Financial Statements,
Required Supplementary Information, and
Additional Supplemental Information

Connecticut State University System

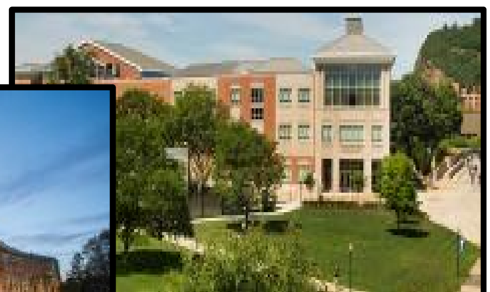
June 30, 2016

CSCU

Connecticut State
Colleges & Universities

Connecticut State Universities Mission Statement

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



CSCU

Members of the Board of Regents for Higher Education
(Between 7/1/15 – 6/30/16)

- 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 6/30/16 (2 vacancies)

Nicholas M. Donofrio, Chairman
Yvette Meléndez, Vice Chair
Richard J. Balducci
Naomi K. Cohen
Lawrence J. DeNardis
Matt Fleury
Merle W. Harris
David R. Jimenez
William J. McGurk
JoAnn H. Price
Elease E. Wright
Holly Palmer (Charter Oak State College (COSC) Student; elected April 2016)
Gordon Plouffe (CT Community College (CCC) student; elected September 2015)

Ex-Officio, Non-voting members

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

Former Board members (who served between 7/1/15 – 6/30/16)
Jewel Mullen – Commissioner, CT Department of Public Health (term ended November, 2015)
Sharon Palmer – Commissioner, CT Department of Labor (term ended December, 2015)
Sarah E. Greco, CT State University (CSU) Student (resigned March 2016)
Robert E. Brown – VC of FAC (term ended December 2015)

Connecticut State Universities

Central Connecticut State University (CCSU)
1615 Stanley Street
New Britain, CT 06050
Dr. John W. Miller, President

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

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

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

System Office, Connecticut State Colleges & Universities
61 Woodland Street
Hartford, CT 06105
Dr. Gregory W. Gray, President (Special Adviser to the President Effective 9/28/2015)
Mark E. Ojakian, President (Effective 9/28/2015)

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

Introduction

Management's Discussion and Analysis provides an overview of the comparative financial position and results of activities of the Connecticut State University System ("CSU" or "System") and its component units for the fiscal year ended June 30, 2016 with comparative information for the fiscal year ended June 30, 2015. This discussion has been prepared by and is the responsibility of management, and should be read in conjunction with the financial statements and footnote disclosures which follow this section.

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

CSU is a state-wide public university system of higher learning in the State of Connecticut with approximately 33,600 enrolled students. The Universities offer high-quality applied educational doctoral, graduate and undergraduate programs in more than 147 subject areas and provide extensive opportunities for internships, community service and cultural engagement. In total, CSUS employed approximately 3,200 full time employees at June 30, 2016.

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

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

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

Using the Financial Statements

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

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

During fiscal year 2016, management identified certain errors in the fiscal year 2015 financial statements related to accounting and reporting for pensions, reporting Pell revenues and reporting bond premiums and discounts. As a result, amounts reported in fiscal year 2015 within the FY16 management discussion and analysis have been restated to reflect the correction of these errors. Refer to footnote 1 of the financial statements for further details related to amounts adjusted in connection with the pension accounting. With respect to changes in reporting of Pell revenues, prior to fiscal year 2016, Pell revenues had been incorrectly reported as operating revenues rather than non-operating revenues. This change impacted operating results (vs. non-operating results), but had no impact on change in net position. With respect to changes in reporting of bond premiums and discounts, these amounts had previously been reported as deferred outflows or deferred inflows rather than as a liability associated with the bond principal outstanding. This change reduced deferred outflows and inflows, and increased total liabilities, but had no impact on the change in net position or beginning net position. All amounts presented in the following MD&A have been restated to reflect the corrected amounts for fiscal year 2015.

Financial Highlights

At June 30, 2016, total assets of the System were $1,686.2 million, a decrease of $9.7 million or -0.6% less than the prior year amount of $1,696 million, primarily due to a decrease in investments of $35.1 million and an increase in investment in plant of $71.2 million.

Condensed Statement of Net Position
June 30, 2016 and 2015
(in millions)

	2016	2015 (Restated*)	% Change
ASSETS			
Current assets	$ 317.9	$ 342.5	-7.2%
Non-current assets:			
Capital assets, net	1,193.7	1,175.2	1.6%
Other	174.6	178.3	-2.1%
Total Assets	1,686.2	1,696.0	-0.6%
DEFERRED OUTFLOWS OF RESOURCES	165.8	123.6	34.1%
LIABILITIES			
Current liabilities	142.8	161.0	-11.3%
Non-current liabilities	1,028.9	970.5	6.0%
Total liabilities	1,171.7	1,131.5	3.6%
DEFERRED INFLOWS OF RESOURCES	0.1	21.5	-99.8%
NET POSITION			
Invested in capital assets - net of related debt	1,023.0	1,016.7	0.6%
Restricted nonexpendable	0.5	0.5	0.0%
Restricted expendable	18.3	19.9	-8.0%
Unrestricted	(361.6)	(370.5)	-2.4%
Total net position	680.2	666.6	2.0%
Total liabilities and net position	$ 1,851.9	$ 1,798.1	3.0%

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

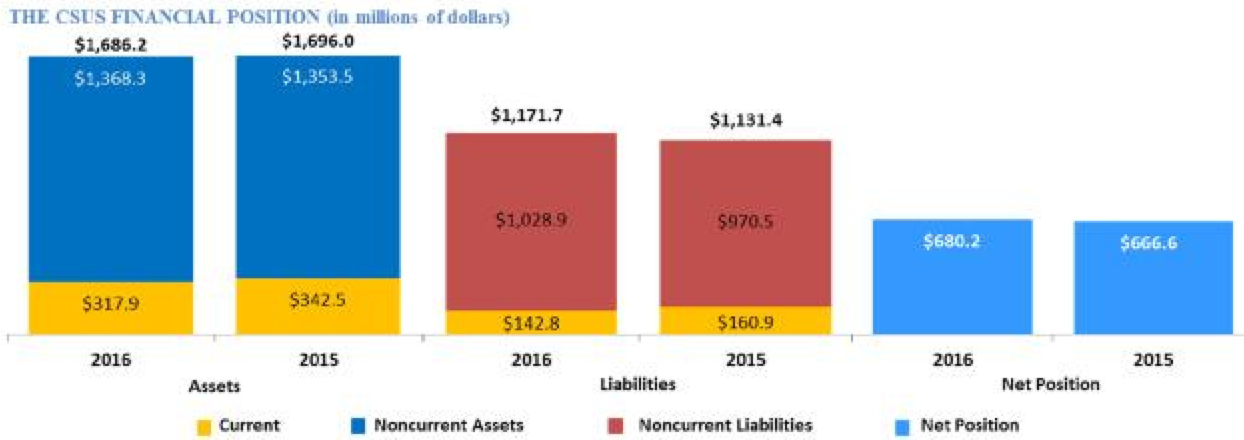
Total liabilities at June 30, 2016 of $1,171.7 million increased by $40.2 million, primarily due to an increase in pension liability of $76.5 million resulting from an increase to CSUS's proportionate share of the State's pension liability and a decrease in bonds payable of $21.7 million.

At June 30, 2016, total net position, which represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was $680.2 million, an increase of $13.6 million or 2.0% over last fiscal year's net position of $666.6 million. This increase was primarily due to an increase in capital assets, net of related debt of $6.4 million.

Statement of Net Position

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

Current assets at June 30, 2016 of $317.9 million decreased by $24.6 million or 7.2% primarily due to the decrease in investments of $35.1 million. The latter is mainly a result of the spend down of bond proceeds for the construction of a residence hall at CCSU. Total current assets represent coverage of current operating expenses excluding depreciation and amortization of approximately nine months. As noted above, current assets are impacted by a change in accounting for unearned student tuition (receivables). The System's current ratio of 2.2:1 at the end of fiscal year 2016 is an increase from a ratio of 2.1:1 from the prior fiscal year end.



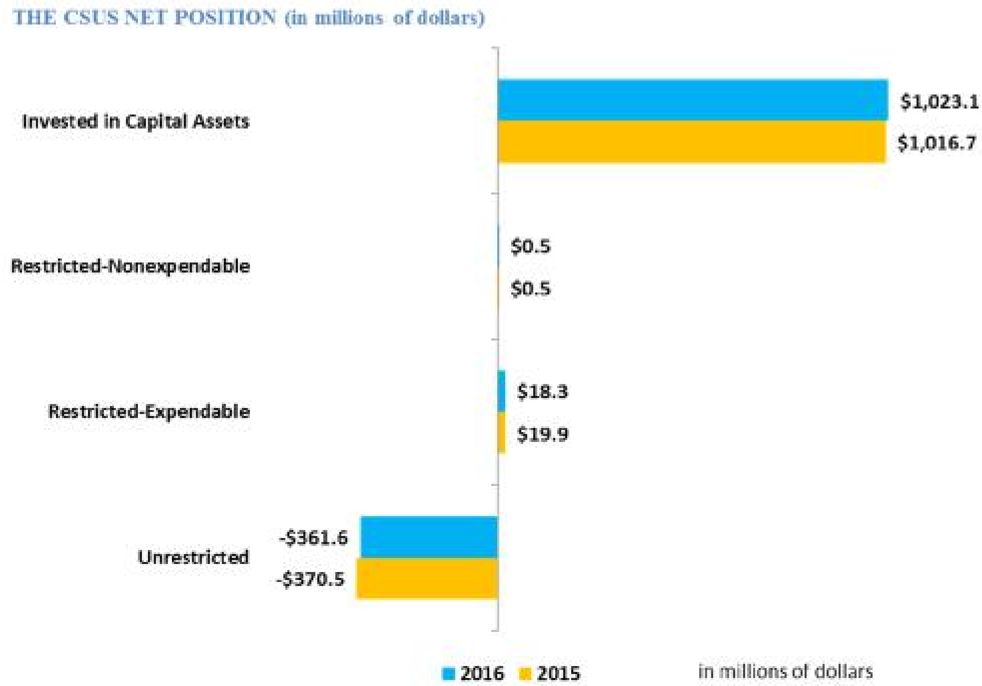
Total non-current assets at June 30, 2016, of $1,368.3 million increased by $14.8 million or 1.1% from the fiscal year 2015 level of $1,353.5 million primarily due to increases in net investment in plant of $18.5 million.

Current liabilities at June 30, 2016 of $142.8 million decreased by $18.1 million, mainly due to the decrease in unearned tuition, fees and grant revenue of $4.6 million, a decrease in accounts payable of $4.2 million and a decrease in bonds payable of $1.7 million.

