2018

CSCU Connecticut Community Colleges

Financial Statements

including

Required Supplementary Information

Additional Supplemental Information

June 30, 2018

Connecticut State Colleges & Universities

Connecticut Community Colleges Mission Statement

As part of the Connecticut State Colleges & Universities (CSCU) system, the twelve Connecticut Community Colleges share a mission to make excellent higher education and lifelong learning affordable and accessible. Through unique and comprehensive degree and certificate programs, non-credit life-long learning opportunities and job skills training programs, they advance student aspirations to earn career-oriented degrees and certificates and to pursue their further education. The Colleges nurture student learning and success to transform students and equip them to contribute to the economic, intellectual, civic, cultural and social well-being of their communities. In doing so, the Colleges support the state, its businesses and other enterprises and its citizens with a skilled, well-trained and educated workforce.

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 6/1/18

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**

Connecticut Community College Presidents 7/1/2017 through 6/30/2018[1]

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

Capital Community College
950 Main Street
Hartford, CT 06103
Dr. Duncan Harris, Interim Campus CEO *eff 7/1/18*
Dr. Wilfredo Nieves, President *retired 6/30/18*

Gateway Community College
20 Church Street
New Haven, CT 06510
Dr. Paul Broadie II, Interim President

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

Manchester Community College
Great Path
Manchester, CT 06045-1046
Dr. Tanya Millner-Harlee, Interim Campus CEO *eff 7/1/18*
Dr. Gena Glickman, President *retired 6/30/18*

Middlesex Community College
100 Training Hill Road
Middletown, CT 06457
Dr. Steven Minkler, Campus CEO

Naugatuck Valley Community College
750 Chase Parkway
Waterbury, CT 06708
Dr. Daisy Cocco DeFilippis, President

Northwestern Connecticut Community College
Park Place East, Winsted, CT 06098
Dr. Michael Rooke, President

Norwalk Community College
188 Richards Avenue
Norwalk, CT 06854
Dr. David L. Levinson, President

Quinebaug Valley Community College
742 Upper Maple Street
Danielson, CT 06239
Dr. Carlee Drummer, President

Three Rivers Community College
574 New London Turnpike
Norwich, CT 06360
Dr. Mary Ellen Jukoski, President

Tunxis Community College
271 Scott Swamp Road
Farmington, CT 06032
Dr. James Lombella, Interim President

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

Mark E. Ojakian, CSCU President

[1] Where 6/30/2018 is last date, successor effective 7/1/2018 is also included.

Introduction

The Management Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the Connecticut Community Colleges ("CCC" or "System") and its component units for the fiscal year ended June 30, 2018, along with comparative information for the fiscal years ended June 30, 2017. 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 Community-Technical Colleges".

The Connecticut Community Colleges is a state-wide system of twelve regional community colleges. During the fall 2017 semester, 49,377 students enrolled in credit courses and Full-Time Equivalent ("FTE") enrollment was 28,593. During calendar year 2017, 29,468 students also took a variety of non-credit skill-building programs. The CCC's offer two-year associate degrees and transfer programs, short-term certificates, and individual coursework in both credit and non-credit programs, often through partnerships with business and industry. In total, CCC employed approximately 1,930 full time employees at June 30, 2018.

The CCC system is composed of twelve primary institutions that make up the primary reporting entity. The primary reporting entity is financially accountable for the organizations that make up its legal entity. The System's twelve primary institutions include the following community colleges:

- Asnuntuck Community College ("Asnuntuck") in Enfield
- Capital Community College ("Capital") in Hartford
- Gateway Community College ("Gateway") in New Haven and North Haven
- Housatonic Community College ("Housatonic") in Bridgeport
- Manchester Community College ("Manchester") in Manchester
- Middlesex Community College ("Middlesex") in Middletown and Meriden
- Naugatuck Valley Community College ("Naugatuck Valley") in Waterbury and Danbury
- Northwestern Connecticut Community College ("Northwestern") in Winsted
- Norwalk Community College ("Norwalk") in Norwalk
- Quinebaug Valley Community College ("Quinebaug") in Danielson and Willimantic
- Three Rivers Community College ("Three Rivers") in Norwich
- Tunxis Community College ("Tunxis") in Farmington and Bristol

The CCCs serve an important role in the State's economy, providing convenient, accessible and flexible access to higher education for many of the State's residents, including "non-traditional" students age 22 or older. Open admission to all individuals who have a high school degree or equivalency, an emphasis on low student tuition and fees, and a policy goal of making financial aid available to meet the direct costs of attendance for students who demonstrate financial need, help to ensure access to all students regardless of income. In addition to the twelve primary locations, several CCCs have satellite locations in city centers affording even easier access to students who may not have transportation to attend the main campus. Satellite locations include downtown Danbury, Meriden, and Willimantic. The financial results of these satellite locations are included in the reports of the main campus, or Naugatuck Valley, Middlesex, and Quinebaug Valley Community College, respectively.

Using the Financial Statements

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

The component units are the twelve college foundations (the "Foundations") and the Great Path Academy ("GPA"), a magnet high school at Manchester Community College ("MCC"). Magnet high schools which are operating on CCC campuses are legally separate, tax-exempt non-profit organizations. Each magnet school established is evaluated for inclusion within the System financial statements as a component unit. The Great Path Academy (GPA) at MCC meets the criteria for inclusion as a component unit in the financial statements of CCC and is discretely presented and identified in a single column on the face of the CCC financial statements. The Foundations are legally independent, tax-exempt non-profit organizations separate from College control, founded to foster and promote the growth, progress and general welfare of the Colleges and to solicit, receive and administer donations for such purposes. The Foundations manage the majority of the Colleges' endowments. However, the assets of these component units are not available to CCC for use at its discretion. The MD&A discusses CCC's financial statements only and not those of its component units.

Financial Highlights

The Connecticut Community Colleges had total assets of $932.1 million, liabilities of $1,722.3 billion, and a total net position balance of ($594.6) million at June 30, 2018. Of this amount, ($1,366.8) billion is classified as unrestricted net position, a $24.6 million decrease from 2017. The large negative balance in unrestricted net position was a result of the adoption of GASB 68 (Pensions) 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 net liability for pension plans, which was previously disclosed only at the State level. The adoption of GASB 75 required the System to recognize the net liability for *other post-employment benefits* (OPEB). The offset to the net 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 as if GASB 75 had been adopted at the beginning of that year.

Total operating revenues from student tuition and fees, grants and contracts, and other college activities (net of scholarship allowances) were $144.1 million, a 3.1% increase over the previous year. Operating expenses were $575.4 million, a decrease of 3.1% from the previous year, resulting in an operating loss of $431.2 million during the year ended June 30, 2018. Net non-operating revenues and other changes were $378.1 million, down 3.8% from the previous year, which was primarily the result of a $7.7 million decrease in state appropriations - bond funds and a $12.2 million decrease in state appropriations - general fund. Overall the CCC's experienced a decrease in net position of $53.1 million during fiscal year 2018.

Cash and cash equivalents were $147.4 million at June 30, 2018, including $16.3 million of cash equivalents in the form of State bond appropriations administered by the CCC's, and $26.3 million of State bond appropriations administered by the Department of Administration Services ("DAS") on behalf of the System. DAS-administered cash equivalents (bond appropriations) decreased from $42.1 million at June 30, 2017 to $26.3 million at June 30, 2018. Total current assets were $202.7 million at June 30, 2018. The current ratio identifies the amount of resources available to meet current obligations. This ratio of unrestricted current assets of $146.0 million to unrestricted current liabilities of $64.5 million is 2.3:1 in 2018, and was 2.5:1 in 2017. The current ratio reflects a financial position sufficient to provide short-term liquidity. However, as the State continues to address budget shortfalls over the next few years, management will continue to carefully monitor liquidity metrics. Non-current liabilities decreased 6.0% from $1,748.3 billion at June 30, 2017 to $1,644.0 billion at June 30, 2018. This significant liability includes $759.4 million for the CCC allocation of the state pension plan obligation, $847.8 million for the CCC allocation of the state's OPEB obligation and $36.6 million for the long-term portion of the accrued value of benefits, other than pension and OPEB, earned by employees which must be paid out when they retire or otherwise terminate service in the future (net of the estimated amounts to be paid out in the upcoming year).

Statement of Net Position

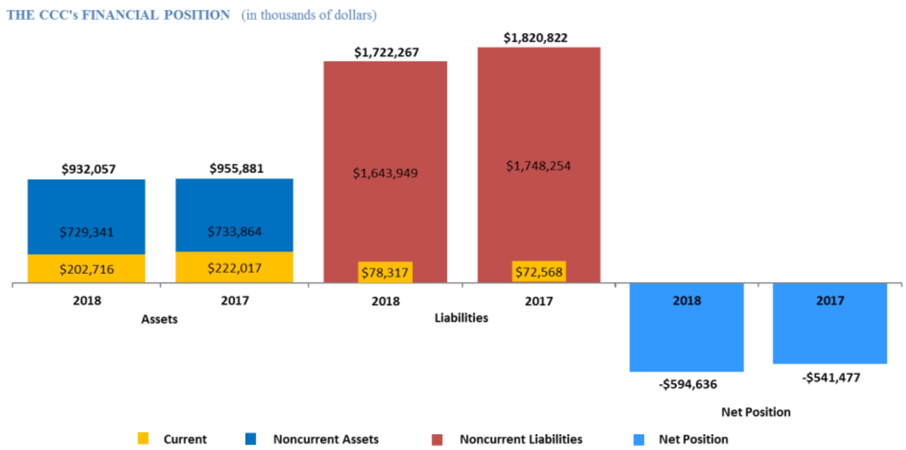
The Statement of Net Position presents the overall financial position of the System at the end of the fiscal year, and includes all assets and liabilities of the Connecticut Community Colleges, including capital assets net of depreciation. The change in Net Position is one indicator of whether the overall financial condition of CCC has improved or worsened during the year.

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

	2018	2017 Restated*	% Change
ASSETS			
Current assets	$ 202,716	$ 222,017	-8.7%
Non-current assets	729,341	733,864	-0.6%
Total assets	932,057	955,881	-2.5%
DEFERRED OUTFLOWS OF RESOURCES	267,682	335,855	-20.3%
LIABILITIES			
Current liabilities	78,317	72,568	7.9%
Non-current liabilities	1,643,949	1,748,254	-6.0%
Total liabilities	1,722,266	1,820,822	-5.4%
DEFERRED INFLOWS OF RESOURCES	72,109	12,391	481.9%
NET POSITION			
Invested in capital assets	729,184	733,589	-0.6%
Restricted-nonexpendable	20	20	0.0%
Restricted-expendable	42,910	67,125	-36.1%
Unrestricted	(1,366,750)	(1,342,211)	-1.8%
Total net position	$ (594,636)	$ (541,477)	-9.8%

*Net position and non-current liabilities were restated to reflect the net OPEB liability at June 30, 2017 of $869.3 million as if the GASB No. 75 liability was recorded in 2017.

