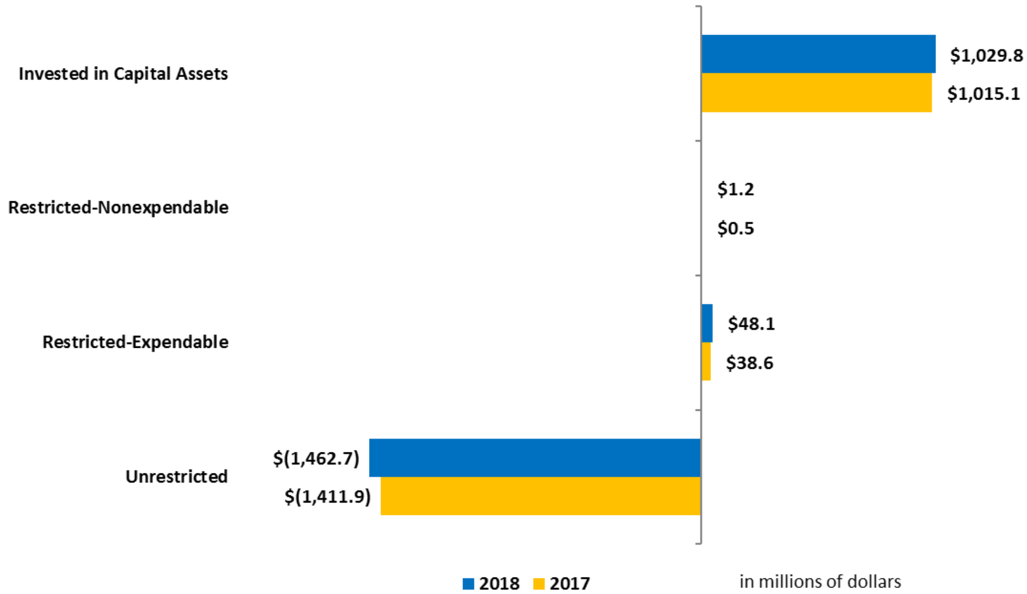
Current liabilities at June 30, 2018 of $145.5 million increased by $6.7 million, mainly due to the increase in accrued salaries and benefits of $12.1 million offset by a decrease in account payable of $2.9 million and a decrease in unearned tuition, fees and grant revenue of $2.6 million.

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

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

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

THE CSUS NET POSITION (in millions of dollars)



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

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

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

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

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

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

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

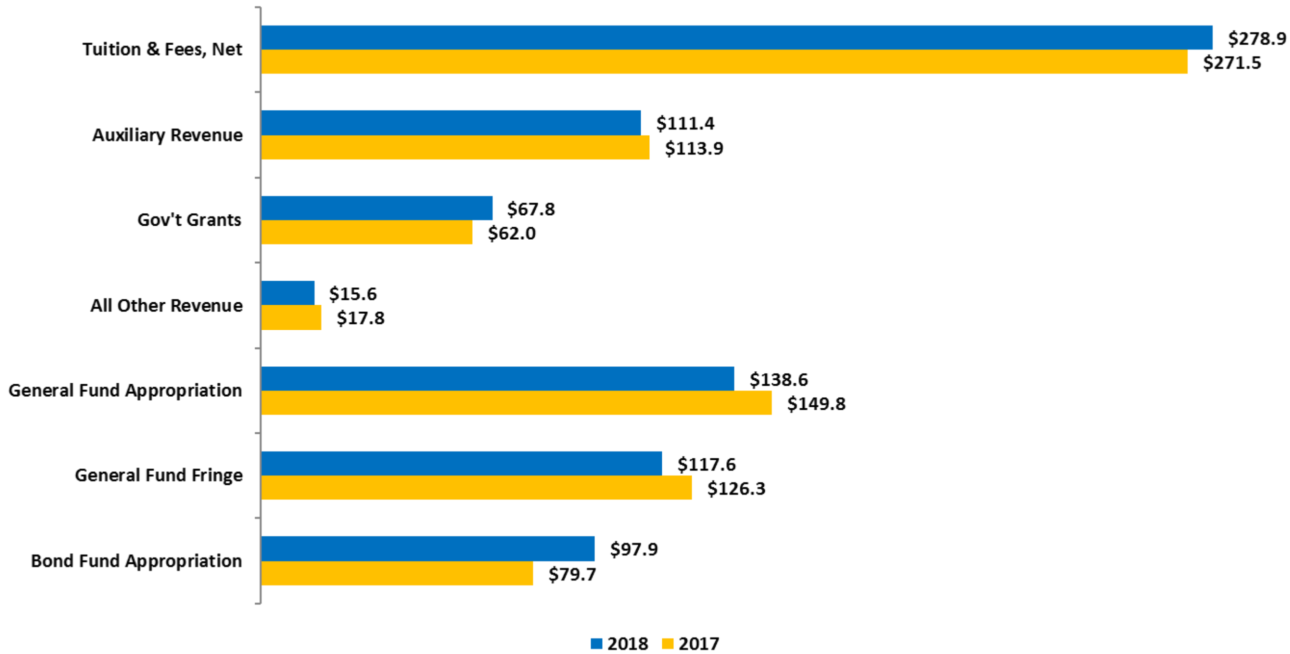
Condensed Statements of Revenues, Expenses and Changes in Net Position
June 30, 2018 and 2017
(in millions)