Non-current liabilities at June 30, 2016 of $1,028.9 million increased by $58.4 million. This is mainly due to an increase in net pension liability of $76.5 million resulting from an increase to CSUS's proportionate share of the State's pension liability and a decrease in Bonds Payable of $20.0 million due to debt service payments.

Pension liabilities represent the System's proportionate share of the State Employee Retirement System's (SERS) and the Teachers Retirement System's (TRS) net pension liability. In June 2012 GASB released Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, with an effective date of June 30, 2015. This Statement established standards for measuring and recognizing future defined benefit pension liabilities. As defined in this Statement, SERS is considered a single employer plan and the CSU System is considered a cost-sharing employer of TRS. These accounting requirements do not impact the System's funding requirements for the pension plans. The System's total net pension liability was $664.1 million at June 30, 2016.

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



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

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

Without reflecting the net pension liability, unrestricted net position increased $21.7 million. This is primarily the result of increases in tuition and fees, auxiliary revenues and state appropriations – general fund totaling $33.3 million which are partially offset by increased operating expenses.

At fiscal year end June 30, 2016, the System had total investment in plant assets of $2,013.3 million, an increase of $71.2 million or 3.7% over the fiscal year end 2015 level of $1,942.1 million. This increase was primarily due to the increase in buildings & improvements placed in service. Total additions to depreciable capital assets of $241.8 million during the fiscal year reflect the System's continued commitment to provide its students with state-of-the-art buildings and equipment as more CSUS projects continue to be started and/or completed.

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

	2016	2015	% Change current yr
Land	$ 19.9	$ 19.7	1.0%
Buildings & improvements	1,596.9	1,380.8	15.7%
Land improvements	102.9	102.7	0.2%
Furniture, Fixtures & Equipment	162.3	155.4	4.4%
Library books and materials	72.5	71.0	2.1%
Construction in progress	58.8	212.5	-72.3%
Total investment in plant	2,013.3	1,942.1	3.7%
Less accumulated depreciation	819.6	766.9	6.9%
Investment in plant, net of depreciation	$ 1,193.7	$ 1,175.2	1.6%

In 1997, Governor John Rowland committed to support $320 million in general obligation bonding for capital projects and information technology equipment over a five-year period for CSUS. Between July 1, 1997 and June 30, 2002, approximately $352.2 million was allocated by the State Bond Commission specifically for capital projects and information technology equipment for the System. In 2001, Governor Rowland announced his support to extend his commitment to the System for an additional five-year period during which the State would commit to support $400 million in general obligation bonding. During fiscal years 2003 and 2004, under Governor Rowland's administration, and during fiscal years 2005, 2006 and 2007, under Governor M. Jodi Rell's administration, an additional $279.2 million was allocated by the Bond Commission for CSUS capital projects. In November 2007, Governor Rell signed Public Act 07-7, "An Act Authorizing and Adjusting Bonds of the State for Capital Improvements and Transportation Infrastructure Improvements and Concerning the Connecticut State University Infrastructure Act" which authorized $80 million for CSUS capital projects. Of that amount, $41.7 million was allocated by the Bond Commission during 2008, $19.3 million was allocated during 2009, $2.0 million during 2010, $12.8 million during 2011, $3.5 million during 2013, and $0 was allocated during 2014, 2015 & 2016. The total amount of allocations to CSUS between 1997 and 2013 were $710.7 million.

Public Act 07-7 also established a $950 million, 10-year program to support the financing of acquisition, construction, reconstruction, improvement and equipping of the facilities, structures, and related systems at the four CSUS Universities. Effective July 1, 2008, this program, known as "CSUS 2020", provides CSUS with additional flexibility in the allocation of bond funds, through the one time allocation of $950 million, with allotments approved annually by the Governor, thus allowing for more timely completion of major University construction projects. For FY 15 CSUS 2020 was renamed "CSCU 2020" with total funding increased to $1,053,500,000. During FY 2009, the CSU System received $95 million to finance the first year of the program. In FY 2010, the Governor deferred funding of the second year of the program, due to the fiscal condition of the state. In FY 2011, CSUS received the $95 million that had been deferred in FY 2010 and received an additional $95 million in 2012 for FY 2011, $95 million in 2013 for FY2012, $95 million in 2014 for FY2013, $95 million in 2015 for FY2014 and $175 million in 2016 for FY2015.

In addition to its capital plan for academic and related facilities that are supported by State general obligation bonds, the System is in the nineteenth year of its long-range capital plan for the renovation and development of auxiliary service facilities. Construction funds available from nine Connecticut Health and Educational Facilities Authority ("CHEFA") revenue bond issues totaled $24.0 million, at June 30, 2016. In FY2015, CHEFA O series of bonds was issued on September 11, 2014 at $21.2 million to refund selected maturities from prior CHEFA bond issues. Through this reporting period there were no pending approvals to move forward for financing under CHEFA.

Statement of Revenues, Expenses and Changes in Net Position

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

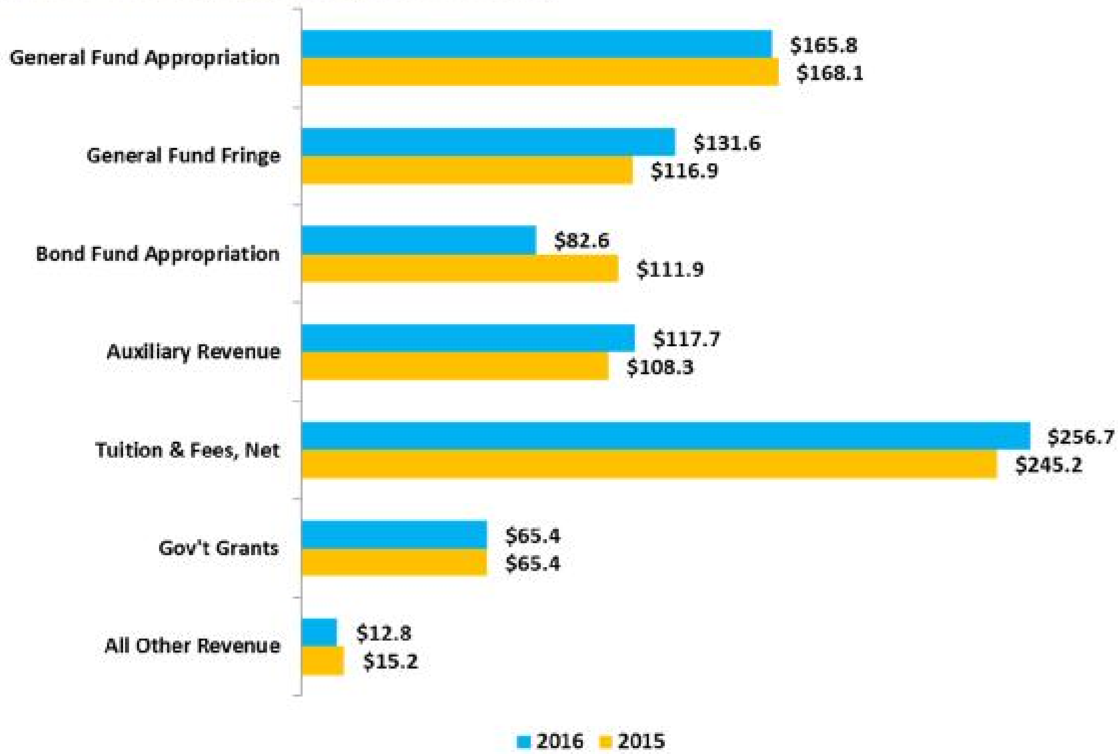
Condensed Statement of Revenues, Expenses and Changes in Net Position
June 30, 2016 and 2015
(in millions)

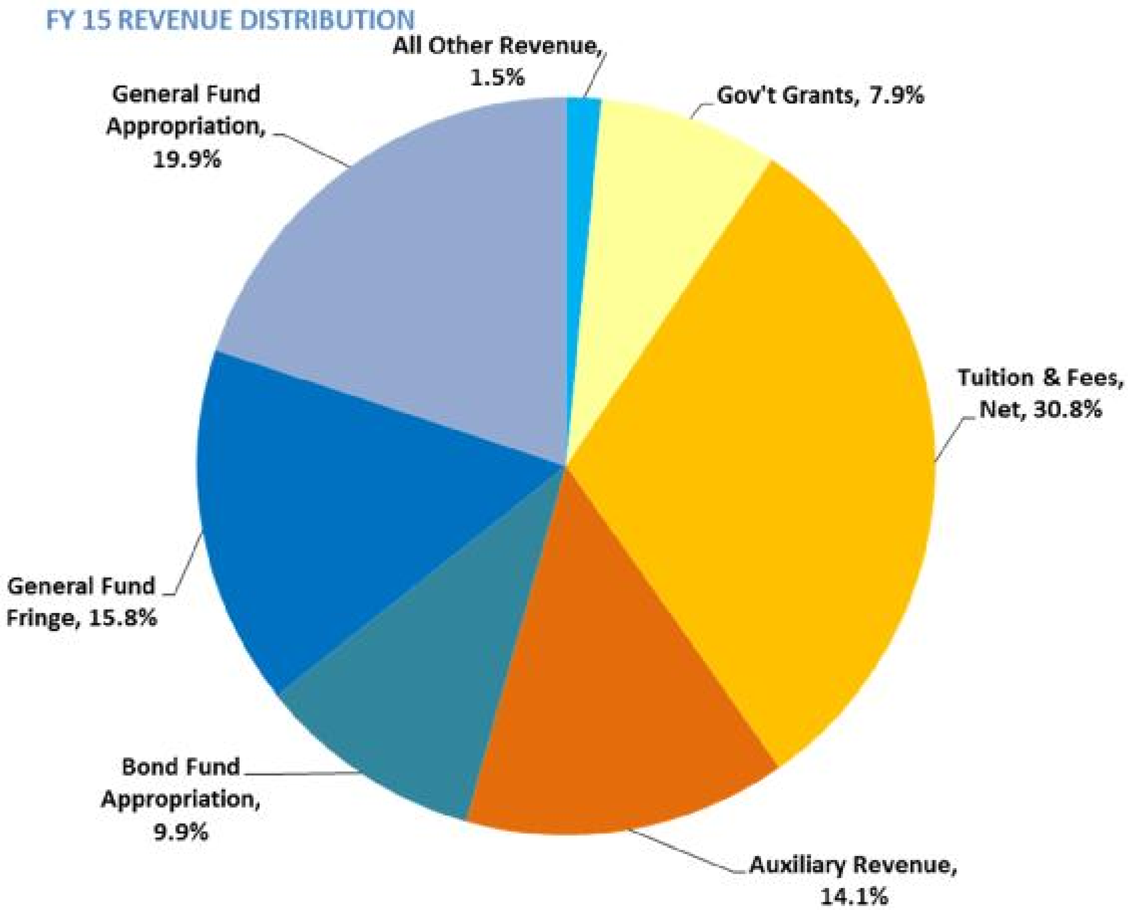
	2016	2015 (Restated*)	% Change
OPERATING REVENUES			
Tuition and fees, Net	$ 256.7	$ 245.2	4.7%
Auxiliary revenues	117.7	108.3	8.7%
Grants & indirect cost recoveries	24.1	24.7	-2.5%
Other	20.0	22.9	-12.7%
Total operating revenues	418.5	401.1	4.3%
OPERATING EXPENSES			
Expenses before depreciation and amortization	754.8	714.4	5.7%
Depreciation	64.1	60.2	6.5%
Amortization	0.1	0.1	0.0%
Total operating expenses	819.0	774.7	5.7%
Operating loss	(400.5)	(373.6)	7.2%
NON-OPERATING REVENUES (EXPENSES)			
State appropriations - general fund	297.4	285.0	4.4%
State appropriations - bond fund	82.6	111.9	-26.2%
PELL Grant Revenue	41.3	40.7	1.5%
Investment income	1.7	1.1	54.5%
Other	(8.9)	(8.8)	1.1%
Total non-operating revenues (expenses)	414.1	429.9	-3.7%
NET POSITION			
Change in net position	13.6	56.3	-75.9%
Net position, beginning of year	666.6	610.3	9.2%
Net position, end of year	$ 680.2	$ 666.6	2.0%