Current assets consist of cash and cash equivalents and accounts receivable. The $19.3 million decrease in current assets from the previous year is largely attributable to a $25.3 million decrease in the cash equivalents. Cash equivalents fluctuate as sizeable building projects are funded and then expended over a period of two to three years. Investment of cash is handled by the State of Connecticut Treasurer's Office, which invests cash balances in a Short Term Investment Fund ("STIF") on behalf of State agencies. The CCC's do not carry any other separate investments.



Non-current assets decreased 0.6% from $733.9 million at June 30, 2017, to $729.3 million at June 30, 2018. Net capital assets account for all but $157 thousand of non-current assets. The $157 thousand represents student loan receivables. At June 30, 2018, capital assets in service totaled $1.1 billion, offset by $369.7 million in accumulated depreciation; this compared with $1.0 billion and $342.3 million, respectively, at the end of fiscal year 2017. The $23.0 million increase in capital assets included $10.6 million in building improvements. Completed projects included $2.3 million for Asnuntuck's manufacturing center, $1.4 million in renovations to Founders Hall at Northwestern and $1.4 million for HVAC upgrades at Norwalk. Construction-In-Progress increased $14.1 million from $69.5 to $83.5 million. The increase included $17.9 million in additions less $3.3 million in transfers of completed projects.

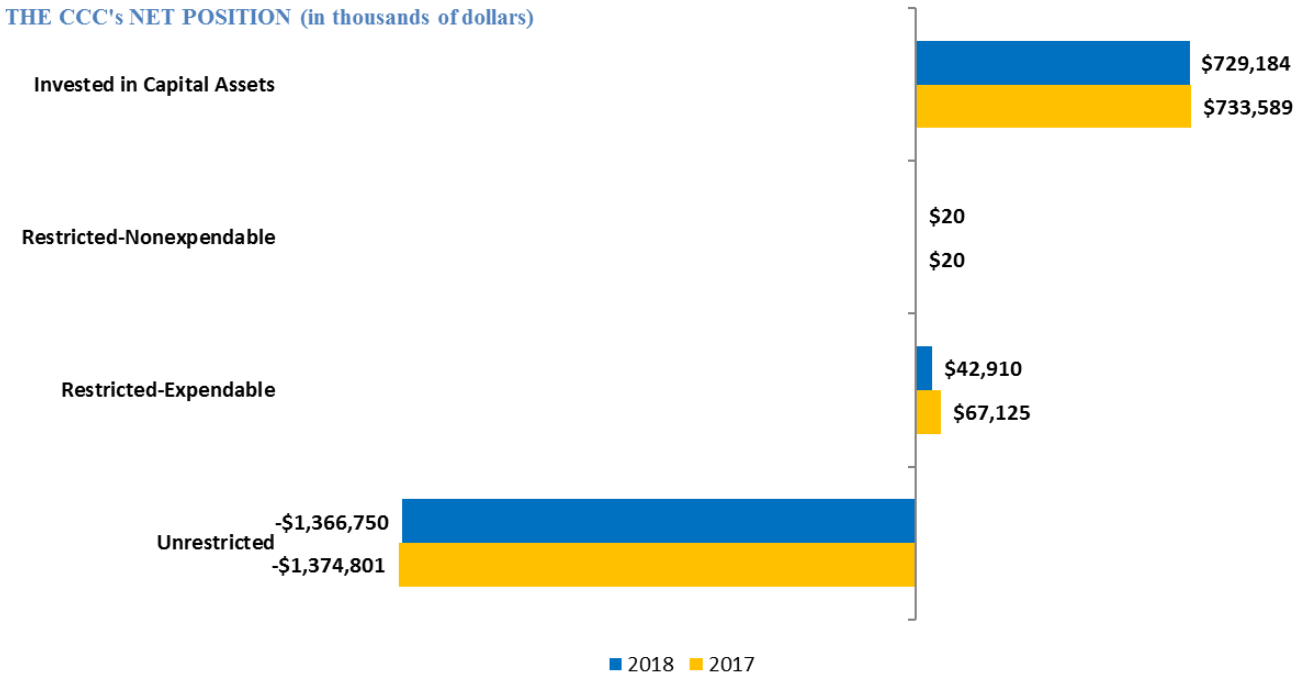
Current liabilities consist primarily of accrued payroll and related benefits of $49.6 million and unearned tuition, fees and grant revenue of $13.4 million, primarily collected in advance for late-summer and fall 2018 academic terms. Additional current liabilities include vendor accounts payable of $3.9 million, $3.3 million for the estimated value of accrued compensated absences that will be paid within the coming year to employees who terminate or retire and $3.7 million of retainage on facility projects.

Non-current liabilities consist almost exclusively of $759.4 million in pension liability, $847.8 million in OPEB liability and $36.6 million of long-term accrued compensated absences ("ACA") to be paid out to terminating employees over time in the future beyond one year. *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.

Total liabilities were $1,722.3 billion at the end of fiscal year 2018, a decrease from $1,820.8 billion at the end of fiscal year 2017. This is driven primarily by an $82.7 million dollar decrease in the net pension liability. The total ACA liability of $39.9 million (long-term and current), pension liability of $759.4 million and OPEB liability of $847.8 million, represents approximately eleven times the existing unrestricted current assets that are available to pay for these previously earned employee benefits, and causes the reported unrestricted net position balance to be negative. In practice, however, much of these payouts are funded through current-year revenues rather than through existing net position.

Deferred inflows and outflows of resources are related to future periods. In the colleges financial statements this is primarily related to the impact of recognizing net pension and net OPEB liabilities. They reflect differences between projected and actual assumptions and earnings, changes in actuarial assumptions, changes in proportion and differences between contributions and the proportionate share of contributions and employer contributions subsequent to the measurement date.

The *Total net position* balance includes $729,184 million *Invested in capital assets* net of depreciation. The Connecticut Community Colleges do not carry any capital debt, as property acquisitions, facility construction and major renovations are financed by capital appropriations made to one or more of the CCC's. Bonding and debt repayment are the responsibility of the State of Connecticut and are not reflected in the CCC financial statements. The Connecticut Community Colleges continue to implement a long-range capital plan to provide for new and renovated campus facilities necessary to meet academic program needs.



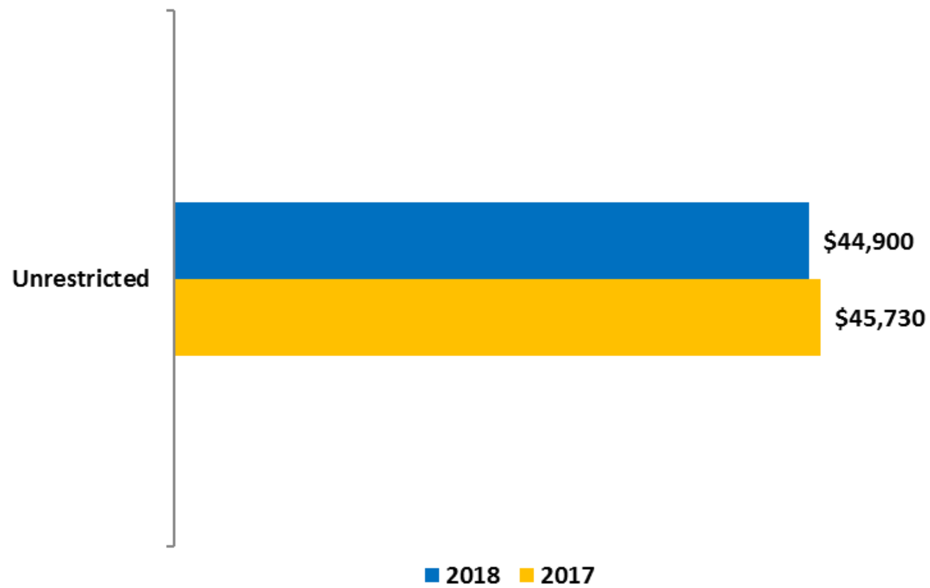
The $27.2 million in new bond fund appropriations in fiscal year 2018 included $22.0 million for System administered projects, repairs, and equipment, and $5.2 million for Department of Administrative Services (DAS)-administered projects. The System-administered dollars funded a variety of small projects and IT initiatives. The $5.2 million included $5.1 million for renovations at Norwalk Community College.

The CCC's have a minimal level of *Restricted-Nonexpendable* net position as the colleges do not generally carry any permanent endowment as a direct activity which is generally held by the supporting foundations. *Restricted-Expendable* net position here represents primarily bond fund appropriation balances at June 30, 2018 ($17.7 million in funds managed by the CCC's and $22.6 million for projects managed by DAS), funds held in restricted accounts pending distribution under the terms of the Board's collective bargaining agreement with its professional unions, as well as private gifts and donations, mostly for scholarships, whose revenues have been recognized but not yet expended. Changes in restricted-expendable net position are related primarily to the change in bond fund appropriation revenues and expenses in connection with various facility projects.

Unrestricted net position ("UNP") has shifted to a negative balance with the recognition of the pension and OPEB liabilities. This negative balance improved by $8.0 million during fiscal year 2018. Excluding the activity related to the actuarially determined net pension and OPEB liabilities, UNP decreased by $0.8 million to $44.9 million during fiscal year 2018, following an increase of $8.0 million in 2017. The table below illustrates the fluctuations in aggregate CCC UNP over the past five years adjusted for net pension liability beginning in fiscal year 2014 and net OPEB liability beginning in fiscal year 2017:

	FY14	FY15	FY16	FY17	FY18
UNP	$13.3	$25.7	$37.7	$45.7	$44.9
UNP Adjusted	($492.0)	($475.9)	($466.0)	($1,374.8)	($1,366.8)

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



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents CCC's results of operations, as well as the non-operating revenues and expenses. Total *operating revenues* for fiscal year 2018 were $144.1 million after the reduction for scholarship allowances, an increase of 3.1% from $139.8 million in fiscal year 2017. *Student tuition and fees* represent the largest portion of operating revenue on a gross basis, but are offset by student financial aid and waivers resulting in net tuition and fee revenue of $106.3 million. This differs from budgetary practices, which recognize revenue on a gross basis without offset for scholarship allowances. On a gross basis, fiscal year 2018 tuition revenues increased 4.3% from the previous year, to $183.5 million. These revenues reflect a FTE credit enrollment decrease of 1.5% in fiscal year 2018 but the implementation of new supplemental fees that resulted in $9.0 million in new revenue in fiscal year 2018.