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

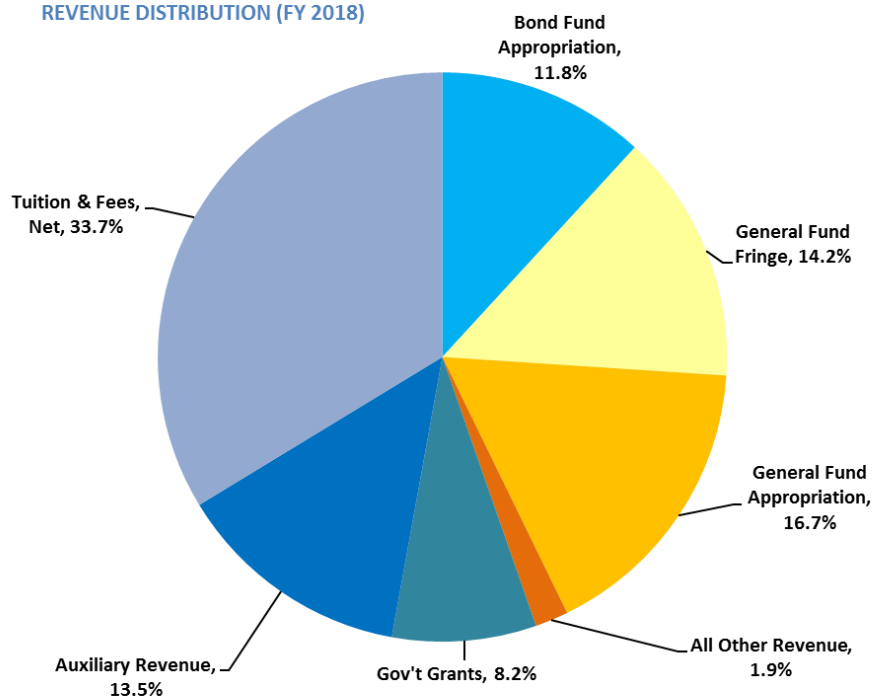
*Net position was restated to reflect the net OPEB liability at June 30, 2017 of $1,021.3 billion as if the GASB No. 75 liability was recorded in 2017.

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

REVENUE SUMMARY (in millions of dollars)