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

In fiscal year 2016, state appropriations of $380 million, representing 45.6% of the System's total net revenues, were $16.9 million or 4.3% below fiscal year 2015. State appropriations are received for both operating and capital purposes. In the current year the System was allotted $297.4 million for operating purposes, an increase of 4.4% over the prior year, and $82.6 million for capital purposes a decrease of 26.2% from the prior year. The majority of the State appropriation dollars for operating purposes are used to fund salaries and fringe benefits. Approximately 55.1% of the System's fiscal year 2016 full time salary and fringe benefit costs were funded from State appropriations.

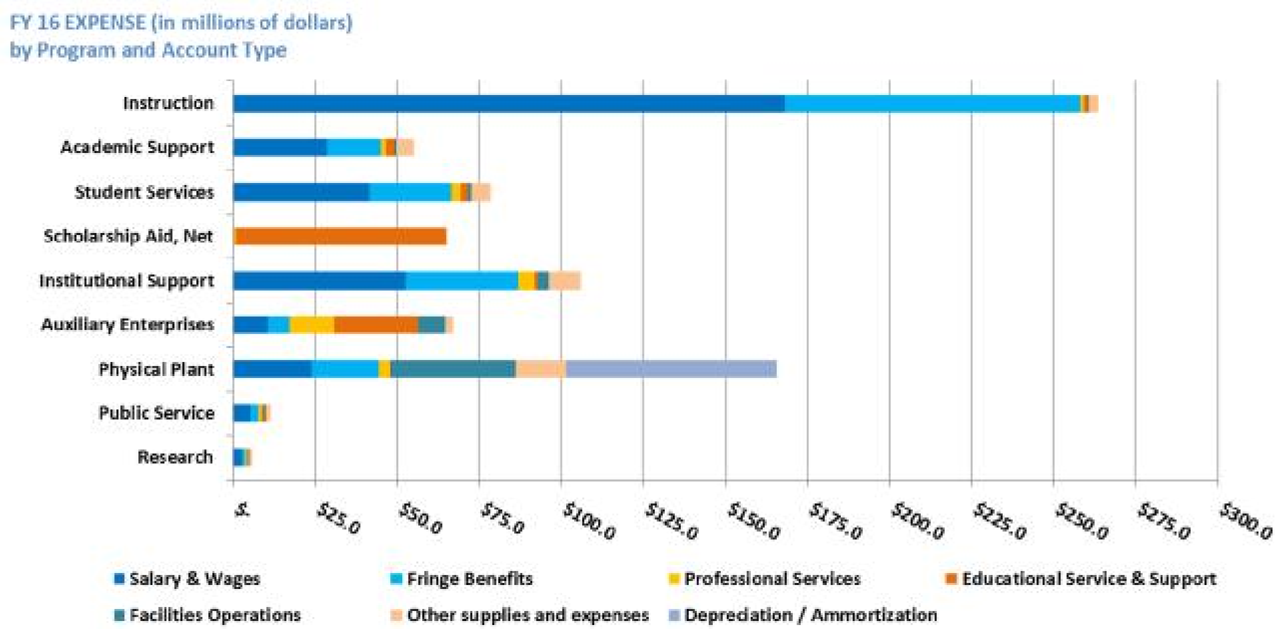
REVENUE SUMMARY (in millions of dollars)

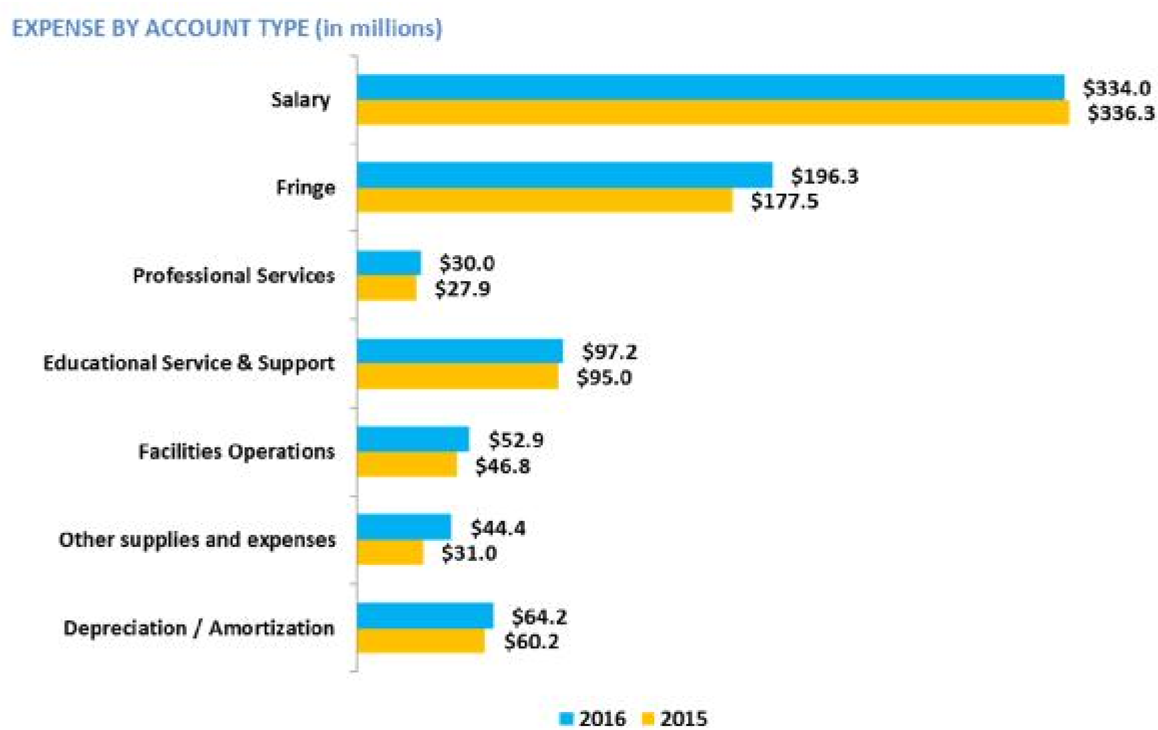




In fiscal 2016, total operating expenses less depreciation and amortization of $754.8 million increased by $40.4 million or 5.7% from the prior fiscal year. The most significant increases in cost were in the operation of facilities which increased $6 million and in other operating expenses which increased $13.4 million over the prior year. This is primarily a result of new buildings placed into operation including a new food service facility (CCSU), a new fine arts instructional center (ECSU), a new academic laboratory building (SCSU), a new residential life hall (CCSU). Other significant increases were related to the recording of fringe pension expenses associated with the GASB No. 68 adjustments. This is CSU's proportionate share of the pension expense net of actual contributions made subsequent to the measurement date.

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


FY 16 EXPENSE (in millions of dollars)
by Program and Account Type
Instruction
Academic Support
Student Services
Scholarship Aid, Net
Institutional Support
Auxiliary Enterprises
Physical Plant
Public Service
Research
$-
$25.0
$50.0
$75.0
$100.0
$125.0
$150.0
$175.0
$200.0
$225.0
$250.0
$275.0
$300.0
Salary & Wages
Fringe Benefits
Professional Services
Educational Service & Support
Facilities Operations
Other supplies and expenses
Depreciation / Ammortization


EXPENSE BY ACCOUNT TYPE (in millions)
Salary
$334.0
$336.3
Fringe
$196.3
$177.5
Professional Services
$30.0
$27.9
Educational Service & Support
$97.2
$95.0
Facilities Operations
$52.9
$46.8
Other supplies and expenses
$44.4
$31.0
Depreciation / Amortization
$64.2
$60.2
2016
2015

Statement of Cash Flows

The statement of cash flows presents the significant sources and uses of cash. The System's net change in cash and cash equivalents at June 30, 2016 decreased $0.2 million or -1.8%. This was primarily due to a $37.3 million increase in cash used in operating activities, a $50.5 million reduction in cash used in capital & related financing activities, and a decrease in cash provided by investing activities of $15.5 million.

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

	2016	2015 (Restated*)	% Change
CASH PROVIDED (USED) BY			
Operating activities	$ (320.0)	$ (282.7)	-13.2%
Non-Capital financing activities	333.0	330.9	0.6%
Capital & related financing activities	(43.0)	(93.5)	-54.0%
Investing activities	40.7	56.2	27.6%
Net change in cash and cash equivalents	10.7	10.9	-1.8%
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents, beginning of year	330.7	319.8	3.4%
Cash and cash equivalents, end of year	$ 341.4	$ 330.7	3.2%

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

Economic Outlook

Enrollment

The following table indicates historical enrollment of undergraduate and graduate students for the 2011-2012 through 2015-2016 academic years. Also indicated is full-time equivalent student enrollment.

Fall Headcount Enrollment and Full Time Equivalent								
Year Ending June 30	Undergraduate	% Change	Graduate	% Change	TOTAL	% Change	Full Time Equivalent	% Change
2016	27,853	-2.56%	5,334	-3.30%	33,187	-2.68%	27,262	-1.70%
2015	28,585	-0.40%	5,516	2.85%	34,101	0.11%	27,734	-0.70%
2014	28,699	-2.08%	5,363	-2.77%	34,062	-2.19%	27,930	-1.98%
2013	29,308	-2.14%	5,516	-9.54%	34,824	-3.39%	28,494	-2.50%
2012	29,949	-0.57%	6,098	-6.29%	36,047	-1.59%	29,224	-1.28%

Student Admissions

The table below shows the total of new full-time freshmen applications received, the number accepted, and the number who enrolled for the fall semesters of academic years 2012 through 2016.