The Connecticut Community Colleges recorded an operating loss of $431.2 million during the year ended June 30, 2018. This results primarily from the fact that the State general fund appropriation and related fringe benefits, as well as State bond fund appropriations are classified as *non-operating revenues*, although the expenditure of these resources on personnel, non-capital equipment and depreciation are considered to be an operating expense. Other non-operating activity includes private gifts and donations, investment income earned on cash balances invested by the State treasurer's office, and non-mandatory transfers between individual colleges and the System Office. The State general fund appropriation for salaries decreased by 6.2% and the associated revenues to cover fringe benefit costs decreased by 1.8%, to $154.5 million and $117.1 million, respectively. Bond fund appropriation revenues decreased from $34.9 million in 2017 to $27.2 million in 2018. When the full value of the general fund appropriation and fringe benefits, capital appropriations, and other non-operating revenue and expense is taken into account, the System recorded a total 2018 net decrease in net position of $53.2 million compared with a $61.3 million decrease in 2017.

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

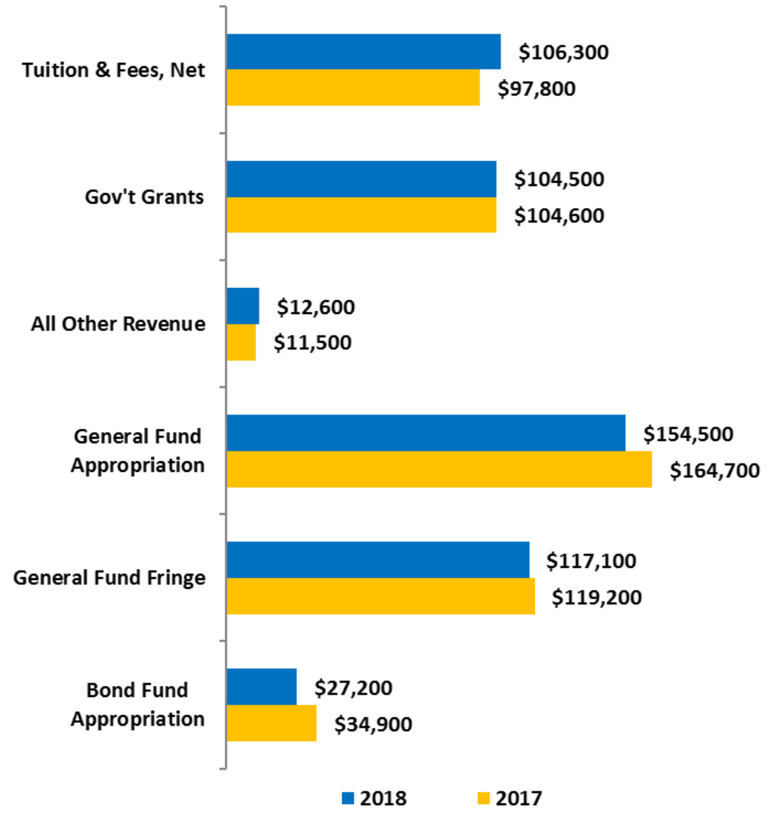
	2018	2017 Restated*	% Change
OPERATING REVENUES			
Tuition and fees, net	$ 106,259	$ 97,770	8.7%
Government grants and contracts	28,601	32,569	-12.2%
Additional operating revenues	9,282	9,418	-1.4%
Total operating revenues	144,142	139,757	3.1%
OPERATING EXPENSES			
Expenses before depreciation	543,946	563,580	-3.5%
Depreciation	31,417	30,457	3.2%
Total operating expenses	575,363	594,037	-3.1%
Operating loss	(431,221)	(454,280)	5.1%
NON-OPERATING REVENUES			
State appropriations - general fund	271,658	283,937	-4.3%
State appropriations - bond fund	27,179	34,887	-22.1%
PELL grants	75,938	72,093	5.3%
Other non-operating revenues (expenses), net	3,287	2,052	60.2%
Total non-operating revenues	378,062	392,969	-3.8%
NET POSTION			
Change in net position	(53,159)	(61,311)	13.3%
Net position, beginning of year	(541,477)	(480,166)	-12.8%
Net position, end of year	$ (594,636)	$ (541,477)	-9.8%

*Net position was restated to reflect the net OPEB liability at June 30, 2017 of $869.3 million as if the GASB No. 75 liability was recorded in 2017.

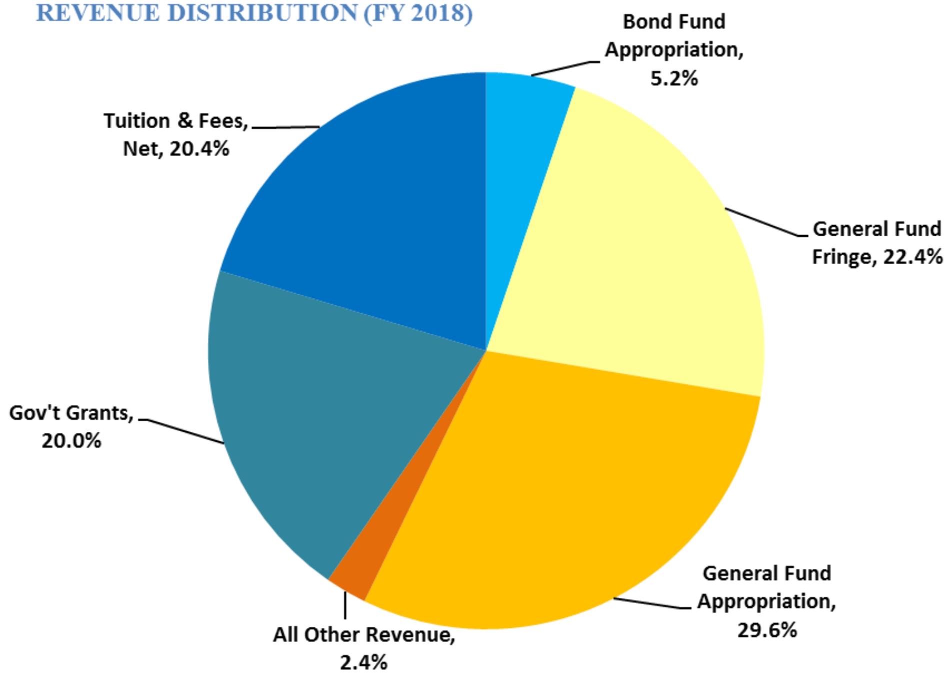
Government grant revenues are comprised primarily of student financial aid programs including the Supplemental Education Opportunity Grant ("SEOG") programs. Other government grants include funding for various program-related activities. Government grant revenues at June 30, 2018 were $104.5 million; federal dollars were down $1.9 million and state dollars were down $2.1 million from the previous fiscal year. The decrease was primarily related to the close out of the Connecticut Advanced Manufacturing Initiative (CAMI) grant which provided funding for the expansion of advanced manufacturing programs.

Other additional operating and non-operating revenues totaled $12.6 million in 2018, up from $11.5 million in 2017. Other revenues include sales or commission revenues from college- or vendor-operated cafeterias, bookstores, and daycare centers, early childhood education, food services, and private gifts and grants.

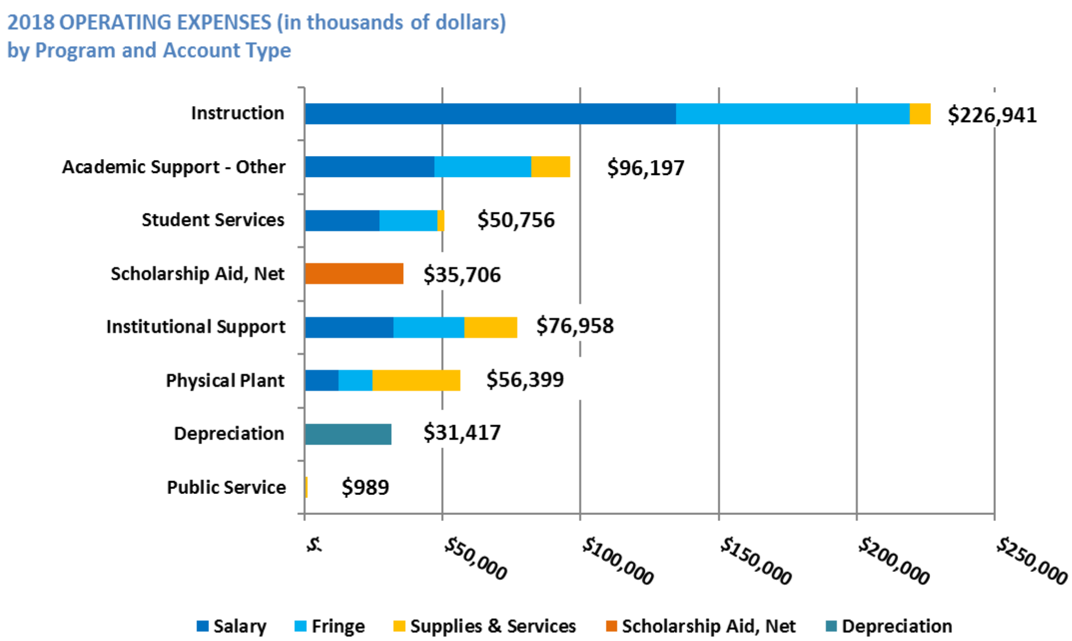
REVENUE SUMMARY (in thousands of dollars)

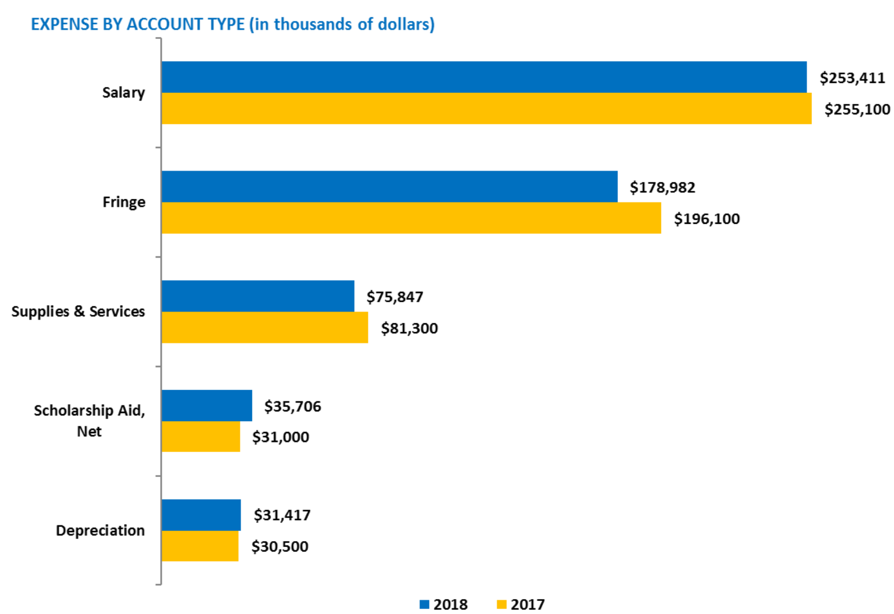


REVENUE DISTRIBUTION (FY 2018)