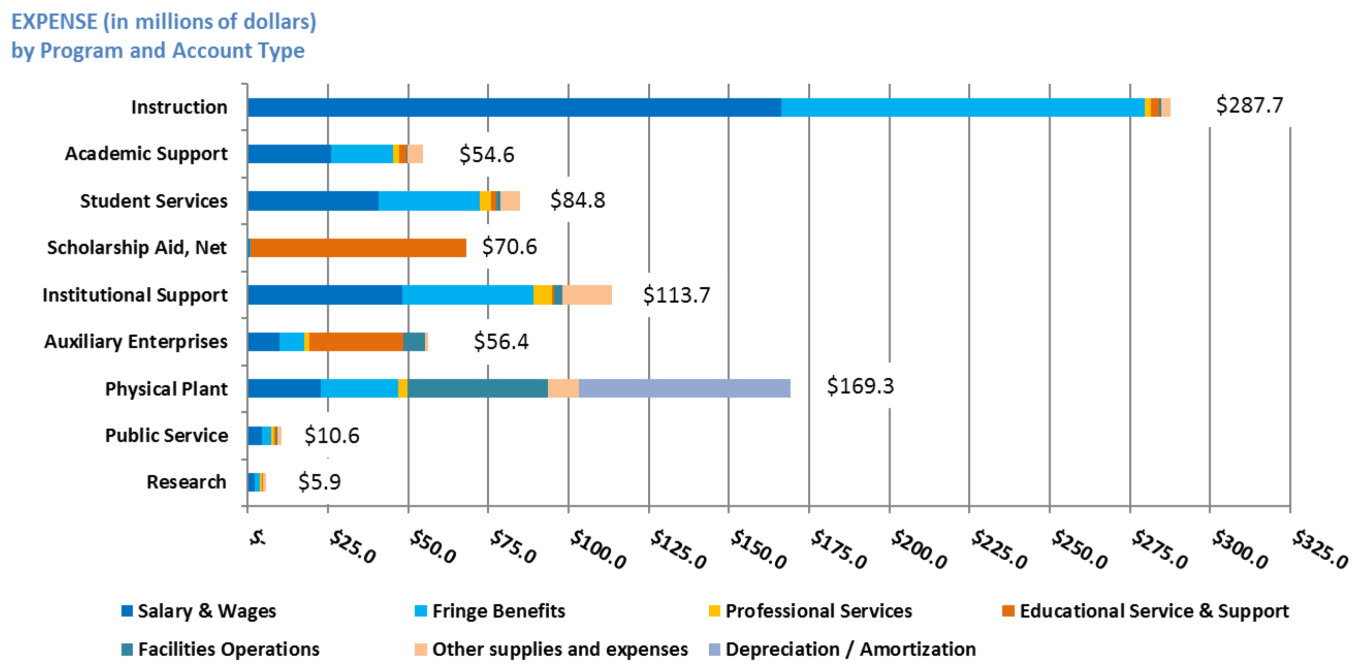


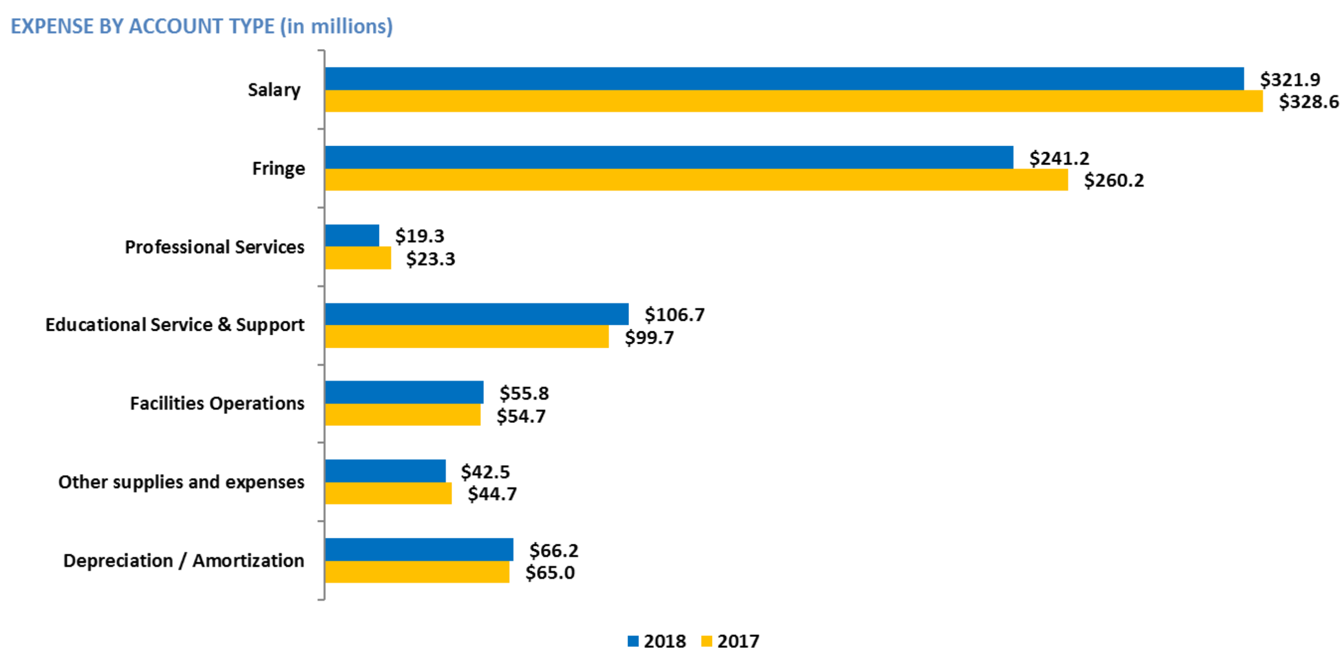
REVENUE DISTRIBUTION (FY 2018)



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

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





Statement of Cash Flows

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

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

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

Economic Outlook

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

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

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

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

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

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

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

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

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

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

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

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

Additional Information

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

Grant Thornton LLP
1400 Computer Drive, 3rd Floor
Westborough, MA 01581

T 508.926.2200
F 508.616.2972
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