Fall Semester First-Time Full-Time Student Admissions					
Year Ending June 30	Number of Applicants	Percent Accepted	Number Accepted	Percent Enrolled	Number Enrolled
2016	27,691	62.18%	17,219	26.00%	4,477
2015	21,233	62.96%	13,369	31.96%	4,273
2014	19,055	67.45%	12,852	34.13%	4,386
2013	18,979	66.75%	12,668	35.64%	4,515
2012	18,968	66.68%	12,647	35.55%	4,496

The Connecticut State Universities will confront significant challenges and opportunities in the years ahead. The factors that will have the greatest financial impact on the state universities are the trend of flattening and declining enrollment and the current fiscal condition of the state of Connecticut, which projects budget deficits in the next biennial budget cycle.

Full time equivalent enrollments for the fall of FY2016 are down and have been declining for the past 5 years. Total headcount enrollment decreased by 2.68%, from 34,101 students in fall of 2014 to 33,187 students as compared to fall 2015. Fall full time undergraduate enrollment dropped by 2.56% from fall 2014, and full time graduate enrollment decreased by 3.3% in the same period. The State demographics suggest a decreasing population of high school graduates over the coming year. In the absence of success in retention and increasing student demand from other sources, the state Universities will see a decline in enrollment in the short term, if projections of high school graduations are realized. The Universities are developing strategies to enhance enrollment, including both Connecticut residents and out-of-state students.

The slight reduction in FY2016 enrollments were offset by an increase in tuition and fee rates of 4.8% for in-state students and 4.7% for out of state students, resulting in relatively flat tuition and fee revenue.

Fringe benefit costs in FY2017 are expected to continue to increase significantly due to, among other factors, higher health care costs, and payments due to the state’s pension plans.

During fiscal year 2016, projects at the Universities in design include renovations to Willard and Diloretto Halls (CCSU), renovations and additions to Barnard Hall (CCSU), Kaiser Sports Center Annex (CCSU), new Engineering Building (CCSU), renovations to Shafer Hall (ECSU) and Goddard Hall/Media Building renovations (ECSU), Health & Human Service Facility (SCSU) and renovations to Higgins Hall (WCSU). In construction are: renovations to Litchfield Hall (WCSU). Construction that was completed includes a new food service facility (CCSU), a new fine arts instructional center (ECSU), a new academic laboratory building (SCSU), a new residential life hall (CCSU) and resident life wireless telecommunication upgrades (system wide).

The mission of CSCU was established at the time the system was created:

> The Connecticut State Colleges & Universities (CSCU) contribute to the creation of knowledge and the economic growth of the state of Connecticut by providing affordable, innovative, and rigorous programs. Our learning environments transform students and facilitate an ever increasing number of individuals to achieve their personal and career goals.

The Board of Regents also set forth the following five goals to accomplish its mission:

> Goal 1: A Successful First Year: Increase the number of students who successfully complete a first year of college.
> Goal 2: Student Success: Graduate more students with the knowledge and skills to achieve their life and career goals.
> Goal 3: Affordability and Sustainability: Maximize access to higher education by making attendance affordable and our institutions financially sustainable.
> Goal 4: Innovation and Economic Growth: Create educational environments that cultivate innovation and prepare students for successful careers in a fast changing world.
> Goal 5: Equity: Eliminate achievement disparities among different ethnic/racial, economic, and gender groups.

Embedded in these goals are the concepts of affordability, access, and sustainability which form the basis for all strategic and tactical decision-making within the system.

In the interest of continuing progress towards achieving goals and for dealing with an ever-changing operational environment and fiscal challenges, management has formed six workgroups to identify ways in which to foster greater organizational effectiveness, improve processes and practices, promote innovations and strategic partnerships, and identify potential costs savings. The workgroups were formed in summer 2016 and are comprised of staff, presidents, and faculty members. The teams have planned, evaluated current circumstances, identified opportunities for improvement, solicited input from stakeholders and subject matter experts, and arrived at preliminary recommendations. The areas under focus are human resources, compliance programs, contracting and purchasing, recruitment and retention, financial aid, and marketing. Final recommendations are expected to be presented to the Board in spring 2017.

Additional Information

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Regents of
Connecticut State Colleges and Universities

Report on the financial statements

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

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 unit (the affiliated foundations ("Foundations")), which statements reflect total assets of $130.8 million and total net assets of $129.6 million as of June 30, 2016 and total revenues, gains, and other support of $13.5 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Connecticut State University System as of June 30, 2016, 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 of June 30, 2016, 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.

As discussed in Note 1, the beginning net position as of July 1, 2015 has been restated in connection with a correction of an error related to the adoption of a new accounting standard related to pension accounting. 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 12 and the Schedule of Net Pension Liability and Related Ratios and Schedule of Contributions on pages S-2 through S-4 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 Entity's basic financial statements. The supplemental Combining Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Combining Statement of Cash Flows included on pages S-5 through S-11 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton LLP

Westborough, Massachusetts
January 19, 2017

	2016
Assets	
Current assets	
Cash and cash equivalents (Notes 2 and 12)	$ 207,246,334
Investments (Note 2)	33,477,941
Student receivables	15,118,471
Allowance-doubtful student receivables	(7,535,576)
Student receivables, net (Note 3)	7,582,895
Student loans receivable (Notes 3 and 4)	3,791,416
Grants receivable, net (Note 3)	2,166,687
Miscellaneous receivables, net (Note 3)	1,231,351
Due from the State of Connecticut (Notes 1 and 5)	56,589,698
Prepaid expenses and other current assets	5,801,603
Total current assets	317,887,925
Noncurrent assets	
Cash and cash equivalents (Notes 2 and 12)	134,139,202
Investments (Note 2)	31,303,100
Student loans receivable	11,249,412
Allowance-doubtful loan receivables	(3,303,835)
Loans receivable, net (Notes 3 and 4)	7,945,577
Other assets	1,219,678
Investment in plant	2,013,289,864
Accumulated depreciation	(819,610,685)
Investment in plant, net of accumulated depreciation (Note 6)	1,193,679,179
Total noncurrent assets	1,368,286,736
Total assets	$ 1,686,174,661
Deferred outflows of resources	
Deferred pension contribution (Note 10)	$ 165,782,862
Total deferred outflows of resources	$ 165,782,862

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

	2016
Liabilities	
Current liabilities	
Accounts payable	$ 13,947,383
Accrued salaries and benefits	52,621,334
Accrued compensated absences (Note 7)	4,412,034
Due to the State of Connecticut	3,527,446
Unearned tuition, fees and grant revenue (Note 9)	39,648,854
Bonds payable (Note 8)	18,562,547
Accrued bond interest payable	2,192,515
Other liabilities	3,873,005
Depository accounts	4,038,489
Total current liabilities	142,823,607
Noncurrent liabilities	
Accrued compensated absences (Note 7)	58,542,525
Bonds payable (Note 8)	296,006,239
Federal loan program advances	9,777,097
Deferred compensation (Note 8)	416,223
Pension liability (Note 10)	664,109,386
Total noncurrent liabilities	1,028,851,470
Total liabilities	$ 1,171,675,077
Deferred inflows of resources	
Deferred pension asset gains (Note 10)	$ 51,974
Total deferred inflows of resources	$ 51,974
Net Position	
Invested in capital assets, net of related debt	$ 1,023,046,681
Restricted	
Nonexpendable	467,116
Expendable	18,320,024
Unrestricted	(361,603,349)
Total net position	$ 680,230,472

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

Combined Statement of Financial Position – Component Units

June 30, 2016

	2016
Assets	
Cash and cash equivalents	$ 5,523,839
Investments	109,271,002
Contributions and other receivables	9,834,471
Prepaid expenses and other assets	972,720
Investment in plant, net	5,178,986
Total assets	$ 130,781,018
Liabilities	
Accounts payable	$ 301,587
Custodial obligation payable	58,200
Other liabilities	726,028
Long-term debt	57,019
	1,142,834
Net assets	
Unrestricted	2,177,956
Temporarily restricted	41,006,907
Permanently restricted	86,453,321
Total net assets	129,638,184
Total liabilities and net assets	$ 130,781,018

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

Connecticut State University System

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016

	2016
Operating revenues	
Tuition and fees	
Tuition and fees (Note 1)	$ 303,029,788
Less	
Scholarships allowance	(31,475,656)
Waivers	(14,890,945)
Tuition and fees, net of scholarship allowances and waivers	256,663,187
Federal grants and contracts	4,727,211
State and local grants and contracts	14,846,852
Nongovernment grants and contracts	4,208,779
Indirect cost recoveries	283,120
Auxiliary revenues (Note 1)	117,737,368
Other operating revenues (Note 1)	20,027,902
Total operating revenues	418,494,419
Operating expenses (Note 13)	
Salaries and wages	334,041,973
Fringe benefits	196,319,389
Professional services and fees	30,034,822
Educational services and support	97,230,627
Travel expenses	6,753,943
Operation of facilities	52,856,778
Other operating supplies and expenses	37,563,493
Depreciation expense	64,131,356
Amortization expense	100,059
Total operating expenses	819,032,440
Operating loss	(400,538,021)
Nonoperating revenues (expenses)	
State appropriations	297,430,651
Pell Grant Revenue	41,340,475
Gifts	3,818,896
Investment income	1,691,647
Interest expense	(10,147,405)
State financed plant facilities	955,205
Other nonoperating revenues	2,322,347
Transfers to the State of Connecticut (Note 1)	(4,100,000)
Net nonoperating revenues (expenses)	333,311,816
Loss before other changes in net position	(67,226,205)
Other changes in net position	
State appropriations restricted for capital purposes	81,623,919
Loss on disposal of capital assets	(783,908)
Net other changes in net position	80,840,011
Net increase in net position	13,613,806
Net position	
Net position - beginning of year, as restated (Note 1)	666,616,666
Net position - end of year	$ 680,230,472