Total operating expenses for fiscal year 2018 were $575.4 million, after reductions for the amount of student financial aid and waivers applied to student tuition and fees. This reflects an operating expense decrease of 3.1% from $594.0 million in fiscal year 2017. The $18.6 million decrease in fiscal year 2018 is primarily due to the change in pension and OPEB expense, compared with fiscal year 2017, booked in accordance with GASB 68 & 75 requirements. Without reflecting GASB 68 &75 related entries, CCC operating expenses increased to $551.7 million from $546.5 million in fiscal year 2018. This is primarily a result of an increase in fringe costs of $6.7 million. Operating expenses include $432.4 million for salary and wages and related fringe benefits, or 75.2% of total operating expense. In addition, operating expenses include $35.7 million in net scholarship aid expense refunded to students, $31.4 million in depreciation expense and $75.8 million for all other service and supply costs. Supplies and services include non-capital telecommunications and information technology-related services and supplies; premises and property-related expenses including utilities, security, maintenance and repairs, custodial and grounds, and all other non-personnel costs of operating the colleges.





Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. Major sources of *operating activity* cash inflows include receipts of student tuition and fees of $98.0 million, a $1.4 million increase from 2017 and receipts from government grants and contracts of $29.4 million, down 19.4% from 2017. Cash is also received from private grants and contracts, miscellaneous auxiliary and educational sales, and other activities. The largest operating cash outflows include salaries paid to employees of $244.0 million, down 2.5% from 2017, fringe benefits paid on behalf of employees of $150.5 million, up 2.5% from 2017, vendor payments of $86.8 million, down 0.4% from 2017 and payments to students of $34.9 million, down 2.9% from 2017, including financial aid grants and loans (above the amounts applied to tuition and fee charges), student work study or other employment, and tuition and fee refunds. Salaries paid declined due to continued position vacancies and budget restraint. Meanwhile, fringe benefits paid increased because the states fringe rates increased in fiscal year 2018 over fiscal year 2017. Net cash used by operating activities decreased 0.2% during fiscal year 2018.

The largest inflow of cash related to *non-capital financing* is State appropriations, which were $278.4 million, including general fund appropriations for salaries and related fringe benefits, and the portion of bond appropriations expended for non-capitalized equipment, deferred maintenance and other non-capital items. Other non-capital financing cash inflows include PELL grants of $76.2 million, private gift receipts of $1.8 million and Federal Family Education Loan Program (FFELP) receipts of $9.2 million.

Capital financing cash flows result primarily from the receipt or reallocation of capital appropriations and from cash outlays made to purchase capital assets either by the CCC's directly, or by DAS on the System's behalf. During fiscal year 2018, capital financing net cash inflows of $11.0 million reflected the receipt of bond appropriations, $18.3 million was spent on college facility projects administered by DAS, and $10.6 million for repairs and maintenance, capital equipment and system technology initiatives at the colleges and System office. Cash provided by *investing activities* represents interest income earned on operating fund cash balances invested by the State treasurer on behalf of the System, and distributed quarterly. Cash inflows from the Short Term Investment Fund ("STIF") rose from $495 thousand in fiscal year 2017 to $1.2 million in fiscal year 2018.

Condensed Statements of Cash Flows
Years Ended June 30, 2018 and 2017
(in thousands)

	2018	2017	% Change
NET CASH PROVIDED BY (USED IN)			
Operating activities	$ (374,638)	$ (375,366)	0.2%
Noncapital financing activities	365,580	380,689	-4.0%
Capital and related financing activities	(17,924)	(70,521)	74.6%
Investing activities	1,249	495	152.3%
Net change in cash and cash equivalents	(25,733)	(64,703)	60.2%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	173,130	237,833	-27.2%
Cash and cash equivalents, end of year	$ 147,397	$ 173,130	-14.9%

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 CCC.

Through FY 2018, the CCC have continued to see declining enrollments. The following table illustrates Fall Headcount and Full Time Equivalent ("FTE") student attendance at the CCCs:

Fall Headcount Enrollment and Full Time Equivalent				
Year Ended 30-Jun	Headcount	% Change	Full Time Equivalent	% Change
2018	49,377	-2.3%	28,593	-1.5%
2017	50,548	-4.2%	29,019	-4.6%
2016	52,761	-4.3%	30,430	-4.6%
2015	55,154	-3.2%	31,886	-3.0%
2014	56,976	-2.2%	32,882	-1.6%

In addition, the FY 2019 fall census enrollment indicates further declines of 3.0% in headcount and 3.1% in full time equivalents. Both the continued decline in enrollment and concerns over low completion rates have prompted CSCU to embark on a program called Guided Pathways, at this time primarily focused on CCC.

Guided Pathways is a national model that helps more students' efficiently complete credentials, transfer, and attain jobs in the labor market. The Guided Pathways approach ensures that all students develop an academic plan early in their college experience, have a clear road map of the courses they need, and receive consistent support to help them stay on track. Each pathway is based on a program of study that is aligned with specific employment goals and/or transfer. CSCU is committed to using Guided Pathways to improve student retention and completion. This work is a central part of the CSCU Students First initiative, and it builds on a variety of system efforts, including the Transfer and Articulation Policy (TAP) and Math Pathways.

In addition, CCC is investing in a new enrollment management senior level position and staff to implement a regional enrollment model which will build strategic and supportive relationships with K-12, adult education, employers and community partners to recruit students to the CSCU community colleges.

We expect these structural improvements to favorably impact enrollment for the CCC beginning in the next two years.

In addition to concerns over enrollment, management has recognized that the economic climate in the State of Connecticut may continue to be challenged; regardless of changes that may be made by new state administrators, it may be several years before the fiscal position of the state would be turned around.

CSCU therefore is continuing to implement its strategic plans under Students First and the CCC are on track to consolidate into one community college in FY 2023. After discussing the consolidation with the New England Commission of Higher Education (NECHE) (formerly NEASC), their recommendation was to decelerate the initial proposal to consolidate by FY2020 in order to have in place the infrastructure required for the accreditation of the single institution. To that end, great progress has been made on creating a common curriculum throughout the twelve colleges as well as IT systems and other mandatory enhancements in order to function as one community college with multiple locations.

In order to provide new state administration with an informative view of the CCC and CSCU, management has prepared a white paper detailing the system's economic and social value to the state. 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 CCC.

Additional Information

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Regents of
Connecticut State Colleges and Universities

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Connecticut Community Colleges, an enterprise fund of the State of Connecticut (collectively, the "System") as of and for the year ended June 30, 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 $63.4 million and total net assets of $62.0 million as of June 30, 2018, and total revenues, capital gains and losses, and other support of $19.7 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 Community Colleges 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 11 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 43 through 45 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, Combining Statement of Cash Flows, Combining Statement of Net Position by Fund Group, and Combining Statement of Revenues, Expenses and Changes in Net Position by Fund group included on pages 49 through 54 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
February 5, 2019

	Primary Institution (in thousands) 2018	Component Unit Magnet High School (in thousands) 2018
Assets		
Current assets		
Cash and cash equivalents	$ 147,397	$ 1,088
Accounts receivable, due from the State	36,853	69
Accounts receivable other, net	18,166	43
Prepaid expenses	300	-
Total current assets	202,716	1,200
Non-current assets		
Capital assets, net	729,184	24,336
Student loans, net	157	-
Total non-current assets	729,341	24,336
Total assets	$ 932,057	$ 25,536
Deferred outflows of resources		
Deferred pension	225,689	-
Deferred other post employment benefits	41,993	
Total deferred outflows of resources	$ 267,682	$ -
Liabilities		
Current liabilities		
Accounts payable	$ 3,941	$ 313
Accrued expenses - salary and fringe benefits	49,560	100
Accrued compensated absences - current portion	3,250	3
Unearned tuition, fees and grant revenue	14,383	-
Retainage	3,680	-
Agency and loan fund liabilities	1,980	-
Other liabilities	1,523	-
Total current liabilities	78,317	416
Non-current liabilities		
Pension liability, net	759,379	
Other post employment benefits liability, net	847,845	
Accrued compensated absences - long term portion	36,628	38
Other long-term liabilities	97	-
Total non-current liabilities	1,643,949	38
Total liabilities	1,722,266	454
Deferred inflows of resources		
Deferred pension	25,094	-
Deferred other post employment benefits	47,015	
Total deferred inflows of resources	$ 72,109	$ -
Net position		
Invested in capital assets, net of related debt	729,184	24,336
Restricted		
Nonexpendable	20	-
Expendable	42,910	-
Unrestricted	(1,366,750)	746
Total net position	$ (594,636)	$ 25,082

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

		Component Unit Foundations (in thousands) 2018
Assets		
Cash and cash equivalents	$	4,909
Accounts receivable, net		16
Contributions receivable, net		7,484
Grants receivable		10
Prepaid expenses and other assets		36
Investments		50,958
Total assets	$	63,413
Liabilities		
Accounts payable and accrued expenses	$	436
Annuities payable		44
Scholarships payable		22
Other liabilities		917
Total liabilities		1,419
Net Assets		
Unrestricted		10,455
Temporarily restricted		20,907
Permanently restricted		30,632
Total net assets		61,994
Total liabilities and net assets	$	63,413

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

Connecticut Community Colleges

Statements of Activities – Component Unit

June 30, 2018

	Primary Institution (in thousands) 2018	Component Unit Magnet High School (in thousands) 2018
Operating revenue		
Student tuition and fees	$ 183,474	$ -
Less: Scholarship discounts and allowances	(77,215)	-
Net tuition and fees	106,259	-
Federal grants and contracts	16,105	2,993
State and local grants and contracts	12,496	125
Private grants and contracts	4,490	-
Sales and services of educational departments	692	-
Other operating revenues	4,100	1,224
Total operating revenues	144,142	4,342
Operating expenses		
Instruction	226,941	2,035
Public service	989	-
Academic support	84,667	217
Library	11,530	-
Student services	50,756	642
Scholarship aid, net	35,706	-
Institutional support	76,958	1,269
Physical plant	56,399	585
Depreciation	31,417	849
Total operating expenses	575,363	5,597
Operating loss	(431,221)	(1,255)
Nonoperating revenues		
State appropriations - general fund	271,658	820
State appropriations - bond funds	27,179	-
PELL grants	75,938	-
Private gifts	1,797	-
Interest income	1,490	-
Net non-operating revenue	378,062	820
Change in net position	(53,159)	(435)
Net position at beginning of year	(541,477)	25,517
Net position at end of year	$ (594,636)	$ 25,082