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 year ended June 30, 2018, 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 audit. We did not audit the financial statements of the aggregate discretely presented component units (the affiliated foundations ("Foundations")), which statements reflect total assets of $156.8 million and total net assets of $155.3 million as of June 30, 2018, and total revenues, capital gains and losses, and other support of $21.6 million for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the Connecticut State University System as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, 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 June 30, 2018, the changes in its financial position or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 9 and the Schedule of Net Pension Liability and Related Ratios, Schedule of Net Other Post Employment Benefits and Related Ratios and Schedule of Contributions on pages S-2 through S-6 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 Combing 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, Massachusetts
January 25, 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

Organization

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

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

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

Basis of Presentation

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

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

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

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

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

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

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

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

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

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

- **Restricted Nonexpendable**

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

- **Restricted Expendable**

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

- **Unrestricted**

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

Classification of Assets and Liabilities

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

Cash and Cash Equivalents

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

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

Fair Value of Financial Instruments

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

Investment in Plant

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

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

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

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

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

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

Interest Capitalization

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

Accrued Compensated Absences (ACA)

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

Pension & Other Post Employment Obligations

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

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

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

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

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

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

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

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

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

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

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

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

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

In May 2017 GASB released Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This standard was adopted in fiscal year 2018 and there was no significant impact as a result of the adoption for CSUS.

GASB Pronouncements Effective in Future Fiscal Years

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

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

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

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

Subsequent Events

In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2018, through January 25, 2019, the date the financial statements were issued and no items needing to be reported were noted.

2. Cash, Cash Equivalents and Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Accounts Receivables

Receivables consisted of the following at June 30:

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

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2018. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the CSUS for amounts cancelled under these provisions.

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

4. Capital Assets

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

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

5. Accrued Compensated Absences

Accrued compensated absences as of June 30 include:

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

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

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

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

6. Related Parties

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

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

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

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

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

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

7. Commitments and Contingencies

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

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

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

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

8. Pension Plans

Plan Description

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Other Post-Employment Benefits

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

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

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

Plan Description

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

Funding Policy

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

Investments

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

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

Net OPEB Liability

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

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

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

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

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

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

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

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

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

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

10. Unearned Tuition, Fees and Grant Revenue

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

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

11. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

Year ended June 30, 2018
Natural Classification

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

12. Bonds, Notes Payable and Capital Lease Obligations

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

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

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

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

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

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

In connection with the fiscal year 2015 refunding of portions of Series F and G, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds were considered an in-substance defeasance and the liability for those bonds has been removed from the statements of net position. Assets held in the trust accounts had an aggregate fair value of $22.0 million at June 30, 2015. The outstanding amount of the refunded bonds totaled $17.8 million at June 30, 2018. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.8 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of the new bonds (Series O) using the straight-line method. As a result of the defeasance, CSUS reduced its aggregate debt service payments by $2.2 million and achieved an economic gain (the difference between the present value of the old and new debt service payments) of $1.5 million.

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

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

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

In connection with the fiscal year 2005 advance refunding of portions of Series B, C, D and E, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate fair value of $52.8 million at June 30, 2005. The refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3.1 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. The outstanding amount of these refunded bonds totaled $10.0 million at June 30, 2018.

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

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

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

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

13. Deferred Outflows and Inflows of Resources

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

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

Connecticut State University System

Supplemental Financial Information

June 30, 2018 - 2014

	Page
Schedule of Net Pension Liability and Related Ratios (Unaudited)	S-2
Schedule of Contributions (Unaudited)	S-4
Notes to the Required Supplemental Information (Unaudited)	S-6
Combining Statement of Net Position	S-7
Combining Statement of Revenues, Expenses and Changes in Net Position	S-9
Combining Statement of Cash Flows	S-11
Notes to the Supplemental Schedules (Unaudited)	S-14

State Employee Retirement System Plan

Last 10 Fiscal Years [1]

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

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

CSCU

Teachers Retirement System Plan

Last 10 Fiscal Years [1]

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

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

CSCU

Schedule of Net Other Post Employment Benefits Liability and Related Ratios

Last 10 Fiscal Years [1]

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

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

CSCU

State Employee Retirement System Plan
Last 10 Fiscal Years [1]

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

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

CSCU

Teachers Retirement System Plan

Last 10 Fiscal Years [1]

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

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

CSCU

Other Post Employment Benefits

Last 10 Fiscal Years [1]

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

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

1. Changes in Benefit Terms

Pension Plans

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

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

Connecticut State University System

Supplemental Information – Combining Statement of Net Position

June 30, 2018

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

Connecticut State University System

Supplemental Information – Combining Statement of Net Position

June 30, 2018

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

Connecticut State University System

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

June 30, 2018

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

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

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

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

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

1. Basis of Presentation of Supplemental Information

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