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

Connecticut State University System

Statement of Activities – Component Units

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
Revenues, gains and other support				
Contributions	$ 2,857,116	$ 5,700,340	$ 4,510,412	$ 13,067,868
Program income	12,474	396,014	-	408,488
Investment income	210,664	1,591,877	2,440	1,804,981
Gain (loss) on investments	(39,808)	(2,071,318)	(5,299)	(2,116,425)
Other income	354,280	-	-	354,280
Net assets released from restrictions and reclassifications	7,980,956	(8,000,956)	20,000	-
Total revenues, gains and other support	11,375,682	(2,384,043)	4,527,553	13,519,192
Operating expenses				
Scholarships and awards	1,512,969	-	-	1,512,969
University support	5,844,311	-	-	5,844,311
Auxiliary services	1,033,041	-	-	1,033,041
Academic enrichment	574,881	-	-	574,881
Fundraising	1,608,123	-	-	1,608,123
Management and general	1,179,553	1,209	-	1,180,762
Total operating expenses	11,752,878	1,209	-	11,754,087
Transfers between funds	301,240	(361,411)	60,171	-
Changes in net assets	(75,956)	(2,746,663)	4,587,724	1,765,105
Net assets				
Beginning of year	2,253,912	43,753,570	81,865,597	127,873,079
End of year	$ 2,177,956	$ 41,006,907	$ 86,453,321	$ 129,638,184

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

	2016
Cash flows from operating activities	
Tuition and fees	$ 229,949,051
Grants and contracts	24,188,231
Auxiliary revenues	115,763,132
Other operating revenues	32,393,105
Payments to employees for salaries and benefits	(511,559,867)
Payments to suppliers	(14,316,581)
Professional services and fees	(30,375,294)
Educational services and support	(97,230,628)
Travel expenses	(6,753,943)
Operation of facilities	(56,083,637)
Other operating supplies and expenses	(26,528,678)
University fee receipts	20,526,003
Net cash used in operating activities	(320,029,106)
Cash flows from noncapital financing activities	
State appropriations	289,638,794
Gifts for other than capital purposes	3,818,898
Nonoperating grants and revenue other	43,662,810
Transfers to the State of Connecticut	(4,100,000)
Net cash provided by noncapital financing activities	333,020,502
Cash flows from investing activities	
Proceeds from sales and maturities of investments	74,993,158
Purchases of investments	(35,963,347)
Interest and dividends received on investments	1,626,636
Net cash provided by investing activities	40,656,447
Cash flows from capital and related financing activities	
Cash paid for capital assets	(98,388,896)
State capital appropriations received	87,841,704
Repayments of capital debt and leases	(20,247,455)
Interest paid on capital debt and leases	(12,157,834)
Net cash used in capital and related financing activities	(42,952,481)
Net increase in cash and cash equivalents	10,695,362
Cash and cash equivalents, beginning of year	330,690,174
Cash and cash equivalents, end of year	$ 341,385,536

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

		2016
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(400,538,021)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense		64,131,356
Amortization		100,059
Changes in assets and liabilities:		
Receivables		1,139,793
Prepaid expenses and other		(1,269,656)
Accounts payable		(3,285,587)
Accrued salaries and benefits		4,191,317
Other liabilities		(1,436,921)
Due to/from the State of Connecticut		(603,840)
Unearned tuition, fees and grant revenues		1,765,362
Deferred compensation		(150,727)
Depository accounts		563,014
Accrued compensated absences		2,537,281
Pension Liability		76,492,502
Changes in deferred outflows and inflows of resources		
Deferred pension contribution		(42,228,687)
Deferred pension asset gains		(21,436,351)
Net cash used in operating activities	$	(320,029,106)
Noncash financing activity		
Fixed assets included in accounts payable	$	5,252,684
State financed plant facilities	$	955,205
Reconciliation of cash and cash equivalents to the combined statements of net position		
Cash and cash equivalents classified as current assets	$	207,246,334
Cash and cash equivalents classified as noncurrent assets		134,139,202
	$	341,385,536

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

1. Summary of Significant Accounting Policies

Organization

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

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

Basis of Presentation

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

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

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

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

Several legally separate, tax-exempt, affiliated organizations (the "Foundations") must be considered component units of the CSUS and are presented discretely in these financial statements. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the Universities and Colleges in support of their programs. Although the Universities and 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 Universities and Colleges by the donors. Since these restricted resources held by the Foundations can only be used by, or for the benefit of, the Universities and the Colleges, the Foundations are considered component units of CSUS primary institutions.

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

Restatement

During fiscal 2016, it was determined that certain amounts previously reported for deferred pension contribution, pension expense, state appropriations, and related disclosures associated with the adoption of GASB 68 in fiscal year 2015 were incorrect. As a result, the beginning net position of fiscal year 2016 has been restated.

A summary of the net effects of these errors on the fiscal year 2015 financial statements is as follows (in thousands):

Net Position - beginning of year as previously reported	$ 620,549,701
To adjust opening net position for incorrect amounts previously reported	$ 46,066,965
Net position - beginning of year as restated	$ 666,616,666

Net Position

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

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

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

- **Restricted Nonexpendable**

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

- **Restricted Expendable**

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

- **Unrestricted**

  Net position that is not subject to externally imposed stipulations is considered unrestricted. Unrestricted net position may be designated for the specific purpose by actions of management

  or the BOR or may otherwise be utilized to satisfy certain contractual agreements with outside parties. Substantially all unrestricted net position will be utilized for support for academic and research programs and initiatives, and capital programs.

New GASB Pronouncements

On March 2, 2015, the Governmental Accounting Standards Board (GASB) released Statement No. 72, *Fair Value Measurement and Application,* which would generally require state and local governments to measure investments at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. The requirements are effective for financial statements for periods beginning after June 15, 2015, with early application encouraged. CSUS implemented GASB 72 in fiscal year 2016. There was no significant impact as a result of the adoption.

In June 2015 the Governmental Accounting Standards Board (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. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. Management is evaluating the impact this pronouncement will have on CSUS.

Classification of Assets and Liabilities

CSUS presents short-term and long-term assets and liabilities in the statements of net position. Short-term assets include balances with maturities of one year or less, and assets expected to be received or used within one year or less, from June 30, 2016. 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, 2016. 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, 2016.

Long-term cash and cash equivalents and investments include balances with a maturity of greater than one year from June 30, 2016 and balances that have externally imposed restrictions as to use.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held by the state treasurer in a Short-Term Investment Fund ("STIF"), state general fund and capital appropriations, and petty cash. The STIF, stated at market value, is held on behalf of CSUS by the State Treasurer and has original maturities of three months or less (see Notes 2 and 12). CSUS has long-term investments which include debt service reserve funds which are restricted for purposes in accordance with CHEFA regulations. Interest income is recognized on the accrual basis.

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

Fair Value of Financial Instruments

Fair value approximates carrying value for cash and cash equivalents, notes and accounts receivable, accounts payable, accrued interest and deposits. Investments are carried at fair value, based upon quoted market prices. The fair value of bonds payable is estimated using discounted cash flow analyses.

For the year ended June 30, 2016, the University adopted the provisions of GASB Statement No.72, "Fair Value measurements and Application" ("GASB 72"). This statement addresses the accounting and financial reporting issues related to fair value measurements, as well as requires certain disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also provides guidance for determining a fair value measurement for financial reporting purposes. The University assessed the impact of GASB No. 72 on its financial statements and as all University investments are recorded at fair value based on quoted market prices, implementation of GASB 72 did not have any impact on the presentation of investments or the net position of the University.

Investment in Plant

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

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

Major construction projects for new physical plant and original equipment financed by the State of Connecticut capital outlay appropriations are managed and controlled by the Division of

Construction Services of the State of Connecticut ("DCS"). For projects other than CSCU 2020 projects (see below), the entire cost value of the project is recognized as revenue and recorded as state financed plant facilities by the Colleges and Universities when the project is complete and/or when title passes from DCS to CSCU.

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

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

Interest Capitalization

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on related debt proceeds. CSUS incurred net interest expense of $12.0 million for the fiscal year ended June 30, 2016. Interest capitalized for the fiscal year ended June 30, 2016 totaled $2.5 million. The cumulative capitalized interest was $23.8 million as of June 30, 2016 and is being amortized over 35 years. Amortization of capitalized interest for the year ended June 30, 2016 was $.7 million.

Accrued Compensated Absences (ACA)

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

Due from/Due to the State of Connecticut

Accrued salaries and related fringe benefit costs for CSCU employees within CSUS, whose salaries will be charged to the State of Connecticut General Fund, totaled $30.6 million as of June 30, 2016. CSUS has reflected a related receivable from the State of Connecticut for these costs which will be charged to the General Fund appropriation for the following year, in accordance with the state budget approved prior to June 30, 2016.

CSUS has also recorded a receivable from the State of Connecticut related to allocated bond financing for capital projects when allotted by the Governor (see Note 5).

Connecticut Public Act 16-1 was signed into law by the Governor during fiscal year 2016 stating that the Secretary of the Office of Policy and Management may approve up to $4.1 million to be transferred from the CSUS operating reserves to the State of Connecticut's General Fund for the fiscal year ended June 30, 2016. In accordance with Public Act 16-1, transfers totaling $4.1 million from CSUS were made to the State of Connecticut during fiscal year 2016.

Pension Obligations

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

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

Unearned Tuition, Fees and Grant Revenues

Unearned tuition, fees and grant revenues consist primarily of tuition and fees that have been collected at June 30, 2016, but are applicable to the 2016 summer sessions held subsequent to June 30 as well as upcoming fall sessions. Direct charges related to these sessions are reported in the period the tuition and fees are recognized as income.

Tuition and Fees Revenue

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

Auxiliary Revenues

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

Operating Activities

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

Income Taxes

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes at June 30, 2016 and revenues and expenses recognized during the reporting period. Major estimates include the accrual for employee compensated absences, pension liability, estimated lives of capital assets and the allowances for doubtful accounts. Actual results could differ from those estimates.

Subsequent Events
In accordance with generally accepted accounting principles, CSCU has evaluated subsequent events for the period after June 30, 2016, through January 19, 2017, the date the financial statements were issued and no items needing to be reported were noted.

2. Cash, Cash Equivalents and Investments

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

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

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

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

	2016	
	Cost	Fair value
Cash and cash equivalents	$ 341,385,536	$ 341,385,536
U.S. Mutual Funds- Governmental	50,215,745	50,215,745
Guaranteed Investment Contracts	14,565,296	14,565,296
	$ 406,166,577	$ 406,166,577

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

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

Custodial Credit Risk – At June 30, 2016, the carrying amount of CSUS's bank deposits was $2.2 million as compared to bank balances of $3.7 million. The difference between the carrying amount and bank balances was primarily caused by outstanding checks and deposits in transit. Of such bank balances, $0.7 million was covered by federal deposit insurance as of June 30, 2016. The remaining balance of $3.0 million was uninsured and uncollateralized and therefore subject to custodial credit risk.

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. 84% of CSUS total cash, cash equivalents and investments was invested in the STIF and the State's pooled, interest credit program accounts as of June 30, 2016.