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

		Component Unit Foundations (in thousands) 2018
Revenue, capital gains and losses and other support		
Gifts and grants	$	13,338
Gifts in kind		9
Events and activities		780
Dividends and interest income		1,173
Net realized and unrealized gain/(loss) on investments		4,446
Total revenue, capital gains and losses and other support		19,746
Expenses		
Fundraising events		483
Grants		141
Museum		76
Program services		3,138
Scholarships, awards and financial aid		2,730
Management and general		1,728
College advancement		1,221
Total expenses		9,517
Net Income (Loss)		10,229
Change in net assets		10,229
Net assets		
Net assets at beginning of year		51,765
Net assets at end of year	$	61,994

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

Connecticut Community Colleges
Statements of Cash Flows
June 30, 2018

		Primary Institution (in thousands) 2018
Cash flows from operating activities		
Student tuition and fees	$	98,024
Government grants and contracts		29,371
Private grants and contracts		4,273
Sales and services of educational departments		679
Payments to employees		(243,979)
Payments for fringe benefits		(150,493)
Payments to students		(34,867)
Payments to vendors		(86,848)
Payments by Department of Construction Services		(25)
Other receipts, net		9,227
Net cash used in operating activities		(374,638)
Cash flows from investing activities		
Interest income		1,249
Net cash provided by investing activities		1,249
Cash flows from capital and related financing activities		
State appropriations		11,028
Payments by Department of Construction Services		(18,345)
Purchase of capital assets		(10,607)
Net cash provided by (used in) capital and related financing activities		(17,924)
Cash flows from noncapital financing activities		
State appropriations		278,389
PELL grants		76,200
Private gifts		1,794
Federal Family Education Loan program ("FFELP")		9,197
Net cash provided by noncapital financing activities		365,580
Net change in cash and cash equivalents		(25,733)
Cash and cash equivalents at beginning of year		173,130
Cash and cash equivalents at end of year	$	147,397
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss		(431,221)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense		31,417
Loss on disposal of capital assets, net		275
Operating application of FFELP Receipts		(9,197)
Changes in operating assets and liabilities:		
Accounts receivable, net		(644)
Prepaid expenses and other assets		533
Accrued compensation and other		11,614
Pension liability, net		(82,747)
Other post employment benefits liability		(21,434)
Accounts payable		1,060
Unearned tuition, fees and grant revenue		(2,185)
Changes in deferred outflows and inflows of resources:		
Deferred pension outflows		77,576
Deferred other post employment benefits outflows		(9,403)
Deferred pension inflows		12,703
Deferred other post employment benefits inflows		47,015
Net cash used in operating activities	$	(374,638)

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

1. Summary of Significant Accounting Policies

Organization

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

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

Basis of Presentation

The financial statements for the CCC institutions have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (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. The primary institutions that make up the financial statements include the CCC System Office ("SO") and the following community colleges: Asnuntuck Community College ("Asnuntuck"), Capital Community College ("Capital"), Gateway Community College ("Gateway"), Housatonic Community College ("Housatonic"), Manchester Community College ("Manchester"), Middlesex Community College ("Middlesex"), Naugatuck Valley Community College ("Naugatuck"), Northwestern Connecticut Community College ("Northwestern"), Norwalk Community College ("Norwalk"), Quinebaug Valley Community College ("Quinebaug"), Three Rivers Community College ("Three Rivers"), and Tunxis Community College ("Tunxis"), and their aggregate discretely presented component units.

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

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

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

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

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

The Foundations are private nonprofit organizations that report under FASB standards, which include guidelines for *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in CCC's financial reporting entity for these differences. The disclosures included in the financial statements address only CCC and the magnet high school and not the related Foundations. Each of the foundations issues a separate audited financial statement which may be obtained by contacting the System's office at 61 Woodland Street, Hartford, CT.

CCC has overall responsibility for Great Path Academy ("GPA") which is an inter-district magnet high school located on the Manchester Community College campus. GPA is discretely presented and identified in a single column as a component unit on the face of CCC's statements of net position and statements of revenues, expenses and changes in net position. CCC does not consider other magnet high schools to be component units of CCC primary institutions, because they are legally separate entities from CCC and they are separately managed and accounted for.

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

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

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

- **Restricted Expendable**
  Net position whose use by CCC is subject to externally imposed stipulations that can be fulfilled by actions of CCC pursuant to those stipulations or that expire by the passage of time.

Similar net assets are referred to as temporarily restricted net assets in the statements of the component units.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management or the Board of Regents ("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
CCC presents short-term and long-term assets and liabilities in the statements of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30. Long-term assets represent balances with maturities of greater than one year, and assets expected to be received or used after one year, from June 30. Cash and cash equivalents and investments presented as short-term in the statements of net position include balances with a maturity of one year or less from June 30. Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30 and balances that have externally imposed restrictions as to use.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of CCC by the State Treasurer and has original maturities of three months or less (see Note 2).

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

Fair Value of Financial Instruments
Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits.

Investment in Plant
Capital assets of the primary institutions and magnet school are stated at historical cost or, in the case of donated property, at acquisition value at the date of the gift. Land, capitalized collections, and construction in progress are not depreciated. Depreciation of capital assets is calculated on a straight-line basis over the respective asset's estimated useful life.

Useful lives assigned to assets are as follows:

Asset Class Description	Useful Life
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

CCC does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Division of Construction Services of the State of Connecticut ("DCS").

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

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

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 CCC 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. CCC adopted this accounting pronouncement in fiscal year 2018 and the impact of adoption was retroactively recorded through an adjustment to beginning of year net position and deferred outflows of resources as follows (in thousands):

Net Position		
Net position, June 30, 2017 (as reported)	$	295,212
Impact of Adoption (net liability)		(869,279)
Impact of Adoption (contributions after the measurement date)		32,590
Net position, June 30, 2017 (restated)	$	(541,477)

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

Deferred Revenue
Deferred revenue consist primarily of tuition and fees collected as of year-end, for the upcoming summer or fall semesters.

Tuition and Fees Revenue
Student tuition and fee revenues are recognized in the period earned. Student tuition and fee revenue is presented net of scholarship aid applied to student accounts, while other financial aid refunded directly to students is presented as scholarship aid expenses. Student tuition, college services fees, student activity fees, extension credit and non-credit program fees, and other miscellaneous student fees, recorded as gross tuition and fee revenues, represent the largest portion of operating revenue, but are offset by student financial aid grants from federal, state, local and private sources as well as by institutional aid in the form of tuition remission and statutory and other tuition and fee waivers, used to pay off student tuition and fee charges, resulting in net tuition and fee revenue after scholarship allowances. The revenue for a summer session is split between the two fiscal years, with appropriate amounts being recognized in the accounting period in which they are earned or incurred and become measurable.

Operating Activities
Operating activities as reported on the statements of revenue, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of CCC expenses are from

exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, Pell grants, gifts and investment income.

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes at June 30 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.

Component Units
The component units represent the twelve college foundations (the "Foundations") and the Great Path Academy ("GPA"), a magnet high school at Manchester Community College ("MCC"). The Great Path Academy (GPA) at MCC is a discretely presented component unit, identified in a single column on the CCC financial statements.

Correction of an Immaterial Error
During the fiscal year 2018 annual financial close process, management of GPA identified that $175 thousand in revenue from participating school districts was not recorded in fiscal year 2017. Management evaluated the error on both a quantitative and qualitative basis and determined that the error was not material to previously issued financial statements. As such, the beginning net position of GPA was increased by this amount to correct the error.

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 impact as a result of the adoption for CCC.

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 impact as a result of the adoption for CCC.

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 impact as a result of the adoption for CCC.

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 CCC.

Subsequent Events
In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2018, through February 5, 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 is invested in the State of Connecticut Treasurer's STIF, a combined investment pool of high quality, short-term money market instruments. CCC may add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of the STIF are the preservation of principal and the provision of liquidity to meet CCC's daily cash flow requirements.

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

Cash and cash equivalents also include operating funds held by the State of Connecticut in a pooled, interest credit program which earns interest at a rate determined monthly by the Office of the State Treasurer. The interest rate at June 30, 2018 was 1.0%.

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

	2018
Cash	$ 104,761
Cash equivalents	42,636
Cash and cash equivalents total	$ 147,397

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

Credit Risk – Credit risk is the risk that an investor will lose money because of the default of the security issuer or investment counterparty. CCC is only invested in the State of Connecticut Treasurer's STIF, which is a combined investment pool of high quality, short-term money market instruments. There is low risk to these types of investments.

Concentration of Credit Risk – Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5% or more of the total value of investments. 100% of CCC total cash, cash equivalents and investments was invested in the STIF or consist of State general fund and capital bond fund appropriations allocated to CCC as of June 30, 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.

3. Accounts Receivable

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

	2018
Tuition	$ 7,871
College services fees	678
Student activity fees	50
Extension fees	1,636
Payment plans and returned checks	236
Other student fees	519
Subtotal	10,990
Less: Allowance for doubtful accounts	(4,088)
Subtotal student tuition and fee receivables, net	6,902
Third party contracts	800
Government grants and contacts	4,529
STIF	503
Other receivables	6,530
Subtotal	12,362
Less: Allowance for doubtful accounts	(1,098)
Subotal other receivables, net	11,264
Total accounts receivable, net	$ 18,166

Student tuition and fees are due at a date established by each college not earlier than six weeks nor later than three weeks before the first day of classes unless other payment arrangements have been made. Any account not fully paid by the end of the term is entered into collections.

4. Capital Assets

Capital assets for the Colleges consist of the following at June 30 (in thousands):

	Balance at June 30, 2017	**Additions**	**Disposals and Adjustments**	**Transfers**	**Balance at June 30, 2018**
Land and land/site improvements	$ 28,322	$ 14	$ -	$ -	$ 28,336
Infrastructure	516	-	-	-	516
Building and building improvements	881,772	11,379	(5,531)	3,336	890,956
Furnishings and equipment	90,014	3,717	(3,441)	-	90,290
Library books	5,567	300	(806)	-	5,061
Software	210	-	-	-	210
	1,006,401	15,410	(9,778)	3,336	1,015,369
Less: Accumulated depreciation	(342,284)	(31,417)	3,975	-	(369,726)
	664,117	(16,007)	(5,803)	3,336	645,643
Construction-in-progress	69,472	17,940	(535)	(3,336)	83,541
Capital assets, net	$ 733,589	$ 1,933	$ (6,338)	$ -	$ 729,184

5. Accrued Compensated Absences

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

		2018
Accrued vacation	$	15,918
Accrued sick leave		13,848
Other accrued fringe benefits		10,112
Total accrued compensated absences		39,878
Less: current portion		(3,250)
Accrued compensated absences - non-current portion	$	36,628

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

Balance as of June 30, 2017	$	40,196
Increases in 2018		3,133
Payouts in 2018		(3,451)
Balance as of June 30, 2018	$	39,878

These accruals represent amounts earned by all eligible employees through the end of the fiscal year. These accrued compensated absences ("ACA") will be settled over a number of years, and are not expected to have a significant impact on the future annual cash flows of the System. The current portion of ACA is estimated based on recent past history.

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. The CCC made no transfers to the State of Connecticut during fiscal year 2018.

The System Office administers certain activities centrally for the provision of management information systems and services to the Colleges. Primary among these activities are administration of certain system-wide information systems, telecommunications, capital projects planning and budgeting and technical support. Costs of such activities, including the allocation of funds to the Colleges from bond proceeds, are included in the activity of the System Office and supported by revenues from State appropriations and Colleges' 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.

Accrued salaries and related fringe benefit costs for CSCU employees within CCC, whose salaries will be charged to the State of Connecticut General Fund represent a related party balance. CCC 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 for the years ended June 30 are as follows (in thousands):

	2018
Receivable for accrued salaries, interest and fringe benefits to be paid by the State of Connecticut General fund	$36,853
	$36,853

The accompanying statements of net position includes balances among related parties. Significant balances for the years ended June 30 are as follows (in thousands):

	2018
Cash balances held with the State of Connecticut on behalf of the CCC's	$104,761
	$104,761

7. Commitments, Contingencies and Leases

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

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

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

		2018
Asnuntuck Community College	$	2,383
Capital Community College		438
Gateway Community College		1,157
Housatonic Community College		1,812
Manchester Community College		571
Middlesex Community College		1,264
Naugatuck Valley Community College		750
Northwestern Connecticut Community College		238
Norwalk Community College		1,254
Quinebaug Valley Community College		304
System Office		7,821
Three Rivers Community College		668
Tunxis Community College		1,285
	$	19,945

CCC is party to one non-cancellable operating lease contract entered into on July 1, 2012 by Gateway Community College with the City of New Haven for parking in the Temple Street Parking Garage for $970,200 per year for 20 years.

Future minimum lease payments, all due over the next five fiscal years and thereafter under all existing operating lease contracts (cancellable and non-cancellable), are as follows (in thousands):

2019	$	1,353	
2020	$	1,340	
2021	$	1,327	
2022 to 2025	$	1,327	per year
2026 to 2032	$	970	per year

Rental and lease expense was $3.7 million for the years ended June 30, 2018.

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 $54.7 million and $0.6 million, on behalf of the System, for SERS and TRS, respectively, for fiscal year 2018, equal to 98.3% and 100.0% 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 CCC System's proportion was 0.09% as of June 30, 2018. For the SERS plan, the CCC System's proportion was 3.55% 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 CCC System is calculated separately. The net pension liability for the CCC System as of June 30, 2018 for SERS and TRS was $747.2 million and $12.1 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%)	Current Discount (SERS-6.9%) (TRS-8.0%)	1% Increase (SERS-7.9%) (TRS-9.0%)
SERS	$ 864,179	$ 747,249	$ 601,585
TRS	15,184	12,130	9,549

Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Defined Benefit Pension Plan
For the year ended June 30, 2018, the CCC System recognized pension expense of $58.7 million for SERS and $1.4 million for TRS. 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 CCC System that will be recognized in pension expense during the next five years is as follows (in thousands):

	SERS	TRS	Total
2019	$ 43,402	$ 279	$ 43,681
2020	47,430	472	47,902
2021	39,028	285	39,313
2022	18,564	(91)	18,473
2023	(1,296)	(28)	(1,324)
Thereafter	-	(17)	(17)
Total	**$ 147,128**	**$ 900**	**$ 148,028**

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% 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 assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that

represents 5.0% 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 $842.0 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 3.90%. 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 CCC System as of June 30, 2018 for SEOPEBP was $842.0 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 (amounts in thousands):

Discount rate comparison:	**1% Decrease (2.68%)**	**Current Discount (3.68%)**	**1% Increase (4.68%)**
Net OPEB Liability	$ 984,094	$ 847,845	$ 737,454
Health care trend rate comparision:	**1% Decrease**	**Current Discount**	**1% Increase**
Net OPEB Liability	$ 998,890	$ 847,845	$ 728,618

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2018, the CCC System recognized OPEB expense of $54.7 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 OPEB attributed to the CCC System that will be recognized in pension expense during the next five years is as follows (in thousands):

	OPEB	**Total**
2019	$ (9,879)	$ (9,879)
2020	(9,879)	(9,879)
2021	(9,879)	(9,879)
2022	(9,879)	(9,879)
2023	(4,048)	(4,048)
Thereafter	$ -	-

10. Unearned Tuition, Fees and Grant Revenue

Unearned tuition and fees and grants and contracts revenue for the year ended June 30 are as follows (in thousands):

	2018
Unearned tuition and fees	$ 8,381
Grants and contracts	4,880
Unapplied payments	1,122
Totals	$ 14,383

11. Natural Classification with Functional Classification

The operating expenses by functional classification for the year ended June 30, 2018 are summarized as follows (in thousands):

	Year Ended June 30, 2018					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Scholarship Aid	Depreciation	Total
Instruction	$134,629	$ 84,624	$ 7,688	$ -	$ -	$ 226,941
Public service	235	172	582	-	-	989
Academic support-other	40,896	31,122	12,649	-	-	84,667
Academic support-library	6,045	4,241	1,244	-	-	11,530
Student services	27,066	20,890	2,800	-	-	50,756
Scholarship aid	-	-	-	35,706	-	35,706
Institutional support	32,233	25,544	19,181	-	-	76,958
Physical plant	12,307	12,389	31,703	-	-	56,399
Depreciation	-	-	-	-	31,417	31,417
Total operating expenses	$253,411	$ 178,982	$75,847	$35,706	$31,417	$ 575,363

12. Bonds Payable

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

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

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	Total
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	$ 17,840	$ -	$ -	$ 17,840
Changes of assumptions or other inputs	114,496	1,404	-	115,900
Net difference between projected and actual earnings on pension plan investements	-	165	-	165
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	37,260	1,958	3,451	42,669
Employer contributions after measurement date	51,270	1,296	38,542	91,108
Total	**$ 220,866**	**$ 4,823**	**$ 41,993**	**$ 267,682**
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	$ -	$ 238	$ -	$ 238
Changes of assumptions or other inputs	-	-	20,340	20,340
Net difference between projected and actual earnings on pension plan investments	1,427	-	960	2,387
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	21,040	2,389	25,715	49,144
Total	**$ 22,467**	**$ 2,627**	**$ 47,015**	**$ 72,109**

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Net Pension Liability and Related Ratios
State Employee Retirement System Plan
Last 10 Fiscal Years [1]
(in thousands)

	2018	2017	2016	2015	2014
CCC System's proportion of the net pension liability	3.55%	3.61%	3.60%	3.38%	3.24%
CCC System's proportionate share of the net pension liability	$ 747,249	$ 829,328	$ 594,978	$ 540,627	$ 537,772
CCC System's covered-employee payroll	$ 136,569	$ 134,378	$ 130,285	$ 117,737	$ 108,775
CCC System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	547%	617%	457%	459%	494%
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.

Teachers Retirement System Plan
Last 10 Fiscal Years [1]
(in thousands)

	2018	2017	2016	2015	2014
CCC System's proportion of the net pension liability	0.09%	0.09%	0.11%	0.11%	0.11%
CCC System's proportionate share of the net pension liability	$ 12,130	$ 12,798	$ 12,018	$ 11,109	$ 12,253
State's proportionate share of the net pension liability associated with the System	$ 12,130	$ 12,798	$ 12,018	$ 11,094	N/A [1]
Total	$ 24,260	$ 25,596	$ 24,036	$ 22,203	$ 12,253
CCC System's covered-employee payroll	$ 3,549	$ 3,549	$ 4,327	$ 4,197	$ 4,001
CCC System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	342%	361%	278%	265%	306%
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.

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	3.90%	4.03%
System's proportionate share of the net OPEB liability	$ 841,977,711	$ 869,278,680
System's covered-employee payroll	$ 200,795,770	$ 206,023,378
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	419%	N/A
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

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

	2018	2017	2016	2015	2014
Contractually required contribution	$ 55,136	$ 54,676	$ 49,636	$ 42,837	$ 34,343
Contributions in relation to the contractually required contribution	(54,695)	(54,239)	(49,388)	(42,837)	(34,309)
Contribution deficiency (excess)	$ 441	$ 437	$ 248	$ -	$ 34
CCC System's covered-employee payroll	$ 136,569	$ 134,378	$ 130,285	$ 117,737	$ 108,775
Contributions as a percentage of covered employee payroll	40.05%	40.36%	37.91%	36.38%	31.54%

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

Teachers Retirement System Plan
Last 10 Fiscal Years [1]

	2018	2017	2016	2015
Contractually required contribution	$ 909	$ 876	$ 1,078	$ 1,039
Contributions in relation to the contractually required contribution	(551)	(1,613)	(1,970)	(1,927)
Contribution deficiency (excess)	$ 358	$ (737)	$ (892)	$ (888)
CCC System's covered-employee payroll	$ 3,549	$ 3,549	$ 4,327	$ 4,197
Contributions as a percentage of covered employee payroll	15.53%	45.45%	45.53%	45.91%

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

CSCU

Schedule Contributions
Other Post Employment Benefits
Last 10 Fiscal Years [1]

	2018	2017
Contractually required contribution	32,590,354	30,682,270
Contributions in relation to the contractually required contribution	(32,590,354)	(30,682,270)
Contribution deficiency (excess)	$ -	$ -
System's covered-employee payroll	$ 200,795,770	$ 206,023,378
Contributions as a percentage of covered employee payroll	16.23%	14.89%

[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. Non-Hazardous has same retirement eligibility as Tier III
    2. Non-hazardous benefit multiplier is 1.30% with no breakpoint
    3. Hazardous duty requires 25 years of service to retire
    4. Employees contribute 3% more than Tier III employees into the DB Plan.
    5. Employers contribute 1% and employees must contribute at least 1% to DC portion of Hybrid Plan.