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

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

	2016 Investment Maturities (in years)				
Debt Securities	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Government obligations	$ 50,215,745	$ 50,215,745	$ -	$ -	$ -
Guaranteed Investment Contracts	14,565,296	-	2	14,565,287	7
	$ 64,781,041	$ 50,215,745	$ 2	$ 14,565,287	$ 7

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

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

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

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

All of the investments held by CSUS are Level 1.

3. Receivables

Receivables consisted of the following at June 30:

	2016
Student accounts receivable	$ 15,118,471
Student loans receivable	15,040,828
Grants receivable	2,281,737
Miscellaneous receivables	1,231,351
	33,672,387
Less allowance for doubtful accounts	(10,954,461)
Net accounts receivable	$ 22,717,926

4. Loans Receivable

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

CSUS has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2016, the allowance for uncollectible loans was $3,303,835. As management determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the US Department of Education.

5. Due from the State of Connecticut

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

	2016
Receivable for accrued salaries, interest and fringe benefits to be paid by State of Connecticut General Fund	$ 30,929,024
State appropriations for capital projects	25,660,674
	$ 56,589,698

Bond financing for capital projects authorized by the State Legislature is available for allotment by the Governor when allocated for specific projects by the State Bond Commission. Bond financing for capital projects for CSCU were brought together under the existing CSCU 2020 program. CSCU recognizes such resources as a receivable when they are allotted. This amount, recorded as a receivable, is drawn against as related capital projects are constructed. At fiscal year-end, deferred revenue is recorded for funds that have not yet been expensed. The majority of CSCU's capital projects have historically been financed through the issuance of general obligation bonds of the State of Connecticut.

6. Investment in Plant

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

	Balance June 30, 2015	Year ended June 30, 2016 Additions	Retirements and Transfers	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 19,759,468	$ 154,467	$ -	$ 19,913,935
Capitalized collections	8,371,225	113,975	(1,126)	8,484,074
Construction in progress	212,525,339	56,684,730	(210,401,001)	58,809,068
Total capital assets not being depreciated	$ 240,656,032	$ 56,953,172	$ (210,402,127)	$ 87,207,077
Other capital assets:				
Land improvements	$ 102,693,459	$ 2,533,070	$ (2,307,265)	$ 102,919,264
Buildings and building improvements	1,380,771,116	218,724,378	(2,578,618)	1,596,916,876
Furniture, fixtures and equipment	155,373,329	17,873,524	(10,956,091)	162,290,762
Library materials	62,606,294	2,639,271	(1,289,680)	63,955,885
Total other capital assets	1,701,444,198	241,770,243	(17,131,654)	1,926,082,787
Less accumulated depreciation for:				
Land improvements	(59,707,695)	(4,438,751)	2,100,886	(62,045,560)
Buildings and building improvements	(561,443,648)	(43,715,294)	2,231,809	(602,927,133)
Furniture, fixtures and equipment	(104,256,934)	(12,477,249)	5,815,335	(110,918,848)
Library materials	(41,508,762)	(3,500,062)	1,289,680	(43,719,144)
Total accumulated depreciation	(766,917,039)	(64,131,356)	11,437,710	(819,610,685)
Other capital assets, net	$ 934,527,159	$177,638,887	$ (5,693,944)	$ 1,106,472,102
Capital asset summary:				
Capital assets not being depreciated	$ 240,656,032	$ 56,953,172	$ (210,402,127)	$ 87,207,077
Other capital assets, at cost	1,701,444,198	241,770,243	(17,131,654)	1,926,082,787
Total cost of capital assets	1,942,100,230	298,723,415	(227,533,781)	2,013,289,864
Less accumulated depreciation	(766,917,039)	(64,131,356)	11,437,710	(819,610,685)
Capital assets, net	$ 1,175,183,191	$234,592,059	$ (216,096,071)	$ 1,193,679,179

7. Accrued Compensated Absences

Accrued compensated absences as of June 30, include:

	2016
Accrued vacation	$ 24,910,175
Accrued sick leave	24,691,852
Other accrued fringe benefits	13,352,532
	62,954,559
Less: current portion	4,412,034
Noncurrent portion	$ 58,542,525

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

Balance as of June 30, 2015	60,417,275
Additions in 2016	7,032,516
Retirements in 2016	(4,495,232)
Balance as of June 30, 2016	$ 62,954,559

These accruals represent estimated amounts earned by all eligible employees through June 30, 2016. 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 compensated absences is estimated based on recent past history.

8. Bonds, Notes Payable and Capital Lease Obligations

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

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

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

In fiscal year 2009 portions of the September 1997 self-liquidating bonds were refunded. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statements of net position. The outstanding amount of the refunded bonds totaled $0.2 million at June 30, 2009. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $30,000. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As a result of the refunding, CSUS will reduce its aggregate debt service payments by $30,000 and achieve an economic gain of $30,000.

In fiscal year 2008 portions of the September 1997 and February 1998 self-liquidating bonds were refunded. As a result, the refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the statements of net position. The outstanding amount of the refunded bonds totaled $6.1 million at June 30, 2008. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $0.2 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method.

Principal outstanding on the self-liquidating bond issues as of June 30 is as follows:

	Type	2016
April 2005	Refunded	$ 422,547

The self-liquidating bond issue will mature in FY17, with the estimated principal and interest requirements for next year as follows:

Year	Principal	Interest
2017	$ 422,547	$ 22,586

On June 17, 2005, CHEFA issued $50.6 million of Series G Revenue Bonds on behalf of CSUS. The Bonds mature from 2006 to 2035 with interest rates varying from three percent (3%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

On June 17, 2005, CHEFA issued $48.5 million of Series H Revenue Bonds on behalf of CSUS, to advance refund portions of Series B, C, D and E. The Bonds mature from 2005 to 2019 with interest rates varying from two and one-half percent (2.5%) to five percent (5%). Payment of the principal of, and interest on, the bonds are due to the Trustee on April 1 and October 1 of each year.

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

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

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

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

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

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

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

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

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

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

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

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

In connection with the fiscal year 2004 advance refunding of portions of Series A, B, C and D, CSUS deposited into irrevocable trust accounts sufficient funds to provide for all future debt service payments on the refunded bonds. Assets held in the trust accounts had an aggregate fair value of $53.9 million at June 30, 2004. The refunded bonds were considered to be defeased, and the liability for those bonds has been removed from the statements of net position. The refunding of the bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5.3 million. The difference, which is recorded as a reduction of bonds payable, is being charged to operations over the life of new bonds using the straight-line method. As of June 30, 2016, there was no outstanding amount on these refunded bonds.

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

	2016
CHEFA Revenue Bonds Series G	$ 4,930,000
CHEFA Revenue Bonds Series H	25,775,000
CHEFA Revenue Bonds Series I	62,035,000
CHEFA Revenue Bonds Series J	22,805,000
CHEFA Revenue Bonds Series K	13,990,000
CHEFA Revenue Bond Series L	47,220,000
CHEFA Revenue Bond Series M	30,960,000
CHEFA Revenue Bond Series N	75,435,000
CHEFA Revenue Bond Series O	18,810,000
	$ 301,960,000

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

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

Maturity	Principal	Interest
2017	$ 18,140,000	$ 12,739,831
2018	18,370,000	11,903,600
2019	17,235,000	11,085,619
2020	17,775,000	10,303,944
2021	17,370,000	9,499,044
2022-2026	83,555,000	35,663,975
2027-2031	77,760,000	18,977,019
2032-2036	51,755,000	3,011,447
	$ 301,960,000	$ 113,184,479

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

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Bonds payable	$ 322,630,002		$ (20,247,455)	$ 302,382,547
Premium on bonds payable, net of original issue discount and deferred loss on bond refunding	16,902,052		(1,794,610)	15,107,442
Less discount on bonds payable	(3,252,664)		331,461	(2,921,203)
Total bonds payable	336,279,390	-	(21,710,604)	314,568,786
Deferred compensation	566,950	50,605	(201,332)	416,223
Total	$ 336,846,340	$ 50,605	$ (21,911,936)	$ 314,985,009

9. Unearned Tuition, Fees and Grant Revenue

Unearned tuition, fees and grant revenue consists of the following at June 30, 2016:

Unearned tuition and fees	$ 25,518,480
Grants and contracts	1,977,301
Other	12,153,073
	$ 39,648,854

10. Retirement and Other Post Employment Benefits

Plan Description

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

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

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

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Systems' net pension liability is valued one year in arrears. The net pension liability recorded in the financial statements as of June 30, 2016 was measured and valued as of June 30, 2015 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, at June 30, 2016 the System's proportion was 0.10 %. For the SERS plan, at June 30, 2016 the System's proportion was 3.96%.

All SERS and TRS assets are available to pay any participants benefits. However, the portion of each plan's net pension liability attributable to the CSU System is tracked separately. The net pension liability for the CSU System as of June 30, 2015 for SERS and TRS was $653.6 million and $10.5 million respectively.

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	4.00% to 20.00%, including inflation
Investment rate of return net of pension plan investment expense, including inflation	8.00%

Mortality rates were based on the RP-2000 Employees table projected 15 years for men and 25 years for women with the Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation (which was the basis for recording the June 30, 2016 financial statement liabilities) were based on the results of the actuarial experience study as of June 30, 2015.

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 June 30, 2015 are summarized in the following table:

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

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

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
Mutual Equity	25%	7.3%
Developed Markets ISF	20%	7.5%
Emerging Markets ISF	9%	8.6%
Core Fixed Income	13%	1.7%
Emerging Market Debt	4%	4.8%
High Yield	2%	3.7%
Inflation Linked Bonds	6%	1.3%
Liquidity Fund	6%	0.7%
Real Estate	5%	5.9%
Private Investment	10%	10.9%
	100%	

Discount Rate

SERS:

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

TRS:

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate

The following presents the current-period net pension liability of the CSUS System calculated using the current-period discount rate assumption of 8.0% for SERS and 8.5% for TRS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (SERS - 7.0%) (TRS - 7.5%)	Current Discount (SERS - 8.0%) (TRS - 8.5%)	1% Increase (SERS - 9.0%) (TRS - 9.5%)
SERS	$ 777,458,730	$ 653,585,476	$ 549,223,961
TRS	13,271,505	10,523,910	8,188,435

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

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

	SERS	TRS	Total
DEFERRED OUTFLOWS OF RESOURCES			
Changes of assumptions or other inputs	$ -	$ -	-
Net difference between projected and actual earnings on pension plan investements	102,919	75,665	178,584
Changes in proportion and differences between employer contributions and proportionate share of contributions	100,619,481	847,071	101,466,552
Employer contributions after measurement date	62,778,348	1,359,379	64,137,727
Total	**$ 163,500,748**	**$ 2,282,115**	**$ 165,782,863**
DEFERRED INFLOWS OF RESOURCES			
Changes of assumptions or other inputs	$ -	$ -	$ -
Net difference between projected and actual earnings on pension plan investements	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	51,974	51,974
Total	**$ -**	**$ 51,974**	**$ 51,974**

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

	SERS	TRS	Total
2016	$ 22,896,440	$ 115,366	$ 23,011,806
2017	22,896,440	115,366	23,011,806
2018	22,896,362	115,369	23,011,731
2019	24,705,390	320,788	25,026,178
2020	7,327,769	203,873	7,531,642
Thereafter	$ -	$ -	-

Other Post-Employment Benefits

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

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

11. Commitments and Contingencies

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

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

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

	2016
System Office	$ 7,804,010
Central Connecticut State University	5,734,805
Eastern Connecticut State University	2,899,176
Southern Connecticut State University	4,257,772
Western Connecticut State University	5,037,193
	$ 25,732,956

12. Intra-University and Related Party Activities

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

In addition to those transactions identified in Note 5, the accompanying statements of net position includes balances among related parties. Significant balances for the years ended June 30, were as follows:

	2016
Cash balances held with the State of Connecticut on behalf of the universities (excluding STIF)	$ 246,166,558
Amounts invested in the Connecticut STIF	93,048,106
	$ 339,214,664

13. Natural Classification with Functional Classification

The operating expenses by functional classification were as follows:

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

Schedule of Net Pension Liability and Related Ratios

State Employee Retirement System Plan

Last 10 Fiscal Years [1]

	2016	2015	2014 [1]
System's proportion of the net pension liability	3.96%	3.61%	3.12%
System's proportionate share of the net pension liability	$ 653,585,476	$ 577,889,607	$ 516,857,599
System's covered-employee payroll	154,782,123	$ 140,369,452	$ 119,305,259
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	422%	412%	433%
Plan Fiduciary net position as a percentage of the total pension liability	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]

	2016	2015	2014 [1]
System's proportion of the net pension liability	0.10%	0.10%	0.10%
System's proportionate share of the net pension liability	$ 10,523,910	$ 9,727,277	$ 10,728,942
State's proportionate share of the net pension liability associated with the System	$ 10,523,916	$ 9,714,654	
Total	$ 21,047,826	$ 19,441,931	$ 10,728,942
System's covered-employee payroll	$ 3,930,206	$ 3,813,448	$ 3,063,073
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	268%	255%	350%
Plan Fiduciary net position as a percentage of the total pension liability	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 Contributions

State Employee Retirement System Plan

Last 10 Fiscal Years [1]

	2016	2015	2014
Contractually required contribution	$ 54,526,224	$ 45,788,758	$ 33,007,798
Contributions in relation to the contractually required contribution	(54,253,593)	(45,788,758)	(32,974,790)
Contribution deficiency (excess)	$ 272,631	$ -	$ 33,008
System's covered-employee payroll	$ 154,782,123	$ 140,369,452	$ 119,305,259
Contributions as a percentage of covered employee payroll	35%	32.62%	27.64%

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

Teachers Retirement System Plan

Last 10 Fiscal Years [1]

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

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

1. Changes in Benefit Terms

For the June 30, 2014 valuation, there were two changes in benefit terms:

- The 2011 SEBAC Agreement changed the benefit multiplier for the portion of benefit below the breakpoint from 1.33% to 1.4%. This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA and III.
- A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retiremenet elibility applicable to members eligible to retire before July 1, 2022. Employees who elected by July 1, 2013 to maintain the eligibility are required to make additional employee contributions for the length of their remaining active service with SERS. The additional contribution was up to 0.72% of pensionable earnings.

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

Connecticut State University System

Supplemental Information – Combining Statement of Net Position

June 30, 2016

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2016
Assets							
Current assets:							
Cash and cash equivalents	$ 63,229,682	$ 31,413,906	$ 59,741,242	$ 29,303,931	$ 23,557,573	$ -	$ 207,246,334
Investments	-	-	-	-	33,477,941	-	33,477,941
Student receivables	3,468,526	6,096,035	2,351,841	3,202,069	-	-	15,118,471
Allowance-doubtful student receivables	(1,574,848)	(3,458,237)	(1,115,450)	(1,387,041)	-	-	(7,535,576)
Student receivables, net	1,893,678	2,637,798	1,236,391	1,815,028	-	-	7,582,895
Student loans receivable	571,089	471,343	2,421,057	327,927	-	-	3,791,416
Grant receivables, net	572,445	203,177	832,956	558,109	-	-	2,166,687
Miscellaneous receivables, net	772,606	261,862	156,200	40,683	-	-	1,231,351
Due from the State of Connecticut	14,998,885	8,600,902	13,490,192	9,206,485	10,293,234	-	56,589,698
Due from SO and Universities	11,254	-	78,417	24,563	309,597	(423,831)	-
Prepaid expenses and other current	-	-	-				
assets	2,019,448	390,556	864,916	290,835	2,235,848	-	5,801,603
Total current assets	84,069,087	43,979,544	78,821,371	41,567,561	69,874,193	(423,831)	317,887,925
Noncurrent assets:							
Cash and cash equivalents	17,816,716	10,660,379	23,031,550	957,056	81,673,501	-	134,139,202
Investments	-	-		-	31,303,100	-	31,303,100
Student loans receivable	3,686,946	1,459,188	4,065,427	2,037,851	-	-	11,249,412
Allowance-doubtful loan receivables	(907,773)	(491,314)	(1,448,122)	(456,626)	-	-	(3,303,835)
Loans receivable, net	2,779,173	967,874	2,617,305	1,581,225	-	-	7,945,577
Other assets	-	-	164,741	102,899	952,038	-	1,219,678
Investment in plant	527,534,311	465,848,225	586,787,927	386,157,780	27,206,942	19,754,679	2,013,289,864
Accumulated depreciation	(230,417,291)	(165,526,375)	(244,274,620)	(155,160,004)	(24,232,395)	-	(819,610,685)
Investment in plant, net of accumulated depreciation	297,117,020	300,321,850	342,513,307	230,997,776	2,974,547	19,754,679	1,193,679,179
Total noncurrent assets	317,712,909	311,950,103	368,326,903	233,638,956	116,903,186	19,754,679	1,368,286,736
Total assets	$401,781,996	$355,929,647	$447,148,274	$275,206,517	$ 186,777,379	$ 19,330,848	$ 1,686,174,661
Deferred outflows of resources:							
Deferred pension contribution	$ -	$ -	$ -	$ -	$ 165,782,862	$ -	$ 165,782,862
Total deferred outflows of resources	$ -	$ -	$ -	$ -	$ 165,782,862	$ -	$ 165,782,862

Connecticut State University System

Supplemental Information – Combining Statement of Net Position

June 30, 2016

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2016
Liabilities							
Current liabilities:							
Accounts payable	$ 4,590,693	$ 3,174,300	$ 4,598,097	$ 902,899	$ 681,394	$ -	$ 13,947,383
Accrued salaries and benefits	19,588,434	7,782,834	17,281,659	7,527,721	440,686	-	52,621,334
Accrued compensated absences	1,418,143	675,127	1,480,744	707,622	130,398	-	4,412,034
Due to the State of Connecticut	43,073	1,635,062	305,668	1,543,643	-	-	3,527,446
Due to SO and Universities	125,519	34,557	113,947	113,991	35,817	(423,831)	-
Unearned tuition,fees and grant revenue	9,722,185	3,918,745	10,471,547	3,399,353	12,137,024	-	39,648,854
Bonds payable	-	-	-	-	18,562,547	-	18,562,547
Accrued bond interest payable	-	-	-	-	2,192,515	-	2,192,515
Other liabilities	784,929	206,046	1,612,498	835,648	433,884	-	3,873,005
Depository accounts	1,048,155	670,506	2,319,828	-	-	-	4,038,489
Total current liabilities	37,321,131	18,097,177	38,183,988	15,030,877	34,614,265	(423,831)	142,823,607
Noncurrent liabilities:							
Accrued compensated absences	19,498,423	10,474,485	17,262,849	9,965,406	1,341,362	-	58,542,525
Bonds payable	-	-	-	-	296,006,239	-	296,006,239
Federal loan program advances	3,136,752	1,459,188	3,549,051	1,632,106	-	-	9,777,097
Deferred compensation	-	-	-	-	416,223	-	416,223
Pension Liability	-	-	-	-	664,109,386	-	664,109,386
Total noncurrent liabilities	22,635,175	11,933,673	20,811,900	11,597,512	961,873,210	-	1,028,851,470
Total liabilities	$ 59,956,306	$ 30,030,850	$ 58,995,888	$ 26,628,389	$ 996,487,475	$ (423,831)	$ 1,171,675,077
Deferred inflows of resources:							
Deferred pension asset gains	$ -	$ -	$ -	$ -	$ 51,974	$ -	$ 51,974
Total deferred inflows of resources	$ -	$ -	$ -	$ -	$ 51,974	$ -	$ 51,974
Net Position							
Invested in capital assets, net of related debt	$ 297,101,205	$ 300,282,915	$ 342,513,307	$ 230,997,776	$ (167,603,201)	$ 19,754,679	$ 1,023,046,681
Restricted:							
Nonexpendable	-	60,000	-	407,116	-	-	467,116
Expendable	7,282,335	1,949,705	4,786,749	4,300,279	956	-	18,320,024
Unrestricted	37,442,150	23,606,177	40,852,330	12,872,957	(476,376,963)	-	(361,603,349)
Total net position	$ 341,825,690	$ 325,898,797	$ 388,152,386	$ 248,578,128	$ (643,979,208)	$ 19,754,679	$ 680,230,472