SUPPLEMENTARY SCHEDULES

Connecticut Community Colleges

Combining Statement of Net Position

June 30, 2018

(in thousands)

CSCU

	Primary Institution													
	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Assets														
Current assets														
Cash and cash equivalents	$ 4,362	$ 6,217	$ 4,134	$ 23,261	$ 11,981	$ 4,972	$ 14,656	$ 4,227	$ 15,328	$ 9,485	$ 12,476	$ 5,582	$ 30,716	$ 147,397
Accounts receivable, due from the State	1,306	2,975	4,380	3,331	4,736	1,883	4,895	1,588	3,712	1,495	2,544	2,832	1,176	36,853
Accounts receivable other, net	1,167	2,033	1,696	1,265	1,474	599	2,438	162	1,086	354	901	844	4,147	18,166
Prepaid expenses	8	1	4	13	26	-	36	7	5	1	5	1	193	300
Total current assets	6,843	11,226	10,214	27,870	18,217	7,454	22,025	5,984	20,131	11,335	15,926	9,259	36,232	202,716
Non-current assets														
Capital assets, net	35,428	40,544	161,410	112,365	56,596	7,448	86,521	46,689	43,828	19,301	69,932	43,741	5,381	729,184
Student loans, net	24	3	-	(1)	-	(3)	-	-	15	-	(2)	121	-	157
Total non-current assets	35,452	40,547	161,410	112,364	56,596	7,445	86,521	46,689	43,843	19,301	69,930	43,862	5,381	729,341
Total assets	42,295	51,773	171,624	140,234	74,813	14,899	108,546	52,673	63,974	30,636	85,856	53,121	41,613	932,057
Deferred outflows of resources														
Deferred pension contributions													225,690	225,690
Deferred other post employment benefits	-	-	-	-	-	-	-	-	-	-	-	-	41,993	41,993
Total deferred outflows of resources	-	-	-	-	-	-	-	-	-	-	-	-	267,683	267,683
Liabilities														
Current liabilities														
Accounts payable	159	277	165	443	132	80	114	90	264	140	269	166	1,642	3,941
Accrued expenses-salary and fringe benefits	1,997	3,769	6,260	4,592	6,039	2,576	6,486	1,863	5,183	1,742	3,585	3,972	1,496	49,560
Accrued compensated absences-current portion	131	236	348	257	326	173	399	115	329	124	252	227	333	3,250
Unearned tuition, fees and grant revenue	413	956	1,082	808	2,033	914	1,852	249	1,434	183	416	1,092	2,951	14,383
Retainage	-	-	-	1,715	-	-	-	1,965	-	-	-	-	-	3,680
Agency and loan fund liabilities	60	111	229	82	208	212	307	46	260	49	263	153	-	1,980
Other liabilities	33	32	227	136	234	84	100	7	125	13	52	87	393	1,523
Total current liabilities	2,793	5,381	8,311	8,033	8,972	4,039	9,258	4,335	7,595	2,251	4,837	5,697	6,815	78,317
Non-current liabilities														
Pension liability, net	-	-	-	-	-	-	-	-	-	-	-	-	759,379	759,379
Other post employment benefits liability, net													847,845	847,845
Accrued compensated absences-long term portion	1,475	2,650	3,929	2,901	3,683	1,951	4,492	1,294	3,710	1,391	2,838	2,558	3,756	36,628
Other long-term liabilities	-	-	-	-	-	-		-	-	-	-	97	-	97
Total non-current liabilities	1,475	2,650	3,929	2,901	3,683	1,951	4,492	1,294	3,710	1,391	2,838	2,655	1,610,980	1,643,949
Total liabilities	4,268	8,031	12,240	10,934	12,655	5,990	13,750	5,629	11,305	3,642	7,675	8,352	1,617,795	1,722,266
Deferred inflows of resources														
Deferred pension asset gains													25,095	25,095
	-	-	-	-	-	-	-	-	-	-	-	-	47,015	47,015
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	-	-	72,110	72,110
Net position														
Invested in capital assets, net of related debt	35,428	40,544	161,410	112,365	56,596	7,448	86,521	46,689	43,828	19,301	69,932	43,741	5,381	729,184
Restricted														
Nonexpendable	-	-	-	20	-	-	-	-	-	-	-	-	-	20
Expendable	1,788	5,585	575	4,838	435	419	2,992	587	6,834	1,027	395	2,303	15,132	42,910
Unrestricted	811	(2,387)	(2,601)	12,077	5,127	1,042	5,283	(232)	2,007	6,666	7,854	(1,275)	(1,401,122)	(1,366,750)
Total net position	$ 38,027	$ 43,742	$ 159,384	$ 129,300	$ 62,158	$ 8,909	$ 94,796	$ 47,044	$ 52,669	$ 26,994	$ 78,181	$ 44,769	$ (1,380,609)	$ (594,636)

Connecticut Community Colleges

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018
(in thousands)

CSCU

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Operating revenues														
Student tuition and fees	$ 8,447	$ 12,604	$ 25,601	$ 17,406	$ 23,294	$ 9,991	$ 24,045	$ 4,180	$ 23,057	$ 5,432	$ 14,923	$ 14,468	$ 26	$ 183,474
Less: Scholarship discounts and allowances	(132)	(7,502)	(11,989)	(9,852)	(9,410)	(4,013)	(10,106)	(1,914)	(9,171)	(50)	(7,086)	(5,990)	-	(77,215)
Net tuition and fees	8,315	5,102	13,612	7,554	13,884	5,978	13,939	2,266	13,886	5,382	7,837	8,478	26	106,259
Federal grants and contracts	624	1,399	1,095	930	4,672	260	3,371	696	1,231	231	444	1,009	143	16,105
State and local grants and contracts	450	918	1,905	1,502	1,358	632	1,855	313	1,274	436	926	897	30	12,496
Private grants and contracts	134	543	139	759	326	80	493	149	1,104	162	315	146	140	4,490
Sales and services of educational departments	23	29	40	129	10	5	132	-	200	-	-	124	-	692
Other operating revenues	250	254	868	303	505	150	408	50	257	208	554	251	42	4,100
Total operating revenues	9,796	8,245	17,659	11,177	20,755	7,105	20,198	3,474	17,952	6,419	10,076	10,905	381	144,142
Operating expenses														
Instruction	11,351	16,862	29,990	18,107	25,650	11,526	28,736	6,908	24,668	7,015	17,637	16,657	11,834	226,941
Public service	-	22	143	-	2	20	534	206	-	40	-	2	20	989
Academic support	4,086	5,606	8,699	8,418	7,860	4,301	14,002	3,079	6,843	3,010	5,047	6,235	7,481	84,667
Library	333	934	1,525	1,133	1,378	719	950	643	865	824	711	959	556	11,530
Student services	2,412	3,852	5,885	4,976	5,773	1,960	4,814	2,306	5,848	1,844	4,129	3,945	3,012	50,756
Scholarship aid, net	4,702	2,530	3,637	3,667	3,355	1,206	4,116	419	3,836	3,565	2,272	2,288	113	35,706
Institutional support	2,984	4,744	4,627	6,540	6,907	3,786	5,971	2,947	5,676	2,183	3,502	3,077	24,014	76,958
Physical plant	2,252	3,930	7,832	6,627	6,727	1,944	8,210	1,756	4,829	1,912	3,415	2,814	4,151	56,399
Depreciation	1,892	2,075	5,347	2,858	3,174	862	3,795	1,685	1,984	1,079	2,852	1,534	2,280	31,417
Total operating expenses	30,012	40,555	67,685	52,326	60,826	26,324	71,128	19,949	54,549	21,472	39,565	37,511	53,461	575,363
Operating loss	(20,216)	(32,310)	(50,026)	(41,149)	(40,071)	(19,219)	(50,930)	(16,475)	(36,597)	(15,053)	(29,489)	(26,606)	(53,080)	(431,221)
Nonoperating revenues (expenses)														
State appropriations - general fund	11,859	19,544	33,112	23,863	29,137	13,617	33,225	10,995	24,460	10,976	19,139	19,054	22,677	271,658
State appropriations - bond funds	2,080	797	905	678	832	925	1,291	172	5,692	309	-	19	13,479	27,179
PELL grants	3,303	6,810	10,789	9,797	8,467	3,390	9,441	1,395	8,282	2,337	6,122	5,805	-	75,938
Private gifts	154	49	-	-	1	50	90	163	1,034	190	64	2	-	1,797
Mandatory transfer to State	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	24	24	44	229	167	56	165	31	124	115	172	41	298	1,490
Other non-operating revenues (expenses), net	-	-		-			-	-	-	-	-	-	-	-
Net non-operating revenues	17,420	27,224	44,850	34,567	38,604	18,038	44,212	12,756	39,592	13,927	25,497	24,921	36,454	378,062
Net income (loss) before other changes	(2,796)	(5,086)	(5,176)	(6,582)	(1,467)	(1,181)	(6,718)	(3,719)	2,995	(1,126)	(3,992)	(1,685)	(16,626)	(53,159)
Other changes														
Capital and other additions (deductions)	3,050	-	-	808	179	111	1,278	1,135	303	58	198	84	(7,204)	-
Interagency transfers	(804)	137	75	952	(2,133)	546	956	279	174	683	286	286	(1,437)	-
Total other changes	2,246	137	75	1,760	(1,954)	657	2,234	1,414	477	741	484	370	(8,641)	-
Change in net position	(550)	(4,949)	(5,101)	(4,822)	(3,421)	(524)	(4,484)	(2,305)	3,472	(385)	(3,508)	(1,315)	(25,267)	(53,159)
Net position at July 1, 2017	38,577	48,691	164,485	134,122	65,579	9,433	99,280	49,349	49,197	27,379	81,689	46,084	(1,355,342)	(541,477)
Net position at end of year	$ 38,027	$ 43,742	$ 159,384	$ 129,300	$ 62,158	$ 8,909	$ 94,796	$ 47,044	$ 52,669	$ 26,994	$ 78,181	$ 44,769	$ (1,380,609)	$ (594,636)

Connecticut Community Colleges
Combining Statement of Cash Flows
Year Ended June 30, 2018
(in thousands)

	Asnuntuck Community College	Capital Community College	Gateway Community College	Housatonic Community College	Manchester Community College	Middlesex Community College	Naugatuck Valley Community College	Northwestern Connecticut Community College	Norwalk Community College	Quinebaug Valley Community College	Three Rivers Community College	Tunxis Community College	System Office	Combined Total
Cash flows from operating activities														
Student tuition and fees	$ 3,965	$ 4,913	$ 13,215	$ 7,367	$ 13,770	$ 6,141	$ 13,978	$ 2,149	$ 13,779	$ 2,753	$ 7,684	$ 8,009	$ 301	$ 98,024
Government grants and contracts	923	2,328	2,850	2,593	5,690	1,048	5,406	1,017	2,440	812	1,594	1,856	814	29,371
Private grants and contracts	403	269	91	1,012	258	89	525	140	939	113	357	57	20	4,273
Sales and services of educational departments	23	20	40	128	10	5	132	-	202	-	-	119	-	679
Payments to employees	(11,275)	(18,489)	(30,325)	(21,145)	(27,788)	(12,005)	(31,652)	(9,146)	(26,605)	(8,611)	(18,170)	(18,427)	(10,341)	(243,979)
Payments for fringe benefits	(6,738)	(11,790)	(18,338)	(13,195)	(17,948)	(7,168)	(20,741)	(5,932)	(14,626)	(5,332)	(11,173)	(11,477)	(6,035)	(150,493)
Payments to students	(2,259)	(2,854)	(4,324)	(4,110)	(3,468)	(1,874)	(4,403)	(655)	(4,491)	(753)	(2,744)	(2,796)	(136)	(34,867)
Payments to vendors	(5,816)	(5,515)	(9,992)	(10,803)	(7,632)	(4,427)	(8,888)	(2,786)	(7,454)	(2,790)	(4,794)	(4,560)	(11,391)	(86,848)
Payments by Department of Public Works	-	-	(4)	-	-	-	(7)	-	-	-	-	-	(14)	(25)
Other receipts (payments), net	414	435	1,668	360	1,322	260	311	151	773	249	725	628	1,931	9,227
Net cash used in operating activities	(20,360)	(30,683)	(45,119)	(37,793)	(35,786)	(17,931)	(45,339)	(15,062)	(35,043)	(13,559)	(26,521)	(26,591)	(24,851)	(374,638)
Cash flows from investing activities														
Interest income	21	31	37	189	133	44	144	30	103	95	144	36	242	1,249
Net cash provided by investing activities	21	31	37	189	133	44	144	30	103	95	144	36	242	1,249
Cash flows from capital and related financing activities														
State appropriations	781	76	184	203	54	72	185	29	5,143	15	-	5	4,281	11,028
Payments by Department of Public Works	(1,537)	(9)	(387)	(7,689)	(13)	-	(4,193)	(4,164)	(161)	(88)	(75)	-	(29)	(18,345)
Purchase of capital assets	(1,148)	(197)	(320)	(920)	(114)	(149)	(413)	(261)	(89)	(246)	(354)	(180)	(6,216)	(10,607)
Interagency transfers	(1,750)	-	-	(763)	-	-	-	-	-	-	-	-	2,513	-
Net cash (used in) provided by capital and related financing activities	(3,654)	(130)	(523)	(9,169)	(73)	(77)	(4,421)	(4,396)	4,893	(319)	(429)	(175)	549	(17,924)
Cash flows from noncapital financing activities														
State appropriations	13,506	19,767	33,145	24,305	28,657	14,094	33,569	10,855	24,673	10,998	18,902	18,751	27,167	278,389
PELL grants	3,265	6,763	10,874	9,920	8,443	3,529	9,472	1,394	8,249	2,347	6,129	5,815	-	76,200
Private gifts	187	45	-	-	-	98	36	150	1,034	188	55	1	-	1,794
Federal Family Education Loan Program (FFELP)	1,984	804	870	853	543	495	811	140	640	-	879	1,178	-	9,197
Interagency transfers	468	145	76	966	(2,123)	546	722	280	283	655	286	286	(2,590)	-
Net cash provided by noncapital financing activities	19,410	27,524	44,965	36,044	35,520	18,762	44,610	12,819	34,879	14,188	26,251	26,031	24,577	365,580
Net increase (decrease) in cash and cash equivalents	(4,583)	(3,258)	(640)	(10,729)	(206)	798	(5,006)	(6,609)	4,832	405	(555)	(699)	517	(25,733)
Cash and cash equivalents at beginning of year	8,945	9,475	4,774	33,990	12,187	4,174	19,662	10,836	10,496	9,080	13,031	6,281	30,199	173,130
Cash and cash equivalents at end of year	$ 4,362	$ 6,217	$ 4,134	$ 23,261	$ 11,981	$ 4,972	$ 14,656	$ 4,227	$ 15,328	$ 9,485	$ 12,476	$ 5,582	$ 30,716	$ 147,397

Connecticut Community Colleges

Combining Statement of Net Position by Fund Group

As of June 30, 2018
(in thousands)

	Primary Institution					
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	Total
Assets						
Current assets						
Cash & cash equivalents	$ 103,169	$ 1,919	$ 15,991	$ 26,318	$ -	$ 147,397
Accounts receivable-general fund	36,853	-	-	-	-	36,853
Accounts receivable-other	14,643	53	3,470	-	-	18,166
Prepaid expense	109	-	191	-	-	300
Total current assets	154,774	1,972	19,652	26,318	-	202,716
Non-current assets						
Land and land/site improvements	-	-	-	-	28,336	28,336
Infrastructure	-	-	-	-	516	516
Buildings and building improvements	-	-	-	-	890,956	890,956
Furnishings and equipment	-	-	-	-	90,290	90,290
Library books	-	-	-	-	5,061	5,061
Software	-	-	-	-	210	210
	-	-	-	-	1,015,369	1,015,369
Less: Accumulated depreciation	-	-	-	-	(369,726)	(369,726)
	-	-	-	-	645,643	645,643
Construction in progress	-	-	-	-	83,541	83,541
Capital assets, net	-	-	-	-	729,184	729,184
Student loans						
Student loans receivable	-	157	-	-	-	157
Total non-current assets	-	157	-	-	729,184	729,341
Total assets	$ 154,774	$ 2,129	$ 19,652	$ 26,318	$ 729,184	$ 932,057
Deferred outflows of resources						
Deferred pension contributions	225,689	-	-	-	-	225,689
Deferred other post employment benefits	41,993	-	-	-	-	41,993
Total deferred outflows of resources	267,682	-	-	-	-	267,682
Liabilities						
Current liabilities						
Accounts payable	$ 1,987	$ -	$ 1,954	$ -	$ -	$ 3,941
Accrued expense - salary and fringe benefits	49,560	-	-	-	-	49,560
Accrued compensated absences-current portion	3,250	-	-	-	-	3,250
Unearned tuition, fees and grant revenue	14,383	-	-	-	-	14,383
Retainage	-	-	-	3,680	-	3,680
Other liabilities	1,523	1,980	-	-	-	3,503
Total current liabilities	70,703	1,980	1,954	3,680	-	78,317
Non-current liabilities						
Pension liability, net	759,379	-	-	-	-	759,379
Other post employment benefits liability, net	847,845	-	-	-	-	847,845
Accrued compensated absences-long term portio	36,628	-	-	-	-	36,628
Student loans	-	97	-	-	-	97
Total non-current liabilities	1,643,852	97	-	-	-	1,643,949
Total liabilities	1,714,555	2,077	1,954	3,680	-	1,722,266
Deferred inflows of resources						
Deferred pension asset gainss	25,094	-	-	-	-	25,094
Deferred other post employment benefit asset gain	47,015	-	-	-	-	47,015
Total deferred inflows of resources	72,109	-	-	-	-	72,109
Net position						
Invested in capital assets, net of related debt		-	-		729,184	729,184
Restricted						
Non-expendable	-	20	-	-	-	20
Expendable	2,542	32	17,698	22,638		42,910
Unrestricted	(1,366,750)	-	-	-	-	(1,366,750)
Total net position	$ (1,364,208)	$ 52	$ 17,698	$ 22,638	$ 729,184	$ (594,636)

Connecticut Community Colleges

Combining Statement of Revenues, Expenses and Changes in Net Position by Fund Group

Year Ended June 30, 2018
(in thousands)

	Primary Institution					
	Operating and General Funds	Endowment, Loan, and Agency Funds	Agency Administered Bond Funds	DCS Administered Bond Funds	Invested in Capital Assets	Total
Operating revenues						
Tuition and Fees	$ 183,474	$ -	$ -	$ -	$ -	$ 183,474
Less: Scholarship discounts and allowances	(77,215)	-	-	-	-	(77,215)
Net tuition and fees	106,259	-	-	-	-	106,259
Federal grants and contracts	16,105	-	-	-	-	16,105
State and local grants and contracts	12,496	-	-	-	-	12,496
Private grants and contracts	4,490	-	-	-	-	4,490
Sales and services of educational departments	692	-	-	-	-	692
Other operating revenues	4,168	-	-	-	(68)	4,100
Total operating revenues	144,210	-	-	-	(68)	144,142
Operating expenses						
Salaries and wages	253,411	-	-	-	-	253,411
Fringe benefits	178,982	-	-	-	-	178,982
Supplies and services	53,637	-	20,911	1,112	187	75,847
Scholarship aid, net	35,700	6	-	-	-	35,706
Depreciation	-	-	-	-	31,417	31,417
Total operating expenses	521,730	6	20,911	1,112	31,604	575,363
Operating loss	(377,520)	(6)	(20,911)	(1,112)	(31,672)	(431,221)
Nonoperating revenues (expenses)						
State appropriations - general fund	271,658	-	-	-	-	271,658
State appropriations - bond funds	-	-	22,010	5,169	-	27,179
PELL grants	75,938	-	-	-	-	75,938
Private gifts	1,735	-	-	-	62	1,797
Interest income	1,490	-	-	-	-	1,490
Mandatory transfer to State	-	-	-	-	-	-
Other non-operating revenues (expenses), net	-	-	-	-	-	-
Net non-operating revenues	350,821	-	22,010	5,169	62	378,062
Net income (loss) before other changes	(26,699)	(6)	1,099	4,057	(31,610)	(53,159)
Other changes						
Capital and other additions (deductions)	(809)	-	(10,134)	(16,264)	27,207	-
Interagency transfers	-	-	2,404	(2,404)	-	-
Total other changes	(809)	-	(7,730)	(18,668)	27,207	-
Change in net position	(27,508)	(6)	(6,631)	(14,611)	(4,403)	(53,159)
Net position as restated at July 1, 2017	(1,336,700)	58	24,329	37,249	733,587	(541,477)
Net position at end of year	$ (1,364,208)	$ 52	$ 17,698	$ 22,638	$ 729,184	$ (594,636)

1. Basis of Presentation of Supplemental Information

The supplementary schedules are presented to provide information from the stand-alone books and records of the colleges and system office. The supplementary schedules exclude certain eliminating entries necessary to prepare the consolidated financial statements of CCC. 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 colleges as reported in the financial statements of CCC because the liability has not been allocated to the colleges but rather is reflected only at the CCC system level in the basic financial statements.