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2016
Operating revenues:							
Tuition and fees:							
Tuition and fees, gross	$101,367,743	$ 45,416,661	$ 100,066,522	$ 50,476,154	$ 5,702,708	$ -	$ 303,029,788
Less:							
Scholarships allowance	(8,980,612)	(7,801,873)	(9,489,695)	(5,203,476)	-	-	(31,475,656)
Waivers	(5,983,028)	(2,914,123)	(4,122,556)	(1,871,238)	-	-	(14,890,945)
Debt service fee	(7,003,550)	(3,631,903)	(6,683,750)	(3,618,877)	20,526,003	412,077	-
Tuition and fees, net of scholarship allowances and waivers	79,400,553	31,068,762	79,770,521	39,782,563	26,228,711	412,077	256,663,187
Federal grants and contracts	1,558,491	543,193	2,214,938	410,589	-	-	4,727,211
State and local grants and contracts	5,769,701	1,132,243	5,570,633	2,374,275	-	-	14,846,852
Nongovernment grants and contracts	1,474,210	68,458	2,626,111	40,000	-	-	4,208,779
Indirect cost recoveries	135,036	20,629	127,455	-	-	-	283,120
Auxiliary revenues	35,552,949	30,902,444	31,597,212	19,669,133	1,701,934	(1,686,304)	117,737,368
Other operating revenues	31,109,452	2,322,082	7,330,178	2,179,023	11,894,571	(34,807,404)	20,027,902
Total operating revenues	155,000,392	66,057,811	129,237,048	64,455,583	39,825,216	(36,081,631)	418,494,419
Operating expenses:							
Salaries and wages	104,357,110	58,268,110	105,264,473	61,008,543	5,143,737	-	334,041,973
Fringe benefits	57,261,551	34,116,027	57,643,669	31,856,397	15,441,745		196,319,389
Professional services and fees	8,170,962	4,481,614	9,618,999	5,309,973	2,453,274	-	30,034,822
Educational services and support	33,348,342	14,233,612	32,724,226	16,922,326	2,121	-	97,230,627
Travel expenses	2,793,264	917,054	2,020,543	916,034	107,048	-	6,753,943
Operation of facilities	24,324,344	7,243,739	10,959,642	8,513,621	38,309,140	(36,493,708)	52,856,778
Other operating supplies and expenses	5,519,726	3,493,033	9,784,831	6,646,876	11,706,950	412,077	37,563,493
Depreciation expense	17,721,494	13,382,070	20,142,512	12,028,672	856,608	-	64,131,356
Amortization expense	-	-	61,338	38,721	-	-	100,059
Total operating expenses	253,496,793	136,135,259	248,220,233	143,241,163	74,020,623	(36,081,631)	819,032,440
Operating loss	$ (98,496,401)	$ (70,077,448)	$(118,983,185)	$ (78,785,580)	$ (34,195,407)	$ -	$ (400,538,021)

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2016
Nonoperating revenues (expenses)							
State appropriations	$ 90,765,723	$ 56,494,414	$ 88,053,771	$ 55,088,735	$ 7,028,008	$ -	$ 297,430,651
Pell Grant Revenue	14,194,458	6,357,772	13,100,085	7,688,160	-	-	41,340,475
Gifts	2,528,378	751,123	415,957	123,438	-	-	3,818,896
Investment income	264,971	138,946	264,041	106,679	917,010	-	1,691,647
Interest Expense	(14)	(1,093)	-	-	(12,013,928)	1,867,630	(10,147,405)
State financed plant facilities	-	-	955,205	-	-	-	955,205
Other nonoperating revenues	474,791	451,949	643,751	751,856	-	-	2,322,347
Transfers to the State of Connecticut	(1,173,008)	(779,861)	(1,138,432)	(750,703)	(257,996)		(4,100,000)
Net nonoperating revenues (expenses)	107,055,299	63,413,250	102,294,378	63,008,165	(4,326,906)	1,867,630	333,311,816
Income (loss) before other changes in net position	8,558,898	(6,664,198)	(16,688,807)	(15,777,415)	(38,522,313)	1,867,630	(67,226,205)
Other changes in net position							
State appropriations restricted for capital purposes	11,344,048	29,935,609	18,656,490	8,478,431	13,209,341	-	81,623,919
Loss on disposal of capital assets	(111,654)	(537,848)	(83,803)	(49,031)	(1,572)	-	(783,908)
Net other changes in net position	11,232,394	29,397,761	18,572,687	8,429,400	13,207,769	-	80,840,011
Net increase in net position	19,791,292	22,733,563	1,883,880	(7,348,015)	(25,314,544)	1,867,630	13,613,806
Net Position:							
Net Position - beginning of year, as restated	322,034,398	303,165,234	386,268,506	255,926,143	(618,664,664)	17,887,049	666,616,666
Net Position - end of year	$341,825,690	$325,898,797	$388,152,386	$248,578,128	$(643,979,208)	$ 19,754,679	$ 680,230,472

Connecticut State University System

Supplemental Information – Combining Statement of Cash Flows

Year Ended June 30, 2016

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2016
Cash flows from operating activities:							
Tuition and fees	$ 78,335,605	$ 31,447,403	$ 80,076,227	$ 33,975,031	$ 5,702,708	$ 412,077	$ 229,949,051
Grants and contracts	8,946,008	1,888,610	10,576,488	2,777,125	-		24,188,231
Auxiliary revenues	31,230,713	29,972,664	30,694,108	23,850,017	1,701,934	(1,686,304)	115,763,132
Other operating revenues	37,245,752	3,776,857	9,536,550	4,312,260	12,329,090	(34,807,404)	32,393,105
Payments to employees for salaries and benefits	(159,074,632)	(91,106,982)	(160,885,588)	(92,400,237)	(8,092,428)		(511,559,867)
Payments to suppliers	(3,384,849)	(1,452,909)	(6,095,684)	(3,281,695)	(101,444)		(14,316,581)
Professional services and fees	(8,115,877)	(4,708,324)	(9,665,736)	(5,432,083)	(2,453,274)		(30,375,294)
Educational services and support	(33,348,342)	(14,233,612)	(32,724,227)	(16,922,326)	(2,121)		(97,230,628)
Travel expenses	(2,793,264)	(917,054)	(2,020,543)	(916,034)	(107,048)		(6,753,943)
Operation of facilities	(24,324,345)	(7,243,739)	(10,959,642)	(8,513,621)	(41,535,998)	36,493,708	(56,083,637)
Other operating supplies and expenses	(3,954,584)	(1,680,274)	(4,328,632)	(3,438,653)	(12,714,458)	(412,077)	(26,528,678)
University fee receipts	-	-	-	-	20,526,003	-	20,526,003
Net cash used in operating activities	(79,237,815)	(54,257,360)	(95,796,679)	(65,990,216)	(24,747,036)	-	(320,029,106)
Cash flows from noncapital financing activities:							
State appropriations	87,923,893	54,546,965	87,201,003	52,985,240	6,981,693	-	289,638,794
Gifts for other than capital purposes	2,528,379	751,124	415,957	123,438	-	-	3,818,898
Nonoperating grants and revenue other	14,669,235	6,809,722	13,743,836	8,440,017	-	-	43,662,810
Transfers to the State of Connecticut	(1,173,008)	(779,861)	(1,138,432)	(750,703)	(257,996)		(4,100,000)
Net cash provided by noncapital financing activities	$ 103,948,499	$ 61,327,950	$ 100,222,364	$ 60,797,992	$ 6,723,697	$ -	$ 333,020,502

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2016
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	$ -	$ -	$ -	$ -	$ 74,993,158	$ -	$ 74,993,158
Purchases of investments	-	-	-	-	(35,963,347)	-	(35,963,347)
Interest and dividends received on investments	264,972	137,854	214,907	106,679	902,224	-	1,626,636
Net cash provided by investing activities	264,972	137,854	214,907	106,679	39,932,035	-	40,656,447
Cash flows from capital and related financing activities:							
Cash paid for capital assets	(36,452,162)	(31,213,025)	(22,512,557)	(4,607,458)	(3,603,694)	-	(98,388,896)
State capital appropriations received	11,344,048	29,935,609	19,380,396	8,478,431	18,703,220	-	87,841,704
Repayments of capital debt and leases	-	-	-	-	(20,247,455)	-	(20,247,455)
Interest paid on capital debt and leases	-	-	-	-	(12,157,834)	-	(12,157,834)
Net cash used in capital and related financing activities	(25,108,114)	(1,277,416)	(3,132,161)	3,870,973	(17,305,763)	-	(42,952,481)
Net increase in cash and cash equivalents	(132,458)	5,931,028	1,508,431	(1,214,572)	4,602,933	-	10,695,362
Cash and cash equivalents, beginning of year	81,178,856	36,143,257	81,264,361	31,475,559	100,628,141	-	330,690,174
Cash and cash equivalents, end of year	$ 81,046,398	$ 42,074,285	$ 82,772,792	$ 30,260,987	$ 105,231,074	$ -	$ 341,385,536

	CCSU	ECSU	SCSU	WCSU	SO	Combining Adjustments	2016
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating loss	$ (98,496,401)	$ (70,077,448)	$ (118,983,185)	$ (78,785,580)	$ (34,195,407)	$ -	$ (400,538,021)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation expense	17,721,494	13,382,070	20,142,512	12,028,672	856,608	-	64,131,356
Amortization	-	-	61,338	38,721	-	-	100,059
Changes in assets and liabilities:							
Receivables	(21,341)	805,262	556,240	(215,998)	15,630	-	1,139,793
Prepaid expenses and other	(140,581)	(84,890)	(52,346)	(57,489)	(934,350)	-	(1,269,656)
Accounts payable	(1,599,257)	366,019	(546,708)	(266,928)	(1,238,713)	-	(3,285,587)
Accrued salaries and benefits	2,218,653	639,555	1,166,684	143,583	22,842	-	4,191,317
Other liabilities	(96,683)	78,722	(40,430)	250,945	(1,629,475)	-	(1,436,921)
Due to/from State of Connecticut	(483,887)	66,466	(171,539)	(14,880)	-	-	(603,840)
Due to/from Universities	565,745	(224,928)	(83,019)	(143,415)	(114,383)	-	-
Unearned tuition, fees and grant revenues	268,368	232,579	842,839	421,576	-	-	1,765,362
Deferred compensation	-	-	-	-	(150,727)	-	(150,727)
Depository accounts	16,814	(11,901)	283,524	274,577	-	-	563,014
Accrued compensated absences	809,261	571,134	1,027,411	336,000	(206,525)	-	2,537,281
Pension Liability	-	-	-	-	76,492,502	-	76,492,502
Changes in deferred outflows and inflows of resources:							
Deferred pension contribution	-	-	-	-	(42,228,687)	-	(42,228,687)
Deferred penson asset gains	-	-	-	-	(21,436,351)	-	(21,436,351)
Net cash used in operating activities	$ (79,237,815)	$ (54,257,360)	$ (95,796,679)	$ (65,990,216)	$ (24,747,036)	$ -	$ (320,029,106)
Noncash investing, noncapital financing and capital and related financing transactions:							
Fixed assets included in accounts payable	$ 1,927,572	$ 1,324,389	$ 1,982,335	$ 18,388	$ -	$ -	$ 5,252,684
State financed plant facilities	$ -	$ -	$ 955,205	$ -	$ -	$ -	$ 955,205
Reconciliation of cash and cash equivalents to the combined statements of net assets:							
Cash and cash equivalents classified as current assets	$ 63,229,682	$ 31,413,906	$ 59,741,242	$ 29,303,931	$ 23,557,573	$ -	$ 207,246,334
Cash and cash equivalents classified as noncurrent assets	17,816,716	10,660,379	23,031,550	957,056	81,673,501	-	134,139,202
	$ 81,046,398	$ 42,074,285	$ 82,772,792	$ 30,260,987	$ 105,231,074	$ -	$ 341,385